INTRODUCED BY CORMAN, BROWNE, SCARNATI, GORDNER, EICHELBERGER, SMUCKER, FOLMER, SCAVELLO, AUMENT, McGARRIGLE, VULAKOVICH, STEFANO, BARTOLOTTA, HUTCHINSON, ALLOWAY, YAW, MENSCH, BAKER, WHITE, BROOKS, ARGALL, McILHINNEY, VANCE, VOGEL, WAGNER AND WARD, MAY 8, 2015

REFERRED TO FINANCE, MAY 8, 2015

AN ACT

Amending Titles 24 (Education), 51 (Military Affairs) and 71 (State Government) of the Pennsylvania Consolidated Statutes, extensively revising pension provisions: for the Public School Employees' Retirement System, in the areas of preliminary provisions, of membership, contributions and benefits, of School Employee's Defined Contribution Plan and of administration and miscellaneous provisions; for health insurance for retired school employees, in the area of preliminary provisions; for military pensions, in the area of military leave of absence; for boards and offices, in the area of Independent Fiscal Office; for the State Employees' Retirement System, in the areas of preliminary provisions, of membership, credited service, classes of service and eligibility for benefits, of State Employees' Defined Contribution Plan, of contributions, of benefits and of administration, funds, accounts, general provisions; and providing, as to the revisions, for construction and administration, for applicability, for funding, for liability, for State Employee member statements and for State Employees Retirement Board obligations.

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

ARTICLE I

Section 101. (1) It is the intent of the General Assembly to ensure the financial health of the Commonwealth and its
school districts by adopting reforms to provide for the 
sustainability of our public retirement system.

(2) Pennsylvania's retirement systems, SERS for State 
employees and PSERS for school employees, together have an 
unfunded liability of $60,121,184,000. The level of payment 
by the Commonwealth and school districts required to annually 
address these amounts is staggering, particularly when other 
state revenues are reduced due to a struggling economy. The 
current condition of Pennsylvania's unfunded system combined 
with the State's structural deficit threaten the financial 
well-being of current and future public employees.

(3) In order to fully fund State pensions systems, 
economists estimate that contributions will continue to 
require a significant portion of state revenues. In fiscal 
year 2015-2016, pension expenditures are expected to exceed 
$4,800,000,000 and $7,300,000,000 by 2025.

(4) The tax increases that would be required to address 
increasing pension obligations would place a heavy burden on 
the citizens of this Commonwealth and hamper the ability to 
provide them with services vital to the public's health, 
safety and welfare. Therefore, it is imperative that the 
Commonwealth adopt reforms that will maintain the financial 
health of the Commonwealth and its school districts.

(5) Therefore, the reforms contained in this legislation 
are intended to use resources judiciously and enable the 
Commonwealth to provide retirement security for Commonwealth 
and school employees while reducing the burden on taxpayers.

(6) The reforms of the retirement benefits of 
Commonwealth and school district employees contained in this 
act are prospective and will not impact benefits earned from

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services rendered prior to the effective date of this act.

(7) The General Assembly finds that it is necessary to advance and maintain the long-term stability of public employee pension systems by adopting reform relating to current and to future employees in order to:

(i) Ensure that the Commonwealth and its school districts will have adequate funds to continue to be able to provide retirement benefits for their employees.

(ii) To ensure that the cost of current and future benefits does not jeopardize the ability and obligation to provide for public education, infrastructure, programs for the elderly and other vulnerable populations and public safety.

(8) The General Assembly expressly finds and declares that the situation confronting our pensions systems has reached a critical state and that enactment of this act is reasonable and necessary to achieve and protect the public interests. Further, the General Assembly finds that protecting benefits for services already rendered meets all legal standards relating to changes in benefits.

ARTICLE II

Section 201. Section 8102 of Title 24 of the Pennsylvania Consolidated Statutes is amended to read:

§ 8102. Definitions.
The following words and phrases when used in this part shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

"Accumulated deductions." The total of pickup contributions [and], eligible roll-ins made under section 8507(l) (relating to rights and duties of school employees, members and
participants), the contributions paid into the fund by the
member on account of current school service, previous school
service, or creditable nonschool service, excess interest
awarded under section 8523(d) (relating to members' savings
account and cash balance account) on member contributions, and
the statutory interest credited on all such contributions.

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

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

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

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

"Activated military service." Military service by a member
of a reserve component of the armed forces, pursuant to an order
on or after July 1, 1990, and prior to July 1, 2013, to enter
into active military service, other than an order to enter into
active duty to meet periodic training requirements, who was an
active member of the system immediately preceding the order into
active military service and to whom the military leave
provisions of 51 Pa.C.S. Ch. 73 (relating to military leave of
absence) do not apply.

"Active member." A school employee for whom pickup
contributions are being made to the fund or for whom such
contributions otherwise required for current school service are
not being made solely by reason of any provision of this part
limiting compensation or relating to the limitations under
section 401(a)(17) or 415(b) of the Internal Revenue Code of
1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)).

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

"Actuarially equivalent." Equal present values, computed on
the basis of statutory interest and the mortality tables adopted
by the board.

"Actuary." The consultant to the board who shall be:
(1) a member of the American Academy of Actuaries;
(2) an individual who has demonstrated to the
satisfaction of the Insurance Commissioner of Pennsylvania
that he has the educational background necessary for the
practice of actuarial science and has had at least seven
years of actuarial experience; or
(3) a firm, partnership, or corporation of which at
least one member meets the requirements of paragraph (1) or
(2).
"Alternate payee." Any spouse, former spouse, child or
dependent of a member or participant who is recognized by a
domestic relations order as having a right to receive all or a
portion of the moneys payable to that member or participant
under this part.
"Alternative investment." An investment in a private equity
fund, private debt fund, venture fund, real estate fund, hedge
fund or absolute return fund.
"Alternative investment vehicle." A limited partnership,
limited liability company or any other legal vehicle for
authorized investments under section 8521(i) (relating to
management of fund and accounts) through which the system makes
an alternative investment.
"Annuitant." Any member on or after the effective date of
retirement until his annuity is terminated.
"Approved domestic relations order." Any domestic relations
order which has been determined to be approved in accordance
with section 8533.1 (relating to approval of domestic relations
orders).
"Approved leave of absence." [A] As applied to all classes
of membership except Class T-I, a leave of absence for activated
military service or which has been approved by the employer for
sabbatical leave, service as an exchange teacher, service with a
collective bargaining organization or professional study. As
applied to Class T-I members, a leave of absence that has been
approved as a contributory leave by the employer for sabbatical leave, service as an exchange teacher, service with a collective bargaining organization or professional study.

"Basic contribution rate." For Class T-A, T-B and T-C service, the rate of 6 1/4%. For Class T-D service, the rate of 7 1/2%. For all active members on the effective date of this provision who are currently paying 5 1/4% and elect Class T-D service, the rate of 6 1/2%. For Class T-E service, the rate of 7 1/2%. For Class T-F service, the rate of 10.30%. For all members on the effective date of this provision whose basic contribution rate is 6.5%, the Class T-G service rate is 9.5% and the Class T-H service rate is 5.25%. For all members on the effective date of this provision whose basic contribution rate is 7.5%, the Class T-G service rate is 10.5% and the Class T-H service rate is 6.25%. For Class T-I service, the rate of 3%.

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

"Board." The Public School Employees' Retirement Board or the Public School Employes' Retirement Board.

"Cash balance account." The ledger account into which members contribute cash balance member contributions, together with employer contributions, interest and excess interest, as provided in this part.

"Cash balance member contributions." For members in a class other than Class T-I, the amount voluntarily contributed by such
member and eligible amounts rolled in to the cash balance account, as provided in this part.

"Class of service multiplier."

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<tr>
<th>Class of service</th>
<th>Multiplier</th>
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<tr>
<td>T-A</td>
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<td>T-B</td>
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<td>T-H</td>
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"Combined service employee." A current or former school employee who is both a member of the system and a participant in the plan.

"Commissioner." The Commissioner of the Internal Revenue Service.

"Compensation." Pickup contributions and mandatory pickup participant contributions plus any remuneration received as a school employee excluding reimbursements for expenses incidental to employment and excluding any bonus, severance payments, any other remuneration or other emolument received by a school employee during his school service which is not based on the standard salary schedule under which he is rendering service, payments for unused sick leave or vacation leave, bonuses or other compensation for attending school seminars and conventions, payments under health and welfare plans based on hours of employment or any other payment or emolument which may be provided for in a collective bargaining agreement which may be determined by the Public School Employees' Retirement Board.
to be for the purpose of enhancing compensation as a factor in
the determination of final average salary, and, for
participants, excluding payments for military leave and any
other payments made by an employer while on USERRA leave, leave
of absence granted under 51 Pa.C.S. § 4102 (relating to leaves
of absence for certain government employees), military leave of
absence granted under 51 Pa.C.S. § 7302 (relating to granting
military leaves of absence), leave granted under section 1178 of
the act of March 10, 1949 (P.L.30, No.14), known as the Public
School Code of 1949, or other types of military leave, including
other types of leave payments, stipends, differential wage
payments as defined in IRC § 414(u)(12) and any other payments,
provided, however, that the limitation under section 401(a)(17)
of the Internal Revenue Code of 1986 (Public Law 99-514, 26
U.S.C. § 401(a)(17)) taken into account for the purpose of
member contributions, including regular or joint coverage member
contributions, regardless of class of service, shall apply to
each member who first became a member of the Public School
Employes' Retirement System on or after July 1, 1996, and who by
reason of such fact is a noneligible member subject to the
application of the provisions of section 8325.1 (relating to
annual compensation limit under IRC § 401(a)(17)) and shall apply to each participant. Notwithstanding the above, for Class
T-E and Class T-F service performed on or after July 1, 2016,
compensation for each fiscal year, for purposes of determining
final average salary and applying the basic contribution rate,
shall not exceed the Social Security taxable wage base in effect
at the beginning of the fiscal year. The limit shall be applied
separately to each employer of a member.

"Concurrent service." Simultaneously credited school and
State service.

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

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

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

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

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

(3) in the case of a combined service employee, the latest of the dates in paragraph (1) or (2).

"Disability annuitant." A member on or after the effective
date of disability until his disability annuity or the portion
of his disability annuity payments in excess of any annuity to
which he may otherwise be entitled is terminated.

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

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

"Effective date of retirement." The first day following the
date of termination of service of a member if he has properly
filed an application for an annuity within 90 days of such date
or:

(1) In the case of a member who applies for an annuity
subsequent to 90 days after termination of service, the date
of filing such application or the date specified on the
application, whichever is later.

(2) In the case of a vestee who files an application for
an annuity within 90 days of his superannuation age, the
attainment of such age.

(3) In the case of a vestee who defers the filing of an application for an annuity to a date later than 90 days following attainment of superannuation age, the date of filing or the date specified on the application, whichever is later.

(4) In the case of a finding of disability, the date certified by the board as the effective date of disability.

"Eligible annuitants." All current and prospective annuitants with 24 1/2 or more eligibility points and all current and prospective disability annuitants. Beginning January 1, 1995, "eligible annuitants" shall include members other than Class T-I members with 15 or more eligibility points who terminated or who terminate school service on or after attaining superannuation retirement age and who are annuitants with an effective date of retirement after superannuation age.

"Eligibility points." Points which are accrued by an active member, a multiple service member who is an active member of the State Employees' Retirement System for credited service or by a member who has been reemployed from USERRA leave or dies while performing USERRA leave and are used in the determination of eligibility for benefits as provided in section 8306 (relating to eligibility points). Class T-I members shall be deemed to accrue one eligibility point for each fiscal year in which contributions have been made to the fund.

"Employer." Any governmental entity directly responsible for the employment and payment of the school employee and charged with the responsibility of providing public education within this Commonwealth, including but not limited to: State-owned colleges and universities, the Pennsylvania State University,
community colleges, area vocational-technical schools,
intermediate units, the State Board of Education, Scotland
School for Veterans' Children, Thaddeus Stevens College of
Technology, and the Western Pennsylvania School for the Deaf.

"Employer defined contributions." Contributions equal to
2.59% of an active participant's compensation that are made by
an employer for current service to the trust to be credited in
the active participant's individual investment account.

"Excess interest." The investment earnings of the fund
attributable to Class T-I members and members who have elected
to contribute to the cash balance account, calculated in
accordance with section 8523(d) (relating to members' savings
account and cash balance account).

"Final average salary." The highest average compensation
received as an active member during any three nonoverlapping
periods of 12 consecutive months with the compensation for part-
time service being annualized on the basis of the fractional
portion of the school year for which credit is received; except,
if the employee was not a member for three such periods, the
total compensation received as an active member annualized in
the case of part-time service divided by the number of such
periods of membership; in the case of a member with multiple
service credit, the final average salary shall be determined by
reference to compensation received by him as a school employee
or a State employee or both; and, in the case of a noneligible
member, subject to the application of the provisions of section
8325.1 (relating to annual compensation limit under IRC § 401(a)
(17)). Final average salary shall be determined by including in
compensation, payments deemed to have been made to a member
reemployed from USERRA leave to the extent member contributions
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have been made as provided in section 8302(d)(2) (relating to
credited school service) and payments made to a member on leave
of absence under 51 Pa.C.S. § 4102 (relating to leaves of
absence for certain government employees) as provided in section
8302(d)(6). Notwithstanding the above, for Class T-E and Class
T-F service performed on or after July 1, 2016, compensation to
be used for final average salary calculation shall not exceed
the Social Security taxable wage base in effect at the beginning
of the fiscal year.

"Full coverage member." Any member for whom regular member
pickup contributions are being picked up or who has paid or has
agreed to pay to the fund the actuarial equivalent of regular
member contributions due on account of service prior to January
1, 1983.

"Fund." The Public School Employees' Retirement Fund.
"Governmental entity." Board of school directors, board of
public education, intermediate unit board of directors, area
vocational-technical board, any governing board of any agency or
authority created by them, and the Commonwealth.

"Inactive member." A member for whom no pickup contributions
are being made to the fund, except in the case of an active
member for whom such contributions otherwise required for
current school service are not being made solely by reason of
any provision of this part relating to the limitations under
section 401(a)(17) or 415(b) of the Internal Revenue Code of
1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)) or
because the member is on USERRA leave, who has accumulated
deductions standing to his credit in the fund and for whom
contributions have been made within the last two school years or
a multiple service member who is active in the State Employees'
"Inactive participant." A participant for whom no mandatory pickup participant contributions are being made to the trust, except in the case of an active participant for whom such contributions otherwise required for current school service are not being made solely by reason of any provision of this part relating to limitations under section 401(a)(17) or 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415), who has vested accumulated total defined contributions standing to his credit in the trust and who has not filed an application for a distribution.

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

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

"IRC." The Internal Revenue Code of 1986, as designated and referred to in section 2 of the Tax Reform Act of 1986 (Public Law 99-514, 100 Stat. 2085, 2095). A reference in this part to "IRC § " shall be deemed to refer to the identically numbered section and subsection or other subdivision of such section in
26 United States Code (relating to Internal Revenue Code).

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

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

"Irrevocable survivor annuitant." The person permanently designated by a member in writing to the board pursuant to an approved domestic relations order to receive an annuity upon the death of such member.

"Joint coverage member." Any member who agreed prior to January 1, 1966 to make joint coverage member contributions to the fund and has not elected to become a full coverage member.

"Joint coverage member contributions." Regular member contributions reduced for a joint coverage member.

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

"Mandatory pickup participant contributions." Contributions equal to 3% of compensation that are made by the employer for active participants for current service that are picked up by the employer and credited in the trust.

"Maternity leave of absence." An involuntary leave of absence required by the employer because of the pregnancy of the member and commencing prior to May 17, 1975.

"Member." Active member, inactive member, annuitant, or vestee.

"Member's annuity." The single life annuity which is actuarially equivalent on the effective date of retirement to the sum of the accumulated deductions and the shared-risk member contributions and statutory interest credited on the deductions and contributions standing to the member's credit in the members' savings account.

"Military service." All active military service for which a member has received a discharge other than an undesirable, bad conduct, or dishonorable discharge.

"Multiple service." Credited service of a member other than a Class T-I member or Class TDB member in the State Employees' Retirement System who has elected to combine his credited service in both the Public School Employees' Retirement System and the State Employees' Retirement System.
"Noneligible member." For the purposes of section 8325.1 (relating to annual compensation limit under IRC § 401(a)(17)), a member who first became a member on or after July 1, 1996.

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

"Participating eligible annuitants." All eligible annuitants who are enrolled or elect to enroll in a health insurance program approved by the Public School Employees' Retirement Board.

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

"Pickup contributions." Regular or joint coverage member contributions and shared-risk member contributions and mandatory cash balance account contributions which are made by the employer for active members for current service on and after January 1, 1983.

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

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

"Previous school service." Service [rendered] as a school employee including service in any summer school conducted by a school district of the Commonwealth, but excluding service rendered during which the school employee was or could have been
a participant in the plan, prior to the member's most recent
entrance in the system.

"Public school." Any or all classes or schools within this
Commonwealth conducted under the order and superintendence of
the Department of Education including, but not limited to: all
educational classes of any employer charged with the
responsibility of public education within this Commonwealth as
well as those classes financed wholly or in part by the Federal
Government, State-owned colleges and universities, the
Pennsylvania State University, community colleges, area
vocational-technical schools, intermediate units, the State
Board of Education, Scotland School for Veterans' Children,
Thaddeus Stevens State School of Technology, and the
Pennsylvania State Oral School for the Deaf.

"Public School Code." The act of March 10, 1949 (P.L.30,
No.14), known as the Public School Code of 1949.

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

"Regular member contributions." The product of the basic
contribution rate and the compensation of the member.

"Required beginning date." The latest date by which
distributions of a participant's interest in his individual
investment account must commence under the Internal Revenue Code
of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(9)).
"Reserve component of the armed forces." The United States Army Reserve, United States Navy Reserve, United States Marine Corps Reserve, United States Coast Guard Reserve, United States Air Force Reserve, Pennsylvania Army National Guard and Pennsylvania Air National Guard.

"Salaried employee." A school employee who is compensated on the basis of an annual salary.

"Salary deductions." The amounts certified by the board, deducted from the compensation of an active member or active participant or the State service compensation of a multiple service member who is an active member of the State Employees' Retirement System or active participant of the School Employees' Defined Contribution Plan and paid into the fund or trust.

"School employee." Any person engaged in work relating to a public school for any governmental entity and for which work he is receiving regular remuneration as an officer, administrator or employee excluding, however, any independent contractor or a person compensated on a fee basis.

"School entity." A school district of any class, intermediate unit or an area vocational-technical school, as provided for under the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949.

"School service." Service rendered as a school employee.

"School year." The 12-month period which the governmental entity uses for purposes of administration regardless of the actual time during which a member renders service.

"Severance payments." Any payments for unused vacation or sick leave and any additional compensation contingent upon retirement including payments in excess of the scheduled or customary salaries provided for members within the same
governmental entity with the same educational and experience qualifications who are not terminating service.

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

"Standard single life annuity." For Class T-A, T-B [and] T-C and T-H credited service of a member, an annuity equal to 2% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service of a member in that class. For Class T-D and Class T-G credited service of a member, an annuity equal to 2.5% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service in that class. For Class T-E credited service of a member, an annuity equal to 2% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service of a member. For Class T-F credited service of a member, an annuity equal to 2.5% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service of a member. For Class T-I members, and for monies in the cash balance account of members of other classes, an annuity that is actuarially equivalent to the balance of the member's savings account or the cash balance account, as applicable, calculated using 120% of the mid-term Treasury note rate in.
effect on the effective date of retirement of the member.

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

"State Employees' Retirement System." The retirement system
established by the act of June 27, 1923 (P.L.858, No.331) and
codified by the act of June 1, 1959 (P.L.392, No.78) and by Part
XXV of Title 71 (relating to retirement for State employees and
officers), added March 1, 1974 (P.L.125, No.31).

"State service." Service rendered as a State employee and
credited as service in the State Employees' Retirement System.

"Statutory interest." Interest at 4% per annum, compounded
annually.

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

"Superannuation annuitant." An annuitant whose annuity first
became payable on or after the attainment of superannuation age
and who is not a disability annuitant.

"Superannuation or normal retirement age."

<table>
<thead>
<tr>
<th>Class of service</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-A</td>
<td>62 or any age upon accrual of 35 eligibility points</td>
</tr>
<tr>
<td>T-B</td>
<td>62</td>
</tr>
<tr>
<td>T-C [and] T-D, T-G</td>
<td>62 or age 60 provided the member has at least 30 eligibility points or any age upon accrual of 35 eligibility points</td>
</tr>
</tbody>
</table>
T-E and T-F 65 with accrual of at least three eligibility points or a combination of age and eligibility points totaling 92, provided the member has accrued at least 35 eligibility points.

"Survivor annuitant." The person or persons last designated by a member or participant under a joint and survivor annuity option to receive an annuity upon the death of such member. A combined service employee may designate different persons to be survivor annuitants for the benefits from the system and beneficiaries or successor payees for the benefits from the plan.

"System." The Public School Employes' Retirement System of Pennsylvania as established by the act of July 18, 1917 (P.L.1043, No.343), and codified by the act of June 1, 1959 (P.L.350, No.77).

"Total member contribution rate." The sum of the basic contribution rate and the shared-risk contribution rate.

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

"USERRA." The Uniformed Services Employment and Reemployment Rights Act, 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services).

"USERRA leave." Any period of time for service in the uniformed services as defined in 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services).
services) by a school employee or former school employee or participant who terminated school service to perform the service in the uniformed services, if the current or former school employee or participant is entitled to reemployment rights under 38 U.S.C. Ch. 43 with respect to the uniformed service.

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

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

"Voluntary contributions." Contributions made by a participant to the trust and credited to his individual investment account in excess of his mandatory pickup participant contributions, and contributions made by a member to the system and credited to his cash balance account in excess of his mandatory pickup contributions, either by salary deductions paid through the employer or by an eligible rollover or direct trustee-to-trustee transfers.

Section 202. Section 8103 of Title 24 is amended by adding subsections to read:
§ 8103. Construction of part.

* * *

(c) Construction regarding inactive member and inactive participant.--As used in this part:

(1) The term "inactive member" does not include a combined service employee who is an "inactive participant," unless the combined service employee is concurrently employed in a position in which such employee is a member of the system.

(2) The term "inactive participant" does not include a combined service employee who is an "inactive member," unless the combined service employee is concurrently employed in a position in which such employee is a participant in the plan.

(d) Provisions severable.--The provisions of this part are severable and if any of its provisions shall be held to be unconstitutional, the decision of the court shall not affect or impair any of the remaining provisions. It is hereby declared to be the legislative intent that this part would have been adopted had such unconstitutional provisions not been included.

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

(f) Construction.--

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

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

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

(g) Applicability.--The following shall apply:

(1) The amendment of Part IV regarding the establishment of Class T-G shall apply to current and former members of the system who have returned to school service on or after July 1, 2016, after a termination of school service, notwithstanding the following:

(i) Whether the termination occurred before or after July 1, 2016.

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

(2) A terminated school employee who returns to school service on or after July 1, 2016, is subject to the
provisions of Part IV regarding Class T-G membership in the
system that are in effect on the effective date of
reemployment, including, but not limited to, benefit formulas
and accrual rates, eligibility for annuities and
distributions, contribution rates, definitions, purchase of
creditable school and nonschool service provisions and
actuarial and funding assumptions.

(3) This part shall apply to a record, material or data
under 8502(e)(2) notwithstanding whether:

(i) the record, material or data was created,
generated or stored before the effective date of this
section;

(ii) the record, material or data was previously
released or made public; or

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

(h) Pension rights.--Notwithstanding any other provision of
law, no collective bargaining agreement nor any arbitration
award between the school employer and its employees or their
collective bargaining representatives shall be construed to
change any of the provisions in this part, to require the board
to administer pension or retirement benefits not set forth under
this part or to require action by any other government body
pertaining to pension or retirement benefits or rights of school
employees.

Section 203. Title 24 is amended by adding sections to read:
§ 8103.1. Reference to Public School Employees' Retirement

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

§ 8103.2. Notice to members and participants.
Notice by publication, including, without being limited to, newsletters, newspapers, forms, first class mail, letters, manuals, and electronic notice, including, but not limited to, e-mail or internet websites distributed or made available to members and participants in a manner reasonably calculated to give actual notice of the provisions of this part that require notice to members and participants shall be deemed sufficient notice for all purposes.

Section 204. Sections 8301, 8302, 8303, 8303.1 and 8304(a) of Title 24 are amended to read:

§ 8301. Mandatory and optional membership.
(a) Mandatory membership.--Membership in the system shall be mandatory as of the effective date of employment for all school employees except the following:
(1) Any officer or employee of the [Department of Education] department, State-owned educational institutions, community colleges, area vocational-technical schools, technical institutes, or [the] The Pennsylvania State University and who is a member of the State Employees' Retirement System or a member of another retirement program approved by the employer.
(2) Any school employee, other than a school employee eligible for Class T-I membership, who is not a member of the system and who is employed on a per diem or hourly basis for less than 80 full-day sessions or 500 hours in any fiscal year or annuitant who returns to school service under the provisions of section 8346(b) (relating to termination of annuities).

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


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

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

(d) Mandatory participation in the plan.--A school employee who is a mandatory member of Class T-I shall also be a mandatory participant in the plan as of the effective date of membership in the system.
(e) Optional participation in the plan.--Class T-E and Class T-F members may participate in the plan on or after July 1, 2016, to the extent that the compensation of the participant exceeds the Social Security taxable wage base in effect at the beginning of the fiscal year, as provided in section 8404(b) (relating to participant contributions).

(f) Optional contributions to the cash balance account.--Class T-C, Class T-G and Class T-H members may contribute to the cash balance account up to 3% of compensation, as provided in this part. Class T-E and Class T-F members may contribute to the cash balance account up to 3% of compensation, but limited to the Social Security taxable wage base in effect at the beginning of the fiscal year, as provided in this part. Contributions may be changed as provided in this part or as set forth in board policy.

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

§ 8302. Credited school service.

(a) Computation of credited service.--In computing credited school service of a member for the determination of benefits, a full-time salaried school employee shall receive one year of credit for each school year or the corresponding fraction thereof, in accordance with the proportion of the full school year for which the required regular member contributions have been made to the fund, or for which such contributions otherwise required for such service were not made to the fund solely by reason of any provision of this part relating to the limitations
under IRC § 401(a)(17) or 415(b) or another provision of this part limiting compensation. A per diem or hourly school employee shall receive one year of credited service for each nonoverlapping period of 12 consecutive months in which he is employed and for which contributions are made to the fund, or would have been made to the fund but for such limitations under the IRC, or another provision of this part limiting compensation for at least 180 full-day sessions or 1,100 hours of employment. If such member was employed and contributions were made to the fund for less than 180 full-day sessions or 1,100 hours, he shall be credited with a fractional portion of a year determined by the ratio of the number of full-day sessions or hours of service actually rendered and for which contributions are made to the fund to 180 full-day sessions or 1,100 hours, as the case may be. A part-time salaried employee shall be credited with the fractional portion of the year which corresponds to the service actually rendered and for which contributions are or would have been made to the fund in relation to the service required as a comparable full-time salaried employee. In no case shall a member receive more than one year of credited service for any 12 consecutive months or a member who has elected multiple service receive an aggregate in the two systems of more than one year of credited service for any 12 consecutive months.

(b) Approved leaves of absence.--An active member shall receive credit or vesting credit, as applicable, and an active participant shall receive vesting credit, for an approved leave of absence provided that:

(1) the member returns for a period at least equal to the length of the leave or one year as a member of the system or the participant returns to school service as an active member.
participant in the plan, whichever is less, to the school
district which granted his leave, unless such condition is
waived by the employer; and

(2) the proper contributions are made by the member and
the employer[,] or by the active participant and the
employer. In the case of a Class T-I member, the proper
contributions must be made during the leave except for USERRA
leave.

* * *

(c) Cancellation of credited service.--All credited service
in the system shall be cancelled if a member withdraws his
accumulated deductions.

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

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

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

   (i) A school employee who is reemployed from USERRA leave as an active member of the system shall be treated as not having incurred a break in school service by reason of the USERRA leave and shall be granted eligibility points as if the school employee had not been on the USERRA leave. If a school employee who is reemployed from USERRA leave as an active member of the system subsequently makes regular member contributions, shared-risk member contributions and any other member contributions in the amounts and in the time periods required by 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services) and IRC § 414(u) as if the school employee had continued in his school office or employment and performed school service and been compensated during the period of USERRA leave, then the school employee shall be granted school service credit for the period of USERRA leave. The employee shall have his benefits, rights and obligations determined under this part as if he was an active member who performed creditable school service during the USERRA leave in the job position that he would have held had he not been on USERRA leave and received the compensation on which the member contributions to receive school service credit for the USERRA leave were determined.

   (ii) For purposes of determining whether a school employee has made the required employee contributions for school service credit for USERRA leave, if an employee

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who is reemployed from USERRA leave as an active member who terminates school service or dies in school service before the expiration of the allowed payment period, school service credit for the USERRA leave shall be granted as if the required member contributions were paid the day before termination or death. The amount of the required member contributions shall be treated as an incomplete payment subject to the provisions of section 8325 (relating to incomplete payments). Upon a subsequent return to school service or to State service as a multiple service member, the required member contributions treated as incomplete payments shall be treated as member contributions that were either withdrawn in a lump sum at termination or paid as a lump sum under section 8345(a)(4) (relating to member's options). For this purpose, the exclusion of Class T-E and Class T-F members from electing a form of payment under section 8345(a)(4)(iii) shall be ignored.

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

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

(B) Eligible to subsequently make contributions.

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

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

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

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

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

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

(1) A participant who is reemployed from USERRA leave shall be treated as not having incurred a break in school service by reason of the USERRA leave and shall be granted vesting credit as if the participant had not been on USERRA leave. If a participant who is reemployed from USERRA leave subsequently makes mandatory pickup participant contributions in the amounts and in the time periods required by 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services) and IRC § 414(u) as if the participant had continued in his school employment and performed school service and been compensated during the period of USERRA leave, then the participant's employer shall make the corresponding employer defined contributions. Such an employee shall have his contributions, benefits, rights and obligations determined under this part as if he was an active participant who performed school service during the USERRA leave in the job position that he would have held had
he not been on USERRA leave and received the compensation on which the mandatory pickup participant contributions to receive school service credit for the USERRA leave were determined, including the right to make voluntary contributions on such compensation as permitted by law.

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

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

(4) An active participant or inactive participant who, on or after the effective date of this subsection, is granted a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves of absence for certain government employees) or a military leave under 51 Pa.C.S. Ch. 73 (relating to military leave of absence) that is not USERRA leave shall not be eligible to make mandatory pickup participant contributions or voluntary contributions during or for the leave of absence or military leave, and shall not have employer defined

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contributions made during such leave, without regard to
whether or not the participant received salary, wages,
stipends, differential wage payments or other payments from
his employer during the leave, notwithstanding any provision
to the contrary in 51 Pa.C.S. § 4102 or Ch. 73.

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

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

(a) Accrued credited service.--Eligibility points shall be
computed in accordance with section 8306 (relating to
eligibility points) with respect to all credited service accrued
as of the effective date of this part.

(b) Future school service.--Every active member of the
system other than a Class T-I member shall accrue an eligibility
point for each year of school service rendered subsequent to the
effective date of this part. Class T-I members shall be deemed
to accrue one eligibility point for each fiscal year in which
contributions have been made to the fund.

(b.1) USERRA leave.--A member who is reemployed from USERRA
leave or who dies while performing USERRA leave shall receive
eligibility points in accordance with section 8306 for the
school service that would have been performed had the member not
performed USERRA leave.

(c) Purchase of previous creditable service.--Every active
member of the system other than a Class T-I member or a multiple service member who is an active member of the State Employees' Retirement System on or after the effective date of this part may purchase credit and receive eligibility points:

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

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

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

(d) Purchase of previous noncreditable service.--Class T-C and Class T-D members who are active members on the effective date of this subsection shall have three years from the effective date of this subsection to file a written application with the board to purchase any previous noncreditable school service. Class T-C and Class T-D members who are not active members on the effective date of this subsection but who become active members after the effective date of this subsection and Class T-E and class T-F members shall have 365 days from entry into the system to file a written application with the board to purchase any previous noncreditable school service. Class T-I members shall not be eligible to purchase previous noncreditable school service.

(e) Limitations.--Notwithstanding any other provision of this part, a Class T-I member shall be permitted to receive
vesting credit or eligibility points, as applicable, for:

(1) USERRA leave; and

(2) an approved leave of absence, provided such approved leaves of absence leaves are contributory leaves.

§ 8303.1. Waiver of adjustments.

(a) Allowance.--Upon appeal by an affected member, participant, beneficiary or survivor annuitant, the board may waive an adjustment or any portion of an adjustment made under section 8534(b) (relating to fraud and adjustment of errors) if in the opinion of the board or the board's designated representative:

(1) the adjustment or portion of the adjustment will cause undue hardship to the member, participant, beneficiary or survivor annuitant;

(2) the adjustment was not the result of erroneous information supplied by the member, participant, beneficiary or survivor annuitant;

(3) the member or participant had no knowledge or notice of the error before adjustment was made, and the member, participant, beneficiary or survivor annuitant took action with respect to their benefits based on erroneous information provided by the system or plan; and

(4) the member, participant, beneficiary or survivor annuitant had no reasonable grounds to believe the erroneous information was incorrect before the adjustment was made.

(b) Time period.--

(1) In order to obtain consideration of a waiver under this section, the affected member, participant, beneficiary or survivor annuitant must appeal to the board in writing within 30 days after receipt of notice that benefits have
been adjusted or, if no notice was given, within 30 days
after the adjustment was known or should have been known to
the affected member, participant, beneficiary or survivor
annuitant.

(2) For any adjustments made prior to the effective date
of this subsection for which the member, participant,
beneficiary or survivor annuitant appealed to the board and
was denied, an appeal under this section must be filed within
90 days of the effective date of this subsection.

Section 2. Section 8304(a) of Title 24 is amended to read:

§ 8304. Creditable nonschool service.

(a) Eligibility.--An active member, other than a Class T-I
member, or a multiple service member who is an active member of
the State Employees' Retirement System shall be eligible to
receive Class T-C, Class T-E [or] Class T-F, Class T-G or Class
T-H service credit for creditable nonschool service and Class T-
D, Class T-E [or] Class T-F, Class T-G or Class T-H service for
intervening military service, provided the member becomes a
Class T-D member pursuant to section 8305.1 (relating to
election to become a Class T-D member) or Class T-F member
pursuant to section 8305.2 (relating to election to become a
Class T-F member) or Class T-H member pursuant to section
8305.3 (relating to election to become a Class T-H member) or
8305 (relating to classes of service), as set forth in
subsection (b) provided that he is not entitled to receive,
eligible to receive now or in the future, or is receiving
retirement benefits for such service under a retirement system
administered and wholly or partially paid for by any other
governmental agency or by any private employer, or a retirement
program approved by the employer in accordance with section
(a)(1) (relating to mandatory and optional membership), and

further provided that such service is certified by the previous employer and the manner of payment of the amount due is agreed upon by the member, the employer, and the board.

* * *

Section 205. Section 8305(b) of Title 24 is amended and the section is amended by adding subsections to read:

§ 8305. Classes of service.

* * *

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

* * *

(f) Class T-G membership.--Notwithstanding any other provision of law, a member who is, becomes, or is eligible to become, a Class T-D member and who performs school service on or after July 1, 2016, shall perform the service as a Class T-G member and shall be classified as a Class T-G member for all school service performed on or after July 1, 2016, upon payment of regular member contributions and the shared risk contributions.

(g) Class T-H membership.--A Class T-D member who is eligible to become a Class T-G member shall have the right to
elect into Class T-H membership, provided the person elects to become a Class T-H member pursuant to section 8305.3 (relating to election to become a Class T-H member), upon written election filed with the board and payment of regular member contributions.

(h) Class T-I membership.--Notwithstanding any other provision, a person who first becomes a school employee and an active member and active participant, or a person who first becomes a multiple service member or participant who is a State employee and a member of the State Employees' Retirement System, on or after July 1, 2016, shall be classified as a Class T-I member upon payment of regular member contributions and participant contributions, as applicable.

Section 206. Section 8305.1(c) of Title 24 is amended to read:

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

* * *

(c) Effect of election.--An election to become a Class T-D member shall remain in effect until the termination of employment except as otherwise provided in this part. Those members who, on the effective date of this section, contribute at the rate of 5 1/4% shall be deemed to have accepted the basic contribution rate of 6 1/2% for all Class T-D service performed on or after January 1, 2002. Those members who, on the effective date of this section, contribute at the rate of 6 1/4% shall be deemed to have accepted the basic contribution rate of 7 1/2% for all Class T-D service performed on or after January 1, 2002. Upon termination and a subsequent reemployment that occurs before July 1, 2016, the class of service of the school employee shall be credited in the class of service otherwise provided for
in this part. If the reemployment occurs on or after July 1, 2016, the school employee's eligibility for membership in the system or participation in the plan shall be as provided in this part.

* * *

Section 207. Title 24 is amended by adding a section to read:

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

(a) General rule.—A person who is:

   (1) a Class T-D member of the system or a Class T-D multiple service member who is a State employee and a member of the State Employees' Retirement System; and

   (2) who, on the effective date of this subsection, is eligible for Class T-G membership, may elect to become a member of Class T-H.

(b) Time for making election.—The member must elect to become a Class T-H member by filing a written notice with the board before the termination of school service or State service as applicable and:

   (1) within 180 days after the effective date of this subsection; or

   (2) June 30, 2016, whichever first occurs. A school employee who is eligible to elect to become a Class T-H member who begins USERRA leave during the election period without having elected Class T-H membership may make the election within 45 days after being reemployed from USERRA leave. A school employee who first becomes eligible to elect to become a Class T-H within 45 days before June 30, 2016 shall have 45 days to make the election.

(c) Effect of election.—An election to become a Class T-H
Those members who, on the effective date of this section, had a basic contribution rate of 6.5% shall be deemed to have accepted the basic contribution rate of 5.25% for all Class T-H service performed on or after July 1, 2016. Those members who, on the effective date of this section, had a basic contribution rate of 7.5% shall be deemed to have accepted the basic contribution rate of 6.25% for all Class T-H service performed on or after July 1, 2016.

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

(e) Former members.--Class T-D members, or former Class T-D members who, on the effective date of this section, are not eligible for Class T-H membership, or who return to service on or after July 1, 2016 without having made a timely election to Class T-H membership, shall not be eligible to elect Class T-H membership.

Section 208. Section 8306 of Title 24 is amended to read:

§ 8306. Eligibility points.

(a) General rule.--An active member of the system other than a Class T-I member shall accrue one eligibility point for each year of credited service as a member of the school or State retirement system. A member shall accrue an additional two-thirds of an eligibility point for each year of Class D-3 credited service under the State Employees' Retirement System. In the case of a fractional part of a year of credited service,
a member shall accrue the corresponding fractional portion of an eligibility point. Class T-I members shall be deemed to accrue one eligibility point for each fiscal year in which contributions have been made to the fund.

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

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

(1) In determining whether a member, other than a disability annuitant who returns to school service after June 30, 2001, upon termination of the disability annuity, who is not a school employee or a State employee on June 30, 2001, and July 1, 2001, and who has previous school service, has the five eligibility points required by the definition of "vestee" in sections 8102 (relating to definitions), 8307 (relating to eligibility for annuities), 8308 (relating to eligibility for vesting) and 8345 (relating to member's options), only eligibility points earned by performing credited school service as an active member of the system, USERRA leave or credited State service as an active member of the State Employee's Retirement System after June 30, 2001, shall be counted until such member earns one eligibility point by performing credited school service or credited State service after June 30, 2001, at which time all eligibility
points as determined under subsection (a) shall be counted.

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

Section 209. Section 8307 of Title 24 is amended and the section is amended by adding subsections to read:

§ 8307. Eligibility for annuities.

(a) Superannuation annuity.--An active or an inactive member, other than a Class T-I member, who attains superannuation age shall be entitled to receive a superannuation annuity upon termination of service and filing of a proper application. A combined service employee who is an active or inactive participant and attains superannuation age in the system shall be entitled to receive a superannuation annuity upon termination of service and filing of a proper application.

(b) Withdrawal annuity.--A vestee in Class T-C or Class T-D or Class T-G or Class T-H with five or more eligibility points or an active or inactive Class T-C or Class T-D or Class T-G or Class T-H member who terminates school service having five or more eligibility points shall, upon filing a proper application, be entitled to receive an early annuity. A vestee in Class T-E or Class T-F with ten or more eligibility points or an active or inactive Class T-E or Class T-F member who terminates school service having ten or more eligibility points shall, upon filing a proper application, be entitled to receive an early annuity.

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

(d) Class T-I members.--A Class T-I member who terminates school service shall, upon filing of a proper application, be entitled to receive an annuity.

(e) Multiple classes of service.--A member with more than one class of service who vests his retirement benefits in any one class of service may not receive distributions from other classes of service until his effective date of retirement, regardless of whether his benefits resulting from such other classes of service are vested or he is eligible to receive an annuity. A member with service credited in more than one class of service may not separately vest those benefits and receive annuities from different classes of service with different effective dates.

Section 210. Sections 8308, 8310, 8321, 8322.1(a), 8323(a), (c) and (d), 8324(a), (b), (c) and (d), 8325, 8325.1 and 8326(a) and (c) of Title 24 are amended to read:

§ 8308. Eligibility for vesting.

(a) General rule.--Any Class T-C or Class T-D or Class T-G or Class T-H member who terminates school service, or if a multiple service member and an active member of the State Employees Retirement System, terminates State service, with five or more eligibility points shall be entitled to vest his retirement benefits until attainment of superannuation age. Any Class T-E or Class T-F member who terminates school service, or if a multiple service member and an active member of the State.
Employees Retirement System, terminates State service, with ten or more eligibility points shall be entitled to vest his retirement benefits until attainment of superannuation age. A Class T-I member who terminates school service shall be entitled to vest his retirement benefits until the member's required beginning date, provided the balance of his members' savings account and cash balance account exceeds the requirements of a de minimis account under section 8349(d) (relating to payment of benefits).

(b) Multiple classes of service.--A member with more than one class of service who vests his retirement benefits in any class of service may not receive distributions from other classes of service until his effective date of retirement, regardless of whether his benefits resulting from such other classes of service are vested or he is eligible to receive an annuity. A member with service credited in more than one class of service may not separately vest those benefits and receive annuities from different classes of service with different effective dates.

§ 8310. Eligibility for refunds.

Upon termination of service any active member, regardless of eligibility for benefits, may elect to receive his accumulated deductions in lieu of any benefit from the system to which he is entitled.

§ 8321. Regular member contributions and cash balance member contributions for current service.

(a) General.--Regular member contributions and cash balance member contributions shall be made to the fund on behalf of each active member for current service except for any period of current service in which the making of such contributions has
ceased solely by reason of any provision of this part limiting
such contributions, or relating to the limitations under IRC §
401(a)(17) or 415(b).

(b) Class T-E and Class T-F shared-risk contributions.---

(1) Commencing with the annual actuarial valuation
performed under section 8502(j) (relating to administrative
duties of board), for the period ending June 30, 2014, and
every three years thereafter, the board shall compare the
actual investment rate of return, net of fees, to the annual
interest rate adopted by the board for the calculation of the
normal contribution rate, based on the market value of
assets, for the prior ten-year period. If the actual
investment rate of return, net of fees, is less than the
annual interest rate adopted by the board by an amount of 1%
or more, the shared-risk contribution rate of Class T-E and
T-F members will increase by .5%. If the actual investment
rate of return, net of fees, is equal to or exceeds the
annual interest rate adopted by the board, the shared-risk
contributions rate of Class T-E and T-F members will decrease
by .5%, provided the total member contribution rate on the
date of the actuarial valuation is above the member's total
contribution rate in effect on the effective date of this
paragraph. If the actual investment rate of return, net of
fees, is more than the annual interest rate adopted by the
board by an amount of 1% or more, the shared risk
contribution rate of Class T-E and T-F members will decrease
by .5%. If the actual investment rate of return, net of fees,
is equal to or below the annual interest rate adopted by the
board, the shared risk contribution rate of Class T-E and T-F
members will increase by .5%, provided the total member
contribution rate on the date of the actuarial valuation is below the member's total contribution rate in effect on the effective date of this paragraph. Class T-E and T-F members will contribute at the total member contribution rate in effect when they are hired. [The]

(2) Notwithstanding paragraph (1), the total member contribution rate for Class T-E members shall not be less than [7.5%] 5.5%, nor more than 9.5%. The total member contribution rate for Class T-F members shall not be less than [10.3%] 8.3%, nor more than 12.3%.

(3) Notwithstanding this subsection, if the system's actuarial funded status is 100% or more as of the date used for the comparison required under this subsection, as determined in the current annual actuarial valuation, and the total contribution rate of the member is above the basic contribution rate, the shared-risk contribution rate shall be zero.

(4) In the event that the annual interest rate adopted by the board for the calculation of the normal contribution rate is changed during the period used to determine the shared-risk contribution rate, the board, with the advice of the actuary, shall determine the applicable rate during the entire period, expressed as an annual rate.

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

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

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

(c) Class T-G shared risk contributions.—Beginning with the annual actuarial valuation performed under section 8502(j) (relating to administrative duties of board), for the period ending June 30, 2020, and every three years thereafter, the board shall compare the actual investment rate of return, net of fees, to the annual interest rate adopted by the board for the calculation of the normal contribution rate, based on the market value of assets, for the prior ten-year period. If the actual investment rate of return, net of fees, is less than the annual interest rate adopted by the board, then for each percentage point that the actual investment rate of return, net of fees, is less than the annual interest rate adopted by the board, the shared risk contribution rate of Class T-G members will increase by .5%. If the actual investment rate of return, net of fees, exceeds the annual interest rate adopted by the board, then for each percentage point that the actual investment rate of return, net of fees, exceeds the annual interest rate adopted by the board, the shared risk contribution rate of Class T-G members will decrease by .5%. Class T-G members shall contribute at the total member contribution rate in effect when they are hired. The total member contribution rate for Class T-G members whose basic contribution rate is 10.5% shall not be less than 4.5%, nor more than 10.5%. The total member contribution rate for
Class T-G members whose basic contribution rate is 9.5% shall not be less than 3.5%, nor more than 9.5%. In the event that the annual interest rate adopted by the board for the calculation of the normal contribution rate is changed during the period used to determine the shared risk contribution rate, the board, with the advice of the actuary, shall determine the applicable rate during the entire period, expressed as an annual rate in accordance with the following:

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

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

§ 8322.1. Pickup contributions.

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

* * *

§ 8323. Member contributions for creditable school service.

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

* * *

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

* * *

(d) Certification and payment of contributions.--

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

(2) In the case of activated military service leave beginning before the effective date of this paragraph, the amount payable may be paid according to this subsection or subsection (c.1), but all lump sum payments must be made within one year of the termination of activated military service leave.

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

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

(b) Nonintervening military service.--The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 (relating to actuarial cost method) at the time of entry of the member into school service subsequent to such military service to one-third of his total compensation received during the first three years of such subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable
nonintervening military service being purchased together with statutory interest during all periods of subsequent school service as an active member or inactive member and State service as an active member or inactive member on leave without pay to date of purchase. Upon certification of the amount due, payment may be made in a lump sum within 90 days or in the case of an active member or an eligible State employee who is an active member of the State Employees' Retirement System it may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service or becoming a participant and a combined service employee as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible State employee who is an active member of the State Employees' Retirement System, the agreed upon salary deductions shall be remitted to the State Employees' Retirement Board, which shall certify and transfer to the board the amounts paid. Application may be filed for all such military service credit upon completion of three years of subsequent credited school service and shall be credited as Class T-C service. In the event that a Class T-E member makes a purchase of credit for such military service, then such service shall be credited as Class T-E service. In the event that a Class T-F member makes a purchase of credit for such military service, then such service shall be credited as Class T-F service. In the event that a Class T-G member makes a purchase of credit for such military service,
service, then such service shall be credited as Class T-G service. In the event that a Class T-H member makes a purchase of credit for such military service, then such service shall be credited as Class T-H service.

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

(1) Regular monthly payments during active military service.

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

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

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

(1) Contributions on account of Class T-C credit for creditable nonschool service other than military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 at the time of the member's entry into school service subsequent to such creditable nonschool service to his total compensation received during the first year of subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable nonschool service being purchased together with statutory interest during all periods of subsequent school service as an active member or inactive member or State service as an active member or inactive member on leave without pay to the date of purchase, except that in the case of purchase of credit for creditable nonschool service as set forth in section 8304(b)(5) (relating to creditable nonschool service) the member shall pay only the employee's share unless otherwise provided by law. Upon certification of the amount due, payment may be made in a lump sum within 90 days or in the case of an active member or an eligible State employee who is an active member of the State Employees' Retirement System it may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction
amortization plans agreed to by the members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service or becoming a participant and a combined service employee as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible State employee who is an active member of the State Employees' Retirement System, the agreed upon salary deductions shall be remitted to the State Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

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

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

* * *

§ 8325. Incomplete payments.

(a) Right to pay balance due.--In the event that a member terminates school service or becomes a participant or a multiple service member who is an active member of the State Employees' Retirement System terminates State service before any agreed upon payments, including USERRA leave, or return of benefits on account of returning to school service or entering State service and electing multiple service have been completed, the member or multiple service member who is an active member of the State Employees' Retirement System shall have the right to pay within 30 days of termination of school service or State service or becoming a participant the balance due, including interest, in a lump sum, and the annuity shall be calculated including full credit for the previous school service, creditable nonschool service, or full-coverage membership.

(b) Effect of failure to pay balance due.--In the event a member does not pay the balance due within 30 days of termination of school service or becoming a participant or in the event a member dies in school service or within 30 days of termination of school service or in the case of a multiple service member who is an active member of the State Employees' Retirement System does not pay the balance due within 30 days of termination of State service or dies in State service or within 30 days of termination of State service or becoming a participant and before the agreed upon payments have been completed, the present value of the benefit otherwise payable shall be reduced by the balance due, including interest, and the
benefit payable shall be calculated as the actuarial equivalent of such reduced present value.

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

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

* * *

§ 8326. Contributions by the Commonwealth.

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

* * *

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

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

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

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

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

(i) For members and participants who are employees of employers who are school entities, no Commonwealth contributions shall be made.
(ii) For members and participants who are employees of employers who are not school entities, the amount computed under subsection (b).

* * *

Section 211. Section 8327(a), (b) and (c) of Title 24 are amended and the section is amended by adding subsections to read:

§ 8327. Payments by employers.

(a) General rule.--[Each]

    (1) For payments before June 30, 2016, each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens College of Technology, Western Pennsylvania School for the Deaf, Scotland School for Veterans' Children[,] and [the] The Pennsylvania State University, shall make payments to the fund each quarter in an amount equal to one-half the sum of the percentages, as determined under section 8328 (relating to actuarial cost method), applied to the total compensation during the pay periods in the preceding quarter of all its employees who were members of the system during such period, including members on activated military service leave. In the event a member on activated military service leave does not return to service for the necessary time or receives an undesirable, bad conduct or dishonorable discharge or does not elect to receive credit for activated military service under section 8302(b.1)(3) (relating to credited school service), the contributions made by the employer on behalf of such member shall be returned with valuation interest upon application by the employer.
(2) For payments after June 30, 2016, each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens College of Technology, Western Pennsylvania School for the Deaf, Scotland School for Veterans' Children and The Pennsylvania State University, shall make payments to the fund each quarter in an amount equal to one-half the sum of the percentages, as determined under section 8328, applied to the total compensation during the pay periods in the preceding quarter of all its employees who were members of the system during such period, including members on activated military service leave or USERRA leave, plus the accrued liability contribution rate applied to the total compensation of all active participants in the plan. In the event a member on activated military service leave or USERRA leave does not return to service for the necessary time or receives an undesirable, bad conduct or dishonorable discharge or does not elect to receive credit for activated military service under section 8302(b.1)(3), the contributions made by the employer on behalf of such member shall be returned with valuation interest upon application by the employer.

(b) Deduction from appropriations.--

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

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

(c) Payments by employers after June 30, 1995, and before July 1, 2016.--After June 30, 1995, and before July 1, 2016, each employer, including the Commonwealth as employer of 20150SB0001PN0886
employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens College of Technology, Western Pennsylvania School for the Deaf, Scotland School for Veterans' Children and The Pennsylvania State University, shall make payments to the fund and the trust each quarter in an amount computed in the following manner:

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

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

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

(d) Payments by employers after June 30, 2016.—After June 30, 2016, each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens College of Technology, Western Pennsylvania School for the Deaf, Scotland School for Veterans' Children and The Pennsylvania State University, shall make payments to the fund and the trust each quarter in an amount computed in the following manner:

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

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

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

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

(g) Contributions resulting from members reemployed from 
USERRA leave.--When a school employee reemployed from USERRA 
leave makes the member contributions required to be granted 
school service credit for the USERRA leave after June 30, 2016, 
either by actual payment or by actuarial debt under section 8325
(relating to incomplete payments), the employer that employed the school employee when the member contributions are made or the last employer before termination in the case of payment under section 8325 shall make the employer contributions that would have been made under this section if the employee making the member contributions after he is reemployed from USERRA leave continued to be employed in his school office or position instead of performing USERRA leave.

Section 212. Section 8328(a), (b), (c)(4) and (g) are amended and subsections (c) and (g) are amended by adding paragraphs to read:

§ 8328. Actuarial cost method.

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

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

(1) For the fiscal year ending on or before June 30, 2015, the normal contribution rate shall be determined after...
each actuarial valuation. Until all accrued liability contributions have been completed, the normal contribution rate shall be determined, on the basis of an annual interest rate and such mortality and other tables as shall be adopted by the board in accordance with generally accepted actuarial principles, as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through the entire period of active school service, would be sufficient to fund the liability for any prospective benefit payable to him, in excess of that portion funded by his prospective member contributions, excluding the shared-risk contributions.

(2) For fiscal years beginning on or after July 1, 2016, the normal contribution rate shall be determined after each actuarial valuation. Until all accrued liability contributions have been completed, the normal contribution rate shall be determined, on the basis of an annual interest rate and such mortality and other tables as shall be adopted by the board in accordance with generally accepted actuarial principles, as a level percentage of the compensation of all active members, which percentage, if contributed on the basis of the member's prospective compensation through the entire period of active school service, would be sufficient to fund the liability for any prospective benefit payable to him, in excess of that portion funded by his prospective member contributions, excluding the shared-risk contributions.

(c) Accrued liability contribution rate.--

* * *

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

(5) For the actuarial valuation for the fiscal years ending on or after June 30, 2017, the actuarially calculated assets in the fund determined in accordance with paragraph (4) shall be no less than 70% and no more than 130% of market value.

* * *

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

(1) The collared contribution rate for each fiscal year shall be determined by comparing the actuarially required contribution rate, calculated without regard for the costs added by legislation, to the prior year's final contribution rate.
(2) If, for any of the fiscal years beginning July 1, 2011, July 1, 2012, and on or after July 1, 2013, the actuarially required contribution rate, calculated without regard for the costs added by legislation, is more than 3%, 3.5% and 4.5%, respectively, of the total compensation of all active members greater than the prior year's final contribution rate, then the collared contribution rate shall be applied and be equal to the prior year's final contribution rate increased by 3%, 3.5% and 4.5%, respectively, of total compensation of all active members. Otherwise, and for all other fiscal years, the collared contribution rate shall not be applicable. In no case shall the collared contribution rate be less than 4% of the total compensation of all active members.

(3) For purposes of applying the collared contribution rate, compensation for determining the normal contribution rate and the accrued liability contribution rate shall be defined as the total compensation of all active members and active participants.

* * *

Section 213. Section 8330 of Title 24 is amended to read:

§ 8330. Appropriations by the Commonwealth.

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

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

Section 214. Title 24 is amended by adding a section to read:

§ 8331. Employer funding mandate protection.

(a) Limited expansion of contractual right to funding.--Beginning on the July 1 after the actuarial valuation in which the actuary certifies that final contribution rate is the actuarially required contribution, each active member shall have a contractual right to the timely payment of the annual actuarially required contributions pursuant to section 8328 (relating to actuarial cost method) and section 8502 (k) (relating to administrative duties of the board) by such member's employer.

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

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

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

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

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

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

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

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

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

(f) Employer contributions.--Nothing in this section shall be construed to supersede or conflict with the rights and obligations set forth in section 8330 (relating to appropriations by the Commonwealth).
(g) Board action.--The board is authorized but not required
to bring an action under this section on behalf of itself or any
member; and if the board prevails, it may be awarded reasonable
attorney's fees.

Section 215. Sections 8341 and 8342 of Title 24 are amended
to read:

§ 8341. Return of accumulated deductions.

Any member upon termination of service may, in lieu of all
benefits payable from the system under this chapter to which he
may be entitled, elect to receive his accumulated deductions.

§ 8342. Maximum single life annuity.

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

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

(2) A standard single life annuity multiplied by the
class of service multiplier and calculated on the basis of
the number of years of concurrent service other than service
credited as a member of Class T-I and multiplied by the ratio
of total compensation received in the school system other
than service credited as a member of Class T-I or State
service as a member of Class TBD during the period of
concurrent service to the total compensation received during
such period.

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

(4) A standard single life annuity based on monies
credited to a Class T-I member, as provided in this part.

(5) If applicable, a standard single life annuity based
on monies credited in the member's cash balance account, as
provided in this part.

(b) Present value of annuity.--The present value of the
maximum single life annuity as calculated in accordance with
subsection (a) shall be determined, for all classes other than
Class T-I, by multiplying the maximum single life annuity by the
cost of a dollar annuity on the effective date of retirement.
Such present value for all classes shall be decreased only as
specifically provided in this part.

(c) Limitation regarding annual benefit under IRC § 415(b).--Notwithstanding any provision of this part to the contrary, no benefit shall be payable to the extent that such benefit exceeds any limitation under IRC § 415(b) in effect with respect to governmental plans, as such term is defined in IRC § 414(d), on the date the benefit payment becomes effective.

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

Section 216. Section 8344(a), (b) and (d) of Title 24 are amended and the section is amended by adding a subsection to read:

§ 8344. Disability annuities.

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

\[ \frac{Y^*}{Y} \text{ or } \frac{16.667}{Y} \]

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

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

* * *

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

(1) is a Class T-C [or] Class T-D, Class T-G or Class T-H member; or

* * *

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

Section 217. Section 8345(a)(4)(iii), 8346(a), (a.1), (b), (b.1), (c) and (d)(1), 8347 and 8349 of Title 24 are amended to read:

§ 8345. Member's options.

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

* * *

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

* * *

(iii) A portion of the benefit may be payable as a lump sum, except that such lump sum payment shall not exceed an amount equal to the accumulated deductions standing to the credit of the member. The balance of the present value of the maximum single life annuity adjusted in accordance with section 8342(b) shall be paid in the form of an annuity with a guaranteed total payment, a single life annuity, or a joint and survivor annuity or any combination thereof but subject to the restrictions of subparagraphs (i) and (ii) of this paragraph. This subparagraph shall not apply to a Class T-E or Class T-F member. For purposes of this subparagraph, the term "actuarially equivalent," as applied to any lump sum withdrawal attributable to contributions credited to the member's savings account of Class T-C, Class T-G, and Class T-H members on or after July 1, 2016, together with all interest thereon, shall mean equal present values,
computed on the basis of the interest rate and such
mortality and other tables as adopted by the board
pursuant to section 8328(b) (relating to actuarial cost
method) in effect on the effective date of retirement of
the member. Any partial lump sum withdrawal shall be
applied first to contributions and interest credited to
the member's savings account before July 1, 2016.

* * *

§ 8346. Termination of annuities.

(a) General rule.—If an annuitant returns to school service
or enters or has entered State service and elects multiple
service membership, any annuity payable to him under this part
shall cease effective upon the date of his return to school
service or entering State service without regard to whether he
is a mandatory, optional or prohibited member of the system or
participant in the plan or, if a multiple service member,
whether he is a mandatory, optional or prohibited member or
participant of the State Employee's Retirement System or State
Employee's Defined Contribution Plan and in the case of an
annuity other than a disability annuity the present value of
such annuity, adjusted for full coverage in the case of a joint
coverage member who makes the appropriate back contributions for
full coverage, shall be frozen as of the date such annuity
ceases. An annuitant who is credited with an additional 10% of
membership service as provided in section 8302(b.2) (relating to
credited school service) and who returns to school service,
except as provided in subsection (b), shall forfeit such
credited service and shall have his frozen present value
adjusted as if his 10% retirement incentive had not been applied
to his account. In the event that the cost-of-living increase
enacted December 18, 1979, occurred during the period of such State or school employment, the frozen present value shall be increased, on or after the member attains superannuation age, by the percent applicable had he not returned to service.

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

** * * *

(b) Return to school service during emergency.--When, in the
judgment of the employer, an emergency creates an increase in
the work load such that there is serious impairment of service
to the public or in the event of a shortage of appropriate
subject certified teachers or other personnel, an annuitant or
participant receiving distributions may be returned to school
service for a period not to extend beyond the school year during
which the emergency or shortage occurs, without loss of his
annuity or distributions. The annuitant shall not be entitled to
earn any credited service, and no contributions may be made by
the annuitant, the employer or the Commonwealth on account of
such employment. Such service shall not be subject to member
contributions or be eligible for qualification as creditable
school service or for participation in the plan, mandatory
pickup participant contributions or employer defined
contributions.

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

(1) An annuitant or participant receiving distributions
may be employed under separate contract by a public school or
charter school in an extracurricular position performed
primarily outside regular instructional hours and not part of
mandated curriculum without loss of annuity. [Neither the]
The annuitant [nor], the participant receiving distributions
and the employer shall not make contributions to the member's
savings account, the individual investment account or State
accumulation account respectively for such service. Further,
such contract shall contain a waiver whereby the annuitant
waives any potential retirement benefits that could arise
from the contract and releases the employer and the board
from any liability for such benefits. Such service shall not
be subject to member or participant contributions or be eligible for qualification as creditable school service or for participation in the plan, mandatory pickup participant contributions or employer defined contributions.

* * *

(c) Subsequent discontinuance of service.--Upon subsequent discontinuance of service, such [member] terminating school employee other than a former annuitant who had the effect of his frozen present value eliminated in accordance with subsection (d) or a former disability annuitant shall be entitled to an annuity which is actuarially equivalent to [the sum of] the present value as determined under subsection (a) [and] to which shall be added, if the service after reemployment was as a member of the system, the present value of a maximum single life annuity based on years of service credited subsequent to reentry in the system and his final average salary computed by reference to his compensation as a member of the system or as a member of the State Employees' Retirement System during his entire period of school and State service.

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

(1) An annuitant who returns to school service as an active member of the system and earns three eligibility points by performing credited school service or reemployment from USERRA leave following the most recent period of receipt of an annuity under this part, or an annuitant who enters State service other than a participant in the State Employees' Defined Contribution Plan and:

   (i) is a multiple service member; or

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

§ 8347. Death benefits.

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

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

(c) Disability annuitants.—In the event of the death of a
disability annuitant who has elected to receive a maximum
disability annuity from the system before he has received in annuity payments an amount equal to the present value, on the effective date of disability, of the benefits to which he would have been entitled under subsection (a) had he died while in school service, the balance of such amount shall be paid to his designated beneficiary, except that in the event of the death of a disability annuitant who was not entitled to receive benefits under subsection (a), his beneficiary shall be paid the accumulated deductions standing to his credit on the effective date of disability less the total payments received on account of his member's annuity.

(d) Other annuitants.--In the event of the death of an annuitant who has elected to receive the maximum single life annuity from the system before he has received in total annuity payments an amount equal to the full amount of the accumulated deductions standing to his credit on the effective date of retirement, the difference between the total payments made to the date of death and the accumulated deductions shall be paid to his designated beneficiary.

§ 8349. Payment of benefits from the system.

(a) Annuities.--Any annuity granted under the provisions of this part and paid from the fund shall be paid in equal monthly installments.

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

(1) A lump sum payment.
(2) An annuity actuarially equivalent to the amount payable.

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

(c) Death or absence of beneficiary.--If the beneficiary designated by a member should predecease him or die within 30 days of his death, or if a valid nomination of a beneficiary is not in effect at his death, any money payable to a beneficiary shall be paid to the estate of the member.

(d) De minimis accounts.--A member with only Class T-I service credit as a member of the system who terminates school service and whose balance in the members' savings account is $5,000 or less as of the date of termination of service (or such other higher amount as may be permitted under IRC §411(a)(11) or 417(e)) shall receive such balance in one lump sum payment as provided in IRC §401(a)(31). This balance shall not be eligible for installment payments under section 8505.1 (relating to installment payments of accumulated deductions), but shall be considered a lump sum payment for purposes of section 8505.1(d).

Section 218. Title 24 is amended by adding a chapter to read:

CHAPTER 84

SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

Sec.

8401. Establishment.

8402. Plan document.

8403. Individual investment accounts.

8404. Participant contributions.

8405. Mandatory pickup participant contributions.
§ 8401. Establishment.
(a) School Employees' Defined Contribution Plan.—The School Employees' Defined Contribution Plan is established. The board shall administer and manage the plan, which shall be a defined contribution plan exclusively for the benefit of those school employees who participate in the plan and their beneficiaries within the meaning of and in conformity with IRC § 401(a). The board shall determine the terms and provisions of the plan not inconsistent with this part, the IRC and other applicable law and shall provide for the plan's administration.
(b) School Employees' Defined Contribution Trust.—The School Employees' Defined Contribution Trust is established as part of the plan in accordance with this part. The trust shall be comprised of the individual investment accounts and all
assets and moneys in those accounts. The members of the board shall be the trustees of the trust, which shall be administered exclusively for the benefit of those school employees who participate in the plan and their beneficiaries within the meaning of and in conformity with IRC § 401(a). The board shall determine the terms and provisions of the trust not inconsistent with this part, the IRC and other applicable law and shall provide for the investment and administration of the trust.

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

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

§ 8402. Plan document.

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

§ 8403. Individual investment accounts.

The board:

(1) shall establish in the trust an individual investment account for each participant in the plan. All contributions by a participant or an employer for or on behalf of a participant shall be credited to the participant's individual investment account, together with all interest and investment earnings and losses. Investment and administrative fees, costs and expenses shall be charged to the participants' individual investment accounts. Employer defined contributions shall be recorded and accounted for separately from participant contributions, but all interest, investment earnings and losses, and investment and administrative fees, costs and expenses shall be allocated proportionately;

(2) shall separately track participant contributions,
including investment gains and losses, and employer
contributions, including investment gains and losses, but all
interest, investment gains and losses and administrative
fees, costs and expenses shall be allocated proportionately;
and
(3) may contract with financial institutions, insurance
companies or other types of third-party providers and other
vendors to allow participants to deposit participant
contributions into the individual investment accounts in a
form and manner as provided by the contract.

§ 8404. Participant contributions.

(a) Mandatory contributions.--A participant shall make
mandatory pickup participant contributions through payroll
deductions to the participant's individual investment account
equal to 3% of compensation for current school service. The
employer shall cause such contributions for current service to
be made and deducted from each payroll or on such schedule as
established by the board.

(b) Voluntary contributions.--

(i) A participant may make voluntary contributions
up to an additional amount equal to 3% of compensation
for current school service.

(ii) Class T-E and Class T-F members may make
voluntary contributions to the plan in an amount of not
less than 3% nor more than 6% of compensation that
exceeds the limit of compensation for such members, as
set forth in section 8102 (relating to definitions).

(iii) The employer shall cause the contributions
made under this section to be made and deducted from each
payroll or on such schedule as established by the board.
Voluntary contributions made under this section shall not be picked up.

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

§ 8405. Mandatory pickup participant contributions.

(a) Treatment for purposes of IRC § 414(h).--The contributions to the trust required to be made under section 8404(a) (relating to participant contributions) with respect to current school service rendered by an active participant shall be picked up by the employer and shall be treated as the employer's contribution for purposes of IRC § 414(h). An employer employing a participant in the plan shall pick up the required mandatory participant contributions by a reduction in the compensation of the participant.

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

§ 8406. Employer defined contributions.

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

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

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

§ 8407. Eligibility for benefits.

(a) Termination of service.--A participant who terminates school service shall be eligible to withdraw the vested accumulated total defined contributions standing to the participant's credit in the participant's individual investment account or a lesser amount as the participant may request. Payment shall be made in a lump sum unless the board has established other forms of distribution in the plan document,
subject to the provisions of subsection (f). A participant who withdraws the vested accumulated total defined contributions shall no longer be a participant in the plan, notwithstanding that the participant may continue to be a member of the system, or contract to receive an annuity or other form of payment from a provider retained by the board for such purposes.

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

(c) Combined service employee.--A participant who is a combined service employee must be terminated from all positions that result in either membership in the system or participation in the plan to be eligible to receive a distribution.

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

(e) Small individual investment accounts.--

(1) A participant who terminates school service and whose vested accumulated total defined contributions are below the threshold established by law as of the date of termination of service may be paid the vested accumulated total defined contributions in a lump sum as provided in IRC § 401(a)(31).

(2) The board may also provide in the plan document that, notwithstanding subsection (f), a participant whose vested accumulated employer defined contributions are below

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the thresholds established by the board may receive the
distributions of vested accumulated employer defined
contributions without the obligation to purchase an annuity.
The threshold may be established as a dollar amount, an
annuity amount, in some other form individually or in
combination as the board determines.

(f) Requirement to purchase annuity.--Except as prohibited
by the IRC or as otherwise provided in this part, a participant
who is eligible and elects to receive a distribution of vested
accumulated employer defined contributions shall be required to
purchase an annuity with the distribution under such conditions
as provided in the plan document. The conditions may include
that the board is authorized to make the distribution directly
to the annuity provider.

§ 8408. Death benefits.

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

(b) Death of participant receiving distributions.--In the
event of the death of a participant receiving distributions, the
board shall pay to the participant's beneficiary the vested
balance in the participant's individual investment account in a
lump sum or in such other manner as the board may establish in
the plan document or, if the board has established alternative
methods of distribution in the plan document under which the
participant was receiving distributions, to the participant's
beneficiary or successor payee as provided in the plan document.
(c) Contracts.--The board may contract with financial
institutions, insurance companies or other types of third-party
providers to allow participants who receive a lump sum
distribution to receive payments and death benefits in a form
and manner as provided by the contract.
§ 8409. Vesting.
(a) Participant and voluntary contributions.--Subject to the
forfeiture and attachment provisions of section 8533 (relating
to taxation, attachment and assignment of funds) or otherwise as
provided by law, a participant shall be immediately vested with
respect to all mandatory pickup participant contributions and
voluntary contributions paid by or on behalf of the participant
to the trust plus interest and investment earnings on the
participant contributions but minus investment fees and
administrative charges.
(b) Employer defined contributions.--
(1) Subject to the forfeiture and attachment provisions
of section 8533 or otherwise as provided by law, a
participant shall be vested with respect to employer defined
contributions paid to the participant's individual investment
account plus interest and investment earnings by or on behalf
of the participant to the trust according to the following
schedule:
(i) At and after the first year of school service as
a participant in the plan, 25%.
(ii) At and after the second year of school service
as a participant in the plan, 50%.
(iii) At and after the third year of school service
as a participant in the plan, 75%.
(iv) At and after the fourth year of school service
as a participant in the plan, 100%.

(2) For purposes of this section, a participant shall accrue one year of school service for each fiscal year in which the participant makes contributions to the plan.

(3) The board shall establish in the plan document other terms and conditions for the implementation and administration of this section.

(4) Accumulated employer defined contributions that are not vested as of the participant's date of termination of service shall be credited against the next contribution due from the participant's employer for the remaining or future participants of the employer.

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

§ 8410. Termination of distributions.

(a) Return to school service.--

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

(2) This subsection shall not apply to a distribution of accumulated employer defined contributions or other distributions that the participant has received and used to purchase an annuity from a provider contracted by the board.
(b) Return of benefits paid during USERRA leave.--

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

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

§ 8411. Agreements with financial institutions and other organizations.

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

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

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

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

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

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

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

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

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

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

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

§ 8412. Powers and duties of board.
The board shall have the following powers and duties to
establish the plan and trust and to administer the provisions of
this part:

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

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

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

(4) The board may change the terms of the plan as may be necessary to maintain the tax-qualified status of the plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) The provisions and restrictions of the act of July 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's Investments Act, shall not apply to the plan or trust or the investments thereof, but the board may offer to the plan participants investment vehicles that would be allowed under the Protecting Pennsylvania's Investments Act.

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

§ 8413. Responsibility for investment loss.

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

§ 8414. Investments based on participant investment allocation choices.

(a) Investment by participant.--All contributions, interest and investment earnings shall be invested based on a participant's investment allocation choices. All investment allocation choices shall be credited proportionately between contributions from the participant and employer defined contributions. Each participant shall be credited individually with the amount of contributions, interest and investment earnings.

(b) Investment of contributions made by entities other than Commonwealth.--Investment of contributions by any corporation, institution, insurance company or custodial bank or other entity that the board has approved shall not be unreasonably delayed and in no case shall the investment of contributions be delayed more than 30 days from the date of payroll deduction or voluntary contributions are made to the date that funds are invested. Any interest earned on the funds pending investment shall be allocated to the employers and credited to the individual investment accounts of participants who are then participating in the plan, unless the interest is used to defray
administrative costs and fees that would otherwise be required
to be borne by participants who are then participating in the
plan.
§ 8415. Expenses.
All expenses, fees and costs of administering the plan and
the trust and investing the assets of the trust shall be borne
by the participants and paid from assessments against the
balances of the individual investment accounts as established by
the board, except that for fiscal years ending before July 1,
2016, the expenses, fees and costs of establishing and
administering the plan and trust shall be paid by the
Commonwealth through annual appropriations from the General
Fund, made on the basis of estimates from the board.
§ 8416. Election by Class T-E and Class T-F members to be
participants.
(a) General rule.--Any Class T-E or Class T-F member who is
an active member or inactive member on or after July 1, 2016,
who is employed in a position that would otherwise be eligible
for participation in the plan may elect to become a participant
in the plan to the extent that such member's compensation
exceeds the Social Security taxable wage base in effect at the
beginning of the fiscal year.
(b) Time for making election.--An eligible Class T-E or
Class T-F member may elect to become a participant and a
combined service employee at any time before termination of
school service by filing a written election with the board, as
provided in the plan document.
(c) Effect of election.--The following apply:
(1) An election to become a participant shall continue
until the termination of service. Contributions from
compensation that exceeds the Social Security taxable wage base in effect at the beginning of the fiscal year shall be deducted as soon as administratively feasible after receipt of a properly filed election and shall be deducted thereafter in accordance with section 8412 (relating to powers and duties of board) and 8506 (relating to duties of employers).

(2) A combined service employee shall not be eligible to receive an annuity from the system or a withdrawal of accumulated deductions until the employee has terminated school service.

(3) A participant shall not be entitled to purchase any previous school service or creditable nonschool service.

(4) The eligibility of a combined service employee for an annuity from the system and, if eligible, the amount of the annuity shall be as determined under this part.

§ 8417. Tax qualification.

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

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

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

(ii) An increase in a limitation under IRC § 415 shall apply to the participants on or after the effective date of this section.
(iii) For the purposes of this paragraph, the term "government plans" shall have the same meaning as in IRC § 414(d).

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

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

Section 219. Sections 8501(a), (c), (d) and (e) of Title 24 are amended and the section is amended by adding a subsection to read:

§ 8501. Public School Employees' Retirement Board.

(a) Status and membership.--The board shall be an independent administrative board and shall consist of [15] 16 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; the Secretary of Banking and Securities, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two to be appointed by the Governor, at least one of whom shall not be a school employee or an officer or employee of the State; three to be elected by the active professional members of the system and
active professional participants of the plan from among their number; one to be elected by annuitants or participants of the plan who have terminated school service and are receiving or are eligible to receive distributions from among their number; one to be elected by the active nonprofessional members of the system or active nonprofessional participants of the plan from among their number; and one to be elected by members of Pennsylvania public school boards from among their number. The appointments made by the Governor shall be confirmed by the Senate and each election shall be conducted in a manner approved by the board. The terms of the appointed and nonlegislative elected members shall be three years. The members from the Senate shall be appointed by the President pro tempore of the Senate and shall consist of one member from the majority and one member from the minority. The members from the House of Representatives shall be appointed by the Speaker of the House of Representatives and shall consist of one member from the majority and one member from the minority. The legislative members shall serve on the board for the duration of their legislative terms and shall continue to serve until 30 days after the convening of the next regular session of the General Assembly after the expiration of their respective legislative terms or until a successor is appointed for the new term, whichever occurs first. The chairman of the board shall be elected by the board members. No member of the board who represents active members or annuitants or is a current member of the General Assembly can serve as chairman. Each ex officio member of the board and each legislative member of the board may appoint a duly authorized designee to act in his stead. In the event that a board member, who is designated as an active
participant or as the participant in the plan who is receiving
or is eligible to receive distributions, receives a total
distribution of the board member's interest in the plan, that
board member may continue to serve on the board for the
remainder of his term.

* * *

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

(d) Compensation and expenses.--The members of the board who
are members of the system or participants in the plan shall
serve without compensation. Members of the board who are members
of the system or participants in the plan and who are employed
by a governmental entity shall not suffer loss of salary or
wages through serving on the board. The board, on request of the
employer of any member of the board who is an active
professional or nonprofessional member of the system or active
professional or nonprofessional participant in the plan, may
reimburse such employer for the salary or wages of the member or
participant, or for the cost of employing a substitute for such
member or participant, while the member or participant is
necessarily absent from employment to execute the duties of the
board. The members of the board who are not members of either
the school system or the State Employees' Retirement System may

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be paid $100 per day when attending meetings and all board
members shall be reimbursed for any necessary expenses. However,
when the duties of the board as mandated are not executed, no
compensation or reimbursement for expenses of board members
shall be paid or payable during the period in which such duties
are not executed.

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

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

Section 220. Section 8502(a), (b), (c), (e), (h), (i), (j),
(k), (m), (n) and (o) are amended and the section is amended by
adding subsections to read:

§ 8502. Administrative duties of board.

(a) Employees.--

(1) Effective 30 days after the effective date of this
paragraph, the positions of secretary, assistant secretary
and investment professional shall be placed under the
unclassified service provisions of the act of August 5, 1941
(P.L.752, No.286), known as the Civil Service Act, as those
positions are vacated. All other positions of the board shall
be placed in either the classified or unclassified service
according to the definition of the terms under the Civil
Service Act.
(2) Notwithstanding any other provision of law, the compensation of investment professionals shall be established by the board. The compensation of all other officers and employees of the board who are not covered by a collective bargaining agreement shall be established by the board consistent with the standards of compensation established by the Executive Board of the Commonwealth.

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

(b) Professional personnel.--

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

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

(c) Expenses.--

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

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

(3) For fiscal years ending on or before June 30, 2017, such expenses of the plan as approved by the General Assembly through an appropriation shall be paid from the General Fund. For fiscal years beginning on or after July 1, 2017, such expenses of the plan as approved by the General Assembly shall be paid from interest, under section 8414(b) (relating to investments based on participant investment allocation choices) or assessments on the balances of the participants' individual investment accounts.

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

* * *

(e) Records.--

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

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

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

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

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

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

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

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

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

whichever is later.

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

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

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

whichever is later.

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

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

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

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

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

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

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

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

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

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

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

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

(ii) The investment option selections of any participant.

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

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

(v) The benefit payment option of a participant.

(7) The following shall apply:

(i) Nothing in this part shall be construed to mean that the release or publicizing of a record, material, or data that would not constitute a public record under this subsection shall be a violation of the board's fiduciary
(ii) This subsection shall apply to a record, material or data under this subsection notwithstanding whether:

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

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

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

* * *

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

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

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

(k) Certification of employer contributions to the fund.—The board shall, each year in addition to the itemized budget required under section 8330 (relating to appropriations by the Commonwealth), certify to the employers and the Commonwealth the employer contribution rate expressed as a percentage of members' payroll necessary for the funding of prospective annuities for active members and the annuities of annuitants, and certify the rates and amounts of the normal contributions as determined pursuant to section 8328(b) (relating to actuarial cost method), accrued liability contributions as determined pursuant to section 8328(c), supplemental annuities contribution rate as determined pursuant to section 8328(d), the experience adjustment factor as determined pursuant to section 8328(e), premium assistance contributions as determined pursuant to section 8328(f), the costs added by legislation as determined pursuant to section 8328(i), the actuarial required contribution rate as determined pursuant to section 8328(i), the collared contribution rate as determined pursuant to section 8328(g), the final contribution rate as determined pursuant to section 8328(h) and the shared-risk contribution rate as determined under section 8321(b) (relating to regular member contributions for current service), which shall be paid to the fund and credited to the appropriate accounts. These certifications shall
be regarded as final and not subject to modification by the Secretary of the Budget.

* * *

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

(m.1) Amounts credited to the members' savings account and cash balance account.--Subject to the forfeiture and attachment provisions of section 8533 (relating to taxation, attachment, and assignment of funds), members shall be fully vested with respect to all employee contributions. Such monies in the accounts shall be credited with interest at the long term.
treasury rate, or its equivalent, in effect on the July 1 of the fiscal year in which the member earns compensation, not to exceed 4%. Such monies shall also be credited with excess interest, if such excess interest is awarded.

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

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

* * *

(q) Participant and employer contributions to trust.--The board shall, each year in addition to any fees and itemized budget required under subsection (c), certify, as a percentage of each participant's compensation, the employer defined contributions, which shall be paid to the trust and credited to each participant's individual investment account. These
certifications shall be regarded as final and not subject to modification by the Secretary of the Budget. The board shall cause all mandatory pickup participant contributions made on behalf of a participant and all voluntary contributions made by a participant to be credited to the participant's individual investment account.

(r) Excess interest.--

(1) The board may allow excess interest to be credited to the members' savings account for active Class T-I members, and to the cash balance account for members in other classes of service, as provided under section 8523(d) (relating to members' savings account and cash balance account).

(2) The crediting of excess interest shall be made with the advice of the actuary employing actuarial assumptions that reflect the nature of the liability.

Section 221. Section 8502.2(a) of Title 24 is amended to read:

§ 8502.2. Health insurance.

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

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

(2) Determination of the benefits structure.

(3) Determination of enrollment procedures.

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

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

* * *

Section 222. Section 8503 heading, (a) and (b) of Title 24 are amended and the section is amended by adding subsections to read:

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

(a) Manual of regulations.--The board shall, with the advice of the Attorney General and the actuary, prepare, within 90 days of the effective date of this part, a manual incorporating rules and regulations consistent with the provisions of this part for the employers who shall make information contained therein available to the general membership. The board shall thereafter advise the employers within 90 days of any changes in such rules and regulations due to changes in the law or due to changes in administrative policies. As soon as practicable after the commissioner's publication with respect thereto, the board shall also advise the employers as to any cost-of-living adjustment for the succeeding calendar year in the amount of the limitation under IRC § 401(a)(17) and the dollar amounts of the limitations under IRC § [415(b)] 415.

(b) Member status statements.--The board shall furnish annually on or before December 31, a statement to each member showing the accumulated deductions standing to the credit of the member and the number of years and fractional part of a year of service credited in each class of service, as applicable, as of June 30 of that year. Each member's statement shall [be mailed 20150SB0001PN0886 - 125 -
to his home address and shall include a request that the member 
make any necessary corrections or revisions regarding his 
designated beneficiary, whose name at the request of the member 
shall remain confidential and not appear on this statement.

(b.1) Participant status statements.--The board shall have 
furnished annually to each participant on or before December 31, 
and more frequently as the board may agree or as required by 
law, a statement showing the accumulated total defined 
investment account, the nature and type of investments and the 
investment allocation of future contributions as of June 30 of 
the current year and requesting the participant to make any 
necessary correction or revision regarding his designated 
beneficiary.

(b.2) Cash balance status statements.--The board shall have 
furnished annually on or before December 31, a statement to each 
member showing the accumulated total amount in the cash balance 
account standing to the credit of the member. Each member's 
statement shall include a request that the member make any 
necessary corrections or revisions regarding his designated 
beneficiary.

* * *

Section 223. Section 8504(c) of Title 24 is amended to read:
§ 8504. Duties of board to report to State Employees' 
Retirement Board.

* * *

(c) Applications for benefits for State employees.--Upon 
receipt of notification and the required data from the State 
Employees' Retirement Board that a former school employee who 
elected multiple service has applied for a State employee's
retirement benefit or, in the event of his death, his legally constituted representative has applied for such benefit, the board shall:

   (1) Certify to the State Employees' Retirement Board:

       (i) The salary history as a member of the Public School Employees' Retirement System and the final average salary as calculated on the basis of the compensation received as a State and school employee.

       (ii) The annuity or benefit which the member or his beneficiary is entitled to receive under this part and modified according to the option selected.

   (2) Transfer to the State Employees' Retirement Fund the accumulated deductions standing to such member's credit and the actuarial reserve required on account of the member's years of credited service in the school system and his final average salary determined on the basis of his compensation as a member in both systems.

Section 224. Sections 8505(a), (b), (e), (f), (g), (h) and (i), 8506(a), (d), (e), (g), (h), (i) and (k) and 8507(a), (e), (f) and (i) of Title 24 are amended and the sections are amended by adding subsections to read:

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

   (a) Statement to new members.--As soon as practicable after each member shall have joined the system, the board shall issue to him a statement as to the aggregate length of total previous school service and creditable nonschool service, as applicable, for which he may receive credit.

   (b) State employees electing multiple service status.--Upon receipt of notification from the State Employees' Retirement
Board that a former school employee has become an active member in the State Employees' Retirement System and has elected to become a member with multiple service status, the board shall:

(1) In case of a member who is receiving an annuity from the system:

   (i) Discontinue payments, transfer the present value of the member's annuity at the time of entering State service, plus the amount withdrawn in a lump sum payment, on or after the date of entering State service, pursuant to section 8345 (relating to member's options), with statutory interest to date of transfer, minus the amount to be returned to the board on account of return to service that the board has determined is to be credited in the members' savings account, from the annuity reserve account to the members' savings account and resume crediting of statutory interest on the amount restored to his credit.

   (ii) Transfer the balance of the present value of the total annuity, minus the amount to be returned to the board on account of return to service that the board has determined is to be credited in the State accumulation account, from the annuity reserve account to the State accumulation account.

   (iii) Certify to the member the amount of lump sum and annuity payments with statutory interest the member is to return to the board and, of those amounts, which amount shall be credited to the members' savings account and credited with statutory interest as such payments are returned and which amount shall be credited to the State accumulation account.
(2) In case of a member who is not receiving an annuity from the system and who has not withdrawn his accumulated deductions, continue or resume the crediting of statutory interest on his accumulated deductions.

(3) In case of a member who is not receiving an annuity from the system and his accumulated deductions were withdrawn, certify to the member the accumulated deductions as they would have been at the time of his separation had he been a full coverage member together with statutory interest for all periods of subsequent State service eligible for membership in the State Employees' Retirement System and school service eligible for membership in the system to the date of repayment. Such amount shall be restored by him and shall be credited with statutory interest as such payments are restored.

* * *

(e) Certification to vestees terminating service.--The board shall certify to a vestee within one year of termination of service of such member:

(1) The accumulated deductions standing to his credit at the date of termination of service.

(2) The number of years and fractional part of a year of credit in each class of service, as applicable.

(3) The maximum single life annuity to which the vestee shall become entitled upon the attainment of superannuation age, if applicable, and the filing of an application for such annuity.

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

(f) Notification to vestees approaching superannuation age.--The board shall notify each vestee in writing 90 days prior to his attainment of superannuation age that he shall apply for his annuity within 90 days of attainment of superannuation age; that, if he does so apply, his effective date of retirement will be the date of attainment of superannuation age; that, if he does not so apply but defers his application to a later date, his effective date of retirement will be the date of filing the application or the date specified on the application, whichever is later; and that, if he does not file an application within seven years after attaining superannuation age, he shall be deemed to have elected to receive his accumulated deductions upon attainment of superannuation age.

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

(g) Initial annuity payment and certification.--The board shall make the first monthly payment to a member who is eligible for an annuity within 60 days of the filing of his application for an annuity or, in the case of a vestee who has deferred the filing of his application to a date later than 90 days following attainment of superannuation age, within 60 days of his effective date of retirement, and receipt of the required data from the employer of the member. Concurrently the board shall certify to such member:

(1) The accumulated deductions standing to his credit showing separately the amount contributed by the member, the pickup contribution, the shared-risk contributions and the interest credited to the date of termination of service.

(2) The number of years and fractional part of a year credited in each class of service, as applicable.

(3) The final average salary on which his annuity is based, if applicable, as well as any applicable reduction factors due to age or election of an option or both.

(4) The total annuity payable under the option elected and the amount and effective date of any future reduction on account of social security old-age insurance benefits.

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

(h) Death benefits.--Upon receipt of notification of the death of a member, an active participant, an inactive participant or former member or participant on USERRA leave, the
board shall notify the designated beneficiary or survivor
annuitant of the benefits to which he is entitled and shall make
the first payment to the beneficiary under the plan elected by
the beneficiary within 60 days of receipt of certification of
death and other necessary data. If no beneficiary designation is
in effect at the date of the member's or participant's death or
no notice has been filed with the board to pay the amount of
such benefits to the member's or participant's estate, the board
is authorized to pay such benefits to the executor,
administer, surviving spouse or next-of-kin of the deceased
member or participant, and payment pursuant hereto shall fully
discharge the fund or plan from any further liability to make
payment of such benefits to any other person. If the surviving
spouse or next-of-kin of the deceased member or participant
cannot be found for the purpose of paying such benefits for a
period of seven years from the date of death of the member or
participant, then such benefits shall be escheated to the
Commonwealth for the benefit of the fund or plan. If no
beneficiary designation is in effect at the date of a
participant's death or no notice has been filed with the board
to pay the amount of the benefits to the participant's estate,
the board may pay the benefits to the surviving spouse,
executor, administrator or next-of-kin of the deceased
participant, and payment pursuant hereto shall fully discharge
the fund from any further liability to make payment of such
benefits to any other person.

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

* * *

§ 8506. Duties of employers.

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

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

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

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

* * *

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

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

(d.1) Cash balance account contributions.--The employer
shall cause the voluntary contributions to the cash balance
account on behalf of a Class T-C, Class T-E, Class T-F, Class T-
G, or Class T-H member to be made and deducted as authorized by
the member. The employer shall certify to the board the amounts
deducted and the employer contributions being made and shall
send the total amount deducted and contributed together with a
duplicate of such voucher to the secretary of the board every
pay period or on such schedule as established by the board.

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

* * *

(g) Former State employee contributors.--
(1) The employer shall, upon the employment of a former
member of the State Employees' Retirement System who is not
an annuitant of the State Employees' Retirement System,
advice such employee of his right to elect multiple service
membership within 365 days of entry into the system and, in
the case any such employee who so elects has withdrawn his
accumulated deductions, require him to restore his
accumulated deductions as they would have been at the time of
his separation had he been a full coverage member, together
with statutory interest for all periods of subsequent State
and school service to date of repayment. The employer shall
advise the board of such election.

(2) Paragraph (1) shall not apply to a school employee
who is employed in a position where the school employee is or
could be a participant in the plan other than a member who
elects to become a participant in the plan.

(h) Former State employee annuitants.--

(1) The employer shall, upon the employment of an
annuitant of the State Employees' Retirement System who
applies for membership in the system, advise such employee
that he may elect multiple service membership within 365 days
of entry into the system and that if he so elects his annuity
from the State Employees' Retirement System will be
discontinued effective upon the date of his return to school
service and, upon termination of school service and
application for an annuity, the annuity will be adjusted in
accordance with section 8346 (relating to termination of
annuities). The employer shall advise the board of such
election.

(2) Paragraph (1) shall not apply to a school employee
who is employed in a position where the school employee is or
could be a participant in the plan other than a member who
elects to become a participant in the plan.

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

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

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

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

* * *

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

(1) Any school employee who:

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

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

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

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

(4) Any other information the board may require.

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

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

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

* * *

(b.1) Application for participation.--On or after July 1, 2016, in the case of a new employee who is not currently a participant in the plan and whose participation is mandatory, or in the case of a new employee whose participation is not mandatory but is permitted and who desires to become a participant in the plan, the new employee shall execute an application for participation and a nomination of a beneficiary.

* * *

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

(d.3) Voluntary contributions by a participant.--Any participant who desires to make voluntary contributions to be credited to his individual investment account shall notify the board and, upon compliance with the requirements, procedures and limitations established by the board in the plan document, may do so subject to the limitations under IRC §§ 401(a) and 415 and as otherwise provided in this part.

(d.4) Voluntary contributions to cash balance account by member.--Any member who desires to make voluntary contributions to be credited to his cash balance account shall notify the board and, upon compliance with the requirements, procedures and limitations established by the board, may do so subject to the limitations under IRC §§ 401(a) and 415 and as otherwise provided in this part.

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

(e.1) Beneficiary for death benefits from plan.--Every participant shall nominate a beneficiary by written designation filed with the board as provided in section 8506 (relating to duties of employers) to receive the death benefit payable under section 8408 (relating to death benefits). A participant may also nominate a contingent beneficiary or beneficiaries to receive the death benefit provided under section 8408 (relating
(e.2) Beneficiary for combined service employee.--A combined service employee may designate or nominate different persons to be beneficiaries, survivor annuitants and successor payees for his benefits from the system and the plan.

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

(1) Withdraw his accumulated deductions.

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

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

* * *

(g.1) Deferral of distribution by participant.--If a participant terminates school service and does not commence receiving a distribution, he shall nominate a beneficiary by written designation filed with the board, and he may anytime thereafter, but no later than his required beginning date, withdraw the vested accumulated total defined contributions standing to his credit or apply for another form of distribution required by law or authorized by the board.
(g.2) Deferral of distribution of cash balance account by member.--If a member terminates school service and does not commence receiving a distribution of monies in the cash balance account, he shall nominate a beneficiary by written designation filed with the board, and he may anytime thereafter, but no later than his required beginning date, withdraw the vested accumulated contributions standing to his credit or apply for another form of distribution required by law or authorized by the board.

* * *

(i) Failure to apply for annuity.--If a member is eligible to receive an annuity from the system and does not file a proper application within 90 days of termination of service, he shall be deemed to have elected to vest, and his annuity will become effective as of the date an application is filed with the board or the date designated on the application whichever is later.

* * *

(l) Eligible roll-in.--An active Class T-I member may transfer money received in an eligible rollover distribution to the members' savings account to purchase USERRA leave, to the extent allowed by IRC §402. Such rollover shall be made in a form and manner as determined by the board, shall be credited to the Class T-I member's accumulated deductions, and shall be separately accounted for by the board.

Section 225. Sections 8521(b), 8522, 8523, 8524, 8525 and 8531 of Title 24 are amended to read:

§ 8521. Management of fund and accounts.

* * *

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

* * *

§ 8522. Public School Employees' Retirement Fund.

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

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

§ 8523. Members' savings account and cash balance account.

(a) Credits to members' savings account.--The members' savings account shall be the ledger account to which shall be credited the amounts of the pickup contributions made by the employer and contributions or lump sum payments made by active members in accordance with the provisions of Chapter 83 (relating to membership, contributions and benefits).

(a.1) Credits to cash balance account.--The cash balance account shall be the ledger account to which shall be credited the amounts of cash balance member contributions made by active members, amounts credited by the employer, and contributions or lump sum payments made by active members, together with interest and excess interest, as applicable, in accordance with the provisions of Chapter 83 (relating to membership, contributions and benefits).

(b) Interest and transfers from account.--The individual member accounts to which interest is payable shall be credited with statutory interest. The accumulated deductions credited to the account of a member who dies in service or whose application for an annuity has been approved shall be transferred from the members' savings account or from the cash balance account, as
applicable, to the annuity reserve account provided for in section 8525 (relating to annuity reserve account).

(c) Charges to account.--Upon the election of a member to withdraw his accumulated deductions, the payment of such amount shall be charged to the members' savings account.

(d) Excess Interest.--

(1) As part of the annual actuarial valuation performed under subsection 8502(j) (relating to administrative duties of board) for fiscal year 2017, and for each subsequent fiscal year, the board shall determine the amount potentially available from that year for distribution as excess interest. That amount shall be one half of the investment gains and losses, net of investment and administrative fees and costs, above or below the actuarially assumed investment return of the total assets in the fund multiplied by the ratio of the total amount credited in the members' savings account of Class T-I members and the cash balance savings account of members who have elected to contribute to the cash balance account, to the sum of the total amount credited in the members' savings account plus the accrued actuarial liability of all benefits derived from all the service of all members in all classes of service other than Class T-I. This product shall be available in equal annual installments over five years.

(2) After the actuarial valuation made for fiscal year 2019 and after the actuarial valuations for each subsequent fiscal year, the board shall determine if excess interest is to be awarded to those members who have Class T-I service credit, or those members who have contributions in the cash balance savings account, on the date of the applicable
(3) For each determination period, excess interest shall be granted if the sum of the amounts determined under paragraph (1) for all the years of the determination period is positive. If so, then the percentage rate of excess interest shall be determined by dividing this sum by the total amount credited in the members savings account attributable to Class T-I service credit and those members who have contributions in the cash balance savings account, on the last day of the determination period. Each Class T-I member who has monies in the members' savings account, and each member who has monies in the cash balance savings account, on the last day of the determination period and who has monies in such accounts on the next following June 30, shall have excess interest at this rate credited to his total members' savings account balance cash balance savings account, as applicable.

(4) The determination period for the period ending with the actuarial valuation for fiscal year 2019 shall be fiscal years 2016, 2017 and 2018. The determination period for the period ending with the actuarial valuation for fiscal year 2020 shall be fiscal years 2016, 2017, 2018, and 2019. The determination period for the periods ending with fiscal year 2021 and subsequent years shall be the ending fiscal year and the four immediately previous fiscal years.

§ 8524. State accumulation account.

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

§ 8525. Annuity reserve account.
(a) Credits and charges to account.--The annuity reserve
account shall be the ledger account to which shall be credited
the reserves held for the payment of annuities and death
benefits resulting from membership in the system on account of
all annuitants and the contributions from the Commonwealth and
other employers as determined in accordance with section 8328
(relating to actuarial cost method) for the payment of the
supplemental annuities provided in sections 8348 (relating to
supplemental annuities), 8348.1 (relating to additional
supplemental annuities), 8348.2 (relating to further additional
supplemental annuities), 8348.3 (relating to supplemental
annuities commencing 1994), 8348.4 (relating to special
annuities)
supplemental postretirement adjustment), 8348.5 (relating to supplemental annuities commencing 1998), 8348.6 (relating to supplemental annuities commencing 2002) and 8348.7 (relating to supplemental annuities commencing 2003). The annuity reserve account shall be credited with valuation interest. After the transfers provided in sections 8523 (relating to members' savings account) and 8524 (relating to State accumulation account), all annuity and death benefit payments shall be charged to the annuity reserve account and paid from the fund.

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

§ 8531. State guarantee regarding the system.

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

Section 226. Section 8533(a), (b) and (d) of Title 24 are

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amended to read:
§ 8533. Taxation, attachment and assignment of funds.
(a) General rule.--Except as provided in subsections (b), (c) and (d), the right of a person to a member's annuity, a State annuity, or retirement allowance, to the return of contributions, any benefit or right accrued or accruing to any person under the provisions of this part, and the moneys in the fund and the trust are hereby exempt from any State or municipal tax, and exempt from levy and sale, garnishment, attachment, the provisions of Article XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, or any other process whatsoever, and shall be unassignable.
(a.1) Individual investment accounts and distributions.--No participant or beneficiary, successor payee, spouse or alternate payee of a participant shall have the ability to commute, sell, assign, alienate, anticipate, mortgage, pledge, hypothecate, commutate or otherwise transfer or convey any benefit or interest in an individual investment account or rights to receive or direct distributions under this part or under agreements entered into under this part except as otherwise provided in this part and in the case of either a member or a participant.
(b) Forfeiture.--
(1) Rights under this part shall be subject to forfeiture as provided by the act of July 8, 1978 (P.L.752, No.140), known as the Public Employee Pension Forfeiture Act. Forfeitures under this subsection or under any other provision of law may not be applied to increase the benefits that any member would otherwise receive under this part.
(2) In accordance with section 16(b) of Article V of the
Constitution of Pennsylvania and notwithstanding paragraph (1), the act of July 8, 1978 (P.L. 752, No. 140), known as the Public Employee Pension Forfeiture Act, or 42 Pa.C.S. § 3352 (relating to pension rights), the accumulated mandatory participant contributions and accumulated voluntary contributions standing to the credit of a participant shall not be forfeited but shall be available for payment of fines and restitution as provided by law. In accordance with section 16(b) of Article V of the Constitution of Pennsylvania, amounts in the trust that have been ordered to be distributed to an alternate payee as the result of an equitable distribution of marital property as part of an approved domestic relations order entered before the date of the order or action in a court or other tribunal resulting in a forfeiture of a participant's interest in the trust shall not be subject to the Public Employee Pension Forfeiture Act, section 16(b) of the Article V of the Constitution of Pennsylvania or 42 Pa.C.S. § 3352. Any accumulated employer defined contributions forfeited as a result of this subsection or other law shall be retained by the board and used for the payment of expenses of the plan.

* * *

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

Section 227. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a) of Title 24 are amended to read:

§ 8533.1. Approval of domestic relations orders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Requires the participant to execute an authorization allowing each alternate payee to monitor the participant's compliance with the terms of the domestic relations order through access to information concerning the participant maintained by the plan. Any authorization granted under this section shall be construed only as an authorization for the alternate payee to receive information concerning the participant which relates to the administration, calculation and payment of the alternate payee's share of the participant's account and not as an authorization to exercise the rights afforded to participants or obtain information that is not related to the administration, calculation and payment of the alternate payee's share of the participant's individual investment account, notwithstanding any other provision of this part or the plan that would require a distribution of accumulated employer defined contributions in the form of an annuity or to require the purchase of an annuity.

(10) In the case of participants who have not yet begun to receive distributions as of the date the domestic relations order is approved by the secretary of the board or his designated representative, requires the immediate distribution of the alternate payee's share of the participant's individual investment account, which may be made by direct payment, eligible rollover or trustee-to-
trustee transfer to another eligible plan or qualified
account owned by the alternate payee, notwithstanding any
other provision of this part or the plan that would otherwise
require a distribution of accumulated employer defined
contributions in the form of an annuity or to require the
purchase of an annuity.

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

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

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

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

§ 8533.2. Irrevocable beneficiary.
Notwithstanding any other provision of this part, a domestic relations order may provide for an irrevocable beneficiary. A domestic relations order requiring the nomination of an irrevocable beneficiary shall be deemed to be one that requires a member or participant to nominate an alternate payee as a beneficiary and that prohibits the removal or change of that beneficiary without approval of a court of competent jurisdiction, except by operation of law. Such a domestic relations order may be certified as an approved domestic relations order by the secretary of the board, or his designated representative, after the member or participant makes such nomination, in which case the irrevocable beneficiary so ordered by the court cannot be changed by the member or participant without approval by the court.

§ 8533.3. Irrevocable survivor annuitant.

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

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§ 8533.4. Amendment of approved domestic relations orders.

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

* * *

Section 228. Title 24 is amended by adding a section to read:

§ 8533.5. Irrevocable successor payee.

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

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

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

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

Section 229. Sections 8534 and 8535 of Title 24 are amended to read:

§ 8534. Fraud and adjustment of errors.
(a) Penalty for fraud.--Any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record or records of this system or plan in any attempt to defraud the system or plan as a result of such act shall be guilty of a misdemeanor of the second degree.
(b) Adjustment of errors.--Should any change or mistake in records result in any member, participant, beneficiary, [or] survivor annuitant or successor payee receiving from the system or plan more or less than he would have been entitled to receive had the records been correct, then regardless of the intentional or unintentional nature of the error and upon the discovery of such error, the board shall correct the error and if the error affects contributions to or payments from the system, then so far as practicable shall adjust the payments which may be made for and to such person in such a manner that the actuarial equivalent of the benefit to which he was correctly entitled shall be paid. If the error affects contributions to or payments from the plan, the board shall take such action as shall be provided for in the plan document.

§ 8535. Payments to school entities by Commonwealth.
For each school year beginning with the 1995-1996 school year and ending with the 2015-2016 school year, each school entity
shall be paid by the Commonwealth for contributions based upon school service of active members of the system after June 30, 1995, as follows:

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

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

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

Section 230. Title 24 is amended by adding sections to read:

§ 8535.1. Payments to school entities by Commonwealth commencing with the 2016-2017 school year.

(a) General rule.--For each school year, beginning with the 2016-2017 school year, each school entity shall be paid by the Commonwealth for contributions based upon school service of active members of the system and active participants of the plan after June 30, 2016, as follows:

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

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

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

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

§ 8537. Public Pension Management and Asset Investment Review
Commission.
(a) Establishment.--A Public Pension Management and Asset
Investment Review Commission shall be established, which shall
be composed of three appointees of each of the following:

(1) Speaker of the House;
(2) President Pro tempore of the Senate; and
(3) Governor.

The appointees shall be investment professionals and
retirement advisors and shall be appointed within 90 days of
the effective date of this section.
(b) Duties.--The duties of the Public Pension Management and
Asset Investment Review Commission are as follows:

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

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

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

(4) Publish extensive and detailed findings on-line,
including findings about:

(i) assets;

(ii) returns;

(iii) financial managers;

(iv) consultants;

(v) requests for Proposals; and

(vi) investment performance measured against benchmarks.

(5) Report its findings and recommendations to the Governor and the General Assembly within 6 months of its first organizational meeting.

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

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

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

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


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

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

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

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

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

Section 231. The definition of "eligible person" in section 8702(a) of Title 24 is amended to read:

§ 8702. Definitions.

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

"Eligible person." An individual who is:

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

(2) a participant receiving distributions or a successor payee, or the spouse or dependent of a participant receiving distributions or successor payee.
ARTICLE III

Section 301. Section 7306(a) introductory paragraph of Title 51 is amended and the section is amended by adding a subsection to read:

§ 7306. Retirement rights.

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

* * *

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

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

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

ARTICLE IV

Section 401. Sections 4104(a)(7), 5102 and 5103 of Title 71
are amended to read:

§ 4104. Duties of office.
(a) Mandatory.--The office shall:
   * * *
   (7) Study and analyze the impact of shared-risk
   contributions under 24 Pa.C.S. § 8321(b) (relating to regular
   member contributions for current service) and section 5501.1
   (relating to shared-risk member contributions and shared-gain
   adjustments for regular member contributions for Class A-3
   and Class A-4 service).
   * * *

§ 5102. Definitions.
The following words and phrases as used in this part, unless
a different meaning is plainly required by the context, shall
have the following meanings:

"Academic administrator." A management employee in the field
of public education whose work is directly related to academic
instruction, excluding any employee in a position that is
nonacademic in nature, such as, without limitation, a position
that relates to admissions, financial aid, counseling,
secretarial and clerical services, records management, housing,
food service, maintenance and security.

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

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

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

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

"Active member." A State employee, or a member on leave
without pay, for whom pickup contributions or cash balance
member contributions are being made to the fund or for whom such
contributions otherwise required for current State service are
not being made solely by reason of section 5502.1 (relating to
waiver of regular member contributions and Social Security
integration member contributions) or any provision of this part
relating to the limitations under section 401(a)(17) or section
[415(b)] 415 of the Internal Revenue Code of 1986 (Public Law
99-514, 26 U.S.C. § 401(a)(17) or [415(b)].] 415) or limitations
on contributions to the system applicable to a Class A-3 member
or Class A-4 member who has exceeded the Class A-3 and Class A-4 compensa-
tion limit.

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

"Actuarial increase factor." A factor calculated at the member's birthday by dividing the cost of a dollar annuity based on the age of the member on the member's immediately previous birthday by the cost of a one-year deferred dollar annuity calculated at that same age. Unless the member terminates State or school service on the member's birthday, the actuarial increase factor for the year of termination shall be adjusted by:

(1) subtracting one from the calculated factor; then

(2) dividing the difference by twelve; then

(3) multiplying the resulting quotient by the number of whole months between the member's immediately previous birthday and the date of termination of service; then

(4) adding one to the resulting product.

"Actuarially equivalent." [Equal] Except when determining benefits and present values related to Class CB service, cash balance member accumulated deductions or total cash balance accumulated deductions, equal present values, computed on the basis of statutory interest and the mortality tables adopted by the board. When determining benefits and present values related to Class CB service, cash balance member accumulated deductions...
or total cash balance accumulated deductions, equal present values, computed on the basis of the applicable Federal rate on the effective date of the determination and the mortality tables adopted by the board.

"Actuary." The consultant to the board who shall be:

1. a member of the American Academy of Actuaries; or
2. an individual who has demonstrated to the satisfaction of the Insurance Commissioner of Pennsylvania that he has the educational background necessary for the practice of actuarial science and has had at least seven years of actuarial experience; or
3. a firm, partnership, or corporation of which at least one member meets the requirements of (1) or (2).

"Additional accumulated deductions." The total of the additional member contributions paid into the fund on account of current service or previous State or creditable nonstate service, together with the statutory interest credited thereon until the date of termination of service. In the case of a vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

"Alternative investment." An investment in a private equity fund, private debt fund, venture fund, real estate fund, hedge fund or absolute return fund.

"Alternative investment vehicle." A limited partnership, limited liability company or any other legal vehicle for authorized investments under section 5931(i) (relating to management of fund and accounts) through which the system makes an alternative investment.
"Alternate payee." Any spouse, former spouse, child or
dependent of a member or participant who is recognized by a
domestic relations order as having a right to receive all or a
portion of the moneys payable to that member or participant
under this part.

"Annuitant." Any member on or after the effective date of
retirement until his annuity is terminated.

"Applicable Federal rate." Interest at a rate equal to the
applicable Federal rate prescribed by the Internal Revenue
Service and published by revenue ruling under IRC § 7520 and
that is in effect on the operative date of the calculation for
which such rate is being used, compounded annually.

"Approved domestic relations order." Any domestic relations
order which has been determined to be approved in accordance
with section 5953.1 (relating to approval of domestic relations
orders).

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

"Basic contribution rate." Five percent (5%), except that in
no case shall any member's rate, excluding the rate for social
security integration credit, be greater than his contribution
rate on the effective date of this part so long as he does not
elect additional coverage or membership in another class of
service.

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

"Board." The State Employees' Retirement Board or the State
Employes' Retirement Board.

"Cash balance member accumulated deductions." The total of
the cash balance member contributions paid into the fund on
account of a member's service as a member of Class CB together
with treasury bond interest and excess interest thereon until
the date of termination of service. In the case of a vestee,
treasury bond interest and excess interest shall be credited
until the effective date of retirement.

"Cash balance member contributions." The product of the
basic contribution rate, the class of service multiplier and the
compensation of the member for service credited as Class CB.

"Class A-3 and Class A-4 compensation limit." For a Class A-
3 or Class A-4 member for each calendar year starting on or
after January 1, 2016, the amount of compensation as an active
member which would not have been subject to Social Security
integration member contributions under section 5502 had the
member been eligible to elect to earn Social Security
integration credits under section 5305 and did so, without
regard to the calendar year starting after March 1, 1974.

"Class of service multiplier."

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prior to January 1, 2016, 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 AA for all purposes after December 31, 2015 as provided in section 5501.4

A-3 for all purposes except the calculation of regular member contributions and contributions for creditable nonstate service

1 A-3 for purposes of calculating regular member

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and contributions for creditable nonstate service for all purposes except the calculation of regular member contributions for purposes of calculating regular member contributions for purposes of calculating cash balance member contributions for purposes of calculating cash balance member contributions 0.6 unless a lower multiplier is elected under section 5306.5 prior to January 1, 1973 on and
subsequent to January 1, 1973

D-2 prior to January 1, 1973

D-2 on and subsequent to

January 1, 1973

D-3 prior to January 1, 1973

D-3 on and subsequent to

January 1, 1973 except prior to December 1, 1974 as applied to any additional legislative compensation as an officer of the General Assembly

D-4 for all purposes prior to January 1, 2016, except calculating regular member contributions on compensation paid prior to
July 1, 2001

1.5 for purposes of calculating regular member contributions on compensation paid prior to July 1, 2001

D-4 for all purposes after December 31, 2015 as provided in section 5501.4

E, E-1 prior to January 1, 1973

1.5 for each of the first ten years of judicial service, and

1.125 for each subsequent year of judicial service

E, E-1 on and subsequent to January 1, 1973

1.50 for each of the first ten years of judicial service and

1.125 for each
subsequent year of judicial service

E-2 prior to
September 1, 1973 1.5

E-2 on and subsequent to
September 1, 1973 1.125

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"Combined service employee." A current or former State employee who is both a member of the system and a participant in the plan.

"Commissioner." The Commissioner of the Internal Revenue Service.

"Compensation." Pickup contributions plus remuneration actually received as a State employee excluding refunds for expenses, contingency and accountable expense allowances; excluding any severance payments or payments for unused vacation or sick leave; and excluding payments for military leave and any other payments made by an employer while on USERRA leave, leave of absence granted under 51 Pa.C.S. § 4102 (relating to leaves of absence for certain government employees), military leave of absence granted under 51 Pa.C.S. § 7302 (relating to granting military leaves of absence) or other types of military leave, including other types of leave payments, stipends, differential wage payments as defined in IRC § 414(u)(12) and any other payments: Provided, however, That compensation received prior to January 1, 1973, shall be subject to the limitations for retirement purposes in effect December 31, 1972, if any: Provided further, That the limitation under section 401(a)(17) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)) taken into account for the purpose of member contributions, including any additional member contributions in addition to regular or joint coverage member contributions and Social Security integration contributions, regardless of class of service, shall apply to each member who first became a member of the State Employees' Retirement System on or after January 1, 1996, and who by reason of such fact is a...
noneligible member subject to the application of the provisions of section 5506.1(a) (relating to annual compensation limit under IRC § 401(a)(17)) and shall apply to each participant.

"Concurrent service." Service credited in more than one class of service during the same period of time.

"Correction officer." Any full-time employee assigned to the Department of Corrections or the Department of Public Welfare whose principal duty is the care, custody and control of inmates or direct therapeutic treatment, care, custody and control of inmates of a penal or correctional institution, community treatment center, forensic unit in a State hospital or secure unit of a youth development center operated by the Department of Corrections or by the Department of Public Welfare.

"County service." Service credited in a retirement system or pension plan established or maintained by a county to provide retirement benefits for its employees to the account of county employees who are transferred to State employment and become State employees pursuant to 42 Pa.C.S. § 1905 (relating to county-level court administrators) regardless of whether the service was performed for the county or another employer or allowed to be purchased in the county retirement system or pension plan.

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

(1) service as a State employee;

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

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

"Credited service." State or creditable nonstate service for which the required contributions have been made to the fund or for which the contributions otherwise required for such service were not made solely by reason of section 5502.1 (relating to waiver of regular member contributions and Social Security integration member contributions) or any provision of this part relating to the limitations under section 401(a)(17) or [415(b)] 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or [415(b)],] 415), or limitations on contributions to the system applicable to a Class A-3 member or Class A-4 member or for which salary deductions or lump sum payments to the system have been agreed upon in writing.

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

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

(2) the last day of service for which mandatory participant contributions are made for an active participant;

(3) in the case of an inactive member on leave without...
pay or an inactive participant on leave without pay, the date of his resignation or the date his employment is formally discontinued by his employer[].; or
(4) in the case of a combined service employee, the latest of the dates in paragraphs (1), (2) and (3).

"Disability annuitant." A member on and after the effective date of disability until his annuity or the portion of his annuity payments in excess of any annuity to which he may otherwise be entitled is terminated.

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

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

"Effective date of retirement." The first day following the date of termination of service of a member if he has properly filed an application for an annuity within 90 days of such date; in the case of a vestee or a member who does not apply for an

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annuity within 90 days after termination of service, the date of filing an application for an annuity or the date specified on the application, whichever is later. In the case of a finding of disability, the date certified by the board as the effective date of disability.

"Elected officer." An individual who is elected, reelected or retained in a retention election to a term of office that begins after December 31, 2015, as a member of the General Assembly.

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

"Employer defined contributions."

(1) Unless paragraph (2) applies, contributions equal to 4% of an active participant's compensation which are made by the Commonwealth or other employer for current service to the trust to be credited in the active participant's individual investment account.

(2) (i) For an enforcement officer, psychiatric security aide, Delaware River Port Authority policeman, park ranger or Capitol Police officer, contributions equal to 5.5% of an active participant's compensation which are made by the Commonwealth or other employer for current service to the trust to be credited in the active participant's individual investment account.

(ii) For a sworn police officer, contributions equal to 12.2% of an active participant's compensation which
are made by the Commonwealth for current service to the
trust to be credited in the participant's individual
investment account.

"Enforcement officer."

(1) Any enforcement officer or investigator of the
Pennsylvania Liquor Control Board who is a peace officer
vested with police power and authority throughout the
Commonwealth and any administrative or supervisory employee
of the Pennsylvania Liquor Control Board vested with police
power who is charged with the administration or enforcement
of the liquor laws of the Commonwealth.

(2) Special agents, narcotics agents, asset forfeiture
agents, medicaid fraud agents and senior investigators
hazardous waste prosecutions unit, classified as such and
employed by the Office of Attorney General who have within
the scope of their employment as law enforcement officers the
power to enforce the law and make arrests under the authority
of the act of October 15, 1980 (P.L.950, No.164), known as
the Commonwealth Attorneys Act.

(3) Parole agents, classified as such by the Executive
Board and employed by the Pennsylvania Board of Probation and
Parole.

(4) Waterways conservation officers and other
commissioned law enforcement personnel employed by the
Pennsylvania Fish and Boat Commission who have and exercise
the same law enforcement powers as waterways conservation
officers. This paragraph shall not apply to deputy waterways
conservation officers.

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

(1) For members with an effective date of retirement
before January 1, 2016, and for purposes of calculating standard single life annuities resulting from credited service other than post-January 2016 service regardless of the effective date of retirement, the highest average compensation received as a member during any three nonoverlapping periods of four consecutive calendar quarters during which the member was a State employee, with the compensation for part-time service being annualized on the basis of the fractional portion of the year for which credit is received; except if the employee was not a member for three nonoverlapping periods of four consecutive calendar quarters, the total compensation received as a member, annualized in the case of part-time service, divided by the number of nonoverlapping periods of four consecutive calendar quarters of membership[;]

(2) For members with an effective date of retirement on or after January 1, 2016, for purposes of calculating standard single life annuities resulting from post-January 2016 service, the larger of:

(i) the highest average total compensation received as a member of any class of service during any five calendar years during which the member was a state employee, with the compensation for part-time service or for any partial year of credit annualized on the basis of the fractional portion of the year for which credit is received, and subject to any limitation as applied under section 5506.2 (relating to application of Class A-3 and Class A-4 compensation limit) if the member has Class A-3 service credit or class A-4 service credit, except if the employee was not an active member during five calendar quarters.
years, the average of the number of calendar years during which the employee was an active member; or

(ii) the highest average compensation received as a member of any class of service during any three calendar years during which the member was a state employee excluding remuneration received after December 31, 2015, for any overtime service as a member of the system, with the compensation of part-time service or for any partial year of credit annualized on the basis of the fractional portion of the year for which credit is received, and subject to any limitation as applied under section 5506.2 if the member has Class A-3 service credit or class A-4 service credit, except if the employee was not an active member during three calendar years, the average of the number of calendar years during which the employee was an active member.

(3) For all members and for the calculation of all standard single life annuities without regard to class of membership and credited service, in the case of a member with multiple service, the final average salary shall be determined on the basis of the compensation received by him as a [State employee] member of the system or as a school employee, other than as a participant in the School Employees' Defined Contribution Plan, or both; in the case of a member with Class A-3 or Class A-4 service and service in one or more other classes of service, the final average salary shall be determined on the basis of the compensation received by him in all classes of State service credited in the system other than as a member of Class CB; and, in the case of a member who first became a member on or after
January 1, 1996, the final average salary shall be determined as hereinabove provided but subject to the application of the provisions of section 5506.1(a) (relating to annual compensation limit under IRC § 401(a)(17)). Final average salary shall be determined by including in compensation payments deemed to have been made to a member reemployed from USERRA leave to the extent member contributions have been made as provided in section 5302(f)(2) (relating to credited State service) and payments made to a member on leave of absence under 51 Pa.C.S. § 4102 (relating to leaves of absence for certain government employees) as provided in section 5302(f)(6).

"Full coverage member." Any member for whom member pickup contributions are being picked up or who has paid or has agreed to pay to the fund the actuarial equivalent of regular member contributions due on account of service prior to January 1, 1982.

"Fund." The State Employees' Retirement Fund.

"Head of department." The chief administrative officer of the department, the chairman or executive director of the agency, authority, or independent board or commission, the Court Administrator of Pennsylvania, and the Chief Clerk of the Senate, or the Chief Clerk of the House of Representatives.

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

"Inactive member on leave without pay." The term does not include a combined service employee who is an inactive participant on leave without pay unless the combined service employee concurrently is employed in an office or position in which the combined service employee is a member of the system.

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

"Inactive participant on leave without pay." The term does not include a combined service employee who is an inactive member on leave without pay unless the combined service employee concurrently is employed in an office or position in which the combined service employee is a participant in the plan.

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

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

"IRC." The Internal Revenue Code of 1986, as designated and referred to in section 2 of the Tax Reform Act of 1986 (Public Law 99-514, 100 Stat. 2085, 2095). A reference in this part to "IRC § " shall be deemed to refer to the identically numbered section and subsection or other subdivision of such section in 26 United States Code (relating to Internal Revenue Code).

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

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

"Irrevocable survivor annuitant." The person permanently
designated by a member in writing to the State Employees' Retirement Board pursuant to an approved domestic relations order to receive an annuity upon the death of such member.

"Joint coverage member." Any member who agreed prior to January 1, 1966 to make joint coverage member contributions to the fund and has not elected to become a full coverage member.

"Joint coverage member contributions." Regular member contributions reduced for a joint coverage member.

"Mandatory participant contributions." Contributions equal to 3% of compensation that are made by active participants for current service.

"Member." Active member, inactive member, annuitant, vestee or special vestee.

"Member of the judiciary." Any justice of the Supreme Court, any judge of the Superior Court, the Commonwealth Court, any court of common pleas, the Municipal Court and the Traffic Court of Philadelphia, or any community court.

"Member's annuity." The single life annuity which is actuarially equivalent, at the effective date of retirement, to the sum of the regular accumulated deductions, shared-risk accumulated deductions, the additional accumulated deductions, cash balance member accumulated deductions and the social security integration accumulated deductions standing to the member's credit in the members' savings account.

"Military service." All active military service for which a member has received a discharge other than an undesirable, bad conduct, or dishonorable discharge.

"Multiple service." Credited service of a member who has elected to combine his credited service in both the State Employees' Retirement System and the Public School Employees' Retirement System.
Retirement System.

"Noneligible member." For the purposes of section 5506.1 (relating to annual compensation limit under IRC § 401(a)(17)), a member who first became a member on or after January 1, 1996.

"Nonstudent service." Employment in an educational institution that is not contingent on the employee's enrollment as a student or maintenance of student status at such institution and for which only monetary compensation is received, excluding tuition waivers or reimbursement, academic credit, housing, meals and other in-kind compensation.

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

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

"Pickup contributions." Regular or joint coverage member contributions, shared risk member contributions, social security integration contributions and additional member contributions which are made by the Commonwealth or other employer for active members for current service on and after January 1, 1982.

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

"Plan document." The documents created by the board under section 5402 (relating to plan document) that contain the terms and provisions of the plan and trust as established by the board regarding the establishment, administration and investment of the plan and trust.

"Post-January 2016 service." All previously uncredited state service.
service and creditable nonstate service that is first credited
on or after January 1, 2016, and all State service performed on
or after January 1, 2016, except that any State service credited
by a member who is reemployed from USERRA leave who has made the
member contributions under section 5302(f) (relating to credited
State service) to receive State service credit shall not be
post-January 2016 service if credited for a period of USERRA
leave performed before January 1, 2016.

"Previous State service." Service rendered as a State
employee prior to his most recent entrance in the system[.].
provided that the State employee was not a participant in the
plan, was not eligible to be an optional participant in the plan
under section 5301(b.1) (relating to mandatory and optional
membership in the system and participation in the plan) or was
not prohibited from being a participant under section 5301(c.1)
during such service.

"Psychiatric security aide." Any employee whose principal
duty is the care, custody and control of the criminally insane
inmates of a maximum security institution for the criminally
insane or detention facility operated by the Department of
Public Welfare.

"Public School Employees' Retirement System." The retirement
system established by the act of July 18, 1917 (P.L.1043,
No.343), and codified by the act of June 1, 1959 (P.L.350,
No.77).

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

"Regular accumulated deductions." The total of the regular or joint coverage member contributions paid into the fund on account of current service or previous State or creditable nonstate service, together with the statutory interest credited thereon until the date of termination of service. In the case of a vestee or a special vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

"Regular member contributions." The product of the basic contribution rate, the class of service multiplier if greater than one and the compensation of the member for service in a class other than Class CB, subject to any adjustment under section 5501.1(c) (relating to shared risk member contributions and shared-gain adjustments to regular member contributions for Class A-3 and Class A-4 service) or 5501.3 (relating to contribution savings program for members of Class AA and Class D-4 who have not made the election under section 5306.4).

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

"Retirement counselor." The State Employees' Retirement [System] Board employee whose duty it shall be to advise each employee of his rights and duties as a member of the system or as a participant of the plan.
"Salary deductions." The amounts certified by the board, deducted from the compensation of an active member or active participant, or the school service compensation of a multiple service member who is an active member of the Public School Employees' Retirement System, and paid into the fund.

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

"School service." Service rendered as a public school employee and credited as service in the Public School Employees' Retirement System.

"Service connected disability." A disability resulting from an injury arising in the course of State employment, and which is compensable under the applicable provisions of the act of June 2, 1915 (P.L.736, No.338), known as "The Pennsylvania Workmen's Compensation Act," or the act of June 21, 1939 (P.L.566, No.284), known as "The Pennsylvania Occupational Disease Act."

"Shared-risk accumulated deductions." The total of the shared-risk member contributions paid into the fund on account of current service or previous State service or creditable nonstate service, together with the statutory interest credited on the contributions until the date of termination of service. In the case of a vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

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

"Social security integration accumulated deductions." The total of the member contributions paid into the fund on account of social security integration credit, together with the statutory interest credited thereon until the date of termination of service or until the date of withdrawal thereof, whichever is earlier. In the case of a vestee statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

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

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

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

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

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

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

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

(1) (i) The Department of Education.

(ii) State-owned educational institutions.

(iii) Community colleges.

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

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

(3) Any separate independent public corporation created
by statute, not including any municipal or quasi-municipal
corporation, so long as he remains an officer or employee of
such public corporation, and provided that such officer or
employee of such public corporation was an employee of the
Commonwealth immediately prior to his employment by such
corporation, and further provided such public corporation
shall agree to contribute and contributes to the fund or
trust, from time to time, the moneys required to build up the
reserves necessary for the payment of the annuities or other
benefits of such officers and employees without any liability
on the part of the Commonwealth to make appropriations for
such purposes.
"State police officer." Any officer or member of the Pennsylvania State Police who, on or after July 1, 1989, shall have been subject to the terms of a collective bargaining agreement or binding interest arbitration award established pursuant to the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act.

"State service." Service converted from county service pursuant to section 5303.1 (relating to election to convert county service to State service), converted from school service pursuant to section 5303.2 (relating to election to convert school service to State service) or rendered as a State employee.

"Statutory interest." Interest at 4% per annum, compounded annually.

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

"Superannuation age." For classes of service in the system other than Class A-3 [and] Class A-4 and Class CB, any age upon accrual of 35 eligibility points or age 60, except for a member of the General Assembly, an enforcement officer, a correction officer, a psychiatric security aide, a Delaware River Port Authority policeman or an officer of the Pennsylvania State Police, age 50, and, except for a member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service, age 55 upon accrual of 20 eligibility points. For Class A-3 and Class A-4 service, any age upon attainment of a superannuation score of 92, provided the member has accrued 35 eligibility
points, or age 65, or for park rangers or capitol police officers, age 55 with 20 years of service as a park ranger or capitol police officer, except for a member of the General Assembly, an enforcement officer, a correction officer, a psychiatric security aide, a Delaware River Port Authority policeman or an officer of the Pennsylvania State Police, age 55. A vestee with Class A-3 or Class A-4 service credit attains superannuation age on the birthday the vestee attains the age resulting in a superannuation score of 92, provided that the vestee has at least 35 eligibility points, or attains another applicable superannuation age, whichever occurs first.

"Superannuation annuitant." An annuitant whose annuity first became payable on or after the attainment of superannuation age and who is not a disability annuitant.

"Superannuation score." The sum of the member's age in whole years on his last birthday and the amount of the member's total eligibility points on the member's effective date of retirement, expressed in whole years and whole eligibility points and disregarding fractions of a year and fractions of total eligibility points.

"Survivor annuitant." The person or persons last designated by a member under a joint and survivor annuity option to receive an annuity upon the death of such member.

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

"System." The State Employees' Retirement System of Pennsylvania as established by the act of June 27, 1923 (P.L.858, No.331), and codified by the act of June 1, 1959 (P.L.392, No.78) and the provisions of this part.
"Total accumulated deductions." The sum of the regular accumulated deductions, additional accumulated deductions, the social security integration accumulated deductions, shared-risk member contributions and all other contributions other than cash balance member contributions and other amounts credited to the cash balance savings account paid into the fund for the purchase, transfer or conversion of credit for service or other coverage together with all statutory interest credited thereon until the date of termination of service. In the case of a vestee or a special vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

"Total cash balance accumulated deductions." The sum of the cash balance member accumulated deductions and amounts credited by the board as provided by section 5902(p) (relating to administrative duties of the board) together with all treasury bond interest and excess interest thereon credited to a member's cash balance savings account until the date of termination of service. In the case of a vestee, treasury bond interest and excess interest shall be credited until the effective date of retirement.

"Treasury bond interest." For each calendar year, interest at the Constant Maturity Treasury rate of the 30-year Treasury Bond in effect on the immediately prior December 31 as published by the United States Department of Treasury, provided however, that such rate shall not be greater than 4%, compounded annually. If no such rate was in effect as of the immediately prior December 31, then the board shall establish an alternate rate based upon the Constant Maturity Treasury rate of the
closest maturing bond issued by the United States Treasury as of that date as published by the United States Department of Treasury, provided however, that such rate shall not be greater than 4%, compounded annually.

"Trust." The State Employees' Defined Contribution Trust established under Chapter 54 (relating to State Employees' Defined Contribution Plan).

"USERRA leave." Any period of time for service in the uniformed services as defined in 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services) by a State employee or former State employee who terminated State service to perform such service in the uniformed services, if the current or former State employee is entitled to reemployment rights under 38 U.S.C. Ch. 43 with respect to the uniformed service.

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

"Vestee." A member with five or more eligibility points in a class of service other than Class A-3 or Class A-4 or Class T-E or Class T-F in the Public School Employees' Retirement System, a member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service with five or more eligibility points, or a member with Class A-3 or Class A-4 service with ten or more eligibility points, or a member with Class CB service, who has terminated State service and has elected to leave his total accumulated deductions and cash balance member accumulated deductions in the fund and to defer receipt of an annuity.

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

§ 5103. Notice to members and participants.

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

Section 402. Title 71 is amended by adding a section to read:

§ 5104. Reference to State Employees' Retirement System.

(a) Construction.--As of the effective date of this section, unless the context clearly indicates otherwise, any reference to the State Employees' Retirement System in a statutory provision other than this part and 24 Pa.C.S. Pt. IV (relating to retirement for school employees) shall include a reference to the State Employees' Defined Contribution Plan and any reference to the State Employees' Retirement Fund shall include a reference to the State Employees' Defined Contribution Trust.

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

Section 403. Section 5301(a), (b), (c) and (d) of Title 71
are amended and the section is amended by adding subsections to
read:
§ 5301. Mandatory and optional membership in the system and
participation in the plan.

(a) Mandatory membership.--Membership in the system for all
classes of service other than Class CB shall be mandatory as of
the effective date of employment for all State employees except
the following and shall be determined without regard to current
or former membership in Class CB:

(1) Governor.
(2) Lieutenant Governor.
(3) Members of the General Assembly.
(4) Heads or deputy heads of administrative departments.
(5) Members of any independent administrative board or
commission.
(6) Members of any departmental board or commission.
(7) Members of any advisory board or commission.
(8) Secretary to the Governor.
(9) Budget Secretary.
(10) Legislative employees.
(11) School employees who have elected membership in the
Public School Employees' Retirement System.
(12) School employees who have elected membership in an
independent retirement program approved by the employer,
provided that in no case, except as hereinafter provided,
shall the employer contribute on account of such elected
membership at a rate greater than the employer normal contribution rate as determined in section 5508(b) (relating to actuarial cost method). For the fiscal year 1986-1987 an employer may contribute on account of such elected membership at a rate which is the greater of 7% or the employer normal contribution rate as determined in section 5508(b) and for the fiscal year 1992-1993 and all fiscal years after that at a rate of 9.29%.

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

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

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

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

(17) State employees who were not previously a member of
the system and whose most recent period of State service starts on or after January 1, 2016.

(18) Elected officers.

(a.1) Mandatory participation in the plan.--

(1) State employees listed in subsection (a)(17) who are not listed in subsection (a)(1) through (13) shall be mandatory participants as of the most recent effective date of State service.

(2) (Reserved).

(3) An elected officer who is a member of the system or a participant in the plan, shall be a mandatory participant for his or her service as an elected officer as of the start of the first term of office beginning after December 31, 2015, notwithstanding that either immediately or at any time prior to the start of that term he or she was an active member of the system or an inactive member on leave without pay.

(4) A State employee who is a mandatory participant in the plan shall be a participant for all State service until the termination of State service.

(b) Optional membership in the system.--

(1) The State employees listed in subsection (a)(1) through [(11)] (10) shall have the right to elect membership in the system before January 1, 2016; once such election is exercised, membership shall be effective from the effective date of employment and shall continue until the termination of State service[.] or the State employee is required to be a participant in the plan as an elected officer.

(2) The State employees listed under subsection (a)(11) shall have the right to elect membership in the system.
instead of membership in the Public School Employees' Retirement System. Once the election to be in the system is exercised, membership shall continue until the termination of State service.

(3) This subsection shall be applied without regard to current or former membership in Class CB or eligibility for future active membership in Class CB and shall not authorize an election of membership in only Class CB.

(b.1) Optional participation in the plan.--

(1) Individuals who become elected officers who are not mandatory participants in the plan, State employees listed in subsection (b)(1) who do not elect membership in the system before January 1, 2016, and State employees listed in subsection (a)(17) who also are listed in subsection (a)(1) through (10) or who also are employees of the Pennsylvania State University, the State system of Higher Education, State-owned educational institutions or community collects and who are not members of the system in a class of service other than Class CB or participants in the plan shall have the right to elect participation in the plan; once such election is exercised, participation shall be effective as of the date of election for all State service and shall continue until the termination of State service.

(2) Active members of Class A-3 or Class A-4 whose compensation in a calendar year exceeds Class A-3 and Class A-4 compensation limits may be active participants in the plan as provided in section 5416 (relating to participation in the plan by members of Class A-3 or Class A-4).

(c) Prohibited membership in the system.--The State employees listed in subsection (a)(12), (13), (14) [and] (15)
(17) and (18) shall not have the right to elect membership in
the system. Elected officers who are members of the system prior
to January 1, 2016, shall have any active membership in the
system other than membership in Class CB terminated and shall
not be eligible for active membership in a class of service
other than Class CB after December 31, 2016, for service as an
elected officer. Upon cessation of service as an elected
officer, an individual who remains or becomes a State employee
shall be a mandatory, optional or prohibited member of the
system and participant in the plan as provided in this part.

(c.1) Prohibited participation in the plan.--The State
employees listed in subsection (a)(17) who also are listed in
subsection (a)(13) and (15) shall not be eligible to participate
in the plan. An active member of the system in a class of
service other than Class CB, and other than an active member of
Class A-3 or Class A-4 who has exceeded the Class A-3 and Class
A-4 compensation limit, shall not be eligible to be an active
participant in the plan.

(c.2) Class CB membership.--

(1) An active participant in the plan shall also be an
active member of Class CB, effective with the effective date
of active participation.

(2) An active member of the system in a class of service
other than Class CB may elect to be an active member of Class
CB as provided in section 5306.5 (relating to election to
become a member of Class CB).

(3) A State employee cannot be an active member of Class
CB without also concurrently being an active member of a
Class of service other than Class CB or an active participant
in the plan.
(d) Return to service.--

(1) An annuitant who first became a member of the system in a class of service before January 1, 2016, returns to service as a State employee other than as an elected officer, shall resume active membership in the system as of the effective date of employment, except as otherwise provided in section 5706(a) (relating to termination of annuities), regardless of the optional membership category of the position.

(2) An annuitant who never had service other than Class CB credited in the system, an inactive participant or a participant receiving distributions who returns to service as a State employee on or after January 1, 2016, shall be an active participant in the plan as of the effective date of employment, except as otherwise provided in section 5706(a), regardless of the optional participation category of the position.

* * *

Section 404. Section 5302(a), (b), (e) and (f) of Title 71 are amended to read:

§ 5302. Credited State service.

(a) Computation of credited service.--In computing credited State service of a member for the determination of benefits, a full-time salaried State employee, including any member of the General Assembly, shall receive credit for service in each period for which contributions as required are made to the fund, or for which contributions otherwise required for such service were not made to the fund solely by reason of section 5502.1 (relating to waiver of regular member contributions and Social Security integration member contributions) or any provision of 20150SB0001PN0886 - 207 -
this part relating to the limitations under IRC § 401(a)(17) or 415(b), or limitations on contributions applicable to a Class A-3 member or Class A-4 member but in no case shall he receive more than one year's credit for any 12 consecutive months or 26 consecutive biweekly pay periods. A per diem or hourly State employee shall receive one year of credited service for each nonoverlapping period of 12 consecutive months or 26 consecutive biweekly pay periods in which he is employed and for which contributions are made to the fund or would have been made to the fund but for such waiver under section 5502.1 or limitations under the IRC or limitations on contributions applicable to a Class A-3 member or Class A-4 member for at least 220 days or 1,650 hours of employment. If the member was employed and contributions were made to the fund for less than 220 days or 1,650 hours, he shall be credited with a fractional portion of a year determined by the ratio of the number of days or hours of service actually rendered to 220 days or 1,650 hours, as the case may be. A part-time salaried employee shall be credited with the fractional portion of the year which corresponds to the number of hours or days of service actually rendered and for which contributions are or would have been made to the fund except for the waiver under section 5502.1 or limitations under the IRC or limitations on contributions applicable to a Class A-3 member or Class A-4 member in relation to 1,650 hours or 220 days, as the case may be. In no case shall a member who has elected multiple service receive an aggregate in the two systems of more than one year of credited service for any 12 consecutive months.

(b) Creditable leaves of absence.--

(1) A member on leave without pay who is studying under 20150SB0001PN0886
a Federal grant approved by the head of his department or who is engaged up to a maximum of two years of temporary service with the United States Government, another state or a local government under the Intergovernmental Personnel Act of 1970 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall be eligible for credit for such service: Provided, That contributions are made in accordance with sections 5501 (relating to regular member contributions and cash balance member contributions for current service), 5501.1 (relating to shared-risk member contributions [for Class A-3 and Class A-4 service] and shared-gain adjustments to regular member contributions for Class A-3 and Class A-4 service), 5505.1 (relating to additional member contributions) and 5507 (relating to contributions to the system by the Commonwealth and other employers), the member returns from leave without pay to active State service as a member of the system for a period of at least one year, and he is not entitled to retirement benefits for such service under a retirement system administered by any other governmental agency.

(2) An active member or active participant on paid leave granted by an employer for purposes of serving as an elected full-time officer for a Statewide employee organization which is a collective bargaining representative under the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, or the act of July 23, 1970 (P.L.563, No.195), known as the Public Employe Relations Act, and up to 14 full-time business agents appointed by an employee organization that represents correction officers employed at State correctional institutions: Provided, That for elected full-time officers such leave shall not be for

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more than three consecutive terms of the same office and for
up to 14 full-time business agents appointed by an employee
organization that represents correction officers employed at
State correctional institutions no more than three
consecutive terms of the same office; that the employer shall
fully compensate the member or active participant, including,
but not limited to, salary, wages, pension and retirement
contributions and benefits, other benefits and seniority, as
if he were in full-time active service; and that the
Statewide employee organization shall fully reimburse the
employer for all expenses and costs of such paid leave,
including, but not limited to, contributions and payment in
accordance with sections 5404 (relating to participant
contributions), 5501, 5501.1, 5505.1 and 5507, if the
employee organization either directly pays, or reimburses the
Commonwealth or other employer for, contributions made in
accordance with [section] sections 5404, 5406 and 5507.

* * *

(e) Cancellation of credited service.--

(1) All credited service in the system shall be
cancelled if a member withdraws his total accumulated
deductions and cash balance member accumulated deductions,
except that:

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

(ii) a member with Class CB service credit and one or more other classes of service credit shall not have his service credit as a member of Class CB canceled when the member receives a lump sum payment of total accumulated deductions resulting from the other classes of service pursuant to section 5705.1(b) (relating to payment of accumulated deductions resulting from more than one class of service).

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

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

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

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

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

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

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

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

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

(2.1)  (i)  A participant who is reemployed from USERRA
leave shall be treated as not having incurred a break in
State service by reason of the USERRA leave and shall be
granted eligibility points as if the participant had not
been on USERRA leave. If a participant who is reemployed
from USERRA leave subsequently makes mandatory
participant contributions in the amounts and in the time
periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
if the participant had continued in his State office or
employment and performed State service and been
compensated during the period of USERRA leave, the
participant's employer shall make the corresponding
employer defined contributions. The employee shall have
his contributions, benefits, rights and obligations
determined under this part as if he were an active
participant who performed State service during the USERRA
leave in the job position that he would have held had he
not been on USERRA leave and received the compensation on
which the mandatory participant contributions to receive
State service credit for the USERRA leave were
determined.
(ii) A participant who is reemployed from USERRA leave who does not make the mandatory participant contributions or makes only part of the mandatory participant contributions within the allowed payment period shall not be eligible to make mandatory participant contributions at a later date for the period of USERRA leave for which the mandatory participant contributions were not timely made.

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

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

(4) [A State employee] An active member or inactive member on leave without pay who on or after the effective date of this subsection is granted a leave of absence under 20150SB0001PN0886
51 Pa.C.S. § 4102 (relating to leaves of absence for certain
government employees) or a military leave under 51 Pa.C.S.
Ch. 73, that is not USERRA leave shall be able to receive
creditable nonstate service as nonintervening military
service should the employee return to State service as an
active member of the system and is otherwise eligible to
purchase the service as nonintervening military service.

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

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

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

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

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

Section 405. Section 5303(b), (d) and (e) of Title 71 is amended and the section is amended by adding a subsection to read:

§ 5303. Retention and reinstatement of service credits.

* * *

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

(1) [Every] Subject to the limitations in subsection (i), an active member of the system or a multiple service member who is a school employee and a member of the Public School Employees' Retirement System on or after the effective date of this part shall receive eligibility points in accordance with section 5307 for current State service, previous State service, or creditable nonstate service upon compliance with sections 5501 (relating to regular member contributions and cash balance member contributions) for
current service), 5501.1 (relating to shared-risk contributions [for Class A-3 and Class A-4] and shared-gain adjustments to regular member contributions for Class A-3 and Class A-4 service), 5504 (relating to member contributions for the purchase of credit for previous State service or to become a full coverage member), 5505 (relating to contributions for the purchase of credit for creditable nonstate service), 5505.1 (relating to additional member contributions) or 5506 (relating to incomplete payments).

Subject to the limitations in subsection (i) and sections 5306.1 (relating to election to become a Class AA member) and 5306.2 (relating to elections by members of the General Assembly), the class or classes of service in which the member may be credited for previous State service prior to the effective date of this part shall be the class or classes in which he was or could have at any time elected to be credited for such service, except that a State employee who first becomes a member of the system on or after January 1, 2011, or on or after December 1, 2010, as a member of the General Assembly and:

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

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

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

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

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

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

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

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

* * *

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

(1) Any person who was an employee of any county in this
Commonwealth on the personal staff of an appellate court
judge prior to September 9, 1985, and who had that employment
transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
(relating to local chamber facilities) shall be a member of
the system for all service rendered as an employee of the
Commonwealth on the personal staff of an appellate court
judge subsequent to the date of the transfer unless
specifically prohibited pursuant to section 5301(c) (relating
to mandatory and optional membership in the system and
participation in the plan). The employee shall be entitled to
have any prior service credit in that county or other
municipal pension plan or retirement system transferred to
the system and deemed to be State service for all purposes
under this part. However, for those employees who were in
continuous county employment which commenced prior to July
22, 1983, section 5505.1 shall not apply. The transfer of
prior service credit to the system shall occur upon the
transfer, by the member, county or other municipal pension
plan or retirement system, to the system of the amount of
accumulated member contributions, pick-up contributions and
credited interest standing in the employee's county or
municipal pension plan or retirement system account as of the
date that these funds are transferred to the system. In the
event that these funds have been refunded to the member, the
transfer of service credit shall occur when the member
transfers an amount equal to either the refund which the
member received from the county or municipal pension plan or
retirement system or the amount due under section 5504, if
less. In the case of a transfer by the member, the transfer
shall occur by December 31, 1987, in order for the member to
receive credit for the prior service. In the case of a
transfer by the county or other municipal pension plan or
retirement system, the transfer shall also occur by December
31, 1987. If the amount transferred to the system by the
member of a county or municipal pension plan or retirement
system is greater than the amount that would have accumulated
in the member's account if the employee had been a member of
the system, all excess funds shall be returned to the
employee within 90 days of the date on which such funds are
credited to the member's account in the system. Within 60
days of receipt of written notice that an employee has
elected to transfer credits under the provisions of this
subsection, the county or other municipal pension plans or
retirement systems shall be required to transfer to the
system an amount, excluding contributions due under section
5504(a), equal to the liability of the prior service in
accordance with county or other municipal pension plan or
retirement system benefit provisions, multiplied by the ratio
of system actuarial value of assets for active members to the
system actuarial accrued liability for active members. The
Public Employee Retirement Study Commission shall determine
the appropriate amount of employer contributions to be
transferred to the system by the county or other municipal
pension plans or retirement systems.

(2) If the member died prior to the effective date of
this subsection, the personal representative for the estate
of the member may make any transfer or request that the
county or other municipal pension or retirement system make
any transfer necessary to receive credit for the prior
service authorized in paragraph (1). In order to receive
credit for the prior service, the transfer must be made by
December 31, 1987. If the member dies on or after the
effective date of this subsection and before January 1, 1988,
without making the transfer or requesting the transfer
necessary to receive credit for the prior service authorized
in paragraph (1), the personal representative for the estate
of the member may make any transfer or request that the
county or other municipal pension or retirement system make
any transfer necessary to receive credit for the prior
service. In order to receive credit for the prior service,
the transfer must be made by March 31, 1988. If the member
dies after December 31, 1987, without making the transfer or
requesting the transfer necessary to receive credit for the
prior service authorized in paragraph (1), neither the member
or his estate shall receive credit for the prior service.
(e) Transfer and purchase of certain pension service credit;
Philadelphia Regional Port Authority.—

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

(2) The employee shall be entitled to have any prior
service in the "predecessor corporation" transferred to the
system and deemed to be State service for all purposes under
this part. However, for those employees who were in
continuous employment which commenced prior to July 22, 1983,
the provisions of section 5505.1 shall not apply. The
transfer of prior service credit to the system shall occur
upon the transfer by the member or the "predecessor
corporation" to the system of the amount of accumulated
member contributions, pick-up contributions and credited
interest standing in the employee's pension plan or
retirement system account as of the date that these funds are
transferred to the system. In the event that these funds have
been refunded to the member, the transfer of service credit
shall occur when the member transfers an amount equal to
either the refund which the member received from the member's
pension plan or retirement system or the amount due under
section 5504, if less. In the case of a transfer by the
member, the transfer shall occur by June 30, 1992, in order
for the member to receive credit for the prior service. In
the case of a transfer by the "predecessor corporation"
pension plan or retirement system, the transfer shall also
occur by June 30, 1992. Notwithstanding the provisions of
section 5504, the Philadelphia Regional Port Authority shall
pay as pick-up contributions the difference between the
amount credited to the member's account and the amount
otherwise due under section 5504. Such additional
contributions paid by the Philadelphia Regional Port
Authority shall not be considered compensation for the
purposes of this part. If the amount transferred to the
system by the member is greater than the amount that would
have accumulated in the member's account if the employee had
been a member of the system, all excess funds shall be
returned to the employee within 90 days of the date on which
such funds are credited to the member's account in the
system. Within 60 days of receipt of written notice that an
employee has elected to transfer credits under the provisions
of this subsection, the pension plan or retirement system in
which the employee was enrolled prior to the creation of the
Philadelphia Regional Port Authority shall be required to
transfer to the system an amount, excluding contributions due
under section 5504(a), equal to the liability of the prior
service multiplied by the ratio of system actuarial value of
assets for active members to the system actuarial accrued
liability for active members so long as the amount to be
transferred is equal to or less than the total employer
contributions made on behalf of the employee. In the event
that the amount required to be transferred is greater than
the total employer contributions made on behalf of the
employee, the total employer contributions made on behalf of
the employee shall be transferred to the system, and the
Philadelphia Regional Port Authority shall be required to
transfer to the system the additional funds needed to satisfy
the requirements of the calculation in this paragraph. If the
amount required to be transferred is less than the total
employer contributions made on behalf of the employee, the
pension plan or retirement system in which the employee was
enrolled prior to the creation of the Philadelphia Regional
Port Authority may retain the amount not needed for transfer.

(3) If the member dies on or after the effective date of
this subsection and before July 1, 1992, without making the
transfer or requesting the transfer necessary to receive
credit for the prior service authorized in paragraph (2), the
personal representative for the estate of the member may make
any transfer or may request that the Philadelphia Regional
Port Authority make any transfer necessary to receive credit
for the prior service. In order to receive credit for the
prior service, the transfer must be made by September 30,
1992. If the member dies after June 30, 1992, without making
the transfer or without requesting the transfer necessary to
receive credit for the prior service authorized in paragraph
(2), neither the member nor his estate shall receive credit for the prior service.

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

* * *

(i) Ineligibility to purchase previous State service credit.--A State employee who is active member only of Class CB or a multiple service member who is an active member only of Class T-I in the Public School Employees' Retirement System shall not be eligible to purchase service credit for previous State service, except to the extent that any other provision of law requires or allows the crediting of any period of leave to be purchased as State service after the member returns from the leave to State service as an active member, and shall not be eligible to purchase creditable nonstate service. An active member of Class CB who concurrently is performing service in a class of service other than Class CB may purchase State service previously credited in a class of service other than Class CB, previously uncredited State service if it is eligible to be credited in a class of service other than Class CB and creditable nonstate service as otherwise provided in this part.

Section 406. Sections 5303.2(a) and 5304(a) and (b) of Title 71 are amended to read:

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

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

* * *

§ 5304. Creditable nonstate service.

(a) Eligibility.--

(1) An active member who first becomes an active member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly and who is an active member of a class of service other than Class CB, or a multiple service...
member who first becomes an active member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly, and who is a school employee and an active member of the Public School Employees' Retirement System in a class of service other than Class T-I shall be eligible for Class A service credit for creditable nonstate service as set forth in subsections (b) and (c) except that intervening military service shall be credited in the class of service for which the member was eligible at the time of entering into military service and for which he makes the required contributions to the fund and except that a multiple service member who is a school employee and an active member of the Public School Employees' Retirement System shall not be eligible to purchase service credit for creditable nonstate service set forth in subsection (c)(5).

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

(3) Notwithstanding paragraph (2) and subsection (b), an
active member of a class of service other than Class CB who
has service credited in Class CB, shall be eligible for
credit for nonstate service as provided in this part to the
extent that the member would be otherwise eligible based
solely on the member's service in classes other than Class
CB.

* * *

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

* * *

Section 407. Section 5305(b) of Title 71 is amended and the
section is amended by adding a subsection to read:

§ 5305. Social security integration credits.

* * *

(b) Accrual of subsequent credits.--Any active member who
has social security integration accumulated deductions to his
credit or is receiving a benefit on account of social security
integration credits may accrue one social security integration
credit for each year of service as a State employee on or
subsequent to March 1, 1974 and a fractional credit for a

corresponding fractional year of service provided that

contributions are made to the fund, or would have been made to
the fund but for section 5502.1 (relating to waiver of regular
member contributions and Social Security integration member
contributions) or the limitations under IRC § 401(a)(17) or
415(b) or limitations on contributions to the system applicable
to a Class A-3 member or Class A-4 member, in accordance with
section 5502 (relating to Social Security integration member
contributions), and he:

(1) continues subsequent to March 1, 1974 as an active
member in either the [State or school system;] system in a
class of service other than Class CB or, if a multiple
service member, as an active member in the Public School
Employees' Retirement System in a class of service other than
Class T-I;

(2) terminates such continuous service in the [State or
school system or the Public School Employees' Retirement System and returns to active membership in the [State] system in a class of service other than Class CB within six months;
or
(3) terminates his status as a vestee or an annuitant and returns to State service as an active member of the system in a class of service other than Class CB.

* * *

(e) Class CB service ineligible for credit.--No social security integration credits shall accrue for any service performed or credited in the system solely as Class CB service.

Section 408. Section 5305.1 of Title 71 is amended to read:

§ 5305.1. Eligibility for actuarial increase factor.

A person who has credit for a class of service other than Class CB and is:

(1) an active member;
(2) an inactive member on leave without pay; [or]
(3) a multiple service member who is a school employee and an active member of the Public School Employees' Retirement System; or
(4) a combined service employee who is an active participant or inactive participant on leave without pay;

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

Section 409. Section 5306(a), (a.1), (a.2), (a.3) and (b) of 20150SB0001PN0886 - 231 -
Title 71 are amended and the section is amended by adding subsections to read:

§ 5306. Classes of service.

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

(1) A State employee who is a member of Class A on the effective date of this part or who first becomes a member of the system subsequent to the effective date of this part and before January 1, 2011, or before December 1, 2010, as a member of the General Assembly, shall be classified as a Class A member and receive credit for Class A service upon payment of regular and additional member contributions for Class A service, provided that the State employee does not become a member of Class AA pursuant to subsection (a.1) or a member of Class D-4 pursuant to subsection (a.2) or a participant in the plan. A State employee who is a member of Class A on December 31, 2015, shall not be eligible to later become a member of Class AA or Class D-4.

(2) A State employee who first becomes a member of the system other than as a member of Class CB on or after January 1, 2011, or on or after December 1, 2010, as a member of the General Assembly, and before January 1, 2016, shall be classified as a Class A-3 member and receive credit for Class A-3 service upon payment of regular member contributions and shared-risk member contributions for Class A-3 service provided that the State employee does not become a member of Class A-4 pursuant to subsection (a.3), except that a member of the judiciary shall be classified as a member of such other class of service for which the member of the judiciary is eligible, shall elect and make regular member contributions and further provided that the State employee...
does not become a participant in the plan or is not eligible
to be an optional participant of the plan under section 5301
(relating to mandatory and optional membership in the system
and participation in the plan).

(a.1) Class AA membership.--

(1) A person who becomes a State employee and an active
member of the system after June 30, 2001, and who first
became an active member before January 1, 2011, or before
December 1, 2010, as a member of the General Assembly, and
who is not a State police officer and not employed in a
position for which a class of service other than Class A or
Class CB is credited or could be elected shall be classified
as a Class AA member and receive credit for Class AA State
service upon payment of regular member contributions for
Class AA service and, subject to the limitations contained in
paragraph (7) and section 5303(i) (relating to retention and
reinstatement of service credits), if previously a member of
Class A or previously employed in a position for which Class
A service could have been earned, shall have all Class A
State service (other than State service performed as a State
police officer or for which a class of service other than
Class A was earned or could have been elected) classified as
Class AA service.

(2) A person who is a State employee on June 30, 2001,
and July 1, 2001, but is not an active member of the system
because membership in the system is optional or prohibited
pursuant to section 5301 (relating to mandatory and optional
membership in the system and participation in the plan) and
who first becomes an active member after June 30, 2001, and
before January 1, 2011, or before December 1, 2010, as a
member of the General Assembly, and who is not a State police
officer and not employed in a position for which a class of
service other than Class A or Class CB is credited or could
be elected shall be classified as a Class AA member and
receive credit for Class AA State service upon payment of
regular member contributions for Class AA service and,
subject to the limitations contained in paragraph (7) and
section 5303(i), if previously a member of Class A or
previously employed in a position for which Class A service
could have been earned, shall have all Class A State service
(other than State service performed as a State Police officer
or for which a class of service other than Class A was earned
or could have been elected) classified as Class AA service.

(3) Provided that an election to become a Class AA
member is made pursuant to section 5306.1 (relating to
election to become a Class AA member), a State employee,
other than a State employee who is a State police officer on
or after July 1, 1989, who on June 30, 2001, and July 1,
2001, is:

(i) a member of Class A, other than a member of
Class A who could have elected membership in a Class C,
Class D-3, Class E-1 or Class E-2; or

(ii) an inactive member on a leave without pay from
a position in which the State employee would be a Class A
active member if the employee was not on leave without
pay, other than a position in which the State employee
could elect membership in Class C, Class D-3, Class E-1
or Class E-2;

shall be classified as a Class AA member and receive credit
for Class AA State service performed after June 30, 2001,
upon payment of regular member contributions for Class AA service and, subject to the limitations contained in paragraph (7) and section 5303(i), shall receive Class AA service credit for all Class A State service, other than State service performed as a State police officer or as a State employee in a position for which the member could have elected membership in Class C, Class D-3, Class E-1 or Class E-2, performed before July 1, 2001.

(4) Provided that an election to become a Class AA member is made pursuant to section 5306.1, a former State employee, other than a former State employee who was a State police officer on or after July 1, 1989, who on June 30, 2001, and July 1, 2001, is a multiple service member and a school employee and a member of the Public School Employees' Retirement System, subject to the limitations contained in paragraph (7) and section 5303(i), shall receive Class AA service credit for all Class A State service, other than State service performed as a State police officer or as a State employee in a position in which the former State employee could have elected a class of service other than Class A, performed before July 1, 2001.

(5) A former State employee who first becomes a member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly, other than a former State employee who was a State police officer on or after July 1, 1989, who is a school employee and who on or after July 1, 2001, becomes a multiple service member, subject to the limitations contained in paragraph (7) and section 5303(i), shall receive Class AA service credit for all Class A State service other than State service performed as a State
employee in a position in which the former State employee
could have elected a class of service other than Class A.

(6) A State employee who after June 30, 2001, becomes a
State police officer or who is employed in a position in
which the member could elect membership in the system in a
class of service other than Class CB, Class AA or Class D-4
shall retain any Class AA service credited prior to becoming
a State police officer or being so employed but shall be
ineligible to receive Class AA credit thereafter and instead
shall receive Class A credit for service as a member of the
judiciary if such judicial service begins before January 1,
2016, or if he first became a member before January 1, 2011,
or December 1, 2010, as a member of the General Assembly, or
Class A-3 credit for service other than as a member of the
judiciary if the nonjudicial service begins before January 1,
2016, and is not service as an elected officer, and he first
became a member on or after January 1, 2011, or December 1,
2010, as a member of the General Assembly, unless a class of
membership other than Class A is elected.

(7) (i) State service performed as Class A service
before July 1, 2001, and State service for which Class A
service could have been credited but was not credited
because membership in the system was optional or
prohibited pursuant to section 5301 shall be credited as
Class AA service only upon the completion of all acts
necessary for the State service to be credited as Class A
service had this subsection not been enacted and upon
payment of required Class AA member contributions as
provided in section 5504 (relating to member
contributions for the purchase of credit for previous
State service or to become a full coverage member).

(ii) A person who is not a State employee or a school employee on June 30, 2001, and July 1, 2001, and who has previous State service (except a disability annuitant who returns to State service after June 30, 2001, upon termination of the disability annuity) shall not receive Class AA service credit for State service performed before July 1, 2001, until and unless such person becomes an active member, or an active member of the Public School Employees' Retirement System and a multiple service member, before January 1, 2016, and earns three eligibility points by performing credited State service in a class of service other than Class CB or credited school service in a class of service other than Class T-I after June 30, 2001.

(iii) Nothing in this paragraph shall be construed to authorize a member of Class CB or a multiple service member who is a member of Class T-I in the Public School Employees' Retirement System to reinstate or purchase credit for previously credited or uncredited State service other than as allowed under section 5303(i).

(a.2) Class of membership for members of the General Assembly.--

(1) A person who:

(i) becomes a member of the General Assembly and an active member of the system after June 30, 2001, and before December 1, 2010; or

(ii) is a member of the General Assembly on July 1, 2001, but is not an active member of the system because membership in the system is optional pursuant to section 20150SB0001PN0886
5301 and who becomes an active member after June 30, 2001, and before December 1, 2010;
and who was not a State police officer on or after July 1, 1989, shall be classified as a Class D-4 member and unless he later becomes a participant in the plan and a member of Class CB receive credit as a Class D-4 member for all State service as a member of the system performed as a member of the General Assembly upon payment of regular member contributions for Class D-4 service and, subject to the limitations contained in subsection (a.1)(7) and section 5303(i), if previously a member of Class A or employed in a position for which Class A service could have been earned, shall receive Class AA service credit for all Class A State service, other than State service performed as a State police officer or for which a class of service other than Class A or Class D-4 was or could have been elected or credited.

(2) Provided an election to become a Class D-4 member is made pursuant to section 5306.2 (relating to elections by members of the General Assembly), a State employee who was not a State police officer on or after July 1, 1989, who on July 1, 2001, is a member of the General Assembly and an active member of the system and not a member of Class D-3 shall be classified as a Class D-4 member and unless he later becomes a participant in the plan and a member of Class CB receive credit as a Class D-4 member for all State service as a member of the system performed as a member of the General Assembly not credited as another class other than Class A upon payment of regular member contributions for Class D-4 service and, subject to the limitations contained in paragraph (a.1)(7), shall receive Class AA service credit for
all Class A State service, other than State service performed as a State police officer or as a State employee in a position in which the member could have elected a class of service other than Class A, performed before July 1, 2001.

(3) A member of the General Assembly who after June 30, 2001, becomes a State police officer shall retain any Class AA service or Class D-4 service credited prior to becoming a State police officer or being so employed but shall be ineligible to receive Class AA or Class D-4 credit thereafter and instead shall receive Class A credit or Class A-3 credit if he first becomes a member of the system on or after January 1, 2011, and before January 1, 2016.

(4) Notwithstanding the provisions of this subsection, no service as a member of the General Assembly performed before December 1, 2010, that is not credited as Class D-4 service on November 30, 2010, shall be credited as Class D-4 service, unless such service was previously credited in the system as Class D-4 service and the member withdrew his total accumulated deductions as provided in section 5311 (relating to eligibility for refunds) or 5701 (relating to return of total accumulated deductions and cash balance member accumulated deductions). No service as a member of the General Assembly performed on or after December 1, 2010, shall be credited as Class D-4 service unless the member previously was credited with Class D-4 service credits.

(a.3) Class A-4 membership.--Provided that an election to become a Class A-4 member is made pursuant to section 5306.3 (relating to election to become a Class A-4 member), a State employee who first becomes a member before January 1, 2016, who otherwise would be a member of Class A-3 shall be classified as
a Class A-4 member and unless he later becomes a participant in
the plan and a member of Class CB receive Class A-4 credit for
all creditable State service performed as a member of the system
after the effective date of membership in the system, except as
a member of the judiciary, upon payment of regular member
contributions and shared-risk member contributions for Class A-4
service.

(a.4) Class CB membership.--

(1) A State employee who is an active participant in the
plan shall be an active member of Class CB concurrently and
shall receive credit for Class CB service upon payment of
cash balance member contributions for Class CB service.

(2) A State employee who is an active member of a class
of service other than Class CB who elects under section
5306.5 to be an active member of Class CB concurrently shall
receive credit for Class CB service upon payment of cash
balance member contributions concurrently with service in
other classes other than service as a member of Class A-3 or
Class A-4 where Class A-3 or Class A-4 contributions are not
being made due to or any provision of this part relating to
the limitations on contributions to the system applicable to
a Class A-3 member or Class A-4 member who have exceeded the
Class A-3 and Class A-4 compensation limit.

(b) Other class membership.--

(1) A State employee who is a member of a class of
service other than Class A on the effective date of this part
shall retain his membership in that class until such service
is discontinued or until the member becomes a participant in
the plan; any service as a member of the system thereafter
shall be credited as Class A service, Class AA service [or]...
Class D-4 service or Class CB service as provided for in this section.

(2) Notwithstanding any other provision of this section, a State employee who is appointed [bail commissioner] arraignment court magistrate of the Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5) (relating to jurisdiction and venue) before January 1, 2016, may, within 30 days of the effective date of this sentence or within 30 days of his initial appointment as [a bail commissioner] an arraignment court magistrate, whichever is later, elect Class E-2 service credit for service performed as [a bail commissioner] an arraignment court magistrate. This class of service multiplier for E-2 service as [a bail commissioner] an arraignment court magistrate shall be 1.5.

* * *

(e) Ineligibility for active membership and classes of service.--An individual who is an elected officer or who is a State employee on January 1, 2016, but is not a member of the system or who first becomes a State employee on or after January 1, 2016, shall be ineligible for active membership in the system other than as a member of Class CB if a participant in the plan, or the several classes of State service as otherwise provided for under this section. Any such State employee, if eligible, may be a participant in the plan and a member of Class CB as a result of such State service.

Section 410. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and (d) of Title 71 are amended to read:

§ 5306.1. Election to become a Class AA member.

* * *

(c) Effect of election.--An election to become a Class AA
member shall become effective the later of July 1, 2001, or the
date when the election is filed with the board and shall remain
in effect until the termination of employment or becoming a
participant in the plan. Upon termination and a subsequent
reemployment that occurs before January 1, 2016, the member's
class of service shall be credited in the class of service
otherwise provided for in this part. If the reemployment occurs
on or after January 1, 2016, the State employee's eligibility
for membership in the system or participation in the plan shall
be as provided in this part.

§ 5306.2. Elections by members of the General Assembly.

(b) Effect of election.--Membership as a Class D-4 member
shall become effective on July 1, 2001, and shall remain in
effect until the termination of service as a member of the
General Assembly or becoming a participant in the plan. Upon
termination and a subsequent reemployment that occurs before
January 1, 2016, the member's class of service shall be credited
in the class of service otherwise provided for in this part. If
the reemployment occurs on or after January 1, 2016, the State
employee's eligibility for membership in the system or
participation in the plan shall be as provided in this part.

§ 5306.3. Election to become a Class A-4 member.

(c) Effect of election.--An election to become a Class A-4
member shall be irrevocable and shall become effective on the
effective date of membership in the system and shall remain in
effect for all future [creditable] State service creditable in
the system, other than service performed as a member of the
judiciary, but shall not apply to service performed after
December 31, 2015, as an elected officer. Payment of regular
member contributions for Class A-4 State service performed prior
to the election of Class A-4 membership shall be made in a form,
manner and time determined by the board. Upon termination of
State service and a subsequent reemployment, a member who
elected Class A-4 membership shall be credited as a Class A-4
member for creditable State service performed after reemployment
unless the reemployment is as an elected officer and, except as
a member of the judiciary, regardless of termination of
employment, termination of membership by withdrawal of
accumulated deductions or status as an annuitant, vestee or
inactive member after the termination of service.

(d) Effect of failure to make election.--Failure to elect to
become a Class A-4 member within the election period set forth
in subsection (b) shall result in all of the member's State
service, other than service performed as a member of the
judiciary, being credited as Class A-3 service, unless the State
employee is required to be a participant in the plan, and not
subject to further election or crediting as Class A-4 service.
Upon termination and subsequent employment, a member who failed
to elect to become a Class A-4 member shall not be eligible to
make another election to become a Class A-4 member for either
past or future State service.

Section 411. Title 71 is amended by adding sections to read:
§ 5306.4. Election of an alternate class of service multiplier.
(a) General rule.--An active member or a member on leave
without pay of Class AA or Class D-4 on the effective date of
this section may elect an alternate class of service multiplier.
(b) Time for making election.--The election of an alternate class of service multiplier must be made by the member filing written notice with the board in a form and manner determined by the board no later than 180 days after the effective date of this section. A State employee who is eligible to make an election who is on or begins USERRA leave during the election period without having made the election may make the election within 180 days after being reemployed from USERRA leave.

(c) Effect of election.--An election under this section shall be a one-time election, shall be irrevocable and shall be effective for all post-January 2016 service as a member of Class AA or Class D-4. The election shall remain in effect until the termination of State service. Upon termination and subsequent reemployment as a State employee, a member who made an election under this section shall have creditable State service first credited after reemployment credited with the class of service multiplier then in effect as if the election had not been made.

(d) Effect of ineligibility or failure to make election.--Ineligibility to make an election under this section or failure to make an election within the election period set forth in subsection (b) shall result in all of the member's post-January 2016 service as a member of Class AA or Class D-4 being credited at the standard class of service multiplier for Class AA or Class D-4, as the case may be. Upon termination and subsequent reemployment as a State employee, a member who failed to make an election under this section shall not be eligible to make another election under this section.

(e) Construction.--For purposes of section 5501.3 (relating to contribution savings program for members of Class AA and Class D-4 who have not made the election under section 5706.4),
a member who has not made the election under this section shall include a member who made the election and then terminated State service and has subsequent reemployment for periods after his reemployment where his class of service multiple is in effect as if the election had not been made. For purposes of sections 5504(a)(3) (relating to member contributions for the purchase of credit for previous State service or to become a full coverage member) and 5505(j) (relating to contributions for the purchase of credit for creditable nonstate service), a member who has made the election under this section shall not include a member who made the election and then terminated State service and has subsequent reemployment for periods after his reemployment where his class of service multiple is in effect as if the election had not been made.

§ 5306.5. Election to become a member of Class CB.

(a) General rule.--An active member or an inactive member on leave without pay in any class of service other than solely a member of Class CB may elect to become a member of Class CB in addition to being a member of their current class of service.

(b) Time for making election.--The election to become a member of Class CB must be made by the member filing written notice with the board in a form and manner determined by the board during periodic enrollment periods established by the board after the effective date of this section.

(c) Effect of election.--An election under this section shall be revocable by the member during periodic enrollment periods established by the board after the effective date of this section. The Class CB class of service multiplier to determine cash balance member contributions for a State employee who makes an election under this section shall be 0.6 unless a
lower class of service multiplier is elected by the member for their Class CB service. An election to become a Class CB member and the class of service multiplier elected shall be effective for all service as an active member after the effective date of such election and shall remain effective until the election is revoked or modified by the member during any subsequent enrollment period.

Section 412. Sections 5307, 5308, 5308.1 introductory paragraph and (1), 5309, 5309.1 and 5311 of Title 71 are amended to read:

§ 5307. Eligibility points.

(a) General rule.--An active member of the system shall accrue one eligibility point for each year of credited service as a member of the [State or] system and if a multiple service member as a member of the Public School Employees' Retirement System. A member shall accrue an additional two-thirds of an eligibility point for each year of Class D-3 credited service. In the case of a fractional part of a year of credited service, a member shall accrue the corresponding fractional portion of eligibility points to which the class of service entitles him.

(a.1) USERRA leave.--A member of the system or participant in the plan who is reemployed from USERRA leave or who dies while performing USERRA leave shall be granted the eligibility points that he would have accrued had he continued in his State office or employment instead of performing USERRA leave. In the event that a State employee who is reemployed from USERRA leave makes the member contributions or mandatory participant contributions to be granted State service credit for the USERRA leave, no additional eligibility points will be granted.

(b) Transitional rule.--
(1) In determining whether a member who is not a State employee or school employee on June 30, 2001, and July 1, 2001, and who has previous State service (except a disability annuitant who returns to State service after June 30, 2001, upon termination of the disability annuity) has the five eligibility points required by sections 5102 (relating to definitions), 5308(b) (relating to eligibility for annuities), 5309 (relating to eligibility for vesting), 5704(b) (relating to disability annuities) and 5705(a) (relating to member's options), only eligibility points earned by performing credited State service as an active member of the system, USERRA leave or credited school service as an active member of the Public School Employees' Retirement System after June 30, 2001, shall be counted until such member earns one eligibility point by performing credited State service or credited school service after June 30, 2001, at which time all eligibility points as determined pursuant to subsection (a) shall be counted.

(2) Any member to whom paragraph (1) applies shall be considered to have satisfied any requirement for five eligibility points contained in this part if the member:

(i) has ten or more eligibility points as determined pursuant to subsection (a); or

(ii) has Class G, Class H, Class I, Class J, Class L, Class M or Class N service and has eight or more eligibility points as determined pursuant to subsection (a).

(c) Class CB concurrent service.--An active member who is earning Class CB service concurrently with service in another class of service shall receive service credit and eligibility

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points only for the other class of service. No additional service credit or eligibility points will be earned for the concurrent Class CB service.

§ 5308. Eligibility for annuities.

(a) Superannuation annuity.--Attainment of superannuation age by an active member [or] an inactive member on leave without pay or combined service employee who is an active participant or inactive participant on leave without pay with three or more eligibility points other than eligibility points resulting from nonstate service or nonschool service shall entitle him to receive a superannuation annuity upon termination of State service and compliance with section 5907(f) (relating to rights and duties of State employees [and] members and participants).

(b) Withdrawal annuity.--

(1) Any vestee or any active member [or] inactive member on leave without pay or combined service employee who is an active participant or inactive participant on leave without pay who terminates State service having five or more eligibility points and who does not have Class A-3 or Class A-4 service credit or, if a multiple service member, Class T-E or Class T-F service credit in the Public School Employees' Retirement System, or who has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service and terminates State service having five or more eligibility points, upon compliance with section 5907(f), (g) or (h) shall be entitled to receive an annuity.

(2) Any vestee, active member [or] inactive member on leave without pay or combined service employee who is an active participant or inactive participant on leave without pay or combined service employee who is an active participant or inactive participant on leave without pay who has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service and terminates State service having five or more eligibility points, upon compliance with section 5907(f), (g) or (h) shall be entitled to receive an annuity.
pay who has Class A-3 or Class A-4 service credit or, if a
multiple service member, Class T-E or Class T-F service
credit in the Public School Employees' Retirement System who
terminates State service having ten or more eligibility
points, upon compliance with section 5907(f), (g) or (h),
shall be entitled to receive an annuity.

(3) Any vestee, active member [or] inactive member on
leave without pay or combined service employee who is an
active participant or inactive participant on leave without
pay who has either Class A-3 or Class A-4 service credit or
if a multiple service member, Class T-E or Class T-F service
credit in the Public School Employees' Retirement System and
also has service credited in the system in one or more other
classes of service who has five or more, but fewer than ten,
eligibility points, upon compliance with section 5907(f), (g)
or (h), shall be eligible to receive an annuity calculated on
his service credited in classes of service other than Class
A-3 or Class A-4, provided that the member has five or more
eligibility points resulting from service in classes other
than Class A-3 or Class A-4 or Class T-E or Class T-F service
in the Public School Employees' Retirement System.

(c) Disability annuity.--An active member or inactive member
on leave without pay who has five or more eligibility points
other than eligibility points resulting from membership in the
Public School Employees' Retirement System or any active member
or inactive member on leave without pay who is an officer of the
Pennsylvania State Police or an enforcement officer shall, upon
compliance with section 5907(k), be entitled to a disability
annuity if he becomes mentally or physically incapable of
continuing to perform the duties for which he is employed and
qualifies in accordance with the provisions of section 5905(c) (1) (relating to duties of the board regarding applications and elections of members and participants)]. provided, that no disability annuity shall be paid to a combined service employee who is an active participant.

(d) Eligibility of employees with Class CB service for annuities and benefits.--Subject to the limitation on eligibility points for a member who is performing concurrent service in Class CB and in another class of service under section 5307 (relating to eligibility points), eligibility points earned as a result of credited service in Class CB shall be included in determining if a member who has Class CB service credit and service credit in one or more other classes of service is eligible for an annuity under this section or eligibility for other rights and benefits under this part, unless provided otherwise. Eligibility points earned by a multiple service member as a result of Class T-I credited service in the Public School Employees' Retirement System similarly shall be included if eligibility points for school service in the Public School Employees' Retirement System are used to determine eligibility. Nothing in this subsection amends or waives any other requirement to be eligible for an annuity or other benefit. Upon termination of State service and compliance with section 5907(f) a member with Class CB service credit is eligible for an annuity as calculated under section 5702(a)(7) (relating to maximum single life annuity).

(e) Required beginning date.--Members eligible for an annuity must commence receiving the annuity by the member's required beginning date.

§ 5308.1. Eligibility for special early retirement.
Notwithstanding any provisions of this title to the contrary, the following special early retirement provisions shall be applicable to specified eligible members [as follows]:

(1) During the period of July 1, 1985, to September 30, 1991, an active member who has attained the age of at least 53 years and has accrued at least 30 eligibility points shall be entitled, upon termination of State service and compliance with section 5907(f) (relating to rights and duties of State members and participants), to receive a maximum single life annuity calculated under section 5702 (relating to maximum single life annuity) without a reduction by virtue of an effective date of retirement which is under the superannuation age.

* * *

§ 5309. Eligibility for vesting.

Any member who:

(1) Does not have Class A-3 [or] Class A-4 or Class CB service credit or, if a multiple service member, Class T-E or Class T-F service credit in the Public School Employees' Retirement System and terminates State service, or if a multiple service member and an active member of the Public School Employees' Retirement System terminates school service, with five or more eligibility points, or any member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service with five or more eligibility points, shall be eligible until [attainment of superannuation age] required beginning date to vest his retirement benefits.

(2) Has only Class A-3 or Class A-4 service credit [or] and, if a multiple service member, only Class T-E or Class T-F service credit in the Public School Employees' Retirement System terminates school service, with five or more eligibility points, shall be eligible until [attainment of superannuation age] required beginning date to vest his retirement benefits.
System and terminates State service, or if a multiple service member and an active member of the Public School Employees' Retirement System terminates school service, with ten or more eligibility points shall be eligible until [attainment of superannuation age] his required beginning date to vest his retirement benefits.

(3) Has either Class A-3 or Class A-4 service credit [or] and, if a multiple service member, Class T-E or Class T-F service credit in the Public School Employees' Retirement System, also has service credited in the system in one or more other classes of service other than Class CB and has five or more, but fewer than ten, eligibility points and terminates State service, or if a multiple service member and an active member of the Public School Employees' Retirement System terminates school service, shall be eligible until [the attainment of superannuation age] his required beginning date to vest his retirement benefits calculated on his service credited in classes of service other than Class A-3 or Class A-4 and to be credited with statutory interest on total accumulated deductions, regardless of whether or not any part of his accumulated deductions are a result of Class A-3 or Class A-4 service credit.

(4) Has only Class CB service credit and terminates State service shall be eligible to vest his retirement benefits based on Class CB service except that a member who has a small cash balance account subject to distribution as provided in section 5709(d) (relating to payment of benefits) shall not be permitted to vest until his required beginning date unless otherwise required under the IRC.

(5) Has Class CB service credit and service credited in
one or more other classes or service and terminates State service, or if a multiple service member and an active member of the Public School Employees' Retirement System terminates school service, shall be eligible to vest his retirement benefits based on Class CB service and, if he has five or more eligibility points, to vest his retirement benefits on all other classes of service other than Class A-3 or Class A-4 until the attainment of the applicable superannuation age and if he has 10 or more eligibility points to vest his retirement benefits on all classes of service until superannuation age. Any such member shall be credited with statutory interest on his total accumulated deductions and treasury bond interest, but not excess interest on his total cash balance accumulated deductions until the effective date of retirement.

(6) A member with more than one class of credited service who vests his retirement benefits in any class of service may not receive distributions from other classes of service until his effective date of retirement, regardless of whether his benefits resulting from such other classes of service are vested or he is eligible to receive an annuity. A member with service credited in more than one class of service may not separately vest those benefits and receive annuities from different classes of service with different effective dates.

§ 5309.1. Eligibility for special vesting.
Any employee of The Pennsylvania State University who is a member of the system with five or more but less than ten eligibility points and who has a date of termination of service from The Pennsylvania State University of June 30, 1997, because
of the transfer of his job position or duties to a controlled 
organization of the Penn State Geisinger Health System or 
because of the elimination of his job position or duties due to 
the transfer of other job positions or duties to a controlled 
organization of the Penn State Geisinger Health System shall be 
eligible until the attainment of superannuation age or his 
required beginning date to vest his retirement benefits 
according to the terms and conditions of this part.
§ 5311. Eligibility for refunds.
(a) Total accumulated deductions.--Any active member,
regardless of eligibility for benefits, may elect to receive his 
total accumulated deductions and his cash balance member 
accumulated deductions by the required beginning date upon 
termination of service in lieu of any benefit from the system to 
which he is entitled.
(b) Social security integration accumulated deductions.--Any 
active member at any time may elect to receive his social 
security integration accumulated deductions and thereby to have 
all his social security integration credits and benefits 
therefor cancelled, and shall not be entitled to accrue any 
further social security integration credits or benefits; except 
that a disability annuitant who returns to State service in a
class of service other than Class CB shall have the right to 
reinstate his social security integration accumulated deductions 
and credits therefor.

Section 413. Title 71 is amended by adding a chapter to 
read:

CHAPTER 54

STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

Sec.
§ 5401. Establishment.

(a) State Employees' Defined Contribution Plan.—The State Employees' Defined Contribution Plan is established. The board shall administer and manage the plan which shall be a defined contribution plan exclusively for the benefit of those State employees who participate in the plan and their beneficiaries within the meaning of and in conformity with IRC § 401(a). The board shall determine the terms and provisions of the plan not inconsistent with this part, the IRC or other applicable law and shall provide for the plan's administration.
(b) State Employees' Defined Contribution Trust.--The State Employees' Defined Contribution Trust is established as part of the plan. The trust shall be comprised of the individual investment accounts and all assets and money in those accounts. The members of the board shall be the trustees of the trust, which shall be administered exclusively for the benefit of those State employees who participate in the plan and their beneficiaries within the meaning of and in conformity with IRC § 401(a). The board shall determine the terms and provisions of the trust not inconsistent with this part, IRC or other applicable law and shall provide for the investment and administration of the trust.

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

(d) Name for transacting business.--All of the business of the plan shall be transacted, the trust invested, all requisitions for money drawn and payments made and all of its cash and securities and other property shall be held by the name of the "State Employees' Defined Contribution Plan."

Notwithstanding any other law to the contrary, the board may
establish a nominee registration procedure for the purpose of
registering securities in order to facilitate the purchase, sale
or other disposition of securities under the provisions of this
part.

§ 5402. Plan document.
The board shall set forth the terms and provisions of the
plan and trust in a document containing the terms and conditions
of the plan and in a trust declaration that shall be published
in the Pennsylvania Bulletin. The creation of the document
containing the terms and conditions of the plan and the trust
declaration and the establishment of the terms and provisions of
the plan and the trust need not be promulgated by regulation or
formal rulemaking and shall not be subject to the act of July
31, 1968 (P.L.769, No.240), referred to as the Commonwealth
Documents Law. A reference in this part or other law to the plan
shall include the plan document unless the context clearly
indicates otherwise.

§ 5403. Individual investment accounts.
The board shall establish in the trust an individual
investment account for each participant in the plan. All
contributions by a participant or an employer for or on behalf
of a participant shall be credited to the participant's
individual investment account, together with all interest and
investment earnings and losses. Investment and administrative
fees, costs and expenses shall be charged to the participants'
individual investment accounts. Employer defined contributions
shall be recorded and accounted for separately from participant
contributions, but all interest, investment earnings and losses,
and investment and administrative fees, costs and expenses shall
be allocated proportionately.
§ 5404. Participant contributions.

(a) Mandatory contributions.--A participant shall make mandatory participant contributions through payroll deductions to the participant's individual investment account equal to 3.00% of compensation for current State service. The employer shall cause those contributions for current service to be made and deducted from each payroll or on such schedule as established by the board.

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

(c) Prohibited contributions.--No contributions may be allowed that would cause a violation of the limitations related to contributions applicable to governmental plans contained in IRC § 415 or in other provisions of law. In the event that any disallowed contributions are made, any participant contributions in excess of the limitations and investment earnings on those contributions shall be refunded to the participant by the board.

§ 5405. (Reserved).

§ 5406. Employer defined contributions.

(a) Contributions for current service.--The Commonwealth or other employer of an active participant shall make employer defined contributions for current service of an active participant that shall be credited to the active participant's individual investment account. Employer defined contributions
shall be recorded and accounted for separately from participant contributions.

(b) Contributions resulting from participants reemployed from USERRA leave.--When a State employee reemployed from USERRA leave makes the mandatory participant contributions permitted to be made for the USERRA leave, the Commonwealth or other employer by whom the State employee is employed at the time the participant contributions are made shall make whatever defined contributions would have been made under this section had the employee making the participant contributions continued to be employed in the participant's State office or position instead of performing USERRA leave. The employer defined contributions shall be placed in the participant's individual investment account as otherwise provided by this part.

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

§ 5407. Eligibility for benefits.

(a) Termination of service.--A participant who terminates State service shall be eligible to withdraw the vested accumulated total defined contributions standing to the participant's credit in the participant's individual investment account or a lesser amount as the participant may request. Payment shall be made in a lump sum unless the board has established other forms of distribution in the plan document,
subject to the provisions of subsection (g). A participant who
withdraws his vested accumulated total defined contributions
shall no longer be a participant in the plan, notwithstanding
that the former State employee may continue to be a member of
the system or may have contracted to receive an annuity or other
form of payment from a provider retained by the board for such
purposes.

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

(c) (Reserved).

(d) Prohibited distributions.--A State employee must be
terminated from all positions that result in either membership
in the system or participation in the plan to be eligible to
receive a distribution.

(e) Loans.--Loans or other distributions, including hardship
or unforeseeable emergency distributions, from the plan to State
employees who have not terminated State service are not
permitted, except as required by law.

(f) Small individual investment accounts.--

(1) A participant who terminates State service and whose
vested accumulated total defined contributions are below the
threshold established by law as of the date of termination of
service may be paid the vested accumulated total defined
contributions in a lump sum as provided in IRC § 401(a)(31).

(2) The board may also provide in the plan document
that, notwithstanding subsection (g), a participant whose
vested accumulated employer defined contributions are below
the thresholds established by the board may receive those
distributions without the obligation to purchase an annuity.
The threshold may be established as a dollar amount, an
annuity amount, in some other form individually or in
combination as the board determines.

(g) Requirement to purchase annuity.--Except as prohibited
by the IRC or as otherwise provided in this part, a participant
who is eligible and elects to receive a distribution of vested
accumulated employer defined contributions shall be required to
purchase an annuity with that distribution from an annuity
provider contracted by the board under section 5409(c) (relating
to death benefits) and under such conditions as provided in the
plan document. The conditions may include that the board is
authorized to make the distribution directly to the annuity
provider.

§ 5408. Death benefits.

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

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

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

§ 5409. Vesting.

(a) Participant and voluntary contributions.--Subject to the forfeiture and attachment provisions of section 5953 (relating to taxation, attachment and assignment of funds) or otherwise as provided by law, a participant shall be immediately vested with respect to all mandatory participant contributions and voluntary contributions paid by or on behalf of the participant to the trust in addition to interest and investment gains or losses on the participant contributions but not including investment fees and administrative charges.

(b) Employer defined contributions.--

(1) Subject to the forfeiture and attachment provisions of section 5953 or otherwise as provided by law, a participant shall be vested with respect to all employer defined contributions paid to the participant's individual investment account in the trust in addition to interest and investment gains and losses on the employer defined contributions but not including investment fees and administrative charges according to the following schedule:

(i) Until such time as a participant has earned two eligibility points as a member of the system, 0%;

(ii) Upon the attainment of two eligibility points
as a member of the system, 50%:

(iii) Upon the attainment of three eligibility points as a member of the system, 75%:

(iv) At and after the attainment of four eligibility points as a member of the system, 100%.

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

(3) Nonvested employer defined contributions and the interest and investment gains and losses on the nonvested employer defined contributions that are forfeited when a participant terminates State service before accruing four eligibility points are credited to the participant's most recent employer's future obligation assessed under section 5509 (relating to appropriations and assessments by the Commonwealth).

(c) USERRA leave and eligibility points.—A participant in the plan who is reemployed from USERRA leave or who dies while performing USERRA leave shall receive eligibility points under this section for the State service that would have been performed had the member not performed USERRA leave.
mandatory, optional or prohibited member of the system or participant in the plan.

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

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

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

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

§ 5411. Agreements with financial institutions and other organizations.

(a) Written agreement.--To establish and administer the plan, the board shall enter into a written agreement with one or more financial institutions or other organizations to administer the plan and the investment of funds held under the plan. The administrator shall be selected in accordance with the
(1) The board shall solicit proposals from financial institutions and other organizations.

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

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

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

§ 5412. Powers and duties of board.

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

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

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

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

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

(5) The board may establish a process for election to
participate in the plan by those State employees eligible to
do so for whom participation is not mandatory.

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

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

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

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

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

(11) The board shall determine what constitutes a
termination of State service.

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

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

(i) Procedures for eligible participants to change
voluntary contribution amounts or their investment
choices on a periodic basis or make other elections
regarding their participation in the plan.

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

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

(iv) Standards and criteria for providing not less than 10 options in accordance with three or more providers of investment options to eligible individuals regarding investments of amounts deferred under the plan. The standards and criteria must provide for a variety of investment options and shall be reviewed in accordance with criteria established by the board. One of the available options must serve as the default option for participants who do not make a timely election and, to the extent commercially available, one option must have an annuity.

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

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

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

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

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

(17) The provisions and restrictions of the act of July 2, 2010 (P.L.266, No.44), known as the Protecting Pennsylvania's Investments Act, shall not apply to the plan or trust or the investments of the plan or trust, but the board may offer to the plan participants investment vehicles that would be allowed under the Protecting Pennsylvania's Investments Act.

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

§ 5413. Responsibility for investment loss.

The board, the Commonwealth, an employer or other political subdivision shall not be responsible for any investment loss incurred under the plan or for the failure of any investment to earn any specific or expected return or to earn as much as any other investment opportunity, whether or not the other opportunity was offered to participants in the plan.

§ 5414. Investments based on participant's investment allocation choices.

(a) Investment by participant.--All contributions, interest
and investment earnings shall be invested based on a participant's investment allocation choices. All investment allocation choices shall be credited proportionally between participant contributions and employer-defined contributions. Each participant shall be credited individually with the amount of contributions, interest and investment earnings.

(b) Investment of contributions made by entities other than the Commonwealth.—Investment of contributions by any corporation, institution, insurance company, custodial bank or other entity that the board has approved shall not be unreasonably delayed and in no case may the investment of contributions be delayed more than 30 days from the date of payroll deduction or the date voluntary contributions are made to the date that funds are invested. Any interest earned on the funds pending investment shall be allocated to the Commonwealth and credited to the individual investment accounts of participants who are then participating in the plan unless notwithstanding sections 5412(2) (relating to powers and duties of board), 5415 (relating to expenses) and 5902(c) (relating to administrative duties of the board), the interest is used to defray administrative costs and fees that would otherwise be required to be borne by participants who are then participating in the plan.

$ 5415. Expenses.

All fees, costs and expenses of administering the plan and the trust and investing the assets of the trust shall be borne by the participants and paid from assessments against the balances of the individual investment accounts as established by the board, except that for fiscal years ending before July 1, 2016, the fees, costs and expenses of establishing and
administering the plan and the trust shall be paid by the Commonwealth through annual appropriations from the General Fund, made on the basis of estimates from the board.

§ 5416. Participation in the plan by members of Class A-3 or Class A-4.

(a) General rule.--For any calendar year in which the compensation of a member of Class A-3 or Class A-4 exceeds the Class A-3 and Class A-4 compensation limit, the member shall cease making contributions to the fund and, unless the plan provides otherwise, shall become an active participant of the plan and a member of Class CB unless the member elects not to be a participant in the plan and a member of Class CB.

(b) Time for making the election.--An eligible member of Class A-3 or Class A-4 may elect not to become a participant in the plan and a member of Class CB by filing a written notice with the board in a form and manner determined by the board during periodic election periods established by the board or the plan after the effective date of this section.

(c) Effect of election.--An election not to become a participant and a member of Class CB shall be effective until the end of the calendar year for which the election is made, unless the plan provides otherwise. The effective date of active participation in the plan shall be as established in the plan. A state employee who does not elect out of participation in the plan and membership in Class CB shall make mandatory participant contributions to the plan, and unless the State employee elects otherwise, will make voluntary contributions of 3.25%, if a Class A-3 member, or voluntary contributions of 6.3%, if a Class A-4 member. The Class CB class of service multiplier to determine cash balance member contributions for a member of
Class CB who elects to be a participant in the plan shall be 0.6
while an active participant of the plan. A State employee cannot
elect to not be an active participant and remain an active
member of Class CB and cannot elect to not be an active member
of Class CB while remaining an active participant in the plan.
§ 5417. Tax qualification.

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

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

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

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

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

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

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

Section 414. Sections 5501 and 5501.1 of Title 71 are amended to read:

§ 5501. Regular member contributions and cash balance member contributions for current service.

Regular member contributions or cash balance member contributions shall be made to the fund on behalf of each active member for current service except for any period of current service in which the making of such contributions has ceased solely by reason of section 5502.1 (relating to waiver of regular member contributions and Social Security integration member contributions) or any provision of this part relating to the limitations under IRC § 401(a)(17) or [415(b)] or limitations on contributions to the system applicable to a Class A-3 member or Class A-4 member.

§ 5501.1. Shared-risk member contributions [for Class A-3 and Class A-4 service] and shared-gain adjustments to regular member contributions for Class A-3 and Class A-4 service.

(a) General.—Shared-risk member contributions shall be made to the fund on behalf of each member of Class A-3 or Class A-4 for current service credited as Class A-3 or Class A-4 as provided under this section, except for any period of current service in which the making of the contributions has ceased solely by reason of any provision of this part relating to the

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limitations under IRC § 401(a)(17) or 415. Shared-risk member contributions shall be credited to the members' savings account. A shared-gain adjustment to regular member contributions for Class A-3 and Class A-4 service shall be made as provided under this section.

(b) Determination of shared-risk contribution rate.--

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

(7) For any fiscal year in which the actual contributions by the Commonwealth or an employer are lower than those required to be made under section 5507(d) (relating to contributions to the system by the Commonwealth and other employers), the prospective shared-risk contribution rate for those employees whose employers are not making the contributions required by section 5507(d) shall be zero and shall not subsequently be increased, except as otherwise provided in this section.

(c) Determination of shared-gain adjustment to regular member contributions for Class A-3 or Class A-4 service.--The regular member contributions for Class A-3 or Class A-4 service shall be determined as follows:

(1) For the period from the effective date of this section until June 30, 2017, the regular member contributions for Class A-3 of Class A-4 service shall be determined as otherwise provided in this part.

(2) For the period from July 1, 2017, to June 30, 2020, if the shared-risk contribution rate is zero and annual...
interest rate adopted by the board for use during the period from January 1, 2011, to December 31, 2016, for the calculation of the normal contribution rate is more than 1% lower than the actual rate of return, net of fees, of the investments of the fund based on market value over the period, then the regular member contribution rate of each member for Class A-3 or Class A-4 service shall be reduced by 0.5%. In all other situations, the regular member contributions shall be determined as otherwise provided in this part.

(3) For each subsequent three-year period, the regular member contribution rate shall be decreased by 0.5% if the annual interest rate adopted by the board for use during the previous ten-year period for the calculation of the normal contribution rate is more than 1% lower than the actual rate of return, net of fees, of the investments of the fund based on market value over the period. The regular member contribution rate shall be increased by 0.5% if the annual interest rate adopted by the board for use during the previous ten-year period for the calculation of the normal contribution rate is equal to or greater than the actual rate of return, net of fees, of the investments of the fund based on market value over that period.

(4) Notwithstanding paragraphs (2) and (3), the regular member contribution rate may not be greater than the product of the basic contribution rate and the class of service multiplier; and the amount of the adjustment to a lower regular member contribution rate may not be greater than the reduction in the actuarially required contribution rate by the experience adjustment factor resulting from investment.
gains or losses in effect on the first day when the new rate would be applied, expressed as a percentage of member compensation. In no event may the adjustment to the regular member contribution rate be more than 2%. For the determination of the regular member contribution rate to be effective July 1, 2020, the determination period shall be January 1, 2011, through December 31, 2019.

(5) The shared-gain adjustment to the regular member contribution rate and the factors entering into its calculation must be certified by the actuary as part of the annual valuations and the actuarial investigation and evaluation of the system conducted every five years under section 5902(j) (relating to administrative duties of the board).

(6) If the annual interest rate adopted by the board for the calculation is changed during the period used to determine the shared-gain adjustment to the regular member contribution rate, the board, with the advice of the actuary, shall determine the applicable rate during the entire period, expressed as an annual rate.

(d) Calculation of regular member contribution rate.--For purposes of this subsection, the regular member contribution rate for each member is the product of the basic contribution rate and the class of service multiplier used to determine the regular member contributions for each member.

Section 415. Title 71 is amended by adding sections to read:

§ 5501.3. Contribution savings program for members of Class AA and Class D-4 who have not made the election under section 5306.4.

The regular member contributions for Class AA and Class D-4
service of members who have not made the election under section 5306.4 (relating to election of an alternate class of service multiplier) shall be determined as follows:

(1) For the period from the effective date of this section until June 30, 2019, the regular member contributions for Class AA and Class D-4 service of members who have not made the election under section 5306.4 (relating to election of an alternate class of service multiplier) shall be determined as otherwise provided in this part.

(2) For the period from July 1, 2019, to June 30, 2022, if the annual interest rate adopted by the board for use during the period from January 1, 2016, to December 31, 2019, for the calculation of the normal contribution rate is 1% or more lower than the actual rate of return, net of fees, of the investments of the fund based on market value over the period, then the regular member contribution rate for Class AA and Class D-4 service of members who have not made the election under section 5306.4 shall be reduced by 0.5% for each percentage point that the annual interest rate is lower than the actual rate of return. For the three fiscal years starting July 1, 2022, and each subsequent period of three fiscal years, the following apply:

(i) Except as set forth in subparagraph (ii), the regular member contribution rate shall be as otherwise provided in this part.

(ii) If the annual interest rate adopted by the board for use during the prior three calendar years for the calculation of the normal contribution rate is 1% or more lower than the actual rate of return, net of fees, of the investments of the fund based on market value over
the three calendar year period, then the regular member contribution rate for Class AA and Class D-4 service of members who have not made the election under section 5603.4 shall be reduced by 0.5% for each percentage point that the annual interest rate is lower than the actual rate of return.

(3) Notwithstanding paragraph (2), the regular member contribution rate may not be greater than the product of the basic contribution rate and the class of service multiplier; and in no event may the amount of the adjustment to the regular member contribution rate be more than 5%.

(4) The contribution savings program adjustment to the regular member contribution rate and the factors entering into its calculation must be certified by the actuary as part of the annual valuations and the actuarial investigation and evaluation of the system conducted every five years under section 5902(j) (relating to administrative duties of the board).

(5) If the annual interest rate adopted by the board for the calculation is changed during the period used to determine the contribution savings program adjustment to the regular member contribution rate, the board, with the advice of the actuary, shall determine the applicable rate during the entire period, expressed as an annual rate.

§ 5501.4. Class of service multiplier for Class AA and Class D-4.

(a) Multiplier before January 2016.--For Class AA service and Class D-4 service that is not post-January 2016 service, the class of service multipliers for Class AA and Class D-4 are as defined in section 5102 (relating to definitions).
(b) Class AA multiplier on or after January 2016.--For Class AA service that is post-January 2016 service, the class of service multiplier is as follows:

(1) For all purposes except calculating regular member contributions, the standard class of service multiplier shall be 1.25.

(2) For purposes of calculating regular member contributions, the standard class of service multiplier shall be 1.75.

(3) The alternate class of service multiplier for all purposes shall be 1.

(c) Class D-4 multiplier on or after January 2016.--For Class D-4 service that is post-January 2016 service, the class of service multiplier is as follows:

(1) For all purposes except calculating regular member contributions, the standard class of service multiplier shall be 1.5.

(2) For purposes of calculating regular member contributions, the standard class of service multiplier shall be 2.

(3) The alternate class of service multiplier for all purposes shall be 1.

Section 416. Sections 5502.1, 5503.1(a) and 5504 of Title 71 are amended to read:

§ 5502.1. Waiver of regular member contributions and Social Security integration member contributions.

(a) General rule.--Notwithstanding the provisions of sections 5501 (relating to regular member contributions and cash balance member contributions for current service) and 5502 (relating to Social Security integration member contributions),

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no regular member contributions or Social Security integration
member contributions shall be made by an active member for the
period from July 1 to the following June 30 if the maximum
single life annuity to which the member would have been entitled
to receive had the member retired with an effective date of
retirement on the preceding January 1 is greater than 110% of
the highest calendar year compensation of the member, provided
the member files a written election as prescribed by the board.
(b) Applicability.--This section shall not apply to any
member who has Class A-3 [or] Class A-4 or Class CB service
credit.

§ 5503.1. Pickup contributions.
(a) Treatment for purposes of IRC § 414(h).--All
contributions to the fund required to be made under sections
5501 (relating to regular member contributions for current
service and cash balance member contributions), 5501.1 (relating
to shared-risk member contributions [for Class A-3 and Class A-4
service] and shared-gain adjustments to regular member
contributions for Class A-3 and Class A-4 service), 5502
(relation to Social Security integration member contributions),
5503 (relation to joint coverage member contributions) and
section 5505.1 (relation to additional member contributions) other
than cash balance member contributions, with respect to
current State service rendered by an active member on or after
January 1, 1982, shall be picked up by the Commonwealth or other
employer and shall be treated as the employer's contribution for
purposes of IRC § 414(h).

* * *

§ 5504. Member contributions for the purchase of credit for
previous State service or to become a full coverage
member.

(a) Amount of contributions for service in other than Class G through N and Class CB.--

(1) The contributions to be paid by an active member or eligible school employee for credit in the system for the portion of total previous State service other than service in Class G, Class H, Class I, Class J, Class K, Class L, Class M and Class N and Class CB that a member is eligible to have credited or to become a full coverage member shall be sufficient to provide an amount equal to the regular and additional accumulated deductions which would have been standing to the credit of the member for such service had regular and additional member contributions been made with full coverage in the class of service and at the rate of contribution applicable during such period of previous service and had his regular and additional accumulated deductions been credited with statutory interest during all periods of subsequent State service as an active member or inactive member on leave without pay and school service as an active member or inactive member on leave without pay of the Public School Employees' Retirement System up to the date of purchase. A State employee who is an active member of the system as a result of concurrently performing service in more than one position or office at the time previously uncredited State service is credited shall elect which position or office is used for the determination of required contributions and crediting and classification of the previously uncredited service.

(2) Notwithstanding paragraph (1), active members [with] who perform State service credited as Class A-3 [State]
service shall make contributions and receive credit for
previously uncredited State service as if the previous State
service was Class A-3 service, and active members [with] who
perform State service credited as Class A-4 [State] service
shall make contributions and receive credit as if the
previous State service was Class A-4 service, even if it
would have been credited as a different class of service had
the State employee been a member of the system at the time
the service was performed unless it was mandatory that the
State employee be an active member of the system and the
previous State service is being credited as the result of a
mandatory active membership requirement.

(3) Notwithstanding paragraph (1), if a member who is
purchasing credit for previous State service has made an
election under section 5306.4 (relating to election of an
alternate class of service multiplier), the regular member
contributions for all previously uncredited Class AA or Class
D-4 State service that is first credited on or after January
1, 2016, shall be calculated using the alternate class of
service multiplier as provided by the election.

(4) Notwithstanding paragraph (1), if a member is
purchasing credit for previously uncredited State service
that is first credited after December 31, 2015, the regular
member contributions shall be calculated without regard to
any adjustments that would have been applicable under
sections 5501.1(c) (relating to shared-risk member
contributions and shared-gain adjustments to regular member
contributions for Class A-3 and Class A-4 service) or 5501.3
(relating to contribution savings program for members of
Class AA and Class D-4 who have not made the election under
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section 5306.4) had regular member contributions been made during such period of previous service.

(a.1) Converted county service.--No contributions shall be required to restore credit for previously credited State service in Class G, Class H, Class I, Class J, Class K, Class L, Class M and Class N. Such service shall be restored upon the commencement of payment of the contributions by an active member of a class of service other than Class CB required to restore credit in the system for all other previous State service other than Class CB service.

(b) Certification and method of payment.--The amount payable shall be certified in each case by the board in accordance with methods approved by the actuary and shall be paid in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service or beginning service as a participant without concurrently being an active member or inactive member on leave without pay as the board in its sole discretion decides to allow. The board may limit the salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible school employee who is an active member of the Public School Employees' Retirement System, the agreed upon salary deductions shall be remitted to the Public School Employees' Retirement Board, which shall certify and transfer to the board
the amounts paid.

Section 417. Section 5505(b), (c), (d) and (i)(4) of Title 71 are amended and the section is amended by adding subsections to read:

§ 5505. Contributions for the purchase of credit for creditable nonstate service.

* * *

(b) Nonintervening military service.--

(1) The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying the member's basic contribution rate, the additional contribution rate plus the Commonwealth normal contribution rate for active members at the time of entry, subsequent to such military service, of the member into State service to his average annual rate of compensation over the first three years of such subsequent State service, excluding any compensation for Class A-3 service or Class A-4 service in excess of the Class A-3 and Class A-4 compensation limit, and multiplying the result by the number of years and fractional part of a year of creditable nonintervening military service being purchased together with statutory interest during all periods of subsequent State service as an active member or inactive member on leave without pay and school service as an active member or inactive member on leave without pay of the Public School Employees' Retirement System to date of purchase. Upon application for credit for such service, payment shall be made in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System it may be
amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service or beginning service as a participant without concurrently being an active member or inactive member on leave without pay as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible school employee who is an active member of the Public School Employees' Retirement System, the agreed upon salary deductions shall be remitted to the Public School Employees' Retirement Board, which shall certify and transfer to the board the amounts paid. Application may be filed for all such military service credit upon completion of three years of subsequent State service and shall be credited as Class A service.

(2) Applicants may purchase credit as follows:

   (i) one purchase of the total amount of creditable nonintervening military service; or

   (ii) one purchase per 12-month period of a portion of creditable nonintervening military service.

The amount of each purchase shall be not less than one year of creditable nonintervening military service.

(c) Intervening military service.—Contributions on account of credit for intervening military service shall be determined by the member's regular contribution rate, shared-risk contribution rate, Social Security integration contribution rate.
rate, the additional contribution rate which shall be applied only to those members who began service on or after the effective date of this amendatory act and compensation at the time of entry of the member into active military service, excluding any compensation for Class A-3 service or Class A-4 service in excess of the Class A-3 and Class A-4 compensation limit, together with statutory interest during all periods of subsequent State service as an active member or inactive member on leave without pay and school service as an active member or inactive member on leave without pay of the Public School Employees' Retirement System to date of purchase. Upon application for such credit the amount due shall be certified in the case of each member by the board in accordance with methods approved by the actuary, and contributions may be made by:

(1) regular monthly payments during active military service; or

(2) a lump sum payment within 30 days of certification; or

(3) salary deductions to the system in amounts agreed upon by the member or eligible school employee who is an active member of the Public School Employees' Retirement System and the board.

The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service or beginning service as a participant without concurrently being an active member or inactive member on leave without pay as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such terms as the board in its sole discretion determines. In
the case of an eligible school employee who is an active member
of the Public School Employees' Retirement System, the agreed
upon salary deductions shall be remitted to the Public School
Employees' Retirement Board, which shall certify and transfer to
the board the amounts paid.

(d) Nonmilitary and nonmagisterial service.--Contributions
on account of credit for creditable nonstate service other than
military and magisterial service by State employees who first
become members of the system before January 1, 2011, or before
December 1, 2010, as a member of the General Assembly shall be
determined by applying the member's basic contribution rate, the
additional contribution rate plus the Commonwealth normal
contribution rate for active members at the time of entry
subsequent to such creditable nonstate service of the member
into State service to his compensation at the time of entry into
State service as a member of the system and excluding any
compensation for Class A-3 service or Class A-4 service in
excess of the Class A-3 and Class A-4 compensation limit and
multiplying the result by the number of years and fractional
part of a year of creditable nonstate service being purchased
together with statutory interest during all periods of
subsequent State service as an active member or inactive member
on leave without pay and school service as an active member or
inactive member on leave without pay of the Public School
Employees' Retirement System to the date of purchase. Upon
application for credit for such service payment shall be made in
a lump sum within 30 days or in the case of an active member or
eligible school employee who is an active member of the Public
School Employees' Retirement System it may be amortized with
statutory interest through salary deductions to the system in
amounts agreed upon by the member and the board. The salary
deduction amortization plans agreed to by members and the board
may include a deferral of payment amounts and statutory interest
until the termination of school service or State service or
beginning service as a participant without concurrently being an
active member or inactive member on leave without pay as the
board in its sole discretion decides to allow. The board may
limit salary deduction amortization plans to such terms as the
board in its sole discretion determines. In the case of an
eligible school employee who is an active member of the Public
School Employees' Retirement System, the agreed upon salary
deduction shall be remitted to the Public School Employees'
Retirement Board, which shall certify and transfer to the board
the amounts paid.

* * *

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

* * *

(4) The payment for credit purchased under this
subsection shall be certified in each case by the board in
accordance with methods approved by the actuary and shall be
paid in a lump sum within 30 days or in the case of an active
member or eligible school employee who is an active member of
the Public School Employees' Retirement System may be
amortized with statutory interest through salary deductions
to the system in amounts agreed upon by the member and the
board. The salary deduction amortization plans agreed to by
members and the board may include a deferral of payment
amounts and interest until the termination of school service
or State service or beginning service as a participant without concurrently being an active member or inactive member on leave without pay as the board in its sole discretion decides to allow. The board may limit the salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible school employee who is an active member of the Public School Employees' Retirement System, the agreed upon salary deductions shall be remitted to the Public School Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

(j) Inapplicability of election and adjustments.--

(1) Notwithstanding paragraph (1), if a member who is purchasing creditable nonstate service has made an election under section 5306.4 (relating to election of an alternate class of service multiplier), the contributions for all Class AA or Class D-4 nonstate service that is first credited on or after January 1, 2016, shall be determined using the alternate class of service multiplier as provided by the election.

(2) Notwithstanding paragraph (1), if a member is purchasing creditable nonstate service that is first credited on or after January 1, 2016, the regular member contributions necessary to purchase such credit shall be determined without regard to any adjustments applicable under sections 5501.1(c) (relating to shared-risk member contributions and shared-gain adjustments to regular member contributions for Class A-3 and Class A-4 service) or 5501.3 (relating to contribution savings program for members of Class AA and Class D-4 who have not made the election under section 5306.4).
(k) Calculation of employee contributions after December 31, 2015.--If employee contributions for the payment of creditable nonstate service purchased under this subsection are determined all or in part by the Commonwealth normal contribution rate after December 31, 2015, the Commonwealth normal contribution for that purpose shall be the higher of the applicable actual employer normal contribution rate determined under section 5508(b) (relating to actuarial cost method), or the employer normal contribution rate determined as part of the actuarial valuation for December 31, 2014.

Section 418. Sections 5506 and 5506.1(a) of Title 71 are amended to read:

§ 5506. Incomplete payments.

In the event that a member terminates State service or begins service as a participant without concurrently being an active member or inactive member on leave without pay or a multiple service member who is an active member of the Public School Employees' Retirement System terminates school service before the agreed upon payments for credit for previous State service, USERRA leave, creditable nonstate service, social security integration, full coverage membership or return of benefits on account of returning to State service or entering school service and electing multiple service have been completed, the member or multiple service member who is an active member of the Public School Employees' Retirement System shall have the right to pay within 30 days of termination of State service or school service or beginning service as a participant the balance due, including interest, in a lump sum and the annuity shall be calculated including full credit for the previous State service, creditable nonstate service, social security integration, or full coverage.
membership. In the event a member does not pay the balance due within 30 days of termination of State service or beginning service as a participant or in the event a member dies in State service or within 30 days of termination of State service or beginning service as a participant or in the event a member dies in State service or within 30 days of termination of State service or in the case of a multiple service member who is an active member of the Public School Employees' Retirement System does not pay the balance due within 30 days of termination of school service or dies in school service or within 30 days of termination of school service and before the agreed upon payments have been completed, the present value of the benefit otherwise payable shall be reduced by the balance due, including interest, and the benefit payable shall be calculated as the actuarial equivalent of such reduced present value.

§ 5506.1. Annual compensation limit under IRC § 401(a)(17).
(a) General rule.--In addition to other applicable limitations set forth in this part, and notwithstanding any provision of this part to the contrary, the annual compensation of each noneligible member and each participant taken into account for benefit purposes under this part shall not exceed the limitation under IRC § 401(a)(17). On and after January 1, 1996, any reference in this part to the limitation under IRC § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual compensation limit set forth in this subsection. The OBRA '93 annual compensation limit is $150,000, as adjusted by the commissioner for increases in the cost of living in accordance with IRC § 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to any determination period which is a period, not exceeding 12 months, over which
compensation is determined, beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period and the denominator of which is 12.

* * *

Section 419. Title 71 is amended by adding a section to read:

§ 5506.2. Application of Class A-3 and Class A-4 compensation limit.

(a) General rule.--The Class A-3 and Class A-4 compensation limit shall be applied to the total compensation received each calendar year for service as a member of Class A-3 or Class A-4 and, if a multiple service member, for service in Class T-E and Class T-F in the Public School Employees' Retirement System.

(b) Final average salary adjustment required.--For purposes of calculating final average salary for the determination of standard single life annuities and other benefits resulting from post-January 2016 service as a member of Class A-3 or Class A-4, the total compensation received, and the compensation received excluding remuneration received for any overtime service as a member of the system, each calendar year for Class A-3 service and Class A-4 service and, if a multiple service member, as a school employee for service as a Class T-E member and Class T-F member of the Public School Employees' Retirement System, shall be adjusted first by annualizing the compensation received for any part-time service or for any partial year of credit on the basis of the fractional portion of the year for which credit is received. After annualization, the amount of compensation in any calendar year resulting from Class A-3 service or Class A-4
service shall be further adjusted downward so as to not exceed
the Class A-3 and Class A-4 compensation limit for that year.

(c) Member contribution limits.--For purposes of determining
regular member contributions and shared-risk member
contributions resulting from post-January 2016 service as a
member of Class A-3 or Class A-4 service, the compensation each
year is limited to the Class A-3 and Class A-4 compensation
limit for that year.

Section 420. Sections 5507 heading and (a) and (b), 5508(a),
(b), (c), (f), (h) and (i) and 5509 of Title 71 are amended to
read:

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

(a) Contributions on behalf of active members.--The
Commonwealth and other employers whose employees are members of
the system shall make contributions to the fund on behalf of all
active members in such amounts as shall be certified by the
board as necessary to provide, together with the members' total
accumulated deductions and cash balance member accumulated
deductions, annuity reserves on account of prospective annuities
other than those provided in sections 5708 (relating to
supplemental annuities), 5708.1 (relating to additional
supplemental annuities), 5708.2 (relating to further additional
supplemental annuities), 5708.3 (relating to supplemental
annuities commencing 1994), 5708.4 (relating to special
supplemental postretirement adjustment), 5708.5 (relating to
supplemental annuities commencing 1998), 5708.6 (relating to
supplemental annuities commencing 2002), 5708.7 (relating to
supplemental annuities commencing 2003) and 5708.8 (relating to
special supplemental postretirement adjustment of 2002), in
accordance with the actuarial cost method provided in section 5508(a), (b), (c), (d) and (f) (relating to actuarial cost method).

(b) Contributions on behalf of annuitants.--The Commonwealth and other employers whose employees are members of the system shall make contributions on behalf of annuitants in such amounts as shall be certified by the board as necessary to fund the liabilities for supplemental annuities in accordance with the actuarial cost method provided in section 5508(e) [(relating to actuarial cost method)].

§ 5508. Actuarial cost method.

(a) Employer contribution rate on behalf of active members.--[The] For each fiscal year, the amount of the Commonwealth and other employer contributions on behalf of all active members shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the board. The actuarially required contribution rate on behalf of all active members shall consist of the employer normal contribution rate, as defined in subsection (b), and the accrued liability contribution rate as defined in subsection (c). The actuarially required contribution rate on behalf of all active members shall be modified by the experience adjustment factor as calculated in subsection (f).

(b) Employer normal contribution rate.--The employer normal contribution rate shall be determined after each actuarial valuation on the basis of an annual interest rate and such mortality and other tables as shall be adopted by the board in accordance with generally accepted actuarial principles. The
employer normal contribution rate shall be determined as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through his entire period of active State service, would be sufficient to fund the liability for any prospective benefit payable to him in excess of that portion funded by his prospective member contributions, excluding shared-risk member contributions. In no case shall the employer normal contribution rate be less than zero.

(c) Accrued liability contribution rate.--

(1) For the fiscal years beginning July 1, 2002, and July 1, 2003, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of ten years from July 1, 2002, the present value of the liabilities for all prospective benefits, except for the supplemental benefits as provided in sections 5708 (relating to supplemental annuities), 5708.1 (relating to additional supplemental annuities), 5708.2 (relating to further additional supplemental annuities), 5708.3 (relating to supplemental annuities commencing 1994), 5708.4 (relating to special supplemental postretirement adjustment), 5708.5 (relating to supplemental annuities commencing 1998), 5708.6 (relating to supplemental annuities commencing 2002), 5708.7 (relating to supplemental annuities commencing 2003) and 5708.8 (relating to special supplemental postretirement adjustment of 2002), in excess of the total assets in the fund (calculated recognizing all investment gains and losses over a five-year period), excluding the balance in the supplemental annuity account, and the present
value of employer normal contributions and of member contributions payable with respect to all active members on December 31, 2001, and excluding contributions to be transferred by county retirement systems or pension plans pursuant to section 5507(c) (relating to contributions by the Commonwealth and other employers). The amount of each annual accrued liability contribution shall be equal to the amount of such contribution for the fiscal year beginning July 1, 2002, except that, if the accrued liability is increased by legislation enacted subsequent to June 30, 2002, but before July 1, 2003, such additional liability shall be funded over a period of ten years from the first day of July, coincident with or next following the effective date of the increase. The amount of each annual accrued liability contribution for such additional legislative liabilities shall be equal to the amount of such contribution for the first annual payment.

(2) Notwithstanding any other provision of law, beginning July 1, 2004, and ending June 30, 2010, the outstanding balance of the increase in accrued liability due to the change in benefits enacted in 2001 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2002, and the outstanding balance of the net actuarial loss incurred in calendar year 2002 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2003. For fiscal years beginning on or after July 1, 2004, and ending June 30, 2010, if the accrued liability is increased by legislation enacted subsequent to June 30, 2003, but before January 1, 2009, such additional liability shall be funded in equal dollar annual contributions over a period of ten years from
the first day of July coincident with or next following the

effective date of the increase.

(3) For the fiscal [year] years beginning July 1, 2010,
and ending June 30, 2016, the accrued liability contribution
rate shall be computed as the rate of total compensation of
all active members which shall be certified by the actuary as
sufficient to fund in equal dollar installments over a period
of 30 years from July 1, 2010, the present value of the
liabilities for all prospective benefits calculated as of the
immediately prior valuation date, including the supplemental
benefits as provided in sections 5708, 5708.1, 5708.2,
5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but
excluding the benefits payable from the retirement benefit
plan established pursuant to section 5941 (relating to
benefits completion plan), in excess of the actuarially
calculated assets in the fund (calculated recognizing all
realized and unrealized investment gains and losses each year
in level annual installments over five years), including the
balance in the supplemental annuity account, and the present
value of employer normal contributions and of member
contributions payable with respect to all active members,
inactive members on leave without pay, vestees and special
vestees on December 31, 2009. If the accrued liability is
changed by legislation enacted subsequent to December 31,
2009, and before January 1, 2015, such change in liability
shall be funded in equal dollar installments as a percentage
of compensation of all active members over a period of ten
years from the first day of July following the valuation date
coincident with or next following the date such legislation
is enacted.
(4) (i) For the fiscal year beginning July 1, 2016, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members that shall be determined by the actuary as sufficient to fund in equal dollar installments as a percentage of compensation of all active members over a period of 30 years from July 1, 2016, the present value of the liabilities for all prospective benefits of members of the system calculated as of the immediately prior valuation date, including the supplemental benefits as provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits payable from the retirement benefit plan established under section 5941 (relating to benefits completion plan) in excess of the actuarially calculated assets in the fund calculated recognizing the realized and unrealized investment gains and losses each year in level annual installments over five years, including the balance in the supplemental annuity account and the present value of employer normal contributions and of member contributions payable with respect to all active members, inactive members on leave without pay, vestees and special vestees on December 31, 2015.

(ii) If the accrued liability is changed by legislation enacted subsequent to December 31, 2015, the change in liability shall be funded in equal dollar installments as a percentage of compensation of all active members over a period of ten years from the first day of July following the valuation date coincident with or next following the date such legislation is enacted.
(f) Experience adjustment factor.--

(1) For each fiscal year after the establishment of the accrued liability contribution rate and the supplemental annuity contribution rate for the fiscal year beginning July 1, 2010, any increase or decrease in the unfunded accrued liability and any increase or decrease in the liabilities and funding for supplemental annuities, due to actual experience differing from assumed experience (recognizing all realized and unrealized investment gains and losses over a five-year period), changes in contributions caused by the final contribution rate being different from the actuarially required contribution rate, State employees making shared-risk member contributions, adjustments to the regular member contributions under sections 5501.1 (relating to shared-risk member contributions and shared-gain adjustments to regular member contributions for Class A-3 and Class A-4 service) and 5501.3 (relating to contribution savings program for members of Class AA and Class D-4 who have not made the election under section 5306.4), changes in actuarial assumptions or changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual contributions as a percentage of compensation of all active members over a period of 30 years beginning with the July 1 succeeding the actuarial valuation determining said increases or decreases.

(2) The actuarially required contribution rate shall be the sum of the normal contribution rate, the accrued
liability contribution rate and the supplemental annuity contribution rate, modified by the experience adjustment factor as calculated in paragraph (1).

* * *

(h) Temporary application of collared contribution rate.--The collared contribution rate for each fiscal year shall be determined by comparing the actuarially required contribution rate calculated without regard for costs added by legislation to the prior year's final contribution rate. If, for any of the fiscal years beginning July 1, 2011, July 1, 2012, and on or after July 1, 2013, the actuarially required contribution rate calculated without regard for costs added by legislation is more than 3%, 3.5% and 4.5%, respectively, of the total compensation of all active members greater than the prior year's final contribution rate, then the collared contribution rate shall be applied and be equal to the prior year's final contribution rate increased by the respective percentage above of total compensation of all active members. Otherwise, and for all subsequent fiscal years, the collared contribution rate shall not [be applicable] apply. In no case shall the collared contribution rate be less than 4% of total compensation of all active members.

(i) Final contribution rate.--For the fiscal year beginning July 1, 2010, the final contribution rate shall be 5% of total compensation of all active members. For each subsequent fiscal year for which the collared contribution rate is applicable, the final contribution rate shall be the collared contribution rate plus the costs added by legislation. For all other fiscal years, the final contribution rate shall be the actuarially required contribution rate, provided that the final contribution rate
shall not be less than the higher of employer normal
contribution rate, as defined in subsection (b), or 4%.
§ 5509. Appropriations and assessments by the Commonwealth.
(a) Annual submission of budget.--The board shall prepare
and submit annually an itemized budget consisting of the amounts
necessary to be appropriated by the Commonwealth out of the
General Fund and special operating funds and the amounts to be
assessed the other employers required to meet the separate
obligations to the fund and the trust accruing during the fiscal
period beginning the first day of July of the following year.
(b) Appropriation and payment.--The General Assembly shall
make an appropriation sufficient to provide for the separate
obligations of the Commonwealth to the fund and the trust. Such
amount shall be paid by the State Treasurer through the
Department of Revenue into the fund or trust, as the case may
be, in accordance with requisitions presented by the board. The
contributions to the system by the Commonwealth on behalf of
active members who are officers of the Pennsylvania State Police
shall be charged to the General Fund and to the Motor License
Fund in the same ratios as used to apportion the appropriations
for salaries of members of the Pennsylvania State Police. The
contributions to the system by the Commonwealth on behalf of
active members who are enforcement officers and investigators of
the Pennsylvania Liquor Control Board shall be charged to the
General Fund and to the State Stores Fund.
(c) Contributions from funds other than General Fund.--The
amounts assessed other employers who are required to make the
necessary separate contributions to the fund and the trust out
of funds other than the General Fund shall be paid by such
employers into the fund or trust, as the case may be.
accordance with requisitions presented by the board. The General
Fund of the Commonwealth shall not be held liable to appropriate
the moneys required to build up the reserves in the fund
necessary for the payment of benefits from the system to
employees or to make the employer defined contributions for
employees of such other employers. In case any such other
employer shall fail to provide to the fund the moneys necessary
for such purpose, then the service of such members of the system
for such period for which money is not so provided shall be
credited and pickup contributions and cash balance member
contributions with respect to such members shall continue to be
credited to the members' savings account and the cash balance
savings account. The annuity to which such member is entitled
shall be determined as actuarially equivalent to the present
value of the maximum single life annuity of each such member
reduced by the amount of employer contributions to the system
payable on account and attributable to his compensation during
such service, except that no reduction shall be made as a result
of the failure of an employer to make contributions required for
a period of USERRA leave.

Section 421. Title 71 is amended by adding a section to
read:
§ 5510. Employer funding mandate protection.
   (a) Limited expansion of contractual right to funding.--
Commencing on the July 1 following the actuarial valuation in
which the actuary certifies that the final contribution rate is
the actuarially required contribution, each active member of
shall have a contractual right to the timely payment of the
annual actuarially required contributions pursuant to section
5508 (relating to actuarial cost method) and section 5902(k)
(relating to administrative duties of the board) by such
member's employer. The following apply:

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

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

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

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

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

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

(c) Sovereign immunity waived.--Sovereign immunity is hereby
 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
 matters affecting government units) or lack of jurisdiction by
 the Supreme Court shall not be raised as a defense against a
 claim brought against an employer under this section.
(d) Attorney fees.--A member who prevails in a claim brought under this part may be awarded reasonable attorney fees.

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

(f) Employer contributions.--Nothing in this section shall be deemed to supersede or conflict with the rights and obligations set forth in section 5509 (relating to appropriations and assessments by the Commonwealth).

(g) Board action.--The board is authorized but not required to bring an action under this section on behalf of itself or any member, and, if the board prevails, it may be awarded reasonable attorney fees.

Section 422. Sections 5701 and 5701.1 of Title 71 are amended to read:

§ 5701. Return of total accumulated deductions and cash balance

member accumulated deductions.

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

§ 5701.1. Transfer of accumulated deductions.

When an employee of the Juvenile Court Judges' Commission elects membership in an independent retirement program pursuant
to section 5301(f) (relating to mandatory and optional membership in the system and participation in the plan), the board shall transfer directly to the trustee or administrator of the independent retirement program all accumulated deductions resulting from service credited while an employee of the Juvenile Court Judges' Commission.

Section 423. Sections 5702(a), (a.1) and (b) and 5704(a), (c), (e) and (f) of Title 71 are amended and the sections are amended by adding subsections to read:

§ 5702. Maximum single life annuity.

(a) General rule.--Any full coverage member who is eligible to receive an annuity pursuant to the provisions of section 5308(a) or (b) (relating to eligibility for annuities) who terminates State service, or if a multiple service member who is a school employee who is an active member of the Public School Employees' Retirement System who terminates school service, before attaining age 70 shall be entitled to receive a maximum single life annuity attributable to his credited service and equal to the sum of the following single life annuities beginning at the effective date of retirement:

(1) A single life annuity that is the sum of the standard single life [annuity multiplied by the sum of the products,] annuities determined separately for each class of service, [obtained by multiplying] multiplied by the appropriate class of service multiplier [by the ratio of years of service credited in that class to the total credited service] applicable to each standard single life annuity. In case the member on the effective date of retirement is under superannuation age for any service, a reduction factor calculated to provide benefits actuarially equivalent to an

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annuity starting at superannuation age shall be applied to 
the product determined for that service. The class of service 
multiplier for any period of concurrent service determined
without regard to service in Class CB shall be multiplied by 
the proportion of total State and school compensation during 
such period attributable to State service as a member of the
system. In the event a member has two multipliers for one 
class of service [the class of service multiplier to be used 
for calculating benefits for that class shall be the average 
of the two multipliers weighted by the proportion of 
compensation attributable to each multiplier during the three 
years of highest annual compensation in that class of 
service: Provided, That in the case of a member of Class E-1, 
a portion but not all of whose three years of highest annual 
judicial compensation is prior to January 1, 1973, two class 
of service multipliers shall be calculated on the basis of 
his entire judicial service, the one applying the judicial 
class of service multipliers effective prior to January 1, 
1973 and the second applying the class of service multipliers 
effective subsequent to January 1, 1973. The average class of 
service multiplier to be used for calculating benefits for 
his judicial service shall be the average of the two 
calculated multipliers weighted by the proportion of 
compensation attributable to each of the calculated 
multipliers during the three years of highest annual 
compensation in that class of service.], separate standard
single life annuities shall be calculated for the portion of 
service in such class applicable to each class of service
multiplier.

(2) If eligible, a single life annuity of 2% of his
average noncovered salary for each year of social security integration credit as provided for in section 5305 (relating to social security integration credits) multiplied, if on the effective date of retirement the member is under superannuation age for any service, by the actuarially determined reduction factor for that service.

(3) If eligible, a single life annuity which is actuarially equivalent to the regular and additional accumulated deductions attributable to contributions as a member of Class C, but not less than such annuity determined as if the member were age 60 on the effective date of retirement, actuarially reduced in the event the member is under superannuation age on the effective date of retirement.

(4) If eligible, a single life annuity which is actuarially equivalent to the amount by which his regular and additional accumulated deductions attributable to any credited service other than as a member of Class C are greater than one-half of the actuarially equivalent value on the effective date of retirement of the annuity as provided in paragraph (1) attributable to service other than Class C for which regular or joint coverage member contributions were made. This paragraph shall not apply to any member with State service credited as Class A-3 or Class A-4.

(5) If eligible, a single life annuity which is actuarially equivalent to the amount by which his social security integration accumulated deductions are greater than one-half of the actuarially equivalent value on the effective date of retirement of the annuity provided for under paragraph (2).

(6) If eligible, a single life annuity sufficient
together with the annuity provided for in paragraph (1) as a Class A, Class AA, Class A-3 and Class A-4 member and the highest annuity provided for in paragraph (2) to which he is entitled, or at his option could have been entitled, to produce that percentage of [a] the sums of the standard single life [annuity] annuities adjusted by the application of the class of service multiplier for Class A, Class AA, Class A-3 or Class A-4 as set forth in paragraph (1) in the case where any service is credited as a member of Class A, Class AA, Class A-3 or Class A-4 on the effective date of retirement as determined by his total years of credited service as a member of Class A, Class AA, Class A-3 and Class A-4 and by the following table:

<table>
<thead>
<tr>
<th>Total Years of Credited Service as a Member of Class A, Class AA, Class A-3 and Class A-4</th>
<th>Percentage of Sums of Standard Single Life [Annuity] Annuities Adjusted for Class A, Class AA, Class A-3 and Class A-4 Class of Service Multipliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>35-40</td>
<td>100%</td>
</tr>
<tr>
<td>41</td>
<td>102%</td>
</tr>
<tr>
<td>42</td>
<td>104%</td>
</tr>
<tr>
<td>43</td>
<td>106%</td>
</tr>
<tr>
<td>44</td>
<td>108%</td>
</tr>
<tr>
<td>45 or more</td>
<td>110%</td>
</tr>
</tbody>
</table>

(7) If eligible, a single life annuity which is actuarially equivalent to the total cash balance accumulated deductions credited to the member's individual cash balance.
savings account.

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

(1) Any full coverage member who is eligible to receive an annuity pursuant to the provisions of section 5308(a) who terminates State service, or if a multiple service member who is a school employee and an active member of the Public School Employees' Retirement System who terminates school service, on or after attaining age 70 and who applies for a superannuation annuity to be effective the day after the termination of State service or school service, as the case may be, shall be entitled to receive a maximum single life annuity as of a determination date that is equal to the greater of subparagraph (i) or (ii), plus any annuity the member may be eligible to receive under subsection (a)(7):

(i) the sum of the annuities provided in subsection (a)(1) through (6) calculated as of the determination date; and

(ii) the greater of [clause (A) or (B)]:

(A) the sum of the annuities provided in subsection (a)(1), (3), (4) and (6) as of the preceding determination date adjusted by the actuarial increase factor, plus the annuities provided in subsection (a)(2) and (5) as of the determination date; [and] or

(B) the maximum single life annuity calculated without including any annuity payable under subsection (a)(7) as of the preceding determination date adjusted by the actuarial increase factor.

The maximum single life annuity calculated without including any annuity payable under subsection (a)(7) shall be

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calculated for each determination date.

(2) For purposes of this subsection, the determination date shall be:

(i) the member's birthday, provided that as of such date the member qualifies for a maximum single life annuity under this subsection, determined excluding eligibility for annuity payable under subsection (a)(7); or

(ii) if the member's maximum single life annuity is being determined as of the member's effective date of retirement, then the determination date shall be the member's effective date of retirement.

(3) In the event an active member, an inactive member on leave without pay or a multiple service member who is a school employee and an active member of the Public School Employees' Retirement System has attained age 70 before the effective date of this subsection, or enters State service or school service, as the case may be, after attaining age 70, then section 5305.1 (relating to eligibility for actuarial increase factor) and subsections (a) and (a.1) shall be effective prospectively with respect to such member at the member's next birthday after the effective date of this subsection, entry into State service, or school service. Nothing in this subsection shall be construed to provide an actuarial increase factor for any period of service prior to the effective date of this subsection.

(b) Present value of annuity.--The present value of the maximum single life annuity as calculated in accordance with subsection (a) of this section shall be the sum of the products determined by:

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(1) multiplying the maximum single life annuity
calculated without including any annuity payable under
subsection (a)(7) by the cost of a dollar annuity applicable
to subsection (a)(1), (2), (3), (4), (5) and (6) on the
effective date of retirement[].; and

(2) multiplying the annuity, if any, payable under
section (a)(7) by the cost of a dollar annuity applicable to
subsection (a)(7).

Such present value shall be decreased only as required under the
provisions of section 5506 (relating to incomplete payments),
5509(c) (relating to appropriations and assessments by the
Commonwealth) or 5703 (relating to reduction of annuities on
account of social security old-age insurance benefits).

* * *

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

§ 5704. Disability annuities.

(a) Amount of annuity.--

(1) A member who has credit in one or more classes of
service other than Class CB and who has made application for
a disability annuity and has been found to be eligible in
accordance with the provisions of section 5905(c)(1)
(relating to duties of the board regarding applications and
elections of members) shall receive a disability annuity
payable from the effective date of disability as determined
by the board and continued until a subsequent determination
by the board that the annuitant is no longer entitled to a
disability annuity. The disability annuity shall be a single life annuity that is equal to [a] the sum of the standard single life [annuity] annuities determined separately for each class of service other than Class CB multiplied by the appropriate class of service multiplier applicable to the class of service at the time of disability if the [product of] sums of the products of each such class of service multiplier and the [total] number of years and fractional part of a year of credited service in each class, plus the number of years and fractional part of a year of service credited in Class CB, if any, is greater than 16.667[,]; otherwise [the] each standard single life annuity shall be multiplied by the lesser of the following ratios:

MY*/Y or 16.667/Y

[where] Where Y = total number of years of credited service[,];

Y* = total years of credited service if the member were to continue as a State employee until attaining superannuation age for each class of service other than Class CB as applicable at the time of disability, or if the member has attained superannuation age for a class of service other than Class CB, as applicable at the time of disability, then the number of years of credited service; and M = the class of service multiplier as applicable to that class of service at the effective date of disability. A member of Class C shall receive, in addition, any annuity to which he may be eligible under section 5702(a)(3) (relating to maximum single life annuity).

[The member shall be entitled to the election of a joint and survivor annuity on that portion of the disability annuity to which he is entitled under section 5702.]

(2) In addition to the amount of disability annuity
payable under paragraph (1), a member who has Class CB
service credit shall be entitled to a separate annuity
calculated under section 5702(a)(7) on the effective date of
disability.

(3) The member shall be entitled to the election of a
joint and survivor annuity on that portion of the disability
annuity to which he is entitled under section 5702.

* * *

(c) Reduction on account of earned income.--Subsequent to
January 1, 1972, payments on account of disability shall be
reduced by that amount by which the earned income of the
annuitant, as reported in accordance with section 5908(b)
(relating to rights and duties of annuitants), for the preceding
calendar year together with the disability annuity payments
provided in this section other than subsection (b), for the
year, exceeds the product of:

[(i)] (1) the last year's salary of the annuitant as a
[State employee] member of the system; and
[(ii)] (2) the ratio of the current monthly payment to
the monthly payment at the effective date of disability;
Provided, That the annuitant shall not receive less than his
member's annuity or the amount to which he may be entitled under
section 5702 whichever is greater.

* * *

(e) Termination of State service.--Upon termination of
disability annuity payments in excess of an annuity calculated
in accordance with section 5702, a disability annuitant who:
(1) does not have Class A-3 or Class A-4 service credit;
or
(2) has Class A-3 or Class A-4 service credit and fewer
than ten eligibility points;
and who does not return to State service may file an application
with the board for an amount equal to the excess, if any, of the
sum of the shared-risk accumulated deductions plus the regular
and additional accumulated deductions and cash balance member
accumulated deductions standing to his credit at the effective
date of disability over one-third of the total disability
annuity payments received. If the annuitant on the date of
termination of service was eligible for an annuity as provided
in section 5308(a) or (b) (relating to eligibility for
annuities), he may file an application with the board for an
election of an optional modification of his annuity.

(f) Supplement for service connected disability.--

(1) If a member has been found to be eligible for a
disability annuity and if the disability has been found to be
a service connected disability and if the member is receiving
workers' compensation payments for other than medical
benefits, such member shall receive a supplement equal to
[70% of his final average salary] the amount determined under
paragraph (2) less the sum of the annuity as determined under
subsection (a) and any payments paid or payable on account of
such disability under the act of June 2, 1915 (P.L.736,
No.338), known as the Workers' Compensation Act, the act of
June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
Occupational Disease Act, and the Social Security Act (49
Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
continue as long as he is determined to be disabled and is
receiving workers' compensation payments for other than
medical benefits on account of his service connected
disability in accordance with the Workers' Compensation Act
or The Pennsylvania Occupational Disease Act. If the member
has received a lump sum workers' compensation payment in lieu
of future weekly compensation payments, the length in weeks
and calculation of the service connected disability
supplement shall be determined by dividing the lump sum
payment by the average weekly wage as determined by the
Workers' Compensation Board.

(2) For a member who does not have post-January 2016
service, the amount to be used to determine eligibility for
the supplement under paragraph (1) shall be 70% of the
member's final average salary. For a member who has post-
January 2016 service, the amount to be used to determine
eligibility for the supplement under paragraph (1) shall be
calculated according to the following formula:

\[
A = 0.7 \left( Y^W \times \text{FAS}^W + Y^{XYZ} \times \text{FAS}^{XYZ} \right) \]

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

(i) A equals the amount used to determine the
    supplement;
(ii) \(Y^T\) equals total years of credited service;
(iii) \(Y^W\) equals years of credited service that are
     not post-January 2016 service;
(iv) \(\text{FAS}^W\) equals final average salary calculated for
     credited service other than post-January 2016 service;
(v) \(Y^{XYZ}\) equals years of service credited as post-
    January 2016 service; and
(vi) \(\text{FAS}^{XYZ}\) equals final average salary calculated
    for service credited as post-January 2016 service.

* * *

(h) Coordination of benefits.--The determination and payment
of a disability annuity under this section is in addition to any payments a combined service employee, as a result of being a participant in the plan, may be entitled to receive, has received or is receiving. A disability annuity may not be paid to a combined service employee who is an active participant.

Section 424. Sections 5705, 5705.1, 5706(a), (a.1), (a.2), (b) and (c) and 5707 of Title 71 are amended to read:

$ 5705. Member's options.

(a) General rule.--Any special vestee [who has attained superannuation age, any vestee who does not have Class A-3 or Class A-4 service credit having five or more eligibility points for service other than Class T-E or Class T-F service in the Public School Employees' Retirement System, or vestee who has Class A-3 or Class A-4 service credit having ten or more eligibility points, any member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service having five or more eligibility points or any other eligible member upon termination of State service who has not withdrawn his total accumulated deductions as provided in section 5701 (relating to return of total accumulated deductions), vestee or other member upon termination of State service who is eligible to receive an annuity as provided in section 5308(a) or (b) (relating to eligibility for annuities) may apply for and elect to receive either a maximum single life annuity, as calculated in accordance with the provisions of section 5702 (relating to maximum single life annuity), or a reduced annuity certified by the actuary to be actuarially equivalent to the maximum single life annuity payable after reduction under subsection (a.1) and in accordance with one of the following options; except that no member shall elect an annuity payable to one or more survivor
annuitants other than his spouse or alternate payee of such a magnitude that the present value of the annuity payable to him for life plus any lump sum payment under this subsection and subsection (a.1) he may have elected to receive is less than 50% of the present value of his maximum single life annuity[:]; and

no member may elect a payment option that would provide benefits that do not satisfy the minimum distribution requirements or would violate the incidental death benefit rules of IRC 401(a) (9):

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

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

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

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

(i) any annuity shall be payable without reduction during the lifetime of the member;

(ii) the sum of all annuities payable to the
designated survivor annuitants shall not be greater than one and one-half times the annuity payable to the member; and

(iii) a portion of the benefit may be payable as a lump sum, except that such lump sum payment shall not exceed an amount equal to the total accumulated deductions standing to the credit of the member that are not the result of contributions and statutory interest made or credited as a result of Class A-3 or Class A-4 service. The balance of the present value of the maximum single life annuity adjusted in accordance with section 5702(b) shall be paid in the form of an annuity with a guaranteed total payment, a single life annuity, or a joint and survivor annuity or any combination thereof but subject to the restrictions of subparagraphs (i) and (ii) under this option. If a member's effective date of retirement is on or after January 1, 2016, then the portion of the benefit payable under this subparagraph shall be further limited to the total accumulated deductions standing to the credit of the member on December 31, 2015, that are not the result of contributions and statutory interest made or credited as a result of Class A-3 or Class A-4 service, plus any statutory interest credited on those accumulated deductions before the effective date of retirement.

(a.1) Additional lump sum withdrawal.--The following shall apply:

(1) After December 31, 2015, if a member has elected to have the full amount allowed under subsection (a)(4)(iii) paid in lump sum, then the member may elect to receive an
additional amount payable in a lump sum at the same time as
the payment elected under subsection (a)(4)(iii).

(2) The additional amount payable in a lump sum may not exceed the sum of:

   (i) an amount equal to the excess of the total accumulated deductions standing to the credit of the
   member on the effective date of retirement that are not the result of contributions and statutory interest made
or credited as a result of Class A-3 or Class A-4 service over the amount payable under subsection (a)(4)(iii); and
   (ii) an amount equal to the cash balance member accumulated deductions standing to the credit of the
   member.

(3) If a member elects to be paid an additional lump sum amount under this subsection, then the maximum single life
annuity calculated under section 5702 and payable under subsection (a) shall be reduced by the additional amount
withdrawn divided by the cost of a dollar annuity on the effective date of retirement computed on the basis of the
annual interest rate adopted for that fiscal year by the board for the calculation of the employer normal contribution
rate under section 5508(b) (relating to actuarial cost method) and the mortality tables adopted by the board for the
determination of actuarially equivalent benefits under this part. The reduction in the maximum single life annuity under
this paragraph shall apply before the election and calculation of any reduced annuities payable under subsection
(a).

(b) Present value of joint coverage annuity.--In calculating an annuity payable to a member of the joint coverage group, the
present value of such adjusted annuity shall be determined by
taking into account prospectively the reduction applicable upon
the attainment of the age at which full social security benefits
are payable.
§ 5705.1. Payment of accumulated deductions resulting from
[Class A-3 and Class A-4] more than one class of
service.
(a) Payment of accumulated deduction resulting from Class A-
3 and Class A-4 service.—Any superannuation or withdrawal
annuitant who:
(1) has Class A-3 or Class A-4 service credit;
(2) has service credited in one or more classes of
service; and
(3) because he has five or more, but fewer than ten,
eligibility points is not eligible to receive an annuity on
his Class A-3 or Class A-4 service
shall receive in a lump sum at the time of his retirement, in
addition to any other annuity or lump sum payment which he may
elect, his accumulated deductions resulting from his Class A-3
or Class A-4 service credit. Payment of these accumulated
deductions resulting from Class A-3 or Class A-4 service credit
shall not be eligible for installment payments pursuant to
section 5905.1 (relating to installment payments of accumulated
deductions) but shall be considered a lump sum payment for
purposes of section 5905.1(d).
(b) Payment of cash balance member accumulated deductions
resulting from Class CB service.—Any annuitant who is a member
with Class CB service credit and one or more other classes of
service credit and who is receiving an annuity based on his
Class CB service but is not eligible to receive an annuity based
on his service credited in one or more of his other classes of service shall receive in a lump sum at the time of his retirement, in addition to any other annuity which he may elect for his Class CB service, his accumulated deductions resulting from his service credit in classes of service other than Class CB for which he is not eligible to receive an annuity. Payment of these accumulated deductions resulting from service credit in classes of service other than Class CB shall not be eligible for installment payments under section 5905.1, but shall be considered a lump sum payment for purposes of section 5905.1(d).

§ 5706. Termination of annuities.

(a) General rule.--If the annuitant returns to State service or enters or has entered school service and elects multiple service membership, any annuity payable to him under this part shall cease effective upon the date of his return to State service or entering school service, without regard to whether he is a mandatory, optional or prohibited member of the system or participant in the plan or, if a multiple service member, without regard to whether he is a mandatory, optional or prohibited member or participant of the Public School Employees' Retirement System or School Employees' Defined Contribution Plan; and, in the case of an annuity other than a disability annuity the present value of such annuity, other than the portion of the annuity that is being paid under section 5702(a)(7) (relating to maximum single life annuity), adjusted for full coverage in the case of a joint coverage member who makes the appropriate back contributions for full coverage, shall be frozen as of the date such annuity ceases and the present value of the portion of the annuity that is being paid under section 5702(a)(7) shall be placed in the member's individual account.
cash balance saving account. An annuitant who is credited with an additional 10% of Class A and Class C service as provided in section 5302(c) (relating to credited State service) and who returns to State service shall forfeit such credited service and shall have his frozen present value adjusted as if his 10% retirement incentive had not been applied to his account. In the event that the cost-of-living increase enacted December 18, 1979 occurred during the period of such State or school employment, the frozen present value shall be increased, on or after the member attains superannuation age, by the percent applicable had he not returned to service. This subsection shall not apply in the case of any annuitant who may render services to the Commonwealth in the capacity of an independent contractor or as a member of an independent board or commission or as a member of a departmental administrative or advisory board or commission when such members of independent or departmental boards or commissions are compensated on a per diem basis for not more than 150 days per calendar year or as a member of an independent board or commission requiring appointment by the Governor, with advice and consent of the Senate, where the annual salary payable to the member does not exceed $35,000 and where the member has been an annuitant for at least six months immediately preceding the appointment. Such service shall not be subject to member contributions [or]; not, result in additions, interest or excess interest to the member's individual cash balance saving account; and not be eligible for qualification as creditable State service or for participation in the plan, mandatory participant contributions or employer defined contributions.

(a.1) Return to State service during emergency.--When, in the judgment of the employer, an emergency creates an increase
in the work load such that there is serious impairment of
service to the public, an annuitant may be returned to State
service for a period not to exceed 95 days in any calendar year
without loss of his annuity. In computing the number of days an
annuitant has returned to State service, any amount of time less
than one-half of a day shall be counted as one-half of a day.
For agencies, boards and commissions under the Governor's
jurisdiction, the approval of the Governor that an emergency
exists shall be required before an annuitant may be returned to
State service. This service shall not be subject to member
contributions; not result in additions, interest or excess
interest to the member's individual cash balance savings
account; and not be eligible for qualification as creditable
State service or for participation in the plan, mandatory
participant contributions or employer defined contributions.

(a.2) Return of benefits.--In the event an annuitant whose
annuity from the system ceases pursuant to this section receives
any annuity payment, including a lump sum payment pursuant to
section 5705 (relating to member's options) on or after the date
of his return to State service or entering school service, the
annuitant shall return to the board the amount so received from
the system plus statutory interest. The amount payable shall be
certified in each case by the board in accordance with methods
approved by the actuary and shall be paid in a lump sum within
30 days or in the case of an active member or school employee
who is an active member of the Public School Employees'
Retirement System may be amortized with statutory interest
through salary deductions to the system in amounts agreed upon
by the member and the board. The salary deduction amortization
plans agreed to by the member and the board may include a

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deferral of payment amounts and statutory interest until the
termination of school service or State service or beginning of
service as a participant without concurrently being an active
member or inactive member on leave without pay as the board in
its sole discretion decides to allow. The board may limit salary
deduction amortization plans to such terms as the board in its
sole discretion determines. In the case of a school employee who
is an active member of the Public School Employees' Retirement
System, the agreed upon salary deductions shall be remitted to
the Public School Employees' Retirement Board, which shall
certify and transfer to the board the amounts paid.

* * *

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

(1) the frozen present value as determined under
subsection (a) [and]

(2) if the service after reemployment was a member of
the system, the present value of a maximum single life
annuity, calculated excluding any annuity payable under
section 5702(a)(7), based on years of service credited
subsequent to reentry in the system and his final average
salary computed by reference to his compensation as a member
of the system or as a member of the Public School Employees'
Retirement System during his entire period of State and
school service[.], including only compensation received for
service performed as a member of a class of service other
than Class CB or Class T-I in the Public School Employees' Retirement System; and

(3) if eligible, an annuity payable under section 5702(a)(7) based on the total cash balance accumulated deductions credited to the former annuitant in the cash balance savings account.

(c) Elimination of the effect of frozen present value.--

(1) An annuitant who returns to State service as an active member of the system in a class of service other than Class CB and earns three eligibility points by performing credited State service following the most recent period of receipt of an annuity under this part, or an annuitant who enters school service other than as a participant in the School Employees' Defined Contribution Plan or as member of Class T-I and:

(i) is a multiple service member; or

(ii) who elects multiple service membership, and earns three eligibility points in classes of service other than Class CB or Class T-I by performing credited State service or credited school service following the most recent period of receipt of an annuity under this part, and who had the present value of his annuity frozen in accordance with subsection (a), shall qualify to have the effect of the frozen present value resulting from all previous periods of retirement eliminated, provided that all lump sum payments under Option 4 or under section 5705(a.1) and annuity payments, except those made under section 5702(a)(7), payable during previous periods of retirement plus interest as set forth in paragraph (3) shall be returned to the fund in the form of an actuarial adjustment to his subsequent benefits or
in such form as the board may otherwise direct.

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

(i) an annuity (prior to optional modification) calculated as if the freezing of the former annuitant's account pursuant to subsection (a) had not occurred, adjusted by crediting Class A State service as Class AA service as provided for in section 5306(a.1) (relating to classes of service) and further adjusted according to paragraph (3), provided that a former annuitant of the system or a former annuitant of the Public School Employees' Retirement System who retired under a provision of law granting additional service credit if termination of State or school service or retirement occurred during a specific period of time shall not be permitted to retain the additional service credit under the prior law when the annuity is computed for his most recent retirement; or

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

(3) In addition to any other adjustment to the present value of the maximum single life annuity that a member may be
entitled to receive that occurs as a result of any other provision of law, the present value of the maximum single life annuity shall be reduced by all amounts paid or payable to him during all previous periods of retirement, except those made under section 5702(a)(7), plus interest on these amounts until the date of subsequent retirement. The interest for each year shall be calculated based upon the annual interest rate adopted for that fiscal year by the board for the calculation of the normal contribution rate pursuant to section 5508(b) (relating to actuarial cost method).

§ 5707. Death benefits.

(a) Members without Class CB service eligible for annuities.--Any active member, inactive member on leave without pay, combined service employee who is an active participant or inactive participant on leave without pay, vestee or current or former State employee performing USERRA leave who dies and does not have Class CB service credit and was eligible for an annuity in accordance with section 5308(a) or (b) (relating to eligibility for annuities) or special vestee who has attained superannuation age and dies before applying for a superannuation annuity shall be considered as having applied for an annuity to become effective the day before his death and in the event he has not elected an option or such election has not been approved prior to his death, it shall be assumed that he elected Option 1.

(b) Members without Class CB service ineligible for annuities.--In the event of the death of a special vestee, an active member, an inactive member on leave without pay, a combined service employee who is an active participant or an inactive participant on leave without pay or a current or former
State employee performing USERRA leave who \textit{does not have Class CB service credit and who} is not entitled to a death benefit as provided in subsection (a), his designated beneficiary shall be paid the full amount of his total accumulated deductions.

(c) Disability annuitants eligible for withdrawal annuity.--In the event of the death of a disability annuitant who has elected to receive a maximum disability annuity before he has received in annuity payments, \textit{excluding any disability annuity payments under section 5704(a)(2) (relating to disability annuities)}, an amount equal to the present value, on the effective date of disability, of the benefits to which he would have been entitled under subsection (a) had he died while in State service, the balance of such amount shall be paid to his designated beneficiary. \textit{In addition, if the disability annuitant was receiving disability annuity payments under section 5704(a)(2), he may receive, if eligible, the total cash balance accumulated deductions credited to his individual cash balance savings account on the effective date of disability over one-third of the disability payments received under section 5704(a)(2). For purposes of this subsection, the determination of benefits to which the disability annuitant would have been entitled under subsection (a) shall be made even though the disability annuitant may have Class CB service.}

(d) Disability annuitants ineligible for withdrawal annuity.--In the event of the death of a disability annuitant who was not entitled to receive benefits under subsection (a), \textit{except for the reason of having Class CB service credit}, his beneficiary shall be paid the excess of the sum of the regular and additional accumulated deductions standing to his credit on the effective date of disability over one-third of the total
disability payments received[, excluding any disability annuity payments under section 5704(a)(2). In addition, if he was receiving disability annuity payments under section 5704(a)(2), he may receive, if eligible, the total cash balance accumulated deductions credited to his individual cash balance savings account on the effective date of disability over one-third of the disability payments received under section 5704(a)(2).

(e) Annuitants electing maximum single life annuity.--In the event of the death of an annuitant who has elected to receive the maximum single life annuity before he has received in annuity payments the full amount of the total accumulated deductions and, if he was eligible for an annuity under section 5702(a)(7) (relating to maximum single life annuity), the total cash balance accumulated deductions standing to his credit on the effective date of retirement, the balance shall be paid to his designated beneficiary.

(f) Members subject to limitations under section 5702(c).--Subject to the limitations contained in section 401(a)(9) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(9)), the present value of any annuity in excess of that payable under section 5702 [(relating to maximum single life annuity)] that is not subject to the limitations under section 415(b) of the Internal Revenue Code of 1986 shall be paid in a lump sum to the beneficiary designated by the member after the death of the member. A beneficiary receiving a benefit under this subsection shall not be able to elect a payment method otherwise allowed under section 5709(b)(2) and (3) (relating to payment of benefits from the system).

(g) Members with Class CB service.--An active member,
inactive member on leave without pay or vestee who has Class CB
service credit who dies shall be paid the total cash balance
accumulated deductions credited to him in addition to any other
payments he would be eligible to receive under subsection (a) or
(b) calculated without regard to any annuity payable under
section 5702(a)(7).

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

Section 425. Section 5709(a) and (b) of Title 71 are amended
and the section is amended by adding subsections to read:
§ 5709. Payment of benefits from the system.

(a) Annuities.--Any annuity granted under the provisions of
this part and paid from the fund shall be paid in equal monthly
installments.

(b) Death benefits.--If the amount of a death benefit
payable from the fund to a beneficiary of a member under section
5707 (relating to death benefits) or under the provisions of
Option 1 of section 5705(a)(1) (relating to member's options) is
$10,000 or more, such beneficiary may elect to receive payment
according to one of the following options:

   (1) a lump sum payment;

   (2) an annuity actuarially equivalent to the amount
        payable; or

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

* * *

(d) Small cash balance accounts.--A member with only Class
CB service who terminates State service and whose total cash balance accumulated deductions are equal to or less than the amount established under IRC §401(a)(31) as of the date of termination of service shall be paid his accumulated deductions in a lump sum as provided in IRC § 401(a)(31) and have all Class CB service credit canceled. This payment of total cash balance accumulated deductions shall not be eligible for installment payments under section 5905.1 (relating to installment payments of accumulated deductions) but shall be considered a lump sum payment for purposes of section 5905.1(d).

(e) Required distributions.--All payments under this section shall start and be made in compliance with the required beginning date, minimum distribution requirements and incidental death benefit rules of IRC § 401(a)(9).

Section 426. Section 5901(a), (c), (d) and (e) of Title 71 are amended and the section is amended by adding a subsection to read:

§ 5901. The State Employees' Retirement Board.

(a) Status and membership.--The board shall be an independent administrative board and consist of 12 members: the State Treasurer, ex officio, the Secretary of Banking and Securities, ex officio, two Senators, two members of the House of Representatives and six members appointed by the Governor, one of whom shall be an annuitant of the system or a participant in the plan who has terminated State service and is receiving or is eligible to receive distributions, for terms of four years, subject to confirmation by the Senate. At least five board members shall be active members of the system or active participants in the plan, and at least two shall have ten or more years of credited State service.
active participants in the plan for ten calendar years or have a combination of years of credited State service in the system and calendar years as active participants in the plan equal to ten or more years. The chairman of the board shall be designated by the Governor from among the members of the board. No member of the board who represents active members or annuitants or is a current member of the General Assembly can serve as chairman. Each member of the board who is a member of the General Assembly may appoint a duly authorized designee to act in his stead. In the event that a board member, who is designated as an active participant or as a participant in the plan who is receiving or is eligible to receive distributions, receives a total distribution of his interest in the plan, that board member may continue to serve on the board for the remainder of his term.

* * *

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

(d) Compensation and expenses.--The members of the board who are members of the system or participants in the plan shall serve without compensation but shall not suffer loss of salary or wages through serving on the board. The members of the board who are not members of the system or participants in the plan shall receive $100 per day when attending meetings and all board
members shall be reimbursed for any necessary expenses. However, when the duties of the board as mandated are not executed, no compensation or reimbursement for expenses of board members shall be paid or payable during the period in which such duties are not executed.

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

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

Section 427. Section 5902(a.1), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n) of Title 71 are amended and the section is amended by adding subsections to read:

§ 5902. Administrative duties of the board.

*a* *a* *a* 

(a.1) Secretary.--The secretary shall act as chief administrative officer for the board with respect to both the system and the plan. In addition to other powers and duties conferred upon and delegated to the secretary by the board, the secretary shall:

(1) Serve as the administrative agent of the board.

(2) Serve as liaison between the board and applicable legislative committees, the Treasury Department, the Department of the Auditor General, and between the board and the investment counsel and the mortgage supervisor in
arranging for investments to secure maximum returns to the
fund.

(3) Review and analyze proposed legislation and
legislative developments affecting the system or the plan and
present findings to the board, legislative committees, and
other interested groups or individuals.

(4) Direct the maintenance of files and records and
preparation of periodic reports required for actuarial
evaluation studies.

(5) Receive inquiries and requests for information
concerning the system or the plan from the press,
Commonwealth officials, State employees, the general public,
research organizations, and officials and organizations from
other states, and provide information as authorized by the
board.

(6) Supervise a staff of administrative, technical, and
clerical employees engaged in record-keeping and clerical
processing activities for both the system and the plan in
maintaining files of members and participants, accounting for
contributions, processing payments to annuitants and
terminated participants, preparing required reports, and
retirement counseling. The board may utilize the staff of
employees provided for under this paragraph for both the
system and the plan but shall allocate the fees, costs and
expenses incurred under this paragraph between the system and
the plan as appropriate.

(b) Professional personnel.--The board shall contract for
the services of a chief medical examiner, an actuary, investment
advisors and counselors, and such other professional personnel
as it deems advisable. The board may, with the approval of the
Attorney General, contract for legal services. The board may utilize the same individuals and firms contracted under this subsection for both the system and the plan but shall allocate the fees, costs and expenses incurred under this subsection between the system and the plan as appropriate.

(c) Expenses.--

(1) The board shall, through the Governor, submit to the General Assembly annually a budget covering the administrative expenses of [this part.] the system and a separate budget covering the administrative expenses of the plan. Budgets under this paragraph shall include those expenses necessary to establish the plan and trust.

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

(3) For fiscal years ending before July 1, 2016, such expenses of the plan as approved by the General Assembly in an appropriation bill shall be paid from the General Fund.

For fiscal years beginning after June 30, 2016, such expenses of the plan as approved by the General Assembly shall be paid from interest, under section 5414(b) (relating to investments based on participants' investment allocation choices), assessments on the balances of the participants' individual investment accounts or as otherwise provided in this part.

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

* * *

(e) Records.--

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

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

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

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

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

(3) The following apply:

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

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

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

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

whichever is later.

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

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

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

whichever is later.

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

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

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

   (ii) The investment options selections of any
       participant.

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

   (iv) The identity of a participant's designated
       beneficiary, successor payee or alternate payee.
(v) The benefit payment option of a participant.

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

(7) The following apply:

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

(ii) This subsection shall apply to a record, material or data under this subsection, notwithstanding any of the following:

(A) Whether the record, material or data was created, generated or stored before the effective date of this paragraph.

(B) Whether the record, material or data was previously released or made public.

(C) Whether a request for the record, material or data was made or is pending final response under the Right-to-Know Law.

* * *

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

(i) Data.--The board shall keep in convenient form such data
as are stipulated by the actuary in order that an annual
actuarial valuation of the various accounts of the fund can be
completed within six months of the close of each calendar year.

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

(k) Certification of employer contributions to the fund.--
The board shall, each year in addition to the itemized budget
required under section 5509 (relating to appropriations and
assessments by the Commonwealth), certify, as a percentage of
the members' payroll, the shared-risk contribution rate, the
employers' contributions as determined pursuant to section 5508
(relating to actuarial cost method) necessary for the funding of
prospective annuities for active members and the annuities of
annuitants and certify the rates and amounts of the employers'
normal contributions as determined pursuant to section 5508(b),
accrued liability contributions as determined pursuant to
section 5508(c), supplemental annuities contribution rate as
determined pursuant to section 5508(e), the experience
adjustment factor as determined pursuant to section 5508(f), the
collared contribution rate pursuant to section 5508(h) and the
final contribution rate pursuant to section 5508(i), which shall
be paid to the fund and credited to the appropriate accounts.
The board may allocate the final contribution rate and certify
various employer contribution rates and amounts based upon the
different benefit eligibility, class of service multiplier, superannuation age, final average salary calculation, compensation limits and other benefit differences resulting from State service credited for individual members even though such allocated employer contribution rate on behalf of any given member may be more or less than 5% of the member's compensation for the period from July 1, 2010, to June 30, 2011, or may differ from the prior year's contribution for that member by more or less than the percentages used to calculate the collared contribution rate for that year and may be below any minimum contribution rate established for the collared contribution rate or final contribution rate. These certifications shall be regarded as final and not subject to modification by the Secretary of the Budget.

(1) Member contributions.--The board shall cause all pickup contributions and cash balance member contributions made on behalf of a member to be credited to the account of the member and credit to his account any other payment made by such member, including, but not limited to, amounts collected by the Public School Employees' Retirement System for the reinstatement of previous State service or creditable nonstate service and amounts paid to return benefits paid after the date of return to State service or entering school service representing lump sum payments made pursuant to section 5705(a)(4)(iii) or (a.1) (relating to member's options) and member's annuity payments, but not including other benefits returned pursuant to section 5706(a.2) or (a.3) (relating to termination of annuities), and shall pay all such amounts into the fund.

(m) Annual financial statement.--The board shall prepare and have published, on or before July 1 of each year, [a financial
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financial statements as of the calendar year ending December 31 of the previous year showing the condition of the fund, the trust and the various accounts, including, but not limited to, the board's accrual and expenditure of directed commissions, and setting forth such other facts, recommendations, and data as may be of use in the advancement of knowledge concerning annuities and other benefits provided by this part. The board shall submit said financial statements to the Governor and shall file copies with the head of each department for the use of the State employees and the public.

(n) Independent [audit] audits.--The board shall provide for annual audits of the system and the plan by independent certified public [accountant, which audit] accountants. The audits shall include the board's accrual and expenditure of directed commissions. The board may use the same independent certified public accountant for the audits of both the system and the plan.

* * *

(p) Additional amounts credited to the members' cash balance savings accounts.--In addition to cash balance member contributions and treasury bond interest on the contributions, the board shall credit to the individual members' cash balance savings accounts 0% of their compensation. The credited amounts shall be credited with treasury bond interest. The board shall further credit to the members' individual savings accounts excess interest, if any is determined to be creditable, as determined under subsection (q), allocated proportionally between the cash balance member accumulated deductions and the percentages of compensation credited under this section, plus
past treasury bond interest and excess interest.

(g) Determination of excess interest.—

(1) As part of the actuarial valuation made under subsection (j) for calendar year 2016, and for each subsequent calendar year, the board shall determine the amount potentially available from that year for distribution as excess interest as follows:

(i) The amount shall be the product of:

(A) one-half of the investment gains and losses, net of investment and administrative fees and costs, above or below a rate of return of the annual interest rate adopted by the board for the calculation of the normal contribution rate of the total assets in the fund; and

(B) the ratio of:

(I) the total amount credited in the cash balance savings account; to

(II) the sum of:

(a) the total amount credited in the cash balance savings account; and

(b) the accrued actuarial liability of all benefits derived from all the service of all members in all classes of service other than Class CB.

(ii) The product under subparagraph (i) shall be available in equal annual installments over five years.

(2) After the actuarial valuation made for calendar year 2018 and after the actuarial valuations for each subsequent calendar year, the board shall determine if excess interest is to be awarded to those active members, inactive members on
leave without pay, and vestees who have Class CB service credit on the date of the applicable actuarial valuation.

(3) For each determination period, excess interest shall be granted if the sum of the amounts determined under paragraph (1) for all the years of the determination period is positive. If the sum is positive, then the percentage rate of excess interest shall be determined by dividing this sum by the total amount credited in the cash balance savings account on the last day of the determination period. Each member or inactive member on leave without pay who is not a Class CB exempt employee and who has Class CB cash balance member accumulated deductions on the last day of the determination period and who is an active member, inactive member on leave without pay or vestee on the next following December 31 shall have excess interest at this rate credited to his total cash balance accumulated deductions, which shall be credited proportionally between the cash balance member accumulated deductions and other amounts credited to his individual cash balance savings account.

(4) The determination period for the period ending with the actuarial valuation for calendar year 2018 shall be calendar years 2016, 2017 and 2018. The determination period for the period ending with the actuarial valuation for calendar year 2019 shall be calendar years 2016, 2017, 2018 and 2019. The determination period for the periods ending with calendar year 2020 and subsequent years shall be the ending year and the four immediately previous calendar years.

(r) Participant and employer contributions to the trust.-- The board shall, each year in addition to any fees and itemized budget required under section 5509, certify, as a percentage of
each participant's compensation, the employer defined contributions, which shall be paid to the trust and credited to each participant's individual investment account. Certifications under this subsection shall be regarded as final and not subject to modification by the Secretary of the Budget. The board shall cause all mandatory participant contributions made on behalf of a participant and all voluntary contributions made by a participant to be credited to the participant's individual investment account.

Section 428. Section 5903(a) and (b) of Title 71 are amended and the section is amended by adding a subsection to read:

§ 5903. Duties of the board to advise and report to heads of departments [and] members and participants.

(a) Manual of regulations.--The board shall, with the advice of the Attorney General and the actuary, prepare and provide, within 90 days of the effective date of this part, a manual incorporating rules and regulations consistent with the provisions of this part to the heads of departments who shall make the information contained therein available to the general membership. The board shall thereafter advise the heads of departments within 90 days of any changes in such rules and regulations due to changes in the law or due to changes in administrative policies. As soon as practicable after the commissioner's announcement with respect thereto, the board shall also advise the heads of departments as to any cost-of-living adjustment for the succeeding calendar year in the amount of the limitation under IRC § 401(a)(17) and the dollar amounts of the limitations under IRC § [415(b)] [415]. As soon as practicable after January 1 of each year, the board shall also advise the heads of departments of the employees for whom,
pursuant to section 5502.1 (relating to waiver of regular member
ccontributions and Social Security integration member
ccontributions), pickup contributions are not to be made.

(b) Member status statements and certifications.--The board
shall furnish annually to the head of each department on or
before April 1, a statement for each member employed in such
department showing the total accumulated deductions and total
cash balance accumulated deductions standing to his credit as of
December 31 of the previous year and requesting the member to
make any necessary corrections or revisions regarding his
designated beneficiary. In addition, for each member employed in
any department and for whom the department has furnished the
necessary information, the board shall certify the number of
years and fractional part of a year of credited service
attributable to each class of service, the number of years and
fractional part of a year attributable to social security
integration credits in each class of service and, in the case of
a member eligible to receive an annuity, the benefit to which he
is entitled upon the attainment of superannuation age.

   (b.1) Participant status statements.--The board shall
furnish annually to each participant, by April 1 and more
frequently as the board may agree or as required by law, a
statement for each participant in the plan showing the
accumulated total defined contributions credited to the
participant's individual investment account, the nature and type
of investments and the investment allocation of future
contributions as of December 31 of the previous year and shall
request the participant to make any necessary correction or
revision regarding the designated beneficiary.

* * *

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Section 429. Section 5904(c) of Title 71 is amended to read:

§ 5904. Duties of the board to report to the Public School Employees' Retirement Board.

* * *

(c) Applications for benefits for school employees.--Upon receipt of notification and the required data from the Public School Employees' Retirement Board that a former State employee who elected multiple service has applied for a public school employees' retirement benefit or, in the event of his death, his legally constituted representative has applied for such benefit, the board shall:

(1) certify to the Public School Employees' Retirement Board;

   (i) the salary history as a member of the State Employees' Retirement System and the final average salary as calculated on the basis of the compensation received as a State and school employee; and

   (ii) the annuity or benefit to which the member or his beneficiary is entitled as modified according to the option selected; and

(2) transfer to the Public School Employees' Retirement Fund the total accumulated deductions and cash balance member accumulated deductions standing to such member's credit and the actuarial reserve required on account of years of credited service in the State system, final average salary determined on the basis of his compensation as a member in both systems and the average noncovered salary to be charged to the State accumulation account, the State Police benefit account or the enforcement officers' benefit account, as each case may require.
Section 430. Section 5905(b), (c.1), (e), (e.1), (f) and (g) of Title 71 are amended and the section is amended by adding subsections to read:

§ 5905. Duties of the board regarding applications and elections of members.

(b) School employees electing multiple service status.--Upon receipt of notification from the Public School Employees' Retirement Board that a former State employee has become an active member in the Public School Employees' Retirement System and has elected to become a member with multiple service status the board shall:

(1) in case of a member receiving an annuity from the system:

   (i) discontinue payments, transfer the present value of the member's annuity other than any portion of the member's annuity derived from cash balance member accumulated deductions at the time of entering school service, plus the amount withdrawn in a lump sum payment, on or after the date of entering school service, pursuant to section 5705 (relating to member's options), with statutory interest to date of transfer, minus the amount to be returned to the board on account of return to service, that the board has determined is to be credited in the members' savings account, from the annuity reserve account to the members' savings account and resume crediting of statutory interest on the amount restored to his credit[;] and make a similar transfer of the present value of any portion of the member's annuity derived from

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cash balance member accumulated deductions from the
annuity reserve account to the cash balance savings
account and resume crediting of treasury bond interest on
the amount so restored;

(ii) transfer the balance of the present value of
the total annuity, minus the amount to be returned to the
board on account of return to service that the board has
determined is to be credited in the State accumulation
account and the cash balance savings account, from the
annuity reserve account to the State accumulation
account; and

(iii) certify to the member the amount of lump sum
and annuity payments with statutory interest the member
is to return to the board and, of those amounts, which
amount shall be credited to the members' savings account
or the cash balance savings account and credited with
statutory interest or treasury bond interest as such
payments are returned and which amount shall be credited
to the State accumulation account; or

(2) in case of a member who is not receiving an annuity
and has not withdrawn his total accumulated deductions and
cash balance member accumulated deductions, continue or
resume the crediting of statutory interest on his total
accumulated deductions and treasury bond interest on his
total cash balance accumulated deductions during the period
his total accumulated deductions and cash balance member
accumulated deductions remain in the fund; or

(3) in case of a former State employee who is not
receiving an annuity from the system and his total
accumulated deductions were withdrawn, certify to the former
State employee the accumulated deductions as they would have been at the time of his separation had he been a full coverage member together with statutory interest for all periods of subsequent State service eligible for membership in the system and school service as a member of the Public School Employees' Retirement System to the date of repayment. Such amount shall be restored by him and shall be credited with statutory interest as such payments are restored.

* * *

c.1) Termination of service by a member.--In the case of any member terminating State service who is entitled to an annuity and who is not then a disability annuitant, the board shall advise such member in writing of any benefits from the system to which he may be entitled under the provisions of this part and shall have the member prepare, on or before the date of termination of State service, one of the following three forms, a copy of which shall be given to the member and the original of which shall be filed with the board:

(1) an application for the return of total accumulated deductions and cash balance member accumulated deductions;

(2) if eligible, an election to vest his retirement rights and, if he is a joint coverage member and so desires, elect to become a full coverage member and agree to pay within 30 days of the date of termination of service the lump sum required; or

(3) if eligible, an application for an immediate annuity and, if he desires:

(i) an election to convert his medical, major medical and hospitalization insurance coverage to the plan for State annuitants; and
(ii) if he is a joint coverage member, an election to become a full coverage member and an agreement to pay within 30 days of date of termination of service the lump sum required.

(c.2) Termination of service by a participant.--In the case of a participant terminating State service, the board shall advise the participant in writing, of the vested accumulated total defined contributions credited to the participant's individual investment account as of the date stated in the writing, any notices regarding rollover or other matters required by IRC or other law, the obligation of the participant to commence distributions from the plan by the participant's required beginning date and the ability to receive all or part of the vested balance in the participant's individual investment account in a lump sum or in such other form as the board may authorize or as required by law.

(e) Certification to vestees and special vestees terminating service.--The board shall certify to a vestee or to a special vestee within one year of termination of State service of such member:

(1) the total accumulated deductions and total cash balance accumulated deductions standing to his credit at the date of termination of service;

(2) the number of years and fractional part of a year of credit in each class of service; and

(3) the maximum single life annuity to which the vestee or special vestee shall become entitled upon the attainment of superannuation age and the filing of an application for such annuity.

(4) the obligation of the member to commence
distribution by the member's required beginning date.

(e.1) Notification to vestees and special vestees approaching superannuation age.--The board shall notify each vestee and special vestee who is not an active participant or inactive participant on leave without pay in writing 90 days prior to his attainment of superannuation age that he shall apply for his annuity within 90 days of attainment of superannuation age; that, if he does so apply, his effective date of retirement will be the date of attainment of superannuation age; that, if he does not so apply but defers his application to a later date, then he has an obligation to apply by his required beginning date and that his effective date of retirement will be the later of the date of filing such application or the date specified on the application[, whichever is later; and that, if he does not file an application within seven years after attaining superannuation age, he shall be deemed to have elected to receive his total accumulated deductions upon attainment of superannuation age.] which shall not be later than his required beginning date.

(e.2) Notification to inactive participants approaching required beginning date.--The board shall notify in writing each inactive participant who has terminated State service and has not commenced distribution by 90 days before the participant's required beginning date, that the inactive participant has an obligation to commence distributions by the required beginning date in a form and manner required by IRC § 401(a)(9) and other applicable provisions of the IRC.

(f) Initial annuity payment and certification.--The board shall make the first monthly payment to a member who is eligible for an annuity within 60 days of the filing of his application.
for an annuity or, in the case of a vestee or special vestee who has deferred the filing of his application to a date later than 90 days following attainment of superannuation age, within 60 days of the effective date of retirement, and receipt of the required data from the head of the department and, if the member has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service, any data required from the county retirement system or pension plan to which the member was a contributor before being a State employee. Concurrently, the board shall certify to such member:

(1) the total accumulated deductions and total cash balance accumulated deductions standing to his credit showing separately the amount contributed by the member, the pickup contribution and the interest credited to the date of termination of service;

(2) the number of years and fractional part of a year credited in each class of service;

(3) the final average salary on which his annuity is based as well as any applicable reduction factors due to age and/or election of an option; and

(4) the total annuity payable under the option elected and the amount and effective date of any future reduction under section 5703 (relating to reduction of annuities on account of social security old-age insurance benefits).

(f.1) Initial payment to participants.--The board shall make the initial payment to a participant who has applied for a distribution within 60 days of the receipt of all information necessary to process the application for a distribution.

(g) Death benefits.--Upon receipt of notification from the head of a department of the death of an active member, a member...
performing USERRA leave [or], a member on leave without pay, an active participant, an inactive participant on leave without pay or a former participant performing USERRA leave, the board shall advise the designated beneficiary of the benefits to which he is entitled, and shall make the first payment to the beneficiary within 60 days of receipt of certification of death and other necessary data. If no beneficiary designation is in effect at the date of the member's death or no notice has been filed with the board to pay the amount of the benefits to the member's estate, the board is authorized to pay the benefits to the executor, administrator, surviving spouse or next of kin of the deceased member, and payment pursuant hereto shall fully discharge the fund from any further liability to make payment of such benefits to any other person. If the surviving spouse or next of kin of the deceased member cannot be found for the purpose of paying the benefits for a period of seven years from the date of death of the member, then the benefits shall be escheated to the Commonwealth for the benefit of the fund. If no beneficiary designation is in effect at the date of a participant's death or no notice has been filed with the board to pay the amount of the benefits to the participant's estate, the board may pay the benefits to the surviving spouse, executor, administrator or next of kin of the deceased participant and payment pursuant hereto shall fully discharge the fund from any further liability to make payment of such benefits to any other person.

* * *

Section 431. Section 5905.1(a), (b) and (d) of Title 71 are amended to read:

§ 5905.1. Installment payments of accumulated deductions.
(a) General rule.--Notwithstanding any other provision of this part, whenever a member elects to withdraw his total accumulated deductions and cash balance member accumulated deductions pursuant to section 5311(a) (relating to eligibility for refunds) or 5701 (relating to return of total accumulated deductions and cash balance member accumulated deductions) or elects to receive a portion of his benefit payable as a lump sum pursuant to section 5705(a)(4)(iii) or (a.1) (relating to member's options), the member may elect to receive the amount in not more than four installments.

(b) Payment of first installment.--The payment of the first installment shall be made in the amount and within seven days of the date specified by the member, except as follows:

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

(2) In the case of an election as provided in section 5705(a)(4)(iii) or (a.1) by a member terminating service within 60 days prior to the end of a calendar year and upon receipt of all required data from the head of the department and, if the member has Class G, Class H, Class I, Class J,
Class K, Class L, Class M or Class N service, any data required from the county retirement system or pension plan to which the member was a contributor before being transferred to State employment, the board shall not be required to pay the first installment prior to 21 days after the later of the filing of the application and the receipt of the data or the date of termination of service, but, unless otherwise directed by the member, the payment shall be made no later than 45 days after the filing of the application and the receipt of the data or the date of termination of service, whichever is later.

(3) In the case of an election as provided in section 5705(a)(4)(iii) or (a.1) by a member who is not terminating service within 60 days prior to the end of a calendar year and upon receipt of all required data from the head of the department and, if the member has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service, any data required from the county retirement system or pension plan to which the member was a contributor before being transferred to State employment, the board shall not be required to pay the first installment prior to 45 days after the filing of the application and the receipt of the data or the date of termination of service, whichever is later.

* * *

(d) [Statutory interest] Interest.--Any lump sum, including a lump sum payable pursuant to section 5705.1 (relating to payment of accumulated deductions resulting from [Class A-3 and Class A-4] more than one class of service), or installment payable shall include statutory interest credited to the date of payment on all amounts other than payment of cash balance member...
accumulated deductions which shall include treasury bond interest credited to the date of payment, except in the case of a member, other than a vestee or special vestee, who has not filed his application prior to 90 days following his termination of service.

Section 432. Sections 5906(a), (b), (c), (d), (e), (g), (h), (i), (j) and (l) and 5907(a), (c), (d), (e), (f), (g), (h) and (i) of Title 71 are amended and the sections are amended by adding subsections to read:

§ 5906. Duties of heads of departments.

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

* * *

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

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

* * *

(b) Records and information.--At any time at the request of the board and at termination of service of a member or a participant, the head of department shall furnish service and compensation records and such other information as the board may require and shall maintain and preserve such records as the board may direct for the expeditious discharge of its duties.

(c) Member contributions.--The head of department shall cause the required pickup contributions and cash balance member contributions for current service to be made and shall cause to be deducted any other required member contributions, including, but not limited to, contributions owed by an active member with multiple service membership for school service and creditable nonschool service in the Public School Employees' Retirement System and amounts certified by the Public School Employees' Retirement Board as due and owing on account of termination of annuities, from each payroll. The head of department shall notify the board at times and in a manner prescribed by the board of the compensation of any noneligible member to whom the limitation under IRC § 401(a)(17) either applies or is expected to apply and shall cause such member's contributions deducted from payroll to cease at the limitation under IRC § 401(a)(17) on the payroll date if and when such limit shall be reached. The head of department shall certify to the State Treasurer the amounts picked up and deducted amounts of cash balance member contributions.
contributions deducted and shall send the total amount picked up [and] or deducted together with a duplicate of such voucher to the secretary of the board every pay period. The head of department shall pay pickup contributions and cash balance member contributions from the same source of funds which is used to pay other compensation to the employee. On or before January 31, 1997, and on or before January 31 of each year thereafter, the head of department shall, at the time when the income and withholding information required by law is furnished to each member, also furnish the amount of pickup contributions and cash balance member contributions made on his behalf and notify the board, if it has not been previously notified, of any noneligible member whose compensation in the preceding year exceeded the annual compensation limit under IRC § 401(a)(17). If the board shall determine that the member's savings account or cash balance savings account shall have been credited with pickup contributions or cash balance member contributions for a noneligible member in the preceding year which are attributable to compensation in excess of the limitation under IRC § 401(a)(17), or with total member contributions including contributions as a result of Class CB service for such member which would cause such member's contributions or benefits to exceed any applicable limitation under IRC § 401(a)(17) or 415(b), the board shall as soon as practicable refund to the member from his individual member account such amount, together with the statutory interest or treasury bond interest thereon, as will cause the member's total member contributions including contributions as a result of Class CB service in the preceding year not to exceed the applicable limit. The payment of any such refund to the member shall be charged to the member's savings account.

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account or the member's individual cash balance savings account, as the case may be.

(c.1) Participant and employer defined contributions.--The head of the department shall:

(1) Cause the mandatory participant contributions on behalf of a participant to be made and cause to be deducted any voluntary contributions authorized by a participant.

(2) Cause the employer defined contributions on behalf of a participant to be made.

(3) Notify the board at times and in a manner prescribed by the board of the compensation of any participant to whom the limitation under IRC § 401(a)(17) either applies or is expected to apply and cause the participant's contributions to be deducted from payroll to cease at the limitation under IRC § 401(a)(17) on the payroll date if and when such limit shall be reached.

(4) Certify to the State Treasurer the amounts deducted and the employer defined contributions being made and send the total amount picked up, deducted and contributed together with a duplicate of the voucher to the secretary of the board every pay period or on such schedule as established by the board.

(d) New employees subject to mandatory membership or participation.--Upon the assumption of duties of each new State employee whose membership in the system or plan is mandatory, the head of department shall cause an application for membership or participation and a nomination of beneficiary to be made by such employee and filed with the board and shall make pickup contributions, cash balance member contributions or mandatory participant contributions from the effective date of State 20150SB0001PN0886 - 360 -
(e) New employees subject to optional membership or participation.--The head of department shall, upon the employment or entering into office of any State employee whose membership in the system or participation in the plan is not mandatory, inform such employee of his opportunity to become a member of the system or participant in the plan. If such employee so elects, the head of department shall cause an application for membership or participation and a nomination of beneficiary to be made by him and filed with the board and shall cause proper contributions to be made from the effective date of membership or participation.

* * *

(g) Former school employee contributors.--

(1) The head of department shall, upon the employment of a former contributor to the Public School Employees' Retirement System who is not an annuitant of the Public School Employees' Retirement System, advise such employee of his right to elect within 365 days of entry into the system to become a multiple service member, and in the case of any such employee who so elects and has withdrawn his accumulated deductions, require him to reinstate his credit in the Public School Employees' Retirement System. The head of the department shall advise the board of such election.

(2) Paragraph (1) shall not apply to a State employee who has only Class CB service credit in the system or who has only Class T-I credit in the Public School Employees' Retirement System.

(h) Former school employee annuitants.--

(1) The head of department shall, upon the employment of
an annuitant of the Public School Employees' Retirement System who applies for membership in the system, advise such employee that he may elect multiple service membership within 365 days of entry into the system and if he so elects his public school employee's annuity will be discontinued effective upon the date of his return to State service and, upon termination of State service and application for an annuity, the annuity will be adjusted in accordance with section 5706 (relating to termination of annuities). The head of department shall advise the board of such election.

(2) Paragraph (1) shall not apply to a State employee who has only Class CB service credit in the system or who has only Class T-I credit in the Public School Employees' Retirement System.

(i) Annual statement to members.--Annually, upon receipt from the board, the head of department shall furnish to each member the statement specified in section 5903(b) (relating to duties of the board to advise and report to heads of departments members and participants).

(j) Termination of service.--The head of department shall, in the case of any member who does not have Class CB service, who is terminating State service and who is ineligible for an annuity before attainment of superannuation age, advise such member in writing of any benefits to which he may be entitled under the provisions of this part and shall have the member prepare, on or before the date of termination of State service, an application for the return of total accumulated deductions or, on or before September 30, 1997, an application to be vested as a special vestee, if eligible.
State employees performing USERRA or military-related leave of absence.--The head of department shall report to the board any State employee who ceases to be an active member or active participant to perform USERRA service, or who is granted a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves of absence for certain government employees) or a military leave of absence under 51 Pa.C.S. § 7302 (relating to granting military leaves of absence), the date on which the USERRA service, leave of absence or military leave of absence began, the date on which the State employee is reemployed from USERRA leave or returns after the leave of absence or military leave of absence, if the event occurs, and any other information the board may require or direct.

* * *

§ 5907. Rights and duties of State employees and members.
(a) Information on new employees.--Upon his assumption of duties or becoming a participant each new State employee or participant shall furnish the head of department with a complete record of his previous State service, his school service or creditable nonstate service, and proof of his date of birth and current status in the system and the plan and in the Public School Employees' Retirement System and the School Employees' Defined Contribution Plan. Willful failure to provide the information required by this subsection to the extent available upon entrance into the system shall result in the forfeiture of the right of the member to subsequently assert any right to benefits based on any of the required information which he failed to provide. In any case in which the board finds that a member is receiving an annuity based on false information, the total amount received predicated on such false information...
together with statutory interest doubled and compounded shall be
deducted from the present value of any remaining benefits to
which the member is legally entitled.

* * *

(b.1) Application for participation.—On or after January 1, 2016, in the case of an employee who is not currently a participant in the plan and whose participation is mandatory, or in the case of an employee whose participation is not mandatory but is permitted and who desires to become a participant in the plan, the employee shall execute an application for participation and a nomination of a beneficiary.

(c) Multiple service membership.—[Any active member] Any State employee who is an active member in a class of service other than Class CB and who was formerly an active member in the Public School Employees’ Retirement System in a class of service other than Class T-I may elect to become a multiple service member. Such election shall occur no later than 365 days after becoming an active member in this system. A State employee who is eligible to elect to become a multiple service member who begins USERRA leave during the election period without having elected multiple service membership may make the election within 365 days after being reemployed from USERRA leave.

(d) Credit for previous service or change in membership status.—Any active member or eligible school employee who desires to receive credit for the portion of his total previous State service or creditable nonstate service to which he is entitled, or a joint coverage member who desires to become a full coverage member, shall so notify the board and upon written agreement by the member and the board as to the manner of payment of the amount due, the member shall receive credit for...
such service as of the date of such agreement.

* * *

(d.2) Contributions for USERRA leave.--Any active participant or inactive participant on leave without pay or former participant who was reemployed from USERRA leave who desires to make mandatory participant contributions and voluntary contributions for his USERRA leave shall so notify the board within the time period required under 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services) and IRC § 414(u) of his desire to make such contributions. Upon making the permitted mandatory participant contributions within the allowed time period, the head of the department shall make the corresponding employer defined contributions at the same time.

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

(e) Beneficiary for death benefits from system.--Every member shall nominate a beneficiary by written designation filed with the board as provided in section 5906(d) or (e) (relating to duties of heads of departments) to receive the death benefit payable under section 5707 (relating to death benefits) or the benefit payable under the provisions of Option 1 of section 5705(a)(1) (relating to member's options). Such nomination may be changed at any time by the member by written designation filed with the board. A member may also nominate a contingent
beneficiary or beneficiaries to receive the death benefit provided under section 5707 or the benefit payable under the provisions of Option 1 of section 5705(a)(1).

(e.1) Beneficiary for death benefits from the plan.—Every participant shall nominate a beneficiary by written designation filed with the board as provided in section 5906(d) or (e) to receive the death benefit payable under section 5408 (relating to death benefits). A participant may also nominate a contingent beneficiary or beneficiaries to receive the death benefit provided under section 5408. Such nomination may be changed at any time by the participant by written designation filed with the board.

(e.2) Beneficiary for combined service employee.—A combined service employee may designate or nominate different persons to be beneficiaries, survivor annuitants and successor payees for his benefits from the system and the plan.

(f) Termination of service by members.—Each member who terminates State service and who is not then a disability annuitant shall execute on or before the date of termination of service the appropriate application, duly attested by the member or his legally constituted representative, electing to:

(1) withdraw his total accumulated deductions and cash balance member accumulated deductions; or

* * *

(g) Vesting of retirement rights.—If a member elects to vest his retirement rights he shall nominate a beneficiary by written designation filed with the board and, if the member is not an active participant or inactive participant on leave without pay, he may anytime thereafter but no later than his required beginning date, withdraw the total accumulated
deductions and cash balance member accumulated deductions standing to his credit or apply for an annuity.

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

(h) Vestees and special vestees attaining superannuation age.--Upon attainment of superannuation age a vestee or special vestee who is not an active participant or inactive participant on leave without pay shall execute and file an application for an annuity. Any such application filed within 90 days after attaining superannuation age shall be effective as of the date of attainment of superannuation age. Any application filed after such period shall be filed by the member's required beginning date and shall be effective as of the date it is filed with the board, subject to the provisions of section 5905(f) (relating to duties of the board regarding applications and elections of members and participants). If a vestee or special vestee who is not an active participant or inactive participant on leave without pay does not file an application within seven years after attaining superannuation age, he shall be deemed to have elected to receive his total accumulated deductions upon attainment of superannuation age.

(i) Failure to apply for annuity.--If a member is eligible to receive an annuity and does not file a proper application within 90 days of termination of service, his annuity will become effective as of the later of the date the application is filed or the date the member becomes eligible to receive the annuity.
filed with the board or the date designated on the application [whichever is later] which shall not be later than his required beginning date.

* * *

Section 433. Sections 5931(b), 5932, 5933(a), 5934, 5935, 5936, 5937, 5938 and 5939 of Title 71 are amended to read:

§ 5931. Management of fund and accounts.

* * *

(b) Crediting of interest.--The board, annually, shall allow the required interest on the mean amount for the preceding year to the credit of each of the accounts other than the individual investment accounts and except excess interest credited to the cash balance savings account. The amount so allowed shall be credited thereto by the board and transferred from the interest reserve account. Excess interest, if any, shall be credited to the cash balance savings account as set forth in section 5902(q) (relating to administrative duties of the board).

* * *

§ 5932. State Employees' Retirement Fund.

(a) General rule.--The fund shall consist of all balances in the several separate accounts set apart to be used under the direction of the board for the benefit of members of the system; and the Treasury Department shall credit to the fund all moneys received from the Department of Revenue arising from the contributions relating to or on behalf of members of the system required under the provisions of Chapter 55 (relating to contributions), and any income earned by the investments or moneys of said fund. There shall be established and maintained by the board the several ledger accounts specified in sections 5933 (relating to members' savings account), 5934 (relating to...
State accumulation account), 5935 (relating to annuity reserve account), 5936 (relating to State Police benefit account), 5937 (relating to enforcement officers' benefit account), 5938 (relating to supplemental annuity account) and 5939 (relating to interest reserve account) and 5942 (relating to cash balance savings account).

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

§ 5933. Members' savings account.

(a) Credits to account.--The members' savings account shall be the ledger account to which shall be credited the amounts of the pickup contributions made by the Commonwealth or other employer and contributions or lump sum payments made by active members, other than for Class CB service, in accordance with the provisions of sections 5501 (relating to regular member contributions and cash balance member contributions for current service), 5501.1 (relating to shared-risk member contributions [for Class A-3 and Class A-4 service] and shared-gain adjustments to regular member contributions for Class A-3 and Class A-4 service), 5502 (relating to social security integration member contributions), 5503 (relating to joint coverage member contributions), 5504 (relating to member contributions for the purchase of credit for previous State service or to become a full coverage member), 5505.1 (relating...
to additional member contributions) and 5505 (relating to contributions for the purchase of credit for creditable nonstate service) and transferred from the members' savings account of the Public School Employees' Retirement System in accordance with the provisions of section 5303.2 (relating to election to convert school service to State service).

* * *

§ 5934. State accumulation account.

The State accumulation account shall be the ledger account to which shall be credited all contributions of the Commonwealth or other employers whose employees are members of the system and made in accordance with the provisions of section 5507(a) or (d) (relating to contributions to the system by the Commonwealth and other employers) except that the amounts received under the provisions of the act of May 12, 1943 (P.L.259, No.120), and the amounts received under the provisions of the Liquor Code, act of April 12, 1951 (P.L.90, No.21), shall be credited to the State Police benefit account or the enforcement officers' benefit account as the case may be. All amounts transferred to the fund by county retirement systems or pension plans in accordance with the provisions of section 5507(c) also shall be credited to the State accumulation account. All amounts transferred to the fund by the Public School Employees' Retirement System in accordance with section 5303.2(e) (relating to election to convert school service to State service), except amounts credited to the members' savings account, and all amounts paid by the Department of Corrections in accordance with section 5303.2(f) also shall be credited to the State accumulation account. The State accumulation account shall be credited with valuation interest. The reserves necessary for the payment of annuities and death
benefits resulting from membership in the system as approved by the board and as provided in Chapter 57 (relating to benefits), other than annuities and benefits resulting from Class CB service, shall be transferred from the State accumulation account to the annuity reserve account provided for in section 5935 (relating to annuity reserve account), except that the reserves necessary on account of a member who is an officer of the Pennsylvania State Police or an enforcement officer shall be transferred from the State accumulation account to the State Police benefit account provided for in section 5936 (relating to State Police benefit account) or to the enforcement officers' benefit account as provided for in section 5937 (relating to enforcement officers' benefit account) as the case may be. The reserves necessary for the payment of supplemental annuities in excess of those reserves credited to the supplemental annuity account on June 30, 2010, shall be transferred from the State accumulation account to the supplemental annuity account. In the event that supplemental annuities are increased by legislation enacted after December 31, 2009, the necessary reserves shall be transferred from the State accumulation account to the supplemental annuity account. The amounts credited to the members' individual cash balance savings accounts as provided for in section 5902(p) shall be transferred from the State accumulation account.

§ 5935. Annuity reserve account.

(a) Credits and charges to account.--The annuity reserve account shall be the ledger account to which shall be credited the reserves held for payment of annuities and death benefits on account of all annuitants except in the case of members who are officers of the Pennsylvania State Police or enforcement

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officers. The annuity reserve account shall be credited with valuation interest. After the transfers provided in sections 5933 (relating to members' savings account), 5934 (relating to State accumulation account) [and] 5938 (relating to supplemental annuity account) and 5942 (relating to cash balance savings account), all annuity and death benefit payments resulting from membership in the system except those payable to any member who retires as an officer of the Pennsylvania State Police or an enforcement officer shall be charged to the annuity reserve account and paid from the fund.

(b) Transfers from account.--Should an annuitant other than a member who was retired as an officer of the Pennsylvania State Police or an enforcement officer be subsequently restored to active service as a member of the system or as a participant in the plan, the present value of his member's annuity at the time of reentry into State service shall be transferred from the annuity reserve account and placed to his individual credit in the members' savings account or individual cash balance savings account, as appropriate. In addition, the actuarial reserve for his annuity based on all classes of credited service other than Class CB less the amount transferred to the members' savings account shall be transferred from the annuity reserve account to the State accumulation account. The present value of the annuity provided by section 5702(a)(7) (relating to maximum single life annuity) at the time of reentry in State service shall be transferred from the annuity reserve account and placed to the member's individual credit in the cash balance savings account.

§ 5936. State Police benefit account.

(a) Credits and charges to account.--The State Police benefit account shall be the ledger account to which shall be
credited all contributions received under the provisions of the
act of May 12, 1943 (P.L.259, No.120), referred to as the
Foreign Casualty Insurance Premium Tax Allocation Law, and any
additional Commonwealth or other employer contributions provided
for in section 5507 (relating to contributions to the system by
the Commonwealth and other employers) which are creditable to
the State Police benefit account. The State Police benefit
account shall be credited with the required interest. In
addition, upon the filing of an application for an annuity by a
member who is an officer of the Pennsylvania State Police, the
total accumulated deductions standing to the credit of the
member in the members' savings account, the total cash balance
accumulated deductions standing to the credit of the member in
the cash balance savings account and the necessary reserves from
the State accumulation account shall be transferred to the State
Police benefit account. Thereafter, the total annuity of such
annuitant shall be charged to the State Police benefit account
and paid from the fund.

(b) Transfers from account.--Should the said annuitant be
subsequently restored to active service as a member of the
system or as a participant in the plan, the present value of the
member's annuity at the time of reentry into State service shall
be transferred from the State Police benefit account and placed
to his individual credit in the members' savings account or
individual cash balance savings account, as appropriate. In
addition, the actuarial reserve for his annuity, based on all
classes of credited service other than Class CB, calculated as
if he had been a member of Class A if he has Class A or Class C
service credited; as if he had been a member of Class A-3 if the
annuitant has Class A-3 State service credited; or as if he had
been a member of Class A-4 if the annuitant has Class A-4 service credited, less the amount transferred to the members' savings account shall be transferred from the State Police benefit account to the State accumulation account. The present value of the annuity provided by section 5702(a)(7) (relating to maximum single life annuity) at the time of reentry into State service shall be transferred from the State Police benefit account and placed to his individual credit in the cash balance savings account. Upon subsequent retirement other than as an officer of the Pennsylvania State Police the actuarial reserve remaining in the State Police benefit account shall be transferred to the appropriate reserve account.

§ 5937. Enforcement officers' benefit account.

(a) Credits and charges to account.--The enforcement officers' benefit account shall be the ledger account to which shall be credited moneys transferred from the enforcement officers' retirement account in the State Stores Fund according to the provisions of the act of April 12, 1951 (P.L.90, No.21), known as the Liquor Code, and any additional Commonwealth or other employer contributions provided for in section 5507 (relating to contributions to the system by the Commonwealth and other employers) which are creditable to the enforcement officers' benefit account. The enforcement officers' benefit account shall be credited with the required interest. In addition, upon the filing of an application for an annuity by a member who is an enforcement officer of the Pennsylvania Liquor Control Board, the total accumulated deductions standing to the credit of the member in the members' savings account, the total cash balance accumulated deductions standing to the credit of the member in the cash balance savings account and the necessary
reserves from the State accumulation account shall be transferred to the enforcement officers' benefit account. Thereafter, the total annuity of such annuitant shall be charged to the enforcement officers' benefit account and paid from the fund.

(b) Transfers from account.--Should the said annuitant be subsequently restored to active service as a member of the system or as a participant in the plan, the present value of the member's annuity at the time of reentry into State service shall be transferred from the enforcement officers' benefit account and placed to his individual credit in the members' savings account or individual cash balance savings account, as appropriate. In addition, the actuarial reserve for his annuity, based on all classes of credited service other than Class CB, calculated as if he had been a member of Class A if the annuitant does not have any Class AA, Class A-3 or Class A-4 service credited; as if he had been a member of Class AA if the annuitant does have Class AA service credited; as if he had been a member of Class A-3 if the annuitant has Class A-3 State service credited; or as if he had been a member of Class A-4 if the annuitant has Class A-4 service credited, less the amount transferred to the members' savings account shall be transferred from the enforcement officers' benefit account to the State accumulation account. The present value of the annuity provided by section 5702(a)(7)(relating to maximum single life annuity) at the time of reentry into State service shall be transferred from the enforcement officers' benefit account and placed to his individual credit in the cash balance savings account. Upon subsequent retirement other than as an enforcement officer the actuarial reserve remaining in the enforcement officers' benefit
§ 5938. Supplemental annuity account.

The supplemental annuity account shall be the ledger account to which shall be credited all contributions from the Commonwealth and other employers in accordance with section 5507(b) (relating to contributions to the system by the Commonwealth and other employers) for the payment of the supplemental annuities provided in sections 5708 (relating to supplemental annuities), 5708.1 (relating to additional supplemental annuities), 5708.2 (relating to further additional supplemental annuities), 5708.3 (relating to supplemental annuities commencing 1994), 5708.4 (relating to special supplemental postretirement adjustment), 5708.5 (relating to supplemental annuities commencing 1998), 5708.6 (relating to supplemental annuities commencing 2002), 5708.7 (relating to supplemental annuities commencing 2003) and 5708.8 (relating to special supplemental postretirement adjustment of 2002) made before July 1, 2010, the amount transferred from the State accumulation account to provide all additional reserves necessary as of June 30, 2010, to pay such supplemental annuities and adjustments, and the amounts transferred from the State accumulation account to provide all additional reserves necessary as a result of supplemental annuities enacted after December 31, 2009. The supplemental annuity account shall be credited with valuation interest. The reserves necessary for the payment of such supplemental annuities shall be transferred from the supplemental annuity account to the annuity reserve account as provided in section 5935 (relating to annuity reserve account).

§ 5939. Interest reserve account.
The interest reserve account shall be the ledger account to which shall be credited all income earned by the fund and to which shall be charged all administrative and investment expenses incurred by the fund. At the end of each year the required interest shall be transferred from the interest reserve account to the credit of each of the accounts of the fund in accordance with the provisions of this subchapter. In addition, at the end of each accounting period, the interest reserve account shall be credited or charged with all recognized changes in the market valuation of the investments of the fund. The administrative and investment expenses of the board relating to the administration of the system and investments of the fund shall be paid from the fund out of earnings. Any surplus or deficit in the interest reserve account at the end of each year shall be transferred to the State accumulation account.

Section 434. Title 71 is amended by adding a section to read:

§ 5942. Cash balance savings account.

(a) Credits to account.--The cash balance savings account shall be the ledger account to which shall be credited the amounts of the cash balance member contributions made by the Commonwealth or other employers on behalf of members of Class CB and additional amounts credited to the individual members' cash balance savings accounts in accordance with the provisions of section 5501 (relating to regular member contributions and cash balance member contributions for current service) and 5902(p) (relating to administrative duties of the board).

(b) Interest and transfers from account.--The cash balance savings account in total and the individual member accounts shall be credited with treasury bond interest, and if applicable...
excess interest. The total cash balance accumulated deductions credited to a member whose application for an annuity has been approved shall be transferred from the cash balance savings account to the annuity reserve account provided for under section 5935 (relating to annuity reserve account), except in the case of a member who is an officer of the Pennsylvania State Police or an enforcement officer the total cash balance accumulated deductions to his credit shall be transferred from the cash balance savings account to the State Police benefit account provided for under section 5936 (relating to State Police benefit account) or to the enforcement officers' benefit account provided for under section 5937 (relating to enforcement officers' benefit account), as the case may be.

(c) Charges to account.--Upon the election of a member to withdraw his cash balance member accumulated deductions without receiving a benefit or upon payment of a small cash balance account in a lump sum as provided for under section 5709(d) (relating to payment of benefits), the payment of such amount shall be charged to the individual member's cash balance savings account. Any amounts remaining in an individual member's cash balance savings account after these charges shall be transferred to the State accumulation account.

Section 435. Sections 5951, 5953, 5953.1, 5953.2, 5953.3 and 5953.4(a) of Title 71 are amended to read:

§ 5951. State guarantee regarding the State Employees' Retirement System.

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

§ 5953. Taxation, attachment and assignment of funds.

(a) General rule.--

(1) Except as provided in paragraphs (2), (3) and (4), the right of a person to any benefit or right accruing under the provisions of this part and the moneys in the fund and the trust are hereby exempt from any State or municipal tax, levy and sale, garnishment, attachment, spouse's election, the provisions of Article XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, or any other process whatsoever, and no participant or beneficiary, successor payee, or alternate payee of a participant shall have the ability to commute, sell, assign, alienate, anticipate, mortgage, pledge, hypothecate, commutate or otherwise transfer or convey any benefit or interest in an individual investment account or rights to receive or direct distributions under this part or under agreements entered into under this part except as otherwise provided in this part and in the case of either a member or a participant except for a set-off by the Commonwealth in the case provided in subparagraph (i), and shall be unassignable except:

(i) To the Commonwealth in the case of a member or participant who is terminating State service and has been determined to be obligated to the Commonwealth for the
repayment of money owed on account of his employment or
to the fund on account of a loan from a credit union to a
member which has been satisfied by the board from the
fund.

(ii) To a credit union as security for a loan to a
member not to exceed $750 and interest not to exceed 6%
per annum discounted and/or fines thereon if the credit
union is now or hereafter organized and incorporated
under the laws of this Commonwealth and the membership of
such credit union is limited solely to officials and
employees of the Commonwealth and if such credit union
has paid to the fund $3 for each such assignment.

(2) (i) Rights under this part shall be subject to
forfeiture as provided by the act of July 8, 1978
(P.L.752, No.140), known as the Public Employee Pension
Forfeiture Act, and by or pursuant to section 16(b) of
Article V of the Constitution of Pennsylvania.
Forfeitures under this subsection or under any other
 provision of law may not be applied to increase the
benefits that any member would otherwise receive under
this part.

(ii) In accordance with section 16(b) of Article V
of the Constitution of Pennsylvania and notwithstanding
this paragraph, the act of July 8, 1978 (P.L.752,
No.140), known as the Public Employee Pension Forfeiture
Act, or 42 Pa.C.S. § 3352 (relating to pension rights),
the accumulated mandatory participant contributions and
accumulated voluntary contributions standing to the
credit of a participant shall not be forfeited but shall
be available for payment of fines and restitution as
provided by law. In accordance with section 16(b) of Article V of the Constitution of Pennsylvania, amounts in the trust that have been ordered to be distributed to an alternate payee as the result of an equitable distribution of marital property as part of an approved domestic relations order entered before the date of the order or action in a court or other tribunal resulting in a forfeiture of a participant's interest in the trust shall not be subject to the provisions of the Public Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any accumulated employer defined contributions forfeited as a result of this paragraph or other law shall be retained by the board and notwithstanding sections 5812(2) (relating to powers and duties of board), 5815 (relating to expenses) and 5902(c) (relating to administrative duties of the board) used for the payment of expenses of the plan.

(3) Rights under this part shall be subject to attachment in favor of an alternate payee as set forth in an approved domestic relations order.

(4) Effective with distributions made on or after January 1, 1993, and notwithstanding any other provision of this part to the contrary, a distributee may elect, at the time and in the manner prescribed by the board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan by way of a direct rollover. For purposes of this paragraph, a "distributee" includes a member [and], a participant, a member's surviving spouse [and], a participant's surviving spouse, a member's former spouse who is an alternate payee under an approved domestic relations
order[.], a participant's former spouse who is an alternate payee under an approved domestic relations order and anyone else authorized under the IRC and the plan terms approved by the board to have an eligible rollover distribution paid directly to an eligible retirement plan by way of a direct rollover. For purposes of this paragraph, the term "eligible rollover distribution" has the meaning given such term by IRC § 402(f)(2)(A), and "eligible retirement plan" has the meaning given such term by IRC § 402(c)(8)(B), except that a qualified trust shall be considered an eligible retirement plan only if it accepts the distributee's eligible rollover distribution; however, in the case of an eligible rollover distribution to a surviving spouse, an eligible retirement plan is an "individual retirement account" or an "individual retirement annuity" as those terms are defined in IRC § 408(a) and (b).

(b) Authorized payments from fund and trust.—The board shall be authorized to pay from the fund and the trust:

(1) In the case of a member or participant who is terminating service, the amount determined after certification by the head of the department that the member or participant is so obligated, and after review and approval by the department or agency's legal representative or upon receipt of an assignment from the member or participant in the amount so certified[.], except that no payment shall be made from the individual investment account of a participant until the participant otherwise applies for and receives a distribution and shall not exceed the amount of the distribution.

(2) In the case of a loan to a member the amount of the
loan and any fine or interest due thereon to the credit union except 5% of the total amount due which is to be retained in the fund as a collection fee:

(i) if the member obtaining the loan shall have been in default in required payments for a period of not less than two years; or

(ii) at such time as the Department of Banking shall require the credit union to charge the amount of the loan against the reserve fund of such credit union.

Any member who shall have pledged such rights as security for a loan from a credit union and, on whose behalf the board shall have made any payment by reason of that member's default, may not thereafter pledge or assign such rights to a credit union.

(3) In the case of a participant whose former spouse is an alternate payee of an equitable distribution of marital assets under an approved domestic relations order, a lump sum of the alternate payee's interest in the participant's accumulated total defined contributions. This paragraph shall apply without regard to whether the participant has not terminated, is terminating or has terminated State service.

§ 5953.1. Approval of domestic relations orders.

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

(1) Requires the system to provide any type or form of benefit or any option applicable to members already provided under this part.
(2) Requires the system to provide no more than the total amount of benefits than the member would otherwise receive (determined on the basis of actuarial value) unless increased benefits are paid to the member or alternate payee based upon cost-of-living increases or increases based on other than actuarial value.

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

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

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

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

(7) Requires the member to execute an authorization allowing each alternate payee to monitor the member's compliance with the terms of the domestic relations order through access to information concerning the member maintained by the system. An authorization granted pursuant to this section shall be construed as an authorization for the alternate payee to receive information concerning the administration, calculation and payment of the alternate payee's share of the benefits payable pursuant to this part.
and not as an authorization to exercise the rights afforded
to members or obtain information which is not related to the
administration, calculation and payment of alternate payee's
share of the benefits payable pursuant to this part.

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

1. Does not require the plan to provide a type or form
   of benefit or an option applicable to members of the system
   or participants in the plan.

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

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

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

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

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

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

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

(9) Requires the participant to execute an authorization
allowing each alternate payee to monitor the participant's
compliance with the terms of the domestic relations order
through access to information concerning the participant
maintained by the plan. An authorization granted pursuant to
this section shall be construed as an authorization for the
alternate payee to receive information concerning the
participant which relates to the administration, calculation
and payment of the alternate payee's share of the
participant's account and not as an authorization to exercise
the rights afforded to participants or obtain information
which is not related to the administration, calculation and
payment of alternate payee's share of the participant's
individual investment account.

(10) Requires the immediate distribution of the
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alternate payee's share of the participant's individual investment account, which may be by direct payment, eligible rollover or trustee-to-trustee transfer to another eligible plan or qualified account owned by the alternate payee, notwithstanding any other provision of this part or the plan that would require a distribution of accumulated employer defined contributions in the form of an annuity or to require the purchase of an annuity.

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

(b) Determination by secretary.--Within a reasonable period after receipt of a domestic relations order, the secretary of the board, or his designated representative, shall determine whether this order is an approved domestic relations order and notify the member or participant and each alternate payee of this determination. Notwithstanding any other provision of law, the exclusive remedy of any member, participant or alternate payee aggrieved by a decision of the secretary of the board, or his designated representative, shall be the right to an adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A (relating to practice and procedure) with appeal therefrom to the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct
appeals from government agencies).
(c) Other orders.--The requirements for approval identified
in [subsection (a)] subsections (a) and (a.1) shall not apply to
any domestic relations order which is an order for support as
the term is defined at 23 Pa.C.S. § 4302 (relating to
definitions) or an order for the enforcement of arrearages as
provided in 23 Pa.C.S. § 3703 (relating to enforcement of
arrearages). These orders shall be approved to the extent that
they do not attach moneys in excess of the limits on attachments
as established by the laws of the United States and this
Commonwealth[.], require distributions of benefits in a manner
which would violate the laws of the United States, any other
state or this Commonwealth or require the distribution of funds
for support or enforcement of arrearages against a participant
who is not receiving distributions from the plan at the time the
order is entered. These orders may be approved notwithstanding
any other provision of this part or the plan that would require
a distribution of accumulated employer defined contributions in
the form of an annuity or to require the purchase of an annuity.
(d) Obligation discharged.--Only the requirements of this
part and any regulations promulgated hereunder shall be used to
govern the approval or disapproval of a domestic relations
order. Therefore, if the secretary of the board, or his
designated representative, acts in accordance with the
provisions of this part and any promulgated regulations in
approving or disapproving a domestic relations order, then the
obligations of the system or the plan with respect to such
approval or disapproval shall be discharged.
§ 5953.2. Irrevocable beneficiary.
Notwithstanding any other provision of this part, a domestic relations order may provide for an irrevocable beneficiary. A domestic relations order requiring the nomination of an irrevocable beneficiary shall be deemed to be one that requires a member or participant to nominate an alternate payee as a beneficiary and that prohibits the removal or change of that beneficiary without approval of a court of competent jurisdiction, except by operation of law. Such a domestic relations order may be certified as an approved domestic relations order by the secretary of the board, or his designated representative, after the member or participant makes such nomination, in which case the irrevocable beneficiary so ordered by the court cannot be changed by the member or participant without approval by the court.

§ 5953.3. Irrevocable survivor annuitant.
Notwithstanding any other provisions of this part, a domestic relations order pertaining to a member may provide for an irrevocable survivor annuitant. A domestic relations order requiring the designation of an irrevocable survivor annuitant shall be deemed to be one that requires a member to designate an alternate payee as a survivor annuitant and that prohibits the removal or change of that survivor annuitant without approval of a court of competent jurisdiction, except by operation of law. Such a domestic relations order may be certified as an approved domestic relations order by the secretary of the board, or his designated representative, in which case the irrevocable survivor annuitant so ordered by the court cannot be changed by the member without approval by the court. A person ineligible to be designated as a survivor annuitant may not be designated as an irrevocable survivor annuitant.
§ 5953.4. Amendment of approved domestic relations orders.
(a) Deceased alternate payee.--In the event that the alternate payee predeceases the member or the participant and there are benefits payable to the alternate payee, the divorce court may amend the approved domestic relations order to substitute a person for the deceased alternate payee to receive any benefits payable to the deceased alternate payee.

* * *
Section 436. Title 71 is amended by adding a section to read:
§ 5953.6. Irrevocable successor payee.
(a) Condition.--Notwithstanding any other provision of this part, a domestic relations order pertaining to a participant may provide for an irrevocable successor payee if the participant is receiving a payment pursuant to a payment option provided by the board that allows for a successor payee.
(b) Determination.--A domestic relations order requiring the designation of an irrevocable successor payee shall be deemed to be one that requires a participant who is receiving payments from an annuity or other distribution option to designate an alternate payee as a successor payee and that prohibits the removal or change of the successor payee without approval of a court of competent jurisdiction, except by operation of law.
(c) Certification.--A domestic relations order under subsection (b) may be certified as an approved domestic relations order by the secretary of the board or his designated representative. If a domestic relations order is certified under this subsection, the irrevocable successor payee named in such order shall not be changed by the participant without approval by the court.
(d) Ineligibility.--A person ineligible to be designated as a successor payee shall not be designated as an irrevocable successor payee. A court shall not name an irrevocable successor payee if the alternate payee is eligible to receive a lump sum distribution of the alternate payee's portion of the marital portion of the pension benefit.

Section 437. Sections 5954, 5955 and 5957 of Title 71 are amended to read:

§ 5954. Fraud and adjustment of errors.

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

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

§ 5955. Construction of part.

(a) Exclusive source of rights and benefits.--Regardless of
any other provision of law, pension and benefit rights of State employees shall be determined solely by this part or any amendment thereto or the plan document established by the board, and no collective bargaining agreement nor any arbitration award between the Commonwealth and [its] other employers and the Commonwealth's and other employer's employees or their collective bargaining representatives shall be construed to change any of the provisions herein, to require the board to administer pension or retirement benefits not set forth in this part or not established by the board in the plan document, to require the board to modify, amend or change any of the terms and provisions of the plan document, or otherwise require action by any other government body pertaining to pension or retirement benefits or rights of State employees. Notwithstanding the foregoing, any pension or retirement benefits or rights previously so established by or as a result of an arbitration award shall remain in effect after the expiration of the current collective bargaining agreement between the State employees so affected and the Commonwealth until the expiration of each of the collective bargaining agreements in effect on January 1, 2011, at which time the classes of membership and resulting member contribution rates and contributions for creditable nonstate service, eligibility for vesting, withdrawal and superannuation annuities, optional modification of annuities and other terms and conditions related to class of membership shall be as determined by this part for employees covered by those and successor collective bargaining agreements. For purposes of administering this part, for those State employees who are members of each such collective bargaining unit, the date January 1, 2011, contained in this part, except in this section,
shall be replaced with the date of the day immediately following the expiration of each such collective bargaining agreement. The provisions of this part insofar as they are the same as those of existing law are intended as a continuation of such laws and not as new enactments. The provisions of this part shall not affect any act done, liability incurred, right accrued or vested, or any suit or prosecution pending or to be instituted to enforce any right or penalty or to punish any offense under the authority of any repealed laws.

(b) References.--References in this part to the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) or the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149), including administrative regulations promulgated under the Internal Revenue Code of 1986 or the Uniformed Services Employment and Reemployment Rights Act of 1994, are intended to include laws and regulations:

(1) In effect on the effective date of this subsection.
(2) Amended, supplemented or supplanted on and after the effective date of this subsection.

(c) Officer or member of the Pennsylvania State Police.--

(1) Notwithstanding a provision of subsection (a) or section 12.1 of Act 120 of 2010, regarding the continued effectiveness of pension or retirement benefits or rights previously established by or as a result of a binding arbitration award issued before July 1, 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, and implemented by the board, the pension or retirement benefits or rights of a State employee who is a current or former
State police officer shall be as provided in this part as if the binding arbitration award was not issued, except as provided under this subsection.

(2) A State employee who is a current or former State police officer who terminates State service before January 1, 2016, shall be eligible to receive the maximum single life annuity, before optional modification under section 5705 (relating to member's options), which the State employee would have been eligible to receive if this subsection had not been enacted.

(3) A State employee who meets the following shall be eligible to receive the maximum single life annuity, before optional modification under section 5705, which the State employee would have been eligible to receive if this subsection had not been enacted:

(i) is a current or former State police officer;

(ii) has 20 or more qualifying eligibility points;

(iii) does not have service credited in Class CB;

and

(iv) terminates State service on or after January 1, 2016.

(4) A State employee who meets all of the requirements in paragraph (3) other than the requirement in paragraph (3) (iii) shall be able to receive an annuity calculated under section 5702(a)(7) in addition to the maximum single life annuity, before optional modification under section 5705, which the State employee would have been eligible to receive if this subsection had not been enacted.

(5) A State employee who is a current or former State police officer or who becomes a State police officer as a
member of the system in a class of service other than Class CB after the effective date of this subsection and who does not have 20 or more qualifying eligibility points shall be eligible to receive a maximum single life annuity before optional modification under section 5705 equal to the maximum single life annuity that the State employee is eligible to receive under this part attributable to all credited service, compensation and eligibility points.

(6) To the extent that any officer or member of the Pennsylvania State Police who is eligible to retire after June 30, 1989, as provided in a binding arbitration award issued before July 1, 1989, under the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, as implemented by the board, with a benefit based on 50% of highest year salary upon accruing at least 20 years of credited State service or nonstate service in the system or based on 75% of highest year salary upon accruing at least 25 years of credited State or nonstate service in the system, the eligibility shall be determined solely on service credited, compensation paid and contributions made as a member of the system.

(7) Service as a State police officer credited in the system shall not operate to prevent any State employee from being a participant in the plan for any State service that would otherwise result in participation in the plan. Any State service performed, compensation paid and contributions made as a participant in the plan shall not be included in determining eligibility for and the amount of benefits provided from the system as long as entitlement to actual receipt of benefits is subject to the provisions of this part.
regarding employment and termination as a State employee. Any benefit resulting from participation in the plan shall be in addition to any benefit a State police officer may be eligible to receive as a member of the system.

(8) An individual who first becomes a State employee on or after January 1, 2016, or if a State employee before January 1, 2016, was not a member of the system before January 1, 2016, who subsequently becomes a sworn police officer shall not be eligible to accrue benefits pursuant to the binding arbitration award, but instead shall be eligible to be a participant in the plan and a member of Class CB as provided in this part.

(9) For the purposes of this subsection, the following terms shall have the meanings given to them in this paragraph:

"Act 120 of 2010." The act of November 23, 2010 (P.L.1269, No.120), entitled "An act amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, in Title 24, further providing for definitions, for mandatory and optional membership, for contributions by the Commonwealth, for payments by employers, for actuarial cost method, for additional supplemental annuities, for further additional supplemental annuities, for supplemental annuities commencing 1994, for supplemental annuities commencing 1998, for supplemental annuities commencing 2002, for supplemental annuities commencing 2003, for administrative duties of board, for payments to school entities by Commonwealth, for eligibility points for retention and reinstatement of service credits and for creditable nonschool service; providing for election to
become a Class T-F member; further providing for classes of
service, for eligibility for annuities, for eligibility for
vesting, for regular member contributions, for member
contributions for creditable school service, for
collections for purchase of credit for creditable nonschool
service, for maximum single life annuity, for disability
annuities, for member's options, for duties of board
regarding applications and elections of members and for
rights and duties of school employees and members; providing
for Independent Fiscal Office study; in Title 71,
establishing an independent fiscal office and making a
related repeal; further providing for definitions, for
credited State service, for retention and reinstatement of
service credits, for creditable nonstate service and for
classes of service; providing for election to become a Class
A-4 member; further providing for eligibility for annuities
and for eligibility for vesting; providing for shared-risk
member contributions for Class A-3 and Class A-4 service;
further providing for waiver of regular member contributions
and Social Security integration member contributions, for
member contributions for purchase of credit for previous
State service or to become a full coverage member, for
contributions for the purchase of credit for creditable
nonstate service, for contributions by the Commonwealth and
other employers, for actuarial cost method, for maximum
single life annuity, for disability annuities and for
member's options; providing for payment of accumulated
deductions resulting from Class A-3 service; further
providing for additional supplemental annuities, for further
additional supplemental annuities, for supplemental annuities
commencing 1994, for supplemental annuities commencing 1998,
for supplemental annuities commencing 2002, for supplemental
annuities commencing 2003, for special supplemental
postretirement adjustment of 2002, for administrative duties
of the board, for duties of board to advise and report to
heads of departments and members, for duties of board
regarding applications and elections of members, for
installment payments of accumulated deductions, for rights
and duties of State employees and members, for members'
savings account, for State accumulation account, for State
Police Benefit Account, for Enforcement Officers' Benefit
Account, for supplemental annuity account and for
construction of part; and providing for Independent Fiscal
Office study, for retirement eligibility of Pennsylvania
State Police officers or members, for a prohibition on the
issuance of pension obligation bonds, for holding certain
public officials harmless, for construction of calculation or
actuarial method, for applicability and for certain
operational provisions."

"Binding arbitration award." A binding arbitration award
issued before July 1, 1989, pursuant to the act of June 24,
1968 (P.L.237, No.111), referred to as the Policemen and
Firemen Collective Bargaining Act, and was implemented by the
State Employees' Retirement Board.

"Qualifying eligibility points." Eligibility points as a
result of State service in a class of service other than
class CB, nonstate service or being reemployed from USERRA
leave.

(d) Adverse inference.--Nothing in this part shall be
construed to mean that the limitations on benefits or other
requirements under IRC § 401(a) or other applicable provisions of the IRC which are applicable to participants in the plan do not apply to the participants or to members of the system and the benefits payable under this part.

(e) Applicability.--The amendment of this part regarding the establishment of and participation in the plan shall apply to an elected officer who is elected, reelected or retained in a retention election to a term of office that begins on or after January 1, 2016, notwithstanding that either immediately or at any time prior to beginning a term of office on or after January 1, 2016, the elected officer was an active member of the system or inactive member on leave without pay. An individual who is elected, reelected or retained in a retention election to a term of office as member of the general assembly that begins on or after January 1, 2016:

(1) does so with the knowledge of the provisions, terms and conditions of this part, including those provisions, terms and conditions establishing the plan and determining participation in the plan and membership in the system; and

(2) expressly consents to those provisions, terms and conditions and the resulting contributions, obligations, benefits and rights, or lack of contributions, obligations, benefits and rights in the system and the plan.

(f) Furloughs.--For purposes of sections 5301(a)(17) (relating to credited State service), 5306 (relating to classes of service), 5306.4 (relating to election of an alternate class of service multiplier) and this section, a State employee who is furloughed under section 802 of the act of August 5, 1941 (P.L.752, No.286), known as the Civil Service Act, and reemployed pursuant to the Civil Service Act in any class of
service or civil service status which was previously held, shall
not be treated as having been terminated from State service and
beginning a new period of State service.
§ 5957. Independent Fiscal Office study.
The Independent Fiscal Office shall study and analyze the
implementation of shared-risk contributions under section 5501.1
(relating to shared-risk member contributions [for Class A-3 and
Class A-4 service] and shared-gain adjustments to regular member
contributions for Class A-3 and Class A-4 service) and its
impact on the system. The study shall be completed by December
31, 2015, and shall be transmitted to the Appropriations
Committee and the Finance Committee of the Senate, the
Appropriations Committee and the Finance Committee of the House
of Representatives and to the Governor.

Section 438. Title 71 is amended by adding a section to
read:

§ 5958. Public Pension Management and Asset Investment Review
Commission.
(a) Establishment.--A Public Pension Management and Asset
Investment Review Commission shall be established, which shall
be composed of three appointees of each of the following:

(1) Governor;
(2) President Pro tempore of the Senate; and
(3) Speaker of the House of Representatives.
The appointees shall be investment professionals and retirement
advisors and shall be appointed within 90 days of the effective
date of this section.

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

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

(2) Study the costs and benefits of both active and passive investment strategies in relation to future investment activities of the State Employees' Retirement System.

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

(4) Publish extensive and detailed findings on-line, including findings about:

(i) assets;
(ii) returns;
(iii) financial managers;
(iv) consultants;
(v) requests for proposals; and
(vi) investment performance measured against benchmarks.

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

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

(d) Transparency and ethics.--The Public Pension Management and Asset Investment Review Commission shall be subject to the following laws:
(1) The act of July 19, 1957 (P.L.1017, No.451), known as the State Adverse Interest Act.


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

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

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

(f) Transparency and ethics.--The Public Pension Management and Asset Investment Review Commission may conduct hearings and otherwise gather pertinent information and analysis that it considers appropriate.

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

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

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

ARTICLE V

Section 501. The following shall apply:

(1) The following provisions shall not create in a
member of the Public School Employees' Retirement System, a
participant in the School Employees' Defined Contribution
Plan or another person claiming an interest in the account of
a member or participant an express or implied contractual
right in the provisions nor in a construction of 24 Pa.C.S.
Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
Pa.C.S. Pt. IV or 51 Pa.C.S.:

   (i) A provision of this act which amends 51 Pa.C.S.
or 24 Pa.C.S. Pt. IV in relation to requirements for any
of the following:

   (A) (Reserved).

   (B) Qualification of the School Employees' Defined
Contribution Plan as a qualified pension plan
under the Internal Revenue Code of 1986 (Public Law
99-514, 26 U.S.C. §§ 401(a) and 415(b)), or
compliance with the Uniformed Services Employment and
Reemployment Rights Act of 1994 (Public Law 103-353,

   (C) Contributions to, participation in or
benefits from the School Employees' Defined
Contribution Plan or School Employees' Defined
Contribution Trust.

   (D) Domestic relations orders regarding
alternate payees of participants in the School
Employees' Defined Contribution Plan.

   (ii) A construction of 24 Pa.C.S. Pt. IV or 51
Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
Pt. IV or 51 Pa.C.S. or a term or provision of the School
Employees' Defined Contribution Plan or School Employees'
Defined Contribution Trust, established by statute or in
the plan document or trust declaration.

(2) The provisions of 24 Pa.C.S. Pt. IV shall remain subject to the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149), and regulations under those statutes, and the General Assembly reserves to itself the further exercise of its legislative power to amend or supplement the provisions as may be required in order to maintain the qualification of the system as a qualified pension plan under section 401(a) and other applicable provisions of the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

(3) The following provisions shall not create in a member of the State Employees' Retirement System, a participant in the State Employees' Defined Contribution Plan or another person claiming an interest in the account of a member or participant an express or implied contractual right in the provisions nor in a construction of 51 Pa.C.S. § 7306, 71 Pa.C.S. Pt. XXV, or rules or regulations adopted under 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

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

      (A) (Reserved)

      (B) Qualification of the State Employees' Defined Contribution Plan as a qualified pension plan under the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance with the Uniformed Services Employment and

(C) Contributions to, participation in or benefits from the State Employees' Defined Contribution Plan or State Employees' Defined Contribution Trust.

(D) Domestic relations orders regarding alternate payees of participants in the State Employees' Defined Contribution Plan.

(ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV or rules or regulations adopted under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV or a term or provision of the State Employees' Defined Contribution Plan or State Employees' Defined Contribution Trust, established by statute or in the plan document or trust declaration.

(4) The provisions of 71 Pa.C.S. Pt. XXV shall remain subject to the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149), and regulations under those statutes, and the General Assembly reserves to itself the further exercise of its legislative power to amend or supplement the provisions as may be required in order to maintain the qualification of the system as a qualified pension plan under section 401(a) and other applicable provisions of the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

Section 502. The following shall apply:

(1) Nothing in this act shall be construed to mean that a calculation or actuarial method used by the School
Employees' Retirement Board, its actuaries or the Public School Employees' Retirement System was not in accordance with the provisions of 24 Pa.C.S. Pt. IV or other applicable law prior to the effective date of this section.

(2) Nothing in this act shall be construed to mean that a calculation or actuarial method used by the State Employees' Retirement Board, its actuaries or the State Employees' Retirement System was not in accordance with the provisions of 71 Pa.C.S. Pt. XXV or other applicable law prior to the effective date of this section.

Section 503. The following shall apply:

(1) (i) Payments required to fund a change in accrued liability resulting from this act shall be subject to limits imposed under 24 Pa.C.S. § 8328(g) on employer contributions to the Public School Employees' Retirement System.

(ii) For purposes of 24 Pa.C.S. §§ 8326, 8327, and 8328, changes under this act shall not be considered to be costs added by legislation.

(2) Notwithstanding any other provision of law, a change in accrued liability of the State Employees' Retirement System created under this act as a result of changes in benefits shall be funded in equal dollar installments over a period of 30 years beginning July 1, 2016.

(3) A change in accrued liability as a result of amendments to 71 Pa.C.S. §§ 5507 and 5508 shall be funded in equal dollar installments over a period of 30 years beginning July 1, 2016.

(4) Payments required to fund a change in accrued liability resulting from this act shall be subject to limits
imposed under 71 Pa.C.S § 5508(h) on employer contributions
to the State Employees' Retirement System.

(5) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,
changes under this act shall not be considered to be costs
added by legislation.

Section 504. The following shall apply:

(1) This act shall be construed and administered in such
a manner that the Public School Employees' Retirement System
and the School Employees' Defined Contribution Plan shall
satisfy the requirements necessary to qualify as a qualified
pension plan under section 401(a) of the Internal Revenue
Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
applicable provisions of the Internal Revenue Code of 1986
and the Uniformed Services Employment and Reemployment Rights
regulations and procedures adopted and promulgated by the
Public School Employees' Retirement Board and the terms and
conditions of the plan document and trust declaration adopted
by the Public School Employees' Retirement Board may include
provisions necessary to accomplish the purpose of this
section.

(2) This act shall be construed and administered in a
manner that the State Employees' Retirement System and the
State Employees' Defined Contribution Plan shall satisfy the
requirements necessary to qualify as a qualified pension plan
under section 401(a) of the Internal Revenue Code of 1986
(Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
provisions of the Internal Revenue Code of 1986 and the
Uniformed Services Employment and Reemployment Rights Act of
1994 (Public Law 103-353, 108 Stat. 3149). The rules,
regulations and procedures adopted and promulgated by the State Employees' Retirement Board and the terms and conditions of the plan document and trust declaration adopted by the State Employees' Retirement Board may include provisions necessary to accomplish the purpose of this section.

Section 505. The following shall apply:

(1) Notwithstanding any other provision of law, fiduciary requirement, actuarial standard of practice or other requirement, the members of the Public School Employees' Retirement Board, the actuary and employees and officials of the Public School Employees' Retirement System may not be held liable or in breach or violation of a law or standard as individuals, in their official capacity or as a governmental or corporate entity, for an action or calculation related to calculating and certifying a final contribution rate as provided under this act that is different from the actuarially required contribution rate as appropriately calculated under 24 Pa.C.S. Pt. IV.

(2) Notwithstanding any other provision of law, fiduciary requirement, actuarial standard of practice or other requirement, the members of the State Employees' Retirement Board, the actuary and other employees and officials of the State Employees' Retirement System may not be held liable or in breach or violation of a law or standard as individuals, in their official capacity or as a governmental or corporate entity, for an action or calculation related to calculating and certifying a final contribution rate as provided under this act that is different from the actuarially required contribution rate as provided under this act that is
appropriately calculated under 71 Pa.C.S. Pt. XXV.

Section 506. Nothing in this act shall be deemed to permit the restoration of service credit or retirement benefits which:

(1) were or are subject to section 16 of Article V of the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

(2) were or are the subject of an order of forfeiture under the act of July 8, 1978 (P.L.752, No.140), known as the Public Employee Pension Forfeiture Act.

Section 507. (Reserved).

Section 508. If a provision of this act or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act that can be given effect without the invalid provision or application.

Section 509. Nothing in this act shall be construed to mean that an interpretation or application of 71 Pa.C.S. Pt. XXV or benefits available to members of the State Employees' Retirement System was not in accordance with 71 Pa.C.S. Pt. XXV or other applicable law, including the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149) before the effective date of this section.

Section 510. Notwithstanding the provisions of 71 Pa.C.S. § 5903(b), the statement for each member prepared by the State Employees' Retirement Board for the period ending December 31, 2015, and any other statements or estimates of benefits prepared by the board pursuant to the provisions of 71 Pa.C.S. Pt. XXV from the effective date of this section to June 30, 2016, shall not be required to reflect the provisions of this act.
Section 511. Notwithstanding the provisions of 71 Pa.C.S. Pt. XXV, the obligation of the State Employees' Retirement Board to make payments to any individual whose rights, benefits and obligations are affected by this act within specified time periods of the receipt of applications for benefits or other information shall not apply from the effective date of this section to June 30, 2016.

Section 512. Section 502 of the act of October 15, 1980 (P.L.950, No.164), known as the Commonwealth Attorneys Act, is repealed insofar as it is inconsistent with the amendment of 24 Pa.C.S. § 8501 and 71 Pa.C.S. § 5901.

Section 513. This act shall take effect immediately.