

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 974 Session of
1993

INTRODUCED BY SCHWARTZ, AFFLERBACH, JONES, LEWIS, REIBMAN,
FATTAH, HART AND DAWIDA, APRIL 22, 1993

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
DECEMBER 7, 1993

AN ACT

1 ~~Amending Titles 24 (Education) and 71 (State Government) of the~~ <—
2 ~~Pennsylvania Consolidated Statutes, revising provisions~~
3 ~~relating to investments of the Public School Employees'~~
4 ~~Retirement Board and the State Employees' Retirement Board,~~
5 ~~respectively; excepting such boards from terms, conditions,~~
6 ~~limitations and restrictions imposed on other administrative~~
7 ~~boards of the Commonwealth in making investments; and~~
8 ~~adopting prudent person rule in lieu of specific "legal list"~~
9 ~~of authorized investments.~~
10 AMENDING TITLES 24 (EDUCATION) AND 71 (STATE GOVERNMENT) OF THE <—
11 PENNSYLVANIA CONSOLIDATED STATUTES, FURTHER PROVIDING FOR THE
12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND THE STATE
13 EMPLOYEES' RETIREMENT SYSTEM; ADDING AND AMENDING CERTAIN
14 DEFINITIONS; FURTHER PROVIDING FOR OLDER WORKERS, FOR <—
15 NONINTERVENING MILITARY SERVICE, FOR ELIGIBILITY FOR AND THE
16 COMPUTATION OF ANNUITIES AND OTHER RETIREMENT BENEFITS, FOR
17 CONTRIBUTIONS AND OTHER PAYMENTS MADE BY EMPLOYERS, FOR
18 CERTAIN CREDITED SERVICE, FOR THE POWERS AND DUTIES OF THE
19 PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD AND THE STATE
20 EMPLOYEES' RETIREMENT BOARD, FOR THE RIGHTS AND DUTIES OF
21 MEMBERS, FOR THE MANAGEMENT OF FUNDS AND ACCOUNTS, FOR
22 TAXATION, ATTACHMENT AND ASSIGNMENT OF FUNDS AND FOR CERTAIN
23 DOMESTIC RELATIONS MATTERS.

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

26 ~~Section 1. Section 8521 of Title 24 of the Pennsylvania~~ <—

1 ~~Consolidated Statutes is amended to read:~~

2 ~~§ 8521. Management of fund and accounts.~~

3 ~~(a) Control and management of fund. The members of the~~
4 ~~board shall be the trustees of the fund [and]. Regardless of any~~
5 ~~other provision of law governing the investments of funds under~~
6 ~~the control of an administrative board of the Commonwealth, the~~
7 ~~trustees shall have exclusive control and management of the said~~
8 ~~fund and full power to invest the same in accordance with the~~
9 ~~provisions of this section, subject, however, to the exercise of~~
10 ~~that degree of judgment and care under the circumstances then~~
11 ~~prevailing which persons of prudence, discretion and~~
12 ~~intelligence who are familiar with such matters exercise in the~~
13 ~~management of their own affairs not in regard to speculation,~~
14 ~~but in regard to the permanent disposition of the fund,~~
15 ~~considering the probable income to be derived therefrom as well~~
16 ~~as the probable safety of their capital[, and further subject to~~
17 ~~all the terms, conditions, limitations, and restrictions imposed~~
18 ~~by this part or other law upon the making of investments.~~
19 ~~Subject to like terms, conditions, limitations, and~~
20 ~~restrictions, said]. The trustees shall have the power to hold,~~
21 ~~purchase, sell, lend, assign, transfer, or dispose of any of the~~
22 ~~securities and investments in which any of the moneys in the~~
23 ~~fund shall have been invested as well as of the proceeds of said~~
24 ~~investments and of any moneys belonging to said fund, subject in~~
25 ~~every case to meeting the standard of prudence set forth in this~~
26 ~~subsection.~~

27 ~~(b) Crediting of interest. The board annually shall allow~~
28 ~~statutory interest to the credit of the members' savings account~~
29 ~~on the mean amount of the accumulated deductions of all members~~
30 ~~for whom interest is payable for the preceding year and~~

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

13 ~~(c) Custodian of fund. The State Treasurer shall be the~~
14 ~~custodian of the fund.~~

15 ~~(d) Payments from fund. All payments from the fund shall be~~
16 ~~made by the State Treasurer in accordance with requisitions~~
17 ~~signed by the secretary of the board, or his designee, and~~
18 ~~ratified by resolution of the board.~~

19 ~~(e) Fiduciary status of board. The members of the board,~~
20 ~~employees of the board, and agents thereof shall stand in a~~
21 ~~fiduciary relationship to the members of the system regarding~~
22 ~~the investments and disbursements of any of the moneys of the~~
23 ~~fund and shall not profit either directly or indirectly with~~
24 ~~respect thereto. The board may, when possible and consistent~~
25 ~~with its fiduciary duties imposed by this section or other law,~~
26 ~~including its obligation to invest and manage the fund for the~~
27 ~~exclusive benefit of the members of the system, consider whether~~
28 ~~an investment in any project or business enhances and promotes~~
29 ~~the general welfare of the Commonwealth and its citizens by,~~
30 ~~including, but not limited to, increasing and enhancing the~~

~~employment of Pennsylvania residents, encouraging the
construction and retention of adequate housing and stimulating
further investment and economic activity in this Commonwealth.~~

~~(f) Name for transacting business. By the name of "The
Public School Employees' Retirement System" or "The Public
School Employes' Retirement System" all of the business of the
system shall be transacted, its fund 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 notwithstanding, 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.~~

~~(g) Deposits in banks and trust companies. For the purpose
of meeting disbursements for annuities and other payments in
excess of the receipts, there shall be kept available by the
State Treasurer an amount, not exceeding 10% of the total amount
in the fund, on deposit in any bank, savings bank or savings and
loan association in this Commonwealth organized under the laws
thereof or under the laws of the United States or with any trust
company or companies incorporated by any law of this
Commonwealth, provided any of such banks, trust companies,
savings banks or savings and loan associations shall furnish
adequate security for said deposit. The sum deposited in any one
bank or trust company shall not exceed 25% of the paid up
capital and surplus of said bank or trust company or, in the
case of savings banks or savings and loan associations, shall
not exceed 25% of the unappropriated surplus.~~

~~[(h) Investment in corporate stocks. Preferred and common~~

~~stock of any corporation organized under the laws of the United States or of any commonwealth or state thereof or of the District of Columbia and preferred and common stock as defined in subsection (i) of any corporation as defined in subsection (j) whose shares are traded in United States dollars on the New York Stock Exchange and American Stock Exchange shall be an authorized investment of the fund, provided that they fulfill certain guidelines in paragraph (1), regardless of any other provision of law provided that:~~

~~(1) in the case of any stock other than stock of a bank or insurance company, the stock is listed or traded (or if unlisted or not entitled to trading privileges shall be eligible for listing and application for such listing shall have been made) on the New York Stock Exchange or American Stock Exchange. No investment in the stock of corporations not organized under the laws of the United States or of any commonwealth or state thereof or of the District of Columbia shall be made which would cause the book value of such investment to exceed 5% of the book value of the total assets of the fund. Shares of banks and insurance companies shall be eligible for purchase whether or not traded on the New York Stock Exchange. The shares of unlisted nonfinancial companies shall be eligible for purchase provided such corporations produce revenue of \$200,000,000 or more in their most recent fiscal year end and have paid cash dividends for the past five or more consecutive years;~~

~~(2) no investment in common stock be made which at that time would cause the book value of the investments in common stock to exceed 50% of the total assets of the fund;~~

~~(3) the amount invested in the common stock of any one~~

~~company shall not exceed at cost 2% of the book value of the assets of the fund at the time of purchase and shall not exceed 5% of the issued and outstanding common stock of that company; and~~

~~(4) the percentage limitations of paragraph (3) shall not apply to the reinvestment of funds realized from the sale or transfer of common stocks and no sale or other liquidation of any investment shall be required solely because of any change in market values whereby the percentages of stocks set forth in this subsection are exceeded.~~

~~(i) Common stock defined. "Common stock" as used in subsection (h) shall include the stock certificates, certificates of beneficial interests, or trust participation certificates issued by any corporation or unincorporated association included under the definition of "corporation" in subsection (j).~~

~~(j) Corporation defined. "Corporation" as used in subsection (h) shall include a voluntary association, a joint stock association or company, a business trust, a Massachusetts trust, a common law trust, and any other organization organized and existing for any lawful purpose and which like a corporation, continues to exist, notwithstanding changes in the personnel of its members or participants and conducts its affairs through a committee, a board, or some other group acting in a representative capacity.~~

~~(k) Investment in real estate and mortgages. Real estate, whether direct or through pooled funds, including but not limited to real estate which shall not require managerial responsibility by the board; and bonds, notes and deeds of trust, of individuals or corporations secured by mortgages on~~

1 ~~real estate located in any state, district or territory of the~~
2 ~~United States, shall be an authorized investment of the board~~
3 ~~regardless of any other provision of law. All instruments,~~
4 ~~transfers of interest, and all records pertaining to real~~
5 ~~estate, mortgages or bonds invested in by the board, shall be~~
6 ~~open to public inspection.~~

7 ~~(l) Additional board power on investments. Regardless of~~
8 ~~any limitations, conditions or restrictions imposed on the~~
9 ~~making of investments by this part or other law, the board may,~~
10 ~~at its discretion, invest a maximum of 10% of the book value of~~
11 ~~the assets of the fund in any investments not otherwise~~
12 ~~specifically authorized, provided that such investments are made~~
13 ~~with the exercise of that degree of judgment and care under the~~
14 ~~circumstances then prevailing which persons of prudence,~~
15 ~~discretion and intelligence who are familiar with such matters~~
16 ~~exercise in the management of their own affairs not in regard to~~
17 ~~speculation, but in regard to the permanent disposition of the~~
18 ~~fund, considering the probable income to be derived therefrom as~~
19 ~~well as the probable safety of their capital.~~

20 ~~(m) Obligations of United States to be authorized~~
21 ~~investments. Regardless of any other provision of law,~~
22 ~~obligations of the United States Government and its agencies~~
23 ~~shall be authorized investments of the fund.~~

24 ~~(n) Vehicles for authorized investments. The board may make~~
25 ~~any investments authorized in this part or other law by becoming~~
26 ~~a limited partner in partnerships that will hold such~~
27 ~~investments, or by acquiring shares or units of participation or~~
28 ~~otherwise participating beneficially in bank collective trusts~~
29 ~~or in separate accounts of any insurance company authorized to~~
30 ~~do business in this Commonwealth, or by acquiring stocks or~~

1 ~~shares or units of participation or otherwise participating~~
2 ~~beneficially in the fund of any corporation or trust organized~~
3 ~~or existing under the laws of the United States or of any state,~~
4 ~~district or territory thereof which fund is maintained for and~~
5 ~~consists of assets of employees' benefit trusts (including~~
6 ~~governmental plans as defined in section 414(d) of the Internal~~
7 ~~Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 414(d)), as~~
8 ~~from time to time amended) which meet the requirements for~~
9 ~~qualification under section 401 of the Internal Revenue Code of~~
10 ~~1986; provided that, in any such case, the liability of the~~
11 ~~Public School Employees' Retirement Fund shall be limited to the~~
12 ~~amount of its investment. In the case of authorized investments~~
13 ~~in real estate or interests therein, the board's acquisition of~~
14 ~~the stock or shares of or its other participation beneficially~~
15 ~~in the fund or any such vehicle (including any entity organized~~
16 ~~and maintained as a vehicle for an investment or investments of~~
17 ~~the board exclusively) shall not be deemed an investment in the~~
18 ~~common stock as defined in subsection (i) of any corporation as~~
19 ~~defined in subsection (j) for the purposes of any limitation on~~
20 ~~investment in corporate stocks set forth in subsection (h).~~

21 ~~(o)] (h) Venture capital. [The provisions of subsection (l)~~
22 ~~notwithstanding, venture] Venture capital investments [made~~
23 ~~through limited partnerships and through separate accounts]~~
24 ~~shall be limited to not more than 2% of the book value of the~~
25 ~~total assets of the fund as determined for financial statement~~
26 ~~purposes as of June 30 next preceding the date of investment. [A~~
27 ~~venture capital investment shall be made only if such investment~~
28 ~~will enhance the general welfare of this Commonwealth and its~~
29 ~~citizens through economic development and meets the standard of~~
30 ~~prudence set forth in subsection (l)]. An investment shall be~~

1 ~~deemed a venture capital investment if it results in the~~
2 ~~acquisition of equity interests or a combination of debt and~~
3 ~~equity interests in a business which is expected to grow~~
4 ~~substantially in the future and in which the expected return on~~
5 ~~investment is to come predominantly from an increase in value of~~
6 ~~the equity [interest and that are not held through or secured by~~
7 ~~stock that is an authorized investment under the authority of~~
8 ~~subsection (h)] interests and are not interests in or secured by~~
9 ~~real estate. A venture capital investment may be made only if,~~
10 ~~in the judgment of the board, the investment is reasonably~~
11 ~~likely to enhance the general welfare of this Commonwealth and~~
12 ~~its citizens and meets the standard of prudence set forth in~~
13 ~~subsection (a). In determining whether the investment meets the~~
14 ~~standard of prudence, the board may consider, together with the~~
15 ~~expected return on and the risk characteristics of the~~
16 ~~particular investment, the actual and expected further returns~~
17 ~~and the risk characteristics of the total venture capital~~
18 ~~investments held by the board at the time and the degree to~~
19 ~~which proposed new investment would promote further~~
20 ~~diversification within the venture capital asset class.~~

21 ~~(i) Vehicles for authorized investments. The board in its~~
22 ~~prudent discretion may make any investments which meet the~~
23 ~~standard of prudence set forth in subsection (a) by becoming a~~
24 ~~limited partner in partnerships that will hold such investments,~~
25 ~~or by acquiring shares or units of participation or otherwise~~
26 ~~participating beneficially in bank collective trusts or in the~~
27 ~~separate accounts of any insurance company authorized to do~~
28 ~~business in this Commonwealth, or by acquiring stocks or shares~~
29 ~~or units of participation or otherwise participating~~
30 ~~beneficially in the fund of any corporation or trust organized~~

~~or existing under the laws of the United States or of any state,
district or territory thereof which fund is maintained for and
consists of assets of employees' benefit trusts, including
governmental plans as defined in section 414(d) of the Internal
Revenue Code of 1986 (Public Law 99 514, 26 U.S.C. § 414(d)), as
from time to time amended, which meet the requirements for
qualification under section 401 of the Internal Revenue Code of
1986 (Public Law 99 514, 26 U.S.C. § 401), provided that, in any
such case, the liability of the fund shall be limited to the
amount of its investment.~~

~~(j) Legislative declaration concerning certain authorized
investments. The General Assembly finds and declares that
authorized investments of the fund, made by or in behalf of the
board pursuant to this section whereby the board becomes a joint
owner or stockholder in any company, corporation or association,
are outside the scope of the original intent of, and therefor do
not violate the prohibition set forth in section 8 of Article
VIII of the Constitution of Pennsylvania.~~

~~Section 2. Section 5931 of Title 71 is amended to read:
§ 5931. Management of fund and accounts.~~

~~(a) Control and management of fund. The members of the
board shall be the trustees of the fund [and]. Regardless of any
other provision of law governing the investments of funds under
the control of an administrative board of the Commonwealth, the
trustees shall have exclusive control and management of the said
fund and full power to invest the same in accordance with the
provisions of this section, subject, however, to the exercise of
that degree of judgment, skill and care under the circumstances
then prevailing which persons of prudence, discretion and
intelligence, who are familiar with such matters, exercise in~~

1 ~~the management of their own affairs not in regard to~~
2 ~~speculation, but in regard to the permanent disposition of the~~
3 ~~funds, considering the probable income to be derived therefrom~~
4 ~~as well as the probable safety of their capital[, and further~~
5 ~~subject to all the terms, conditions, limitations and~~
6 ~~restrictions imposed by this part or other law upon the making~~
7 ~~of investments. The board shall, when possible and consistent~~
8 ~~with the terms, conditions, limitations, responsibilities and~~
9 ~~restrictions imposed by this subsection or other law, invest in~~
10 ~~any project or business which promotes employment of~~
11 ~~Pennsylvania residents. Subject to like terms, conditions,~~
12 ~~limitations and restrictions, said]. The trustees shall have the~~
13 ~~power to hold, purchase, sell, lend, assign, transfer or dispose~~
14 ~~of any of the securities and investments in which any of the~~
15 ~~moneys in the fund shall have been invested as well as of the~~
16 ~~proceeds of said investments and of any moneys belonging to said~~
17 ~~fund, subject in every case to meeting the standard of prudence~~
18 ~~set forth in this subsection.~~

19 ~~(b) Crediting of interest. The board, annually, shall allow~~
20 ~~the required interest on the mean amount for the preceding year~~
21 ~~to the credit of each of the accounts. The amount so allowed~~
22 ~~shall be credited thereto by the board and transferred from the~~
23 ~~interest reserve account.~~

24 ~~(c) Custodian of fund. The State Treasurer shall be the~~
25 ~~custodian of the fund.~~

26 ~~(d) Payments from fund. All payments from the fund shall be~~
27 ~~made by the State Treasurer in accordance with requisitions~~
28 ~~signed by the secretary of the board, or his designee, and~~
29 ~~ratified by resolution of the board.~~

30 ~~(e) Fiduciary status of board. The members of the board,~~

1 ~~employees of the board and agents thereof shall stand in a~~
2 ~~fiduciary relationship to the members of the system regarding~~
3 ~~the investments and disbursements of any of the moneys of the~~
4 ~~fund and shall not profit either directly or indirectly with~~
5 ~~respect thereto. The board may, when possible and consistent~~
6 ~~with its fiduciary duties imposed by this section or other law,~~
7 ~~including its obligation to invest and manage the fund for the~~
8 ~~exclusive benefit of the members of the system, consider whether~~
9 ~~an investment in any project or business enhances and promotes~~
10 ~~the general welfare of the Commonwealth and its citizens by,~~
11 ~~including, but not limited to, increasing and enhancing the~~
12 ~~employment of Pennsylvania residents, encouraging the~~
13 ~~construction and retention of adequate housing and stimulating~~
14 ~~further investment and economic activity in this Commonwealth.~~

15 ~~(f) Name for transacting business. By the name of "The~~
16 ~~State Employees' Retirement System" or "The State Employees'~~
17 ~~Retirement System" all of the business of the system shall be~~
18 ~~transacted, its fund invested, all requisitions for money drawn~~
19 ~~and payments made, and all of its cash and securities and other~~
20 ~~property shall be held, except that, any other law to the~~
21 ~~contrary notwithstanding, the board may establish a nominee~~
22 ~~registration procedure for the purpose of registering securities~~
23 ~~in order to facilitate the purchase, sale or other disposition~~
24 ~~of securities pursuant to the provisions of this law.~~

25 ~~(g) Deposits in banks and trust companies. For the purpose~~
26 ~~of meeting disbursements for annuities and other payments in~~
27 ~~excess of the receipts, there shall be kept available by the~~
28 ~~State Treasurer an amount, not exceeding 10% of the total amount~~
29 ~~in the fund, on deposit in any bank or banks in this~~
30 ~~Commonwealth organized under the laws thereof or under the laws~~

~~of the United States or with any trust company or companies incorporated by any law of this Commonwealth, provided any of such banks or trust companies shall furnish adequate security for said deposit, and provided that the sum so deposited in any one bank or trust company shall not exceed 25% of the paid up capital and surplus of said bank or trust company.~~

~~[(h) Investment in corporate stocks. Preferred and common stock as defined in subsection (i) of any corporation as defined in subsection (j) organized under the laws of the United States or of any commonwealth or state thereof or of the District of Columbia and preferred and common stock as defined in subsection (i) of any corporation as defined in subsection (j) whose shares are traded in United States dollars on the New York Stock Exchange shall be authorized investments of the fund, regardless of any other provision of law provided that:~~

~~(1) no investment in common stock be made which at that time would cause the book value of the investments in common stock to exceed 50% of the total assets of the fund;~~

~~(2) the amount invested in the common stock of any one company not exceed at cost 2% of the book value of the assets of the fund at the time of purchase and shall not exceed 5% of the issued and outstanding common stock of that company;~~

~~(3) no investment in the stock of corporations not organized under the laws of the United States or of any commonwealth or state thereof or of the District of Columbia shall be made which would cause the book value of such investment to exceed 5% of the book value of the total assets of the fund; and~~

~~(4) no sale or other liquidation of any investment be required solely because of any change in market values~~

1 ~~whereby the percentages of stocks hereinabove set forth are~~
2 ~~exceeded.~~

3 ~~(i) Common stock defined. "Common stock" as used in~~
4 ~~subsection (h) shall include the stock certificates,~~
5 ~~certificates of beneficial interests or trust participation~~
6 ~~certificates issued by any corporation or unincorporated~~
7 ~~association included under the definition of "corporation" in~~
8 ~~the following paragraph.~~

9 ~~(j) Corporation defined. "Corporation" as used in~~
10 ~~subsection (h) shall include a voluntary association, a joint-~~
11 ~~stock association or company, a business trust, a Massachusetts~~
12 ~~trust, a common law trust and any other organization organized~~
13 ~~and existing for any lawful purpose and which like a~~
14 ~~corporation, continues to exist, notwithstanding changes in the~~
15 ~~personnel of its members or participants and conducts its~~
16 ~~affairs through a committee, a board or some other group acting~~
17 ~~in a representative capacity.~~

18 ~~(k) Investment in real estate and mortgages. Real estate~~
19 ~~subject to a lease to one or more financially responsible~~
20 ~~tenants which lease shall not require managerial responsibility~~
21 ~~by the board; and bonds, notes and deeds of trust, of~~
22 ~~individuals or corporations secured by mortgages on real estate~~
23 ~~located in any state, district or territory of the United~~
24 ~~States, shall be an authorized investment of the board~~
25 ~~regardless of any other provision of law. The board shall~~
26 ~~promulgate regulations to implement the foregoing to insure the~~
27 ~~safety of investments made pursuant to this subsection which~~
28 ~~regulations shall be in accordance with generally accepted~~
29 ~~standards and investment principles for pension funds of~~
30 ~~comparable size. All instruments, transfers of interest, and all~~

~~records pertaining to real estate, mortgages or bonds invested in by the board, shall be open to public inspection. Reports as requested by the board, shall be submitted on all real estate and mortgage investments by mortgage advisors and correspondents.~~

~~(l) Investment in institutional real estate. Institutional real estate funds shall be an authorized investment of the fund provided that no investment shall be made which, at the time of purchase, would cause the book value of such investments to exceed 15% of the book value of the total assets of the fund.~~

~~(m) Additional board power on investments. Regardless of any limitations, conditions or restrictions imposed on the making of investments by this part or other law, the board may, at its discretion, invest a maximum of 10% of the book value of the assets of the fund in any investments not otherwise specifically authorized, provided that such investments are made with the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital.~~

~~(n) Obligations of United States to be authorized investments. Regardless of any other provision of law, obligations of the United States Government and its agencies shall be authorized investments of the fund.~~

~~(o) Holding entities for authorized investments. The board may make any investments authorized by this part or other law by~~

1 ~~becoming a limited partner in partnerships that will hold such~~
2 ~~investments, or by acquiring shares or units of participation or~~
3 ~~otherwise participating beneficially in bank collective trusts~~
4 ~~or in separate accounts of any insurance company authorized to~~
5 ~~do business in this Commonwealth, or by acquiring stocks or~~
6 ~~shares or units of participation or otherwise participating~~
7 ~~beneficially in the fund of any corporation or trust organized~~
8 ~~or existing under the laws of the United States or of any state,~~
9 ~~district or territory thereof which fund is maintained for and~~
10 ~~consists of assets of employees' benefit trusts, including~~
11 ~~governmental plans as defined in section 414(d) of the Internal~~
12 ~~Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 414(d)), or~~
13 ~~which meet the requirements for qualification under section 401~~
14 ~~of the Internal Revenue Code of 1986, provided that, in any such~~
15 ~~case, the liability of the State Employees' Retirement Fund~~
16 ~~shall be limited to the amount of its investment. In the case of~~
17 ~~authorized investments in real estate or interests therein, the~~
18 ~~board's acquisition of the stock or shares of or its other~~
19 ~~participation beneficially in the fund of any such vehicle,~~
20 ~~including any entity organized and maintained as a vehicle for~~
21 ~~an investment or investments of the board exclusively, shall not~~
22 ~~be deemed an investment in the common stock as defined in~~
23 ~~subsection (i) of any corporation as defined in subsection (j)~~
24 ~~for the purposes of any limitation on investment in corporate~~
25 ~~stocks set forth in subsection (h). Nothing in this subsection~~
26 ~~shall be deemed to supersede the limitation on investment in~~
27 ~~institutional real estate funds as set forth in subsection (l).~~
28 ~~(p)] (h) Venture capital. [The provisions of subsection (m)~~
29 ~~notwithstanding, venture] Venture capital investments [made~~
30 ~~through limited partnerships and through separate accounts]~~

1 ~~shall be limited to not more than 2% of the book value of the~~
2 ~~total assets of the fund as determined for financial statement~~
3 ~~purposes as of December 31 next preceding the date of~~
4 ~~investment. [A venture capital investment shall be made only if~~
5 ~~such investment will enhance the general welfare of this~~
6 ~~Commonwealth and its citizens through economic development and~~
7 ~~meets the standard of prudence set forth in subsection (m).] An~~
8 ~~investment shall be deemed a venture capital investment if it~~
9 ~~results in the acquisition of equity interests or a combination~~
10 ~~of debt and equity interests in a business which is expected to~~
11 ~~grow substantially in the future and in which the expected~~
12 ~~return on investment is to come predominantly from an increase~~
13 ~~in value of the equity [interest and that are not held through~~
14 ~~or secured by stock that is an authorized investment under the~~
15 ~~authority of subsection (h)] interests and are not interests in~~
16 ~~or secured by real estate. A venture capital investment may be~~
17 ~~made only if, in the judgment of the board, the investment is~~
18 ~~reasonably likely to enhance the general welfare of this~~
19 ~~Commonwealth and its citizens and meets the standard of prudence~~
20 ~~set forth in subsection (a). In determining whether the~~
21 ~~investment meets the standard of prudence, the board may~~
22 ~~consider, together with the expected return on and the risk~~
23 ~~characteristics of the particular investment, the actual and~~
24 ~~expected further returns and the risk characteristics of the~~
25 ~~total venture capital investments held by the board at the time~~
26 ~~and the degree to which the proposed new investment would~~
27 ~~promote further diversification within the venture capital asset~~
28 ~~class.~~

29 ~~(i) Vehicles for authorized investments. The board in its~~
30 ~~prudent discretion may make any investments which meet the~~

~~standard of prudence set forth in subsection (a) by becoming a limited partner in partnerships that will hold such investments, or by acquiring shares or units of participation or otherwise participating beneficially in bank collective trusts or in the separate accounts of any insurance company authorized to do business in this Commonwealth, or by acquiring stocks or shares or units of participation or otherwise participating beneficially in the fund of any corporation or trust organized or existing under the laws of the United States or of any state, district or territory thereof which fund is maintained for and consists of assets of employees' benefit trusts, including governmental plans as defined in section 414(d) of the Internal Revenue Code of 1986 (Public Law 99 514, 26 U.S.C. § 414(d)), as from time to time amended, which meet the requirements for qualification under section 401 of the Internal Revenue Code of 1986 (Public Law 99 514, 26 U.S.C. § 401), provided that, in any such case, the liability of the fund shall be limited to the amount of its investment.~~

~~(j) Legislative declaration concerning certain authorized investments. The General Assembly finds and declares that authorized investments of the fund make by or in behalf of the board pursuant to this section whereby the board becomes a joint owner or stockholder in any company, corporation or association are outside the scope of the original intent of, and therefor do not violate the prohibition set forth in section 8 of Article VIII of the Constitution of Pennsylvania.~~

~~Section 3. This act shall take effect as follows:~~

~~(1) Except as provided in paragraph (2), this act shall take effect immediately.~~

~~(2) Notwithstanding paragraph (1), any and all~~

~~investments of the Public School Employees' Retirement Board
and of the State Employees' Retirement Board, respectively,
which on the effective date of this act are owned or held
through a vehicle as described in 24 Pa.C.S. § 8521(i)
(relating to management of fund and accounts) or 71 Pa.C.S. §
5931(i) (relating to management of fund and accounts), as
applicable, shall be deemed to have been lawfully made
through such vehicle at inception.~~

SECTION 1. THE DEFINITIONS OF "EFFECTIVE DATE OF
RETIREMENT," "ELIGIBLE ANNUITANTS," "LEAVE FOR SERVICE WITH A
COLLECTIVE BARGAINING ORGANIZATION" AND "SUPERANNUATION
ANNUITANT" IN SECTION 8102 OF TITLE 24 OF THE PENNSYLVANIA
CONSOLIDATED STATUTES ARE AMENDED AND THE SECTION IS AMENDED BY
ADDING DEFINITIONS 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:

* * *

"ALTERNATE PAYEE." ANY SPOUSE, FORMER SPOUSE, CHILD OR
DEPENDENT OF A MEMBER 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 UNDER THIS PART.

* * *

"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).

* * *

"DISABILITY ANNUITANT." A MEMBER ON OR AFTER THE EFFECTIVE

1 DATE OF DISABILITY UNTIL HIS DISABILITY ANNUITY, OR THE PORTION
2 OF HIS DISABILITY ANNUITY PAYMENTS IN EXCESS OF ANY ANNUITY TO
3 WHICH HE MAY OTHERWISE BE ENTITLED, IS TERMINATED.

4 "DOMESTIC RELATIONS ORDER." ANY JUDGMENT, DECREE OR ORDER,
5 INCLUDING APPROVAL OF A PROPERTY SETTLEMENT AGREEMENT, ENTERED
6 ON OR AFTER THE EFFECTIVE DATE OF THIS DEFINITION BY A COURT OF
7 COMPETENT JURISDICTION PURSUANT TO A DOMESTIC RELATIONS LAW
8 WHICH RELATES TO THE MARITAL PROPERTY RIGHTS OF THE SPOUSE OR
9 FORMER SPOUSE OF A MEMBER, INCLUDING THE RIGHT TO RECEIVE ALL,
10 OR A PORTION OF, THE MONEYS PAYABLE TO THAT MEMBER UNDER THIS
11 PART IN FURTHERANCE OF THE EQUITABLE DISTRIBUTION OF MARITAL
12 ASSETS. THE TERM INCLUDES ORDERS OF SUPPORT AS THAT TERM IS
13 DEFINED BY 23 PA.C.S. § 4302 (RELATING TO DEFINITIONS) AND
14 ORDERS FOR THE ENFORCEMENT OF ARREARAGES AS PROVIDED IN 23
15 PA.C.S. § 3703 (RELATING TO ENFORCEMENT OF ARREARAGES).

16 "EFFECTIVE DATE OF RETIREMENT." THE FIRST DAY FOLLOWING THE
17 DATE OF TERMINATION OF SERVICE OF A MEMBER IF HE HAS PROPERLY
18 FILED AN APPLICATION FOR AN ANNUITY WITHIN 90 DAYS OF SUCH DATE
19 OR:

20 (1) IN THE CASE OF A MEMBER WHO APPLIES FOR AN ANNUITY
21 SUBSEQUENT TO 90 DAYS AFTER TERMINATION OF SERVICE, THE DATE
22 OF FILING SUCH APPLICATION OR THE DATE SPECIFIED ON THE
23 APPLICATION, WHICHEVER IS LATER.

24 (2) IN THE CASE OF A VESTEE WHO FILES AN APPLICATION FOR
25 AN ANNUITY WITHIN 90 DAYS OF HIS SUPERANNUATION AGE, THE
26 ATTAINMENT OF SUCH AGE.

27 (3) IN THE CASE OF A VESTEE WHO DEFERS THE FILING OF AN
28 APPLICATION FOR AN ANNUITY TO A DATE LATER THAN 90 DAYS
29 FOLLOWING ATTAINMENT OF SUPERANNUATION AGE, THE DATE OF
30 FILING OR THE DATE SPECIFIED ON THE APPLICATION, WHICHEVER IS

1 LATER.

2 [(3)] (4) IN THE CASE OF A FINDING OF DISABILITY, THE
3 DATE CERTIFIED BY THE BOARD AS THE EFFECTIVE DATE OF
4 DISABILITY.

5 "ELIGIBLE ANNUITANTS." ALL CURRENT AND PROSPECTIVE
6 ANNUITANTS WITH 24 1/2 OR MORE ELIGIBILITY POINTS AND ALL
7 CURRENT AND PROSPECTIVE DISABILITY ANNUITANTS. BEGINNING JULY 1,
8 1995, "ELIGIBLE ANNUITANTS" SHALL INCLUDE MEMBERS WITH 15 OR
9 MORE ELIGIBILITY POINTS WHO TERMINATED, OR WHO TERMINATE, SCHOOL
10 SERVICE ON OR AFTER ATTAINING SUPERANNUATION RETIREMENT AGE AND
11 WHO ARE ANNUITANTS WITH AN EFFECTIVE DATE OF RETIREMENT AFTER
12 SUPERANNUATION AGE.

13 * * *

14 "IRREVOCABLE BENEFICIARY." THE PERSON OR PERSONS PERMANENTLY
15 DESIGNATED BY A MEMBER IN WRITING TO THE BOARD PURSUANT TO AN
16 APPROVED DOMESTIC RELATIONS ORDER TO RECEIVE ALL, OR A PORTION
17 OF, THE ACCUMULATED DEDUCTIONS OR LUMP SUM BENEFIT PAYABLE UPON
18 THE DEATH OF SUCH MEMBER.

19 "IRREVOCABLE SURVIVOR ANNUITANT." THE PERSON PERMANENTLY
20 DESIGNATED BY A MEMBER IN WRITING TO THE BOARD PURSUANT TO AN
21 APPROVED DOMESTIC RELATIONS ORDER TO RECEIVE AN ANNUITY UPON THE
22 DEATH OF SUCH MEMBER.

23 * * *

24 "LEAVE FOR SERVICE WITH A COLLECTIVE BARGAINING
25 ORGANIZATION." PAID LEAVE GRANTED TO AN ACTIVE MEMBER BY AN
26 EMPLOYER FOR PURPOSES OF [SERVING AS AN ELECTED FULL-TIME
27 OFFICER FOR A STATEWIDE EMPLOYEE ORGANIZATION WHICH IS A
28 COLLECTIVE BARGAINING REPRESENTATIVE] WORKING FULL TIME FOR OR
29 SERVING FULL TIME AS AN OFFICER OF A STATEWIDE EMPLOYEE
30 ORGANIZATION OR A LOCAL COLLECTIVE BARGAINING REPRESENTATIVE

1 UNDER THE ACT OF JULY 23, 1970 (P.L.563, NO.195), KNOWN AS THE
2 PUBLIC EMPLOYE RELATIONS ACT: PROVIDED, THAT GREATER THAN ONE-
3 HALF OF THE MEMBERS OF THE [STATEWIDE] EMPLOYEE ORGANIZATION ARE
4 ACTIVE MEMBERS OF THE SYSTEM; [THAT SUCH LEAVE SHALL NOT BE FOR
5 MORE THAN TWO CONSECUTIVE TERMS OF THE SAME OFFICE;] THAT THE
6 EMPLOYER SHALL FULLY COMPENSATE THE MEMBER, INCLUDING, BUT NOT
7 LIMITED TO, SALARY, WAGES, PENSION AND RETIREMENT CONTRIBUTIONS
8 AND BENEFITS, OTHER BENEFITS AND SENIORITY, AS IF HE WERE IN
9 FULL-TIME ACTIVE SERVICE; AND THAT THE [STATEWIDE] EMPLOYEE
10 ORGANIZATION SHALL FULLY REIMBURSE THE EMPLOYER [AND THE
11 COMMONWEALTH FOR ALL EXPENSES AND COSTS OF SUCH PAID LEAVE,
12 INCLUDING, BUT NOT LIMITED TO, CONTRIBUTIONS AND PAYMENT ON
13 ACCOUNT OF SUCH SERVICE MADE TO THE SYSTEM IN ACCORDANCE WITH
14 SECTIONS 8326 (RELATING TO CONTRIBUTIONS BY THE COMMONWEALTH)
15 AND 8327 (RELATING TO PAYMENTS BY EMPLOYERS) AND MADE BY THE
16 COMMONWEALTH TO THE EMPLOYER, MADE IN ACCORDANCE WITH SECTION
17 8329 (RELATING TO PAYMENTS ON ACCOUNT OF SOCIAL SECURITY
18 DEDUCTIONS FROM APPROPRIATIONS).] FOR SUCH SALARY, WAGES,
19 PENSION AND RETIREMENT CONTRIBUTIONS AND BENEFITS AND OTHER
20 BENEFITS AND SENIORITY.

21 * * *

22 "PUBLIC SCHOOL CODE." THE ACT OF MARCH 10, 1949 (P.L.30,
23 NO.14), KNOWN AS THE PUBLIC SCHOOL CODE OF 1949.

24 * * *

25 "SCHOOL ENTITY." A SCHOOL DISTRICT OF ANY CLASS,
26 INTERMEDIATE UNIT OR AN AREA VOCATIONAL-TECHNICAL SCHOOL, AS
27 PROVIDED FOR UNDER THE ACT OF MARCH 10, 1949 (P.L.30, NO.14),
28 KNOWN AS THE PUBLIC SCHOOL CODE OF 1949.

29 * * *

30 "SUPERANNUATION ANNUITANT." AN ANNUITANT WHOSE ANNUITY FIRST

1 BECAME PAYABLE ON OR AFTER THE ATTAINMENT OF SUPERANNUATION AGE
2 AND WHO IS NOT A DISABILITY ANNUITANT.

3 * * *

4 SECTION 2. SECTIONS 8103, 8302(B.2), 8307(C) AND 8312 OF
5 TITLE 24 ARE AMENDED TO READ:

6 § 8103. CONSTRUCTION OF PART.

7 (A) GENERAL RULE.--THE PROVISIONS OF THIS PART IN SO FAR AS
8 THEY ARE THE SAME AS THOSE OF EXISTING LAW ARE INTENDED AS A
9 CONTINUATION OF SUCH LAWS AND NOT AS NEW ENACTMENTS. THE
10 PROVISIONS OF THIS PART SHALL NOT AFFECT ANY ACT DONE, LIABILITY
11 INCURRED, RIGHT ACCRUED OR VESTED, OR ANY SUIT OR PROSECUTION
12 PENDING OR TO BE INSTITUTED TO ENFORCE ANY RIGHT OR PENALTY OR
13 TO PUNISH ANY OFFENSE UNDER THE AUTHORITY OF ANY REPEALED LAWS.

14 (B) CONSTRUCTION OF PART WITH REGARD TO OLDER WORKERS
15 PROTECTION.--IT IS HEREBY FOUND AND DECLARED THAT THE PROVISIONS
16 OF THIS PART CONSTITUTE A BONA FIDE RETIREMENT OR PENSION PLAN
17 WITHIN THE MEANING OF THE AGE DISCRIMINATION IN EMPLOYMENT ACT
18 OF 1967 (PUBLIC LAW 90-202, 81 STAT. 602), AND THE ACT OF
19 OCTOBER 27, 1955 (P.L.744, NO.222), KNOWN AS THE PENNSYLVANIA
20 HUMAN RELATIONS ACT. ANY PROVISION OF THIS PART WHICH IS NOT
21 INCONSISTENT WITH THE PROVISIONS OF THE AGE DISCRIMINATION IN
22 EMPLOYMENT ACT OF 1967, AS AMENDED BY THE OLDER WORKERS BENEFIT
23 PROTECTION ACT (PUBLIC LAW 101-43, 104 STAT. 978) AND THE RULES
24 AND REGULATIONS OF THE FEDERAL EQUAL EMPLOYMENT OPPORTUNITY
25 COMMISSION UNDER SUCH FEDERAL LAWS SHALL BE DEEMED NOT
26 INCONSISTENT WITH SUCH PROVISIONS OF THE PENNSYLVANIA HUMAN
27 RELATIONS ACT AS RELATE TO DISCRIMINATION ON THE BASIS OF AGE
28 WITH RESPECT TO THE TERMS, CONDITIONS OR PRIVILEGES OF
29 EMPLOYMENT.

30 § 8302. CREDITED SCHOOL SERVICE.

* * *

(B.2) CREDITED SERVICE AS RETIREMENT INCENTIVE.--

NOTWITHSTANDING ANY PROVISIONS OF THIS TITLE TO THE CONTRARY,
FOR THE PERIOD OF [JULY 1, 1992] MAY 15, 1992, TO AUGUST 31,
1993, A MEMBER WHO IS NOT AN ANNUITANT ON [JULY 1, 1992] MAY 15,
1992, WHO TERMINATES SCHOOL SERVICE BETWEEN [JULY 1, 1992] MAY
15, 1992, AND AUGUST 31, 1993, INCLUSIVE, WHO WILL BE 55 YEARS
OF AGE OR OLDER ON AUGUST 31, 1993, WITH TEN OR MORE ELIGIBILITY
POINTS, WHO FILES AN APPLICATION FOR RETIREMENT BEFORE SEPTEMBER
1, 1993, AND WHO DECLARES HIS INTENT TO RETIRE PRIOR TO APRIL 1,
1993, SHALL BE CREDITED WITH AN ADDITIONAL 10% OF THEIR CREDITED
SERVICE.

* * *

§ 8307. ELIGIBILITY FOR ANNUITIES.

* * *

(C) DISABILITY ANNUITY.--AN ACTIVE OR INACTIVE 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[, PRIOR TO ATTAINMENT OF SUPERANNUATION AGE,] 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).

§ 8312. ELIGIBILITY FOR SPECIAL EARLY RETIREMENT.

NOTWITHSTANDING ANY PROVISIONS OF THIS TITLE TO THE CONTRARY,
FOR THE PERIOD ONLY OF JULY 1, 1985, TO [JUNE 30, 1993] JANUARY
1, 1997, THE FOLLOWING SPECIAL EARLY RETIREMENT PROVISIONS SHALL
BE APPLICABLE TO SPECIFIED ELIGIBLE MEMBERS AS FOLLOWS:

(1) DURING THE PERIOD OF JULY 1, 1985 TO JUNE 30, 1986,

1 ANY MEMBER WHO HAS ATTAINED THE AGE OF AT LEAST 53 YEARS AND
2 HAS CREDIT FOR AT LEAST 30 ELIGIBILITY POINTS SHALL BE
3 ENTITLED, UPON TERMINATION OF SERVICE AND FILING OF A PROPER
4 APPLICATION, TO RECEIVE A MAXIMUM SINGLE LIFE ANNUITY
5 CALCULATED PURSUANT TO SECTION 8342 (RELATING TO MAXIMUM
6 SINGLE LIFE ANNUITY) WITHOUT ANY REDUCTION BY VIRTUE OF AN
7 EFFECTIVE DATE OF RETIREMENT WHICH IS UNDER THE
8 SUPERANNUATION AGE.

9 (2) DURING THE PERIOD OF JULY 1, 1985 TO JUNE 30, 1986,
10 ANY MEMBER WHO HAS ATTAINED THE AGE OF AT LEAST 50 YEARS BUT
11 NOT GREATER THAN 53 YEARS AND HAS CREDIT FOR AT LEAST 30
12 ELIGIBILITY POINTS SHALL BE ENTITLED, UPON TERMINATION OF
13 SERVICE AND FILING OF A PROPER APPLICATION, TO RECEIVE A
14 MAXIMUM SINGLE LIFE ANNUITY CALCULATED PURSUANT TO SECTION
15 8342 WITH A REDUCTION BY VIRTUE OF AN EFFECTIVE DATE OF
16 RETIREMENT WHICH IS UNDER THE SUPERANNUATION AGE OF A
17 PERCENTAGE DETERMINED BY MULTIPLYING THE NUMBER OF MONTHS,
18 INCLUDING A FRACTION OF A MONTH AS A FULL MONTH, BY WHICH THE
19 EFFECTIVE DATE OF RETIREMENT PRECEDES THE ATTAINMENT OF AGE
20 53 BY 0.25%.

21 (3) DURING THE PERIOD OF JULY 1, 1987, TO JUNE 30, 1993,
22 A MEMBER WHO HAS CREDIT FOR AT LEAST 30 ELIGIBILITY POINTS
23 SHALL BE ENTITLED, UPON TERMINATION OF SERVICE AND FILING OF
24 A PROPER APPLICATION, TO RECEIVE A MAXIMUM SINGLE LIFE
25 ANNUITY CALCULATED PURSUANT TO SECTION 8342 WITHOUT ANY
26 REDUCTION BY VIRTUE OF AN EFFECTIVE DATE OF RETIREMENT WHICH
27 IS UNDER THE SUPERANNUATION AGE.

28 (4) DURING THE PERIOD OF JULY 1, 1993, TO JANUARY 1,
29 1997, A MEMBER WHO HAS CREDIT FOR AT LEAST 30 ELIGIBILITY
30 POINTS SHALL BE ENTITLED, UPON TERMINATION OF SERVICE AND

1 FILING OF A PROPER APPLICATION, TO RECEIVE A MAXIMUM SINGLE
2 LIFE ANNUITY CALCULATED PURSUANT TO SECTION 8342 WITHOUT ANY
3 REDUCTION BY VIRTUE OF AN EFFECTIVE DATE OF RETIREMENT WHICH
4 IS UNDER THE SUPERANNUATION AGE.

5 SECTION 3. SECTIONS 8326 AND 8327 OF TITLE 24 ARE AMENDED BY
6 ADDING SUBSECTIONS TO READ:

7 § 8326. CONTRIBUTIONS BY THE COMMONWEALTH.

8 * * *

9 (C) CONTRIBUTIONS AFTER JUNE 30, 1994.--

10 (1) THE COMMONWEALTH SHALL MAKE CONTRIBUTIONS INTO THE
11 FUND ON BEHALF OF ALL ACTIVE MEMBERS, INCLUDING MEMBERS ON
12 ACTIVATED MILITARY SERVICE LEAVE, FOR SERVICE PERFORMED AFTER
13 JUNE 30, 1994, IN THE FOLLOWING MANNER:

14 (I) FOR MEMBERS WHO ARE EMPLOYEES OF EMPLOYERS WHO <—
15 RECEIVE PAYMENTS ON ACCOUNT OF INSTRUCTION UNDER SECTION
16 2502 OF THE PUBLIC SCHOOL CODE THAT ARE SCHOOL ENTITIES, <—
17 NO COMMONWEALTH CONTRIBUTIONS SHALL BE MADE.

18 (II) FOR MEMBERS WHO ARE EMPLOYEES OF EMPLOYERS WHO <—
19 DO NOT RECEIVE PAYMENTS ON ACCOUNT OF INSTRUCTION UNDER
20 SECTION 2502 OF THE PUBLIC SCHOOL CODE THAT ARE NOT <—
21 SCHOOL ENTITIES, THE AMOUNT COMPUTED UNDER SUBSECTION
22 (A).

23 (2) THE COMMONWEALTH SHALL MAKE CONTRIBUTIONS INTO THE
24 FUND ON BEHALF OF ANNUITANTS FOR ALL AMOUNTS DUE TO THE FUND
25 AFTER JUNE 30, 1994, INCLUDING, BUT NOT LIMITED TO, AMOUNTS
26 DUE PURSUANT TO SECTION 8328(D) AND (F), IN THE FOLLOWING
27 MANNER:

28 (I) FOR MEMBERS WHO ARE EMPLOYEES OF EMPLOYERS WHO
29 RECEIVE PAYMENTS ON ACCOUNT OF INSTRUCTION UNDER SECTION <—
30 2502 OF THE PUBLIC SCHOOL CODE ARE SCHOOL ENTITIES, NO <—

1 COMMONWEALTH CONTRIBUTIONS SHALL BE MADE.

2 (II) FOR MEMBERS WHO ARE EMPLOYEES OF EMPLOYERS WHO
3 DO NOT RECEIVE PAYMENTS ON ACCOUNT OF INSTRUCTION UNDER <—
4 SECTION 2502 OF THE PUBLIC SCHOOL CODE ARE NOT SCHOOL <—
5 ENTITIES, THE AMOUNT COMPUTED UNDER SUBSECTION (B).

6 § 8327. PAYMENTS BY EMPLOYERS.

7 * * *

8 (C) PAYMENTS BY EMPLOYERS AFTER JUNE 30, 1994.--AFTER JUNE
9 30, 1994, EACH EMPLOYER, INCLUDING THE COMMONWEALTH AS EMPLOYER
10 OF EMPLOYEES OF THE DEPARTMENT OF EDUCATION, STATE-OWNED
11 COLLEGES AND UNIVERSITIES, THADDEUS STEVENS STATE SCHOOL OF
12 TECHNOLOGY, PENNSYLVANIA STATE ORAL SCHOOL FOR THE DEAF,
13 SCOTLAND SCHOOL FOR VETERANS' CHILDREN AND THE PENNSYLVANIA
14 STATE UNIVERSITY, SHALL MAKE PAYMENTS TO THE FUND EACH QUARTER
15 IN AN AMOUNT COMPUTED IN THE FOLLOWING MANNER:

16 (1) FOR AN EMPLOYER THAT RECEIVES PAYMENTS ON ACCOUNT OF <—
17 INSTRUCTION UNDER SECTION 2502 OF THE PUBLIC SCHOOL CODE, THE
18 IS A SCHOOL ENTITY, THE AMOUNT SHALL BE THE SUM OF THE <—
19 PERCENTAGES AS DETERMINED UNDER SECTION 8328 APPLIED TO THE
20 TOTAL COMPENSATION DURING THE PAY PERIODS IN THE PRECEDING
21 QUARTER OF ALL EMPLOYEES WHO WERE ACTIVE MEMBERS OF THE
22 SYSTEM DURING SUCH PERIOD, INCLUDING MEMBERS ON ACTIVATED
23 MILITARY SERVICE LEAVE. IN THE EVENT A MEMBER ON ACTIVATED
24 MILITARY SERVICE LEAVE DOES NOT RETURN TO SERVICE FOR THE
25 NECESSARY TIME OR RECEIVES AN UNDESIRABLE, BAD CONDUCT OR
26 DISHONORABLE DISCHARGE OR DOES NOT ELECT TO RECEIVE CREDIT
27 FOR ACTIVATED MILITARY SERVICE UNDER SECTION 8302(C)(3), THE
28 CONTRIBUTION MADE BY THE EMPLOYER ON BEHALF OF SUCH MEMBER
29 SHALL BE RETURNED WITH VALUATION INTEREST UPON APPLICATION BY
30 THE EMPLOYER.

1 ~~(2) FOR AN EMPLOYER THAT DOES NOT RECEIVE PAYMENTS ON~~ <—
2 ~~ACCOUNT OF INSTRUCTION UNDER SECTION 2502 OF THE PUBLIC~~
3 ~~SCHOOL CODE IS NOT A SCHOOL ENTITY, THE AMOUNT COMPUTED UNDER~~ <—
4 ~~SUBSECTION (A).~~

5 SECTION 4. SECTIONS 8328(B), (C) AND (D), 8329(A), 8344(A),
6 8345(A)(4) AND 8346 OF TITLE 24 ARE AMENDED TO READ:

7 § 8328. ACTUARIAL COST METHOD.

8 * * *

9 (B) NORMAL CONTRIBUTION RATE.--THE NORMAL CONTRIBUTION RATE
10 SHALL BE DETERMINED AFTER EACH ACTUARIAL VALUATION. UNTIL ALL
11 ACCRUED LIABILITY CONTRIBUTIONS HAVE BEEN COMPLETED, THE NORMAL
12 CONTRIBUTION RATE SHALL BE DETERMINED, ON THE BASIS OF AN ANNUAL
13 INTEREST RATE AND SUCH MORTALITY AND OTHER TABLES AS SHALL BE
14 ADOPTED BY THE BOARD IN ACCORDANCE WITH GENERALLY ACCEPTED
15 ACTUARIAL PRINCIPLES, AS A LEVEL PERCENTAGE OF THE COMPENSATION
16 OF THE AVERAGE NEW ACTIVE MEMBER, WHICH PERCENTAGE, IF
17 CONTRIBUTED ON THE BASIS OF HIS PROSPECTIVE COMPENSATION THROUGH
18 THE ENTIRE PERIOD OF ACTIVE SCHOOL SERVICE, WOULD BE SUFFICIENT
19 TO FUND THE LIABILITY FOR ANY PROSPECTIVE BENEFIT PAYABLE TO
20 HIM, IN EXCESS OF THAT PORTION FUNDED BY HIS PROSPECTIVE MEMBER
21 CONTRIBUTIONS, EXCEPT FOR THE SUPPLEMENTAL BENEFITS PROVIDED IN
22 SECTIONS 8348 (RELATING TO SUPPLEMENTAL ANNUITIES), 8348.1
23 (RELATING TO ADDITIONAL SUPPLEMENTAL ANNUITIES) [AND], 8348.2
24 (RELATING TO FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES) AND
25 8348.3 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1994).

26 (C) ACCRUED LIABILITY CONTRIBUTION RATE.--FOR THE FISCAL
27 YEAR BEGINNING JULY 1, 1991, THE ACCRUED LIABILITY CONTRIBUTION
28 RATE SHALL BE COMPUTED AS THE RATE OF TOTAL COMPENSATION OF ALL
29 ACTIVE MEMBERS WHICH SHALL BE CERTIFIED BY THE ACTUARY AS
30 SUFFICIENT TO FUND OVER A PERIOD OF 20 YEARS FROM JULY 1, 1991,

1 THE PRESENT VALUE OF THE LIABILITIES FOR ALL PROSPECTIVE
2 BENEFITS OF ACTIVE MEMBERS, EXCEPT FOR THE SUPPLEMENTAL BENEFITS
3 PROVIDED IN SECTIONS 8348, 8348.1 [AND 8348.2], 8348.2 AND
4 8348.3, IN EXCESS OF THE TOTAL ASSETS IN THE FUND, EXCLUDING THE
5 BALANCE IN THE ANNUITY RESERVE ACCOUNT, AND OF THE PRESENT VALUE
6 OF NORMAL CONTRIBUTIONS AND OF MEMBER CONTRIBUTIONS PAYABLE WITH
7 RESPECT TO ALL ACTIVE MEMBERS ON JULY 1, 1991, DURING THE
8 REMAINDER OF THEIR ACTIVE SERVICE. THEREAFTER, THE AMOUNT OF
9 EACH ANNUAL ACCRUED LIABILITY CONTRIBUTION SHALL BE 5% GREATER
10 THAN THE AMOUNT OF SUCH CONTRIBUTION FOR THE PREVIOUS FISCAL
11 YEAR, EXCEPT THAT, IF THE ACCRUED LIABILITY IS INCREASED BY
12 LEGISLATION ENACTED SUBSEQUENT TO JULY 1, 1991, SUCH ADDITIONAL
13 LIABILITY SHALL BE FUNDED OVER A PERIOD OF 20 YEARS FROM THE
14 FIRST DAY OF JULY, COINCIDENT WITH OR NEXT FOLLOWING THE
15 EFFECTIVE DATE OF THE INCREASE, PROVIDED THAT THE LIABILITY FOR
16 ANY ADDITIONAL BENEFITS CREATED BY THIS ACT, EXCEPT FOR THE
17 HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM ESTABLISHED IN
18 SECTION 8509 (RELATING TO HEALTH INSURANCE PREMIUM ASSISTANCE
19 PROGRAM), SHALL BE FUNDED OVER A PERIOD OF 20 YEARS COMMENCING
20 JULY 1, 1992. THE AMOUNT OF EACH ANNUAL ACCRUED LIABILITY
21 CONTRIBUTION FOR SUCH ADDITIONAL LEGISLATIVE LIABILITIES SHALL
22 BE 5% GREATER THAN THE AMOUNT OF SUCH CONTRIBUTION FOR THE
23 PREVIOUS FISCAL YEAR.

24 (D) SUPPLEMENTAL ANNUITY CONTRIBUTION RATE.--CONTRIBUTIONS
25 FROM THE COMMONWEALTH AND OTHER EMPLOYERS REQUIRED TO PROVIDE
26 FOR THE PAYMENT OF THE SUPPLEMENTAL ANNUITIES PROVIDED FOR IN
27 SECTIONS 8348, 8348.1 AND 8348.2 SHALL BE PAID OVER A PERIOD OF
28 20 YEARS FROM JULY 1, 1991. THE AMOUNT OF EACH ANNUAL
29 SUPPLEMENTAL ANNUITIES CONTRIBUTION SHALL BE 5% GREATER THAN THE
30 AMOUNT OF SUCH CONTRIBUTION FOR THE PREVIOUS FISCAL YEAR. IN THE

1 EVENT THAT SUPPLEMENTAL ANNUITIES ARE INCREASED BY LEGISLATION
2 ENACTED SUBSEQUENT TO JULY 1, 1991, THE ADDITIONAL LIABILITY FOR
3 THE INCREASED BENEFITS SHALL BE FUNDED IN ANNUAL INSTALLMENTS
4 INCREASING BY 5% EACH YEAR OVER A PERIOD OF 20 YEARS FROM THE
5 JULY 1, COINCIDENT WITH OR NEXT FOLLOWING THE EFFECTIVE DATE OF
6 SUCH LEGISLATION. NOTWITHSTANDING THE PRECEDING, THE FUNDING FOR
7 THE SUPPLEMENTAL ANNUITIES COMMENCING 1994 PROVIDED FOR IN
8 SECTION 8348.3 SHALL BE AS PROVIDED IN SECTION 8348.3(F).

9 * * *

10 § 8329. PAYMENTS ON ACCOUNT OF SOCIAL SECURITY DEDUCTIONS FROM
11 APPROPRIATIONS.

12 (A) PAYMENTS BY COMMONWEALTH.--WHERE THE SECRETARY OF
13 EDUCATION ENTERS INTO AN AGREEMENT WITH THE COMMONWEALTH TO
14 PLACE UNDER THE FEDERAL SOCIAL SECURITY ACT MEMBERS WHO HAVE
15 ELECTED COVERAGE, THE COMMONWEALTH SHALL PAY TO THE EMPLOYERS
16 ONE-HALF OF THE CONTRIBUTIONS PAYABLE UNDER THE EMPLOYER'S TAX
17 ESTABLISHED BY THE SOCIAL SECURITY ACT (PUBLIC LAW 74-271, 42
18 U.S.C. § 301 ET SEQ.) ON ALL COVERED WAGES WHICH ARE NOT
19 FEDERALLY FUNDED[.], EXCEPT THAT AFTER JUNE 30, 1994, THE

20 COMMONWEALTH SHALL PAY TO AN EMPLOYER WHO RECEIVES PAYMENTS ON <—
21 ACCOUNT OF INSTRUCTION PURSUANT TO SECTION 2502 OF THE PUBLIC
22 SCHOOL CODE THAT IS A SCHOOL ENTITY AN AMOUNT AS FOLLOWS: <—

23 (1) FOR ALL EMPLOYEES WHOSE EFFECTIVE DATES OF
24 EMPLOYMENT WITH THEIR EMPLOYING SCHOOL DISTRICTS ENTITIES ARE <—
25 AFTER JUNE 30, 1993, AND WHO ALSO HAD NOT PREVIOUSLY BEEN <—
26 EMPLOYED BY ANY SCHOOL ENTITY WITHIN THIS COMMONWEALTH THE
27 COMMONWEALTH SHALL REIMBURSE PAY EACH SCHOOL DISTRICT ENTITY <—
28 AN AMOUNT EQUAL TO THE TOTAL CONTRIBUTIONS PAYABLE UNDER THE
29 EMPLOYER'S TAX ESTABLISHED BY THE SOCIAL SECURITY ACT ON ALL
30 COVERED WAGES WHICH ARE NOT FEDERALLY FUNDED, MULTIPLIED BY

1 THE MARKET VALUE/INCOME AID RATIO OF THE SCHOOL DISTRICT <—
2 ENTITY. FOR NO SCHOOL YEAR SHALL ANY SCHOOL DISTRICT ENTITY <—
3 RECEIVE LESS THAN THE AMOUNT THAT WOULD RESULT IF THE MARKET
4 VALUE/INCOME AID RATIO AS DEFINED IN SECTION 2501(14.1) OF
5 THE ACT OF MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS THE
6 PUBLIC SCHOOL CODE OF 1949, WAS .15. IF THE SUM OF ALL <—
7 COMMONWEALTH PAYMENTS TO SCHOOL ENTITIES UNDER THIS PARAGRAPH
8 DOES NOT EQUAL ONE-HALF THE SUM OF THE ENTIRE EMPLOYER'S
9 SHARE FOR ALL SUCH EMPLOYEES OF ALL SCHOOL ENTITIES, THE
10 PAYMENTS TO THE SCHOOL ENTITIES BY THE COMMONWEALTH SHALL BE
11 PROPORTIONATELY REDUCED OR INCREASED TO MAKE THE SUM OF ALL
12 COMMONWEALTH PAYMENTS EQUAL TO ONE-HALF THE SUM OF THE ENTIRE
13 EMPLOYER'S SHARE FOR ALL SUCH EMPLOYEES OF ALL THE SCHOOL
14 ENTITIES.

15 (2) FOR ALL EMPLOYEES WHO ARE NOT DESCRIBED IN PARAGRAPH
16 (1), THE COMMONWEALTH SHALL REIMBURSE EACH SCHOOL DISTRICT <—
17 PAY EACH SCHOOL ENTITY ONE-HALF OF THE CONTRIBUTIONS PAYABLE <—
18 UNDER THE EMPLOYER'S TAX ESTABLISHED BY THE SOCIAL SECURITY
19 ACT ON ALL COVERED WAGES WHICH ARE NOT FEDERALLY FUNDED.

20 * * *

21 § 8344. DISABILITY ANNUITIES.

22 (A) AMOUNT OF ANNUITY.--A MEMBER WHO HAS MADE APPLICATION
23 FOR A DISABILITY ANNUITY AS PROVIDED IN SECTION 8507(K)
24 (RELATING TO RIGHTS AND DUTIES OF SCHOOL EMPLOYEES AND MEMBERS)
25 AND HAS BEEN FOUND TO BE ELIGIBLE IN ACCORDANCE WITH THE
26 PROVISIONS OF SECTIONS 8307(C) (RELATING TO ELIGIBILITY FOR
27 ANNUITIES) AND 8505(C)(1) (RELATING TO DUTIES OF BOARD REGARDING
28 APPLICATIONS AND ELECTIONS OF MEMBERS) SHALL RECEIVE A
29 DISABILITY ANNUITY PAYABLE FROM THE EFFECTIVE DATE OF DISABILITY
30 AND CONTINUED UNTIL A SUBSEQUENT DETERMINATION BY THE BOARD THAT

1 THE ANNUITANT IS NO LONGER ENTITLED TO A DISABILITY ANNUITY. THE
2 DISABILITY ANNUITY SHALL BE EQUAL TO A STANDARD SINGLE LIFE
3 ANNUITY IF THE TOTAL NUMBER OF YEARS OF CREDITED SERVICE IS
4 GREATER THAN 16.667, OTHERWISE THE STANDARD SINGLE LIFE ANNUITY
5 SHALL BE MULTIPLIED BY THE LESSER OF THE FOLLOWING RATIOS:

6
$$Y^*/Y \text{ OR } 16.667/Y$$

7 WHERE Y = NUMBER OF YEARS OF CREDITED SERVICE AND Y* = TOTAL
8 YEARS OF CREDITED SERVICE IF THE MEMBER WERE TO CONTINUE AS A
9 SCHOOL EMPLOYEE UNTIL ATTAINING SUPERANNUATION AGE, OR IF THE
10 MEMBER HAS ATTAINED SUPERANNUATION AGE THEN THE NUMBER OF YEARS
11 OF CREDITED SERVICE. IN NO EVENT SHALL THE DISABILITY ANNUITY
12 PLUS ANY COST-OF-LIVING INCREASES BE LESS THAN \$100 FOR EACH
13 FULL YEAR OF CREDITED SERVICE. THE MEMBER SHALL BE ENTITLED TO
14 THE ELECTION OF A JOINT AND SURVIVOR ANNUITY ON THAT PORTION OF
15 THE DISABILITY ANNUITY TO WHICH HE IS ENTITLED UNDER SECTION
16 8342 (RELATING TO MAXIMUM SINGLE LIFE ANNUITY).

17 * * *

18 § 8345. MEMBER'S OPTIONS.

19 (A) GENERAL RULE.--ANY VESTEE WITH TEN OR MORE ELIGIBILITY
20 POINTS OR ANY OTHER ELIGIBLE MEMBER UPON TERMINATION OF SCHOOL
21 SERVICE WHO HAS NOT WITHDRAWN HIS ACCUMULATED DEDUCTIONS AS
22 PROVIDED IN SECTION 8341 (RELATING TO RETURN OF ACCUMULATED
23 DEDUCTIONS) MAY APPLY FOR AND ELECT TO RECEIVE EITHER A MAXIMUM
24 SINGLE LIFE ANNUITY, AS CALCULATED IN ACCORDANCE WITH THE
25 PROVISIONS OF SECTION 8342 (RELATING TO MAXIMUM SINGLE LIFE
26 ANNUITY), OR A REDUCED ANNUITY CERTIFIED BY THE ACTUARY TO BE
27 ACTUARIALLY EQUIVALENT TO THE MAXIMUM SINGLE LIFE ANNUITY AND IN
28 ACCORDANCE WITH ONE OF THE FOLLOWING OPTIONS, EXCEPT THAT NO
29 MEMBER SHALL ELECT AN ANNUITY PAYABLE TO ONE OR MORE SURVIVOR
30 ANNUITANTS OTHER THAN HIS SPOUSE OR ALTERNATE PAYEE OF SUCH A

1 MAGNITUDE THAT THE PRESENT VALUE OF THE ANNUITY PAYABLE TO HIM
2 FOR LIFE PLUS ANY LUMP SUM PAYMENT HE MAY HAVE ELECTED TO
3 RECEIVE IS LESS THAN 50% OF THE PRESENT VALUE OF HIS MAXIMUM
4 SINGLE LIFE ANNUITY.

5 * * *

6 (4) OPTION 4.--SOME OTHER BENEFIT WHICH SHALL BE
7 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE
8 MAXIMUM SINGLE LIFE ANNUITY, SUBJECT TO THE FOLLOWING
9 RESTRICTIONS:

10 (I) ANY ANNUITY SHALL BE PAYABLE WITHOUT REDUCTION
11 DURING THE LIFETIME OF THE MEMBER [EXCEPT AS THE RESULT
12 OF THE MEMBER'S ELECTION TO RECEIVE AN ANNUITY REDUCED
13 UPON ATTAINMENT OF AGE 65, IN ANTICIPATION OF THE RECEIPT
14 OF A SOCIAL SECURITY BENEFIT].

15 (II) THE SUM OF ALL ANNUITIES PAYABLE TO THE
16 DESIGNATED SURVIVOR ANNUITANTS SHALL NOT BE GREATER THAN
17 ONE AND ONE-HALF TIMES THE ANNUITY PAYABLE TO THE MEMBER.

18 (III) A PORTION OF THE BENEFIT MAY BE PAYABLE AS A
19 LUMP SUM, EXCEPT THAT SUCH LUMP SUM PAYMENT SHALL NOT
20 EXCEED AN AMOUNT EQUAL TO THE ACCUMULATED DEDUCTIONS
21 STANDING TO THE CREDIT OF THE MEMBER. THE BALANCE OF THE
22 PRESENT VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY ADJUSTED
23 IN ACCORDANCE WITH SECTION 8342(B) SHALL BE PAID IN THE
24 FORM OF AN ANNUITY WITH A GUARANTEED TOTAL PAYMENT, A
25 SINGLE LIFE ANNUITY, OR A JOINT AND SURVIVOR ANNUITY OR
26 ANY COMBINATION THEREOF BUT SUBJECT TO THE RESTRICTIONS
27 OF SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH.

28 * * *

29 § 8346. TERMINATION OF ANNUITIES.

30 (A) GENERAL RULE.--IF AN ANNUITANT RETURNS TO SCHOOL SERVICE

1 OR ENTERS STATE SERVICE AND ELECTS MULTIPLE SERVICE MEMBERSHIP,
2 ANY ANNUITY PAYABLE TO HIM UNDER THIS PART SHALL CEASE AND IN
3 THE CASE OF AN ANNUITY OTHER THAN A DISABILITY ANNUITY THE
4 PRESENT VALUE OF SUCH ANNUITY, ADJUSTED FOR FULL COVERAGE IN THE
5 CASE OF A JOINT COVERAGE MEMBER WHO MAKES THE APPROPRIATE BACK
6 CONTRIBUTIONS FOR FULL COVERAGE, SHALL BE FROZEN AS OF THE DATE
7 SUCH ANNUITY CEASES. AN ANNUITANT WHO IS CREDITED WITH AN
8 ADDITIONAL 10% OF MEMBERSHIP SERVICE AS PROVIDED IN SECTION
9 8302(B.2) (RELATING TO CREDITED SCHOOL SERVICE) AND WHO RETURNS
10 TO SCHOOL SERVICE, EXCEPT AS PROVIDED IN SUBSECTION (B), SHALL
11 FORFEIT SUCH CREDITED SERVICE AND SHALL HAVE HIS FROZEN PRESENT
12 VALUE ADJUSTED AS IF HIS 10% RETIREMENT INCENTIVE HAD NOT BEEN
13 APPLIED TO HIS ACCOUNT. IN THE EVENT THAT THE COST-OF-LIVING
14 INCREASE ENACTED DECEMBER 18, 1979, OCCURRED DURING THE PERIOD
15 OF SUCH STATE OR SCHOOL EMPLOYMENT, THE FROZEN PRESENT VALUE
16 SHALL BE INCREASED, ON OR AFTER THE MEMBER ATTAINS
17 SUPERANNUATION AGE, BY THE PERCENT APPLICABLE HAD HE NOT
18 RETURNED TO SERVICE.

19 (B) RETURN TO SCHOOL SERVICE DURING EMERGENCY.--WHEN, IN THE
20 JUDGMENT OF THE EMPLOYER, AN EMERGENCY CREATES AN INCREASE IN
21 THE WORK LOAD SUCH THAT THERE IS SERIOUS IMPAIRMENT OF SERVICE
22 TO THE PUBLIC OR IN THE EVENT OF A SHORTAGE OF APPROPRIATE
23 SUBJECT CERTIFIED TEACHERS, AN ANNUITANT MAY BE RETURNED TO
24 SCHOOL SERVICE FOR A PERIOD NOT TO EXCEED 95 FULL-DAY SESSIONS
25 IN ANY SCHOOL YEAR WITHOUT LOSS OF HIS ANNUITY. IN COMPUTING THE
26 NUMBER OF DAYS AN ANNUITANT HAS RETURNED TO SCHOOL SERVICE, ANY
27 AMOUNT OF TIME LESS THAN ONE-HALF OF A DAY SHALL BE COUNTED AS
28 ONE-HALF OF A DAY.

29 (C) SUBSEQUENT DISCONTINUANCE OF SERVICE.--UPON SUBSEQUENT
30 DISCONTINUANCE OF SERVICE, SUCH MEMBER OTHER THAN A FORMER

1 ANNUITANT WHO ELECTED TO ELIMINATE THE EFFECT OF HIS FROZEN
2 PRESENT VALUE IN ACCORDANCE WITH SUBSECTION (D) OR A FORMER
3 DISABILITY ANNUITANT SHALL BE ENTITLED TO AN ANNUITY WHICH IS
4 ACTUARIALLY EQUIVALENT TO THE SUM OF THE PRESENT VALUE AS
5 DETERMINED UNDER SUBSECTION (A) AND THE PRESENT VALUE OF A
6 MAXIMUM SINGLE LIFE ANNUITY BASED ON YEARS OF SERVICE CREDITED
7 SUBSEQUENT TO REENTRY IN THE SYSTEM AND HIS FINAL AVERAGE SALARY
8 COMPUTED BY REFERENCE TO HIS COMPENSATION DURING HIS ENTIRE
9 PERIOD OF SCHOOL AND STATE SERVICE.

10 (D) ELECTION TO ELIMINATE THE EFFECT OF FROZEN PRESENT
11 VALUE.--

12 (1) IF AN ANNUITANT WHO HAS NOT ELECTED MULTIPLE SERVICE
13 RETURNS TO SCHOOL SERVICE AND EARNS THREE ELIGIBILITY POINTS
14 BY PERFORMING CREDITED SCHOOL SERVICE FOLLOWING THE MOST
15 RECENT PERIOD OF RECEIPT OF AN ANNUITY UNDER THIS PART AND
16 THE PRESENT VALUE OF HIS ANNUITY HAS BEEN FROZEN IN
17 ACCORDANCE WITH SUBSECTION (A), THE FORMER ANNUITANT MAY
18 ELECT TO ELIMINATE THE EFFECT OF THE FROZEN PRESENT VALUE
19 RESULTING FROM ALL PREVIOUS PERIODS OF RETIREMENT BY AGREEING
20 TO RETURN TO THE FUND ALL PAYMENTS UNDER OPTION 4 AND ANNUITY
21 PAYMENTS PAYABLE DURING PREVIOUS PERIODS OF RETIREMENT PLUS
22 INTEREST AS SET FORTH IN PARAGRAPH (4) IN THE FORM OF AN
23 ACTUARIAL ADJUSTMENT TO HIS SUBSEQUENT BENEFITS.

24 (2) A FORMER ANNUITANT WHO HAS NOT ELECTED MULTIPLE
25 SERVICE AND CHOOSES TO ELIMINATE THE EFFECT OF HIS FROZEN
26 PRESENT VALUE MUST ELECT TO DO SO IN THE SCHOOL YEAR IN WHICH
27 HE FIRST BECOMES ELIGIBLE OR IN THE FOLLOWING SCHOOL YEAR.
28 ONLY AN ACTIVE OR INACTIVE MEMBER ON LEAVE CAN ELECT TO
29 ELIMINATE THE EFFECT OF FROZEN PRESENT VALUE.

30 (3) UPON SUBSEQUENT DISCONTINUANCE OF SERVICE WHERE A

1 FORMER ANNUITANT HAS ELECTED TO ELIMINATE THE EFFECT OF THE
2 FROZEN PRESENT VALUE UNDER THIS SUBSECTION, THAT PORTION OF
3 THE PRESENT VALUE OF HIS ACCOUNT UPON WHICH HIS ANNUITY HAD
4 BEEN CALCULATED SHALL NO LONGER BE FROZEN AND HE SHALL BE
5 ENTITLED TO AN ANNUITY CALCULATED IN ACCORDANCE WITH THE
6 PROVISIONS OF THIS PART AS THEN IN EFFECT, ADJUSTED ACCORDING
7 TO PARAGRAPH (4), PROVIDED THAT A FORMER ANNUITANT WHO
8 RETIRED UNDER A PROVISION OF LAW GRANTING ADDITIONAL SERVICE
9 CREDIT IF TERMINATION OF SCHOOL SERVICE OR RETIREMENT
10 OCCURRED DURING A SPECIFIC PERIOD OF TIME, SHALL NOT BE
11 PERMITTED TO RETAIN THE ADDITIONAL SERVICE CREDIT UNDER THE
12 PRIOR LAW WHEN THE ANNUITY IS COMPUTED FOR HIS MOST RECENT
13 RETIREMENT.

14 (4) IN ADDITION TO ANY OTHER ADJUSTMENT TO THE PRESENT
15 VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY THAT A MEMBER MAY BE
16 ENTITLED TO RECEIVE THAT OCCURS AS A RESULT OF ANY OTHER
17 PROVISION OF LAW, THE PRESENT VALUE OF THE MAXIMUM SINGLE
18 LIFE ANNUITY SHALL BE REDUCED BY ALL AMOUNTS PAID OR PAYABLE
19 TO HIM DURING ALL PREVIOUS PERIODS OF RETIREMENT PLUS
20 INTEREST ON THESE AMOUNTS UNTIL THE DATE OF SUBSEQUENT
21 RETIREMENT. THE INTEREST FOR EACH YEAR SHALL BE CALCULATED
22 BASED UPON THE ANNUAL INTEREST RATE ADOPTED FOR THAT SCHOOL
23 YEAR BY THE BOARD FOR THE CALCULATION OF THE NORMAL
24 CONTRIBUTION RATE PURSUANT TO SECTION 8328(B) (RELATING TO
25 ACTUARIAL COST METHOD).

26 SECTION 5. TITLE 24 IS AMENDED BY ADDING A SECTION TO READ:

27 § 8348.3. SUPPLEMENTAL ANNUITIES COMMENCING 1994.

28 (A) BENEFITS.--COMMENCING WITH THE FIRST MONTHLY ANNUITY
29 PAYMENT AFTER JULY 1, 1994, ANY ELIGIBLE BENEFIT RECIPIENT SHALL
30 BE ENTITLED TO RECEIVE A FURTHER ADDITIONAL MONTHLY SUPPLEMENTAL

1 ANNUITY FROM THE SYSTEM. THIS SHALL BE IN ADDITION TO THE
2 SUPPLEMENTAL ANNUITIES PROVIDED FOR IN SECTIONS 8348 (RELATING
3 TO SUPPLEMENTAL ANNUITIES), 8348.1 (RELATING TO ADDITIONAL
4 SUPPLEMENTAL ANNUITIES) AND 8348.2 (RELATING TO FURTHER
5 ADDITIONAL SUPPLEMENTAL ANNUITIES).

6 (B) AMOUNT OF ADDITIONAL SUPPLEMENTAL ANNUITY.--THE AMOUNT
7 OF THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY SHALL BE
8 DETERMINED ON THE BASIS OF THE MOST RECENT EFFECTIVE DATE OF
9 RETIREMENT AND PAYABLE ON THE FIRST \$3,000 OF ANNUITY RECEIVED
10 PER MONTH, AS FOLLOWS:

<u>MOST RECENT EFFECTIVE</u>	<u>PERCENTAGE FACTOR</u>
<u>DATE OF RETIREMENT</u>	
<u>JULY 1, 1991, THROUGH JUNE 30, 1992</u>	<u>1.5%</u>
<u>JULY 1, 1990, THROUGH JUNE 30, 1991</u>	<u>2.8%</u>
<u>JULY 1, 1989, THROUGH JUNE 30, 1990</u>	<u>5.3%</u>
<u>ON OR PRIOR TO JUNE 30, 1989</u>	<u>7.9%</u>

17 (C) PAYMENT.--THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY
18 PROVIDED UNDER THIS SECTION SHALL BE PAID AUTOMATICALLY UNLESS
19 THE INTENDED RECIPIENT FILES A WRITTEN NOTICE WITH THE SYSTEM
20 REQUESTING THAT THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY NOT
21 BE PAID.

22 (D) CONDITIONS.--THE ADDITIONAL SUPPLEMENTAL ANNUITY
23 PROVIDED UNDER THIS SECTION SHALL BE PAYABLE UNDER THE SAME
24 TERMS AND CONDITIONS AS PROVIDED UNDER THE OPTION PLAN IN EFFECT
25 JUNE 30, 1994.

26 (E) BENEFITS PAID TO BENEFICIARIES OR SURVIVORS.--NO
27 SUPPLEMENTAL ANNUITY EFFECTIVE AFTER THE DEATH OF THE MEMBER
28 SHALL BE PAYABLE TO THE BENEFICIARY OR SURVIVOR ANNUITANT OF THE
29 DECEASED MEMBER.

30 (F) FUNDING.--NOTWITHSTANDING SECTION 8328(D) (RELATING TO

1 ACTUARIAL COST METHOD), THE ADDITIONAL LIABILITY FOR THE
2 INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN
3 ANNUAL INSTALLMENTS INCREASING BY 5% EACH YEAR OVER A PERIOD OF
4 20 YEARS BEGINNING JULY 1, 1995.

5 (G) DEFINITION.--AS USED IN THIS SECTION, THE TERM "ELIGIBLE
6 BENEFIT RECIPIENT" SHALL MEAN A PERSON WHO IS RECEIVING A
7 SUPERANNUATION, WITHDRAWAL OR DISABILITY ANNUITY AND WHO
8 COMMENCED RECEIPT OF THAT ANNUITY ON OR PRIOR TO JUNE 30, 1992,
9 BUT THE SUPPLEMENTAL ANNUITIES SHALL NOT BE PAYABLE TO AN
10 ANNUITANT RECEIVING A WITHDRAWAL ANNUITY PRIOR TO THE FIRST DAY
11 OF JULY COINCIDENT WITH OR FOLLOWING THE ANNUITANT'S ATTAINMENT
12 OF SUPERANNUATION AGE.

13 SECTION 6. SECTIONS 8502, 8505(C), (F), (G) AND (H),
14 8507(F), (H) AND (K), 8508(C), 8509(B), 8521 AND 8533 OF TITLE
15 24 ARE AMENDED TO READ:

16 § 8502. ADMINISTRATIVE DUTIES OF BOARD.

17 (A) EMPLOYEES.--THE SECRETARY, CLERICAL AND OTHER EMPLOYEES
18 OF THE BOARD AND THEIR SUCCESSORS WHOSE POSITIONS ON THE
19 EFFECTIVE DATE OF THIS PART ARE UNDER THE CLASSIFIED SERVICE
20 PROVISIONS OF THE ACT OF AUGUST 5, 1941 (P.L.752, NO.286), KNOWN
21 AS THE CIVIL SERVICE ACT, SHALL CONTINUE UNDER SUCH PROVISIONS.
22 NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE COMPENSATION AND
23 CLASSIFICATION SHALL BE ESTABLISHED BY THE BOARD FOR THE
24 SECRETARY, THE ASSISTANT SECRETARY, INVESTMENT PROFESSIONALS AND
25 OTHER PROFESSIONALS AS DESIGNATED BY THE BOARD WHO ARE NOT
26 COVERED BY A COLLECTIVE BARGAINING AGREEMENT.

27 (B) PROFESSIONAL PERSONNEL.--THE BOARD SHALL CONTRACT FOR
28 THE SERVICES OF A CHIEF MEDICAL EXAMINER, AN ACTUARY, INVESTMENT
29 ADVISORS, COUNSELORS, AN INVESTMENT COORDINATOR, AND SUCH OTHER
30 PROFESSIONAL PERSONNEL AS IT DEEMS ADVISABLE.

1 (C) EXPENSES.--THE BOARD SHALL, THROUGH THE GOVERNOR, SUBMIT
2 TO THE GENERAL ASSEMBLY ANNUALLY A BUDGET COVERING THE
3 ADMINISTRATIVE EXPENSES OF THIS PART. SUCH EXPENSES AS APPROVED
4 BY THE GENERAL ASSEMBLY IN AN APPROPRIATION BILL SHALL BE PAID
5 FROM INVESTMENT EARNINGS OF THE FUND. CONCURRENTLY WITH ITS
6 ADMINISTRATIVE BUDGET, THE BOARD SHALL ALSO SUBMIT TO THE
7 GENERAL ASSEMBLY ANNUALLY A LIST OF PROPOSED EXPENDITURES WHICH
8 THE BOARD INTENDS TO PAY THROUGH THE USE OF DIRECTED COMMISSIONS
9 TOGETHER WITH A LIST OF THE ACTUAL EXPENDITURES FROM THE PAST
10 YEAR ACTUALLY PAID BY THE BOARD THROUGH THE USE OF DIRECTED
11 COMMISSIONS. ALL SUCH DIRECTED COMMISSION EXPENDITURES SHALL BE
12 MADE BY THE BOARD FOR THE EXCLUSIVE BENEFIT OF THE SYSTEM AND
13 ITS MEMBERS.

14 (D) MEETINGS.--THE BOARD SHALL HOLD AT LEAST SIX REGULAR
15 MEETINGS ANNUALLY AND SUCH OTHER MEETINGS AS IT MAY DEEM
16 NECESSARY.

17 (E) RECORDS.--THE BOARD SHALL KEEP A RECORD OF ALL ITS
18 PROCEEDINGS WHICH SHALL BE OPEN TO INSPECTION BY THE PUBLIC.

19 (F) FUNCTIONS.--THE BOARD SHALL PERFORM SUCH OTHER FUNCTIONS
20 AS ARE REQUIRED FOR THE EXECUTION OF THIS PART AND SHALL HAVE
21 THE RIGHT TO INSPECT THE EMPLOYMENT RECORDS OF EMPLOYERS.

22 (G) PERFORMANCE OF EMPLOYER DUTIES.--IN THE EVENT THE
23 EMPLOYER FAILS TO COMPLY WITH THE PROCEDURES AS MANDATED IN
24 SECTION 8506 (RELATING TO DUTIES OF EMPLOYERS), THE BOARD SHALL
25 PERFORM SUCH DUTIES AND BILL THE EMPLOYER WHO SHALL PAY FOR THE
26 COST OF SAME. IN THE EVENT THE EMPLOYER IS DELINQUENT IN PAYMENT
27 OF CONTRIBUTIONS IN ACCORDANCE WITH SECTION 8327 (RELATING TO
28 PAYMENTS BY EMPLOYERS), THE BOARD SHALL NOTIFY THE SECRETARY OF
29 EDUCATION AND THE STATE TREASURER OF SUCH DELINQUENCY.

30 (H) REGULATIONS AND PROCEDURES.--THE BOARD SHALL, WITH THE

1 ADVICE OF THE ATTORNEY GENERAL AND THE ACTUARY, ADOPT AND
2 PROMULGATE RULES AND REGULATIONS FOR THE UNIFORM ADMINISTRATION
3 OF THE SYSTEM. THE ACTUARY SHALL APPROVE IN WRITING ALL
4 COMPUTATIONAL PROCEDURES USED IN THE CALCULATION OF
5 CONTRIBUTIONS AND BENEFITS PRIOR TO THEIR APPLICATION BY THE
6 BOARD.

7 (I) DATA.--THE BOARD SHALL KEEP IN CONVENIENT FORM SUCH DATA
8 AS ARE STIPULATED BY THE ACTUARY IN ORDER THAT AN ANNUAL
9 ACTUARIAL VALUATION OF THE VARIOUS ACCOUNTS CAN BE COMPLETED
10 WITHIN SIX MONTHS OF THE CLOSE OF EACH FISCAL YEAR. THE BOARD
11 SHALL HAVE FINAL AUTHORITY OVER THE MEANS BY WHICH DATA IS
12 COLLECTED, MAINTAINED AND STORED AND IN SO DOING SHALL PROTECT
13 THE RIGHTS OF ITS MEMBERSHIP AS TO PRIVACY AND CONFIDENTIALITY.

14 (J) ACTUARIAL INVESTIGATION AND VALUATION.--THE BOARD SHALL
15 HAVE THE ACTUARY MAKE AN ANNUAL VALUATION OF THE VARIOUS
16 ACCOUNTS WITHIN SIX MONTHS OF THE CLOSE OF EACH FISCAL YEAR. IN
17 THE FISCAL YEAR ENDING 1975 AND IN EVERY FIFTH YEAR THEREAFTER,
18 THE BOARD SHALL HAVE THE ACTUARY CONDUCT AN ACTUARIAL
19 INVESTIGATION AND VALUATION OF THE SYSTEM BASED ON DATA
20 INCLUDING THE MORTALITY, SERVICE, AND COMPENSATION EXPERIENCE
21 PROVIDED BY THE BOARD ANNUALLY DURING THE PRECEDING FIVE YEARS
22 CONCERNING THE MEMBERS AND BENEFICIARIES. THE BOARD SHALL ADOPT
23 SUCH TABLES AS ARE NECESSARY FOR THE ACTUARIAL VALUATION OF THE
24 FUND AND CALCULATION OF CONTRIBUTIONS, ANNUITIES, AND BENEFITS
25 BASED ON THE REPORTS AND RECOMMENDATIONS OF THE ACTUARY.

26 (K) CERTIFICATION OF EMPLOYER CONTRIBUTIONS.-- THE BOARD
27 SHALL, EACH YEAR IN ADDITION TO THE ITEMIZED BUDGET REQUIRED
28 UNDER SECTION 8330 (RELATING TO APPROPRIATIONS BY THE
29 COMMONWEALTH), CERTIFY TO THE EMPLOYERS AND THE COMMONWEALTH THE
30 EMPLOYER CONTRIBUTION RATE EXPRESSED AS A PERCENTAGE OF MEMBERS'

1 PAYROLL NECESSARY FOR THE FUNDING OF PROSPECTIVE ANNUITIES FOR
2 ACTIVE MEMBERS AND THE ANNUITIES OF ANNUITANTS, AND CERTIFY THE
3 RATES AND AMOUNTS OF THE NORMAL CONTRIBUTIONS AS DETERMINED
4 PURSUANT TO SECTION 8328(B) (RELATING TO ACTUARIAL COST METHOD),
5 ACCRUED LIABILITY CONTRIBUTIONS AS DETERMINED PURSUANT TO
6 SECTION 8328(C), SUPPLEMENTAL ANNUITIES CONTRIBUTION RATE AS
7 DETERMINED PURSUANT TO SECTION 8328(D) AND THE EXPERIENCE
8 ADJUSTMENT FACTOR AS DETERMINED PURSUANT TO SECTION 8328(E) AND
9 PREMIUM ASSISTANCE CONTRIBUTIONS AS DETERMINED PURSUANT TO
10 SECTION 8328(F), WHICH SHALL BE PAID TO THE FUND AND CREDITED TO
11 THE APPROPRIATE ACCOUNTS. THESE CERTIFICATIONS SHALL BE REGARDED
12 AS FINAL AND NOT SUBJECT TO MODIFICATION BY THE BUDGET
13 SECRETARY.

14 (L) COMMONWEALTH PAYMENTS.--THE BOARD SHALL WITHIN 30 DAYS
15 FOLLOWING THE END OF EACH QUARTER DETERMINE THE AMOUNT DUE TO
16 THE FUND FROM THE COMMONWEALTH DURING THAT QUARTER AND SUBMIT AT
17 THAT TIME A REQUISITION FOR THE AMOUNT DETERMINED TO BE DUE FROM
18 THE COMMONWEALTH TO THE STATE TREASURER.

19 (M) MEMBER CONTRIBUTIONS AND INTEREST.--THE BOARD SHALL
20 CAUSE EACH MEMBER'S CONTRIBUTIONS, INCLUDING PAYROLL DEDUCTIONS,
21 PICKUP CONTRIBUTIONS AND ALL OTHER PAYMENTS, TO BE CREDITED TO
22 THE ACCOUNT OF SUCH MEMBER AND SHALL PAY ALL SUCH AMOUNTS INTO
23 THE FUND. SUCH CONTRIBUTIONS SHALL BE CREDITED WITH STATUTORY
24 INTEREST UNTIL DATE OF TERMINATION OF SERVICE, EXCEPT IN THE
25 CASE OF A VESTEE, WHO SHALL HAVE SUCH INTEREST CREDITED UNTIL
26 THE EFFECTIVE DATE OF RETIREMENT OR UNTIL THE RETURN OF HIS
27 ACCUMULATED DEDUCTIONS, IF HE SO ELECTS; AND IN THE CASE OF A
28 MULTIPLE SERVICE MEMBER WHO SHALL HAVE SUCH INTEREST CREDITED
29 UNTIL TERMINATION OF SERVICE IN BOTH THE SCHOOL AND THE STATE
30 SYSTEMS.

1 (N) ANNUAL FINANCIAL STATEMENT.--THE BOARD SHALL PREPARE AND
2 HAVE PUBLISHED, ON OR BEFORE JANUARY 1 OF EACH YEAR, A FINANCIAL
3 STATEMENT AS OF THE FISCAL YEAR ENDING JUNE 30 OF THE PREVIOUS
4 YEAR SHOWING THE CONDITION OF THE FUND AND THE VARIOUS ACCOUNTS,
5 INCLUDING, BUT NOT LIMITED TO, THE BOARD'S ACCRUAL AND
6 EXPENDITURE OF DIRECTED COMMISSIONS, AND SETTING FORTH SUCH
7 OTHER FACTS, RECOMMENDATIONS AND DATA AS MAY BE OF USE IN THE
8 ADVANCEMENT OF KNOWLEDGE CONCERNING ANNUITIES AND OTHER BENEFITS
9 PROVIDED BY THIS PART. THE BOARD SHALL SUBMIT SAID FINANCIAL
10 STATEMENT TO THE GOVERNOR AND SHALL MAKE COPIES AVAILABLE TO THE
11 EMPLOYERS FOR THE USE OF THE SCHOOL EMPLOYEES AND THE PUBLIC.

12 (O) INDEPENDENT AUDIT.--THE BOARD SHALL PROVIDE FOR AN
13 ANNUAL AUDIT OF THE SYSTEM BY AN INDEPENDENT CERTIFIED PUBLIC
14 ACCOUNTING FIRM, WHICH AUDIT SHALL INCLUDE THE BOARD'S ACCRUAL
15 AND EXPENDITURE OF DIRECTED COMMISSIONS.

16 (P) TRANSFER OF EMPLOYER CONTRIBUTIONS.--THE BOARD SHALL,
17 UPON RECEIPT OF A WRITTEN REQUEST FROM A PUBLIC EMPLOYEE
18 RETIREMENT SYSTEM OF A COUNTY OF THE THIRD CLASS AND UPON
19 RECEIPT OF WRITTEN VERIFICATION THAT A MEMBER OF THE FUND WHO
20 WITHDREW CONTRIBUTIONS UPON TERMINATION OF EMPLOYMENT WILL
21 DEPOSIT THE EMPLOYEE'S CONTRIBUTIONS WITH THE RETIREMENT SYSTEM
22 OF A COUNTY OF THE THIRD CLASS, TRANSFER, WITHIN 30 DAYS, TO THE
23 RETIREMENT SYSTEM OF THE COUNTY OF THE THIRD CLASS THE FULL
24 AMOUNT OF EMPLOYER CONTRIBUTIONS AND THE ACCUMULATED INTEREST ON
25 SUCH CONTRIBUTIONS CREDITED TO THE FORMER MEMBER'S ACCOUNT. THIS
26 SUBSECTION SHALL APPLY ONLY WHERE THE TRANSFER OF EMPLOYMENT
27 FROM THE PUBLIC SCHOOL DISTRICT TO THE COUNTY WAS NOT VOLUNTARY
28 ON THE PART OF THE EMPLOYEE.

29 § 8505. DUTIES OF BOARD REGARDING APPLICATIONS AND ELECTIONS OF
30 MEMBERS.

1 * * *

2 (C) DISABILITY ANNUITIES.--IN EVERY CASE WHERE THE BOARD HAS
3 RECEIVED AN APPLICATION DULY EXECUTED BY THE MEMBER OR BY A
4 PERSON LEGALLY AUTHORIZED TO ACT IN HIS BEHALF FOR A DISABILITY
5 ANNUITY BASED UPON THE MEMBER'S PHYSICAL OR MENTAL INCAPACITY
6 FOR THE PERFORMANCE OF THE JOB FOR WHICH [THE MEMBER] HE IS
7 EMPLOYED, THE BOARD SHALL:

8 (1) THROUGH THE MEDICAL EXAMINER, HAVE THE APPLICATION
9 AND ANY SUPPORTING MEDICAL RECORDS AND OTHER DOCUMENTATION
10 SUBMITTED WITH THE APPLICATION REVIEWED AND, ON THE BASIS OF
11 SAID REVIEW AND THE SUBSEQUENT RECOMMENDATION BY THE MEDICAL
12 EXAMINER REGARDING THE APPLICANT'S MEDICAL QUALIFICATION FOR
13 A DISABILITY ANNUITY ALONG WITH SUCH OTHER RECOMMENDATIONS
14 WHICH HE MAY MAKE WITH RESPECT TO THE PERMANENCY OF
15 DISABILITY OR THE NEED FOR SUBSEQUENT REVIEWS, MAKE A FINDING
16 OF DISABILITY OR NONDISABILITY AND, IN THE CASE OF
17 DISABILITY, ESTABLISH AN EFFECTIVE DATE OF DISABILITY AND THE
18 TERMS AND CONDITIONS REGARDING SUBSEQUENT REVIEWS.

19 (2) UPON THE RECOMMENDATION OF THE MEDICAL EXAMINER ON
20 THE BASIS OF A REVIEW OF SUBSEQUENT MEDICAL REPORTS SUBMITTED
21 WITH AN APPLICATION FOR CONTINUANCE OF DISABILITY, MAKE A
22 FINDING OF DISABILITY OR NONDISABILITY AND, IN THE CASE OF A
23 FINDING OF NONDISABILITY, ESTABLISH THE DATE OF TERMINATION
24 OF DISABILITY AND AT THAT TIME DISCONTINUE ANY ANNUITY
25 PAYMENTS IN EXCESS OF ANY ANNUITY TO WHICH HE MAY BE
26 OTHERWISE ENTITLED UNDER SECTION 8342 (RELATING TO MAXIMUM
27 SINGLE LIFE ANNUITY).

28 (3) UPON RECEIPT OF A WRITTEN STATEMENT FROM A
29 DISABILITY ANNUITANT OF HIS EARNED INCOME OF THE PREVIOUS
30 YEAR, ADJUST THE PAYMENTS OF THE DISABILITY ANNUITY FOR THE

1 FOLLOWING YEAR IN ACCORDANCE WITH THE PROVISIONS FOR A
2 REDUCTION OF DISABILITY PAYMENTS OF SECTION 8344 (RELATING TO
3 DISABILITY ANNUITIES).

4 * * *

5 (F) NOTIFICATION TO VESTEES APPROACHING SUPERANNUATION
6 AGE.--THE BOARD SHALL NOTIFY EACH VESTEE IN WRITING 90 DAYS
7 PRIOR TO HIS ATTAINMENT OF SUPERANNUATION AGE THAT HE SHALL
8 APPLY FOR HIS ANNUITY WITHIN 90 DAYS OF ATTAINMENT OF
9 SUPERANNUATION AGE [AND THAT FAILURE TO APPLY WITHIN THAT TIME
10 SHALL RESULT IN THE CANCELLATION OF THE RIGHT OF THE VESTEE TO
11 ANY DEATH BENEFIT IN EXCESS OF HIS ACCUMULATED DEDUCTIONS.];
12 THAT, IF HE DOES SO APPLY, HIS EFFECTIVE DATE OF RETIREMENT WILL
13 BE THE DATE OF ATTAINMENT OF SUPERANNUATION AGE; THAT, IF HE
14 DOES NOT SO APPLY BUT DEFERS HIS APPLICATION TO A LATER DATE,
15 HIS EFFECTIVE DATE OF RETIREMENT WILL BE THE DATE OF FILING THE
16 APPLICATION OR THE DATE SPECIFIED ON THE APPLICATION, WHICHEVER
17 IS LATER, AND THAT, IF HE DOES NOT FILE AN APPLICATION WITHIN
18 SEVEN YEARS AFTER ATTAINING SUPERANNUATION AGE, HE SHALL BE
19 DEEMED TO HAVE ELECTED TO RECEIVE HIS ACCUMULATED DEDUCTIONS
20 UPON ATTAINMENT OF SUPERANNUATION AGE.

21 (G) INITIAL ANNUITY PAYMENT AND CERTIFICATION.--THE BOARD
22 SHALL MAKE THE FIRST MONTHLY PAYMENT TO A MEMBER WHO IS ELIGIBLE
23 FOR AN ANNUITY WITHIN 60 DAYS OF THE FILING OF HIS APPLICATION
24 FOR AN ANNUITY OR, IN THE CASE OF A VESTEE WHO HAS DEFERRED THE
25 FILING OF HIS APPLICATION TO A DATE LATER THAN 90 DAYS FOLLOWING
26 ATTAINMENT OF SUPERANNUATION AGE, WITHIN 60 DAYS OF HIS
27 EFFECTIVE DATE OF RETIREMENT, AND RECEIPT OF THE REQUIRED DATA
28 FROM THE EMPLOYER OF THE MEMBER. CONCURRENTLY THE BOARD SHALL
29 CERTIFY TO SUCH MEMBER:

30 (1) THE ACCUMULATED DEDUCTIONS STANDING TO HIS CREDIT

1 SHOWING SEPARATELY THE AMOUNT CONTRIBUTED BY THE MEMBER, THE
2 PICKUP CONTRIBUTION AND THE INTEREST CREDITED TO THE DATE OF
3 TERMINATION OF SERVICE.

4 (2) THE NUMBER OF YEARS AND FRACTIONAL PART OF A YEAR
5 CREDITED IN EACH CLASS OF SERVICE.

6 (3) THE FINAL AVERAGE SALARY ON WHICH HIS ANNUITY IS
7 BASED AS WELL AS ANY APPLICABLE REDUCTION FACTORS DUE TO AGE
8 OR ELECTION OF AN OPTION OR BOTH.

9 (4) THE TOTAL ANNUITY PAYABLE UNDER THE OPTION ELECTED
10 AND THE AMOUNT AND EFFECTIVE DATE OF ANY FUTURE REDUCTION ON
11 ACCOUNT OF SOCIAL SECURITY OLD-AGE INSURANCE BENEFITS.

12 (H) DEATH BENEFITS.--UPON RECEIPT OF NOTIFICATION OF THE
13 DEATH OF A MEMBER, THE BOARD SHALL NOTIFY THE DESIGNATED
14 BENEFICIARY OR SURVIVOR ANNUITANT OF THE BENEFITS TO WHICH HE IS
15 ENTITLED AND SHALL MAKE THE FIRST PAYMENT TO THE BENEFICIARY
16 UNDER THE PLAN ELECTED BY THE BENEFICIARY WITHIN 60 DAYS OF
17 RECEIPT OF CERTIFICATION OF DEATH AND OTHER NECESSARY DATA. IF
18 NO BENEFICIARY DESIGNATION IS IN EFFECT AT THE DATE OF THE
19 MEMBER'S DEATH OR NO NOTICE HAS BEEN FILED WITH THE BOARD TO PAY
20 THE AMOUNT OF SUCH BENEFITS TO THE MEMBER'S ESTATE, THE BOARD IS
21 AUTHORIZED TO PAY SUCH BENEFITS TO THE EXECUTOR, ADMINISTRATOR,
22 SURVIVING SPOUSE OR NEXT-OF-KIN OF THE DECEASED MEMBER, AND
23 PAYMENT PURSUANT HERETO SHALL FULLY DISCHARGE THE FUND FROM ANY
24 FURTHER LIABILITY TO MAKE PAYMENT OF SUCH BENEFITS TO ANY OTHER
25 PERSON. IF THE SURVIVING SPOUSE OR NEXT-OF-KIN OF THE DECEASED
26 MEMBER CANNOT BE FOUND FOR THE PURPOSE OF PAYING SUCH BENEFITS
27 FOR A PERIOD OF SEVEN YEARS FROM THE DATE OF DEATH OF THE
28 MEMBER, THEN SUCH BENEFITS SHALL BE ESCHEATED TO THE
29 COMMONWEALTH FOR THE BENEFIT OF THE FUND.

30 * * *

§ 8507. RIGHTS AND DUTIES OF SCHOOL EMPLOYEES AND MEMBERS.

* * *

(F) TERMINATION OF SERVICE.--EACH MEMBER WHO TERMINATES SCHOOL SERVICE 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 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, 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.

* * *

(H) VESTEES ATTAINING SUPERANNUATION AGE.--UPON ATTAINMENT OF SUPERANNUATION AGE A VESTEE SHALL EXECUTE AND FILE WITHIN 90 DAYS AN APPLICATION FOR AN ANNUITY. ANY APPLICATION FILED AFTER SUCH 90 DAY PERIOD SHALL BE EFFECTIVE AS OF THE DATE IT IS FILED WITH THE BOARD, SUBJECT TO THE PROVISIONS OF SECTION 8505(G) (RELATING TO DUTIES OF BOARD REGARDING APPLICATIONS AND ELECTIONS OF MEMBERS). IF A VESTEE 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.

* * *

(K) DISABILITY ANNUITIES.--IF SERVICE OF A MEMBER [WHO IS UNDER SUPERANNUATION AGE] IS TERMINATED DUE TO HIS PHYSICAL OR

1 MENTAL INCAPACITY FOR THE PERFORMANCE OF DUTY, IN LIEU OF AN
2 APPLICATION AND ELECTION UNDER SUBSECTION (F), AN APPLICATION
3 FOR A DISABILITY ANNUITY MAY BE EXECUTED BY HIM OR BY A PERSON
4 LEGALLY AUTHORIZED TO ACT ON HIS BEHALF.

5 § 8508. RIGHTS AND DUTIES OF ANNUITANTS.

6 * * *

7 (C) MEDICAL EXAMINATIONS OF DISABILITY ANNUITANTS.--SHOULD
8 ANY DISABILITY ANNUITANT [RECEIVING A DISABILITY ANNUITY WHILE
9 STILL UNDER SUPERANNUATION AGE] REFUSE TO SUBMIT TO A MEDICAL
10 EXAMINATION BY A PHYSICIAN OR PHYSICIANS AT THE REQUEST OF THE
11 BOARD, HIS PAYMENTS DUE TO DISABILITY SHALL BE DISCONTINUED
12 UNTIL THE WITHDRAWAL OF SUCH REFUSAL. SHOULD SUCH REFUSAL
13 CONTINUE FOR A PERIOD OF SIX MONTHS, ALL OF HIS RIGHTS TO THE
14 DISABILITY ANNUITY PAYMENTS IN EXCESS OF ANY ANNUITY TO WHICH HE
15 IS OTHERWISE ENTITLED SHALL BE FORFEITED.

16 * * *

17 § 8509. HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM.

18 * * *

19 (B) AMOUNT OF PREMIUM ASSISTANCE.--EFFECTIVE JULY 1, 1992,
20 PARTICIPATING ELIGIBLE ANNUITANTS SHALL RECEIVE PREMIUM
21 ASSISTANCE PAYMENTS OF \$55 PER MONTH OR THE ACTUAL MONTHLY
22 PREMIUM, WHICHEVER IS LESS. [SUCH PAYMENTS WILL BE MADE DIRECTLY
23 TO THE INSURANCE CARRIERS BY THE BOARD.] SUCH PAYMENTS SHALL BE
24 MADE BY THE BOARD TO THE PARTICIPATING ELIGIBLE ANNUITANTS FOR
25 THEIR PAYMENT DIRECTLY TO THEIR APPROVED INSURANCE CARRIERS.
26 SUCH PAYMENTS MAY ALSO BE PAID BY THE BOARD, AT THE BOARD'S
27 DISCRETION, DIRECTLY TO THE PARTICIPATING ELIGIBLE ANNUITANTS'
28 APPROVED INSURANCE CARRIERS. THE BOARD SHALL HAVE THE RIGHT TO
29 VERIFY THE APPLICATION AND RECEIPT OF THE PAYMENTS BY THE
30 PARTICIPATING ELIGIBLE ANNUITANTS AND THEIR APPROVED INSURANCE

1 CARRIERS.

2 * * *

3 § 8521. MANAGEMENT OF FUND AND ACCOUNTS.

4 (A) CONTROL AND MANAGEMENT OF FUND.--THE MEMBERS OF THE
5 BOARD SHALL BE THE TRUSTEES OF THE FUND [AND]. REGARDLESS OF ANY
6 OTHER PROVISION OF LAW GOVERNING THE INVESTMENTS OF FUNDS UNDER
7 THE CONTROL OF AN ADMINISTRATIVE BOARD OF THE STATE GOVERNMENT,
8 THE TRUSTEES SHALL HAVE EXCLUSIVE CONTROL AND MANAGEMENT OF THE
9 SAID FUND AND FULL POWER TO INVEST THE SAME, IN ACCORDANCE WITH
10 THE PROVISIONS OF THIS SECTION, SUBJECT, HOWEVER, TO THE
11 EXERCISE OF THAT DEGREE OF JUDGMENT, SKILL AND CARE UNDER THE
12 CIRCUMSTANCES THEN PREVAILING WHICH PERSONS OF PRUDENCE,
13 DISCRETION AND INTELLIGENCE WHO ARE FAMILIAR WITH SUCH MATTERS
14 EXERCISE IN THE MANAGEMENT OF THEIR OWN AFFAIRS NOT IN REGARD TO
15 SPECULATION, BUT IN REGARD TO THE PERMANENT DISPOSITION OF THE
16 FUND, CONSIDERING THE PROBABLE INCOME TO BE DERIVED THEREFROM AS
17 WELL AS THE PROBABLE SAFETY OF THEIR CAPITAL[, AND FURTHER
18 SUBJECT TO ALL THE TERMS, CONDITIONS, LIMITATIONS, AND
19 RESTRICTIONS IMPOSED BY THIS PART OR OTHER LAW UPON THE MAKING
20 OF INVESTMENTS. SUBJECT TO LIKE TERMS, CONDITIONS, LIMITATIONS,
21 AND RESTRICTIONS, SAID]. THE TRUSTEES SHALL HAVE THE POWER TO
22 HOLD, PURCHASE, SELL, LEND, ASSIGN, TRANSFER, OR DISPOSE OF ANY
23 OF THE SECURITIES AND INVESTMENTS IN WHICH ANY OF THE MONEYS IN
24 THE FUND SHALL HAVE BEEN INVESTED AS WELL AS OF THE PROCEEDS OF
25 SAID INVESTMENTS, INCLUDING ANY DIRECTED COMMISSIONS WHICH HAVE
26 ACCRUED TO THE BENEFIT OF THE FUND AS A CONSEQUENCE OF THE
27 INVESTMENTS, AND OF ANY MONEYS BELONGING TO SAID FUND, SUBJECT
28 IN EVERY CASE TO MEETING THE STANDARD OF PRUDENCE SET FORTH IN
29 THIS SUBSECTION.

30 (B) CREDITING OF INTEREST.--THE BOARD ANNUALLY SHALL ALLOW

1 STATUTORY INTEREST TO THE CREDIT OF THE MEMBERS' SAVINGS ACCOUNT
2 ON THE MEAN AMOUNT OF THE ACCUMULATED DEDUCTIONS OF ALL MEMBERS
3 FOR WHOM INTEREST IS PAYABLE FOR THE PRECEDING YEAR AND
4 VALUATION INTEREST ON THE MEAN AMOUNT OF THE ANNUITY RESERVE
5 ACCOUNT FOR THE PRECEDING YEAR TO THE CREDIT OF THAT ACCOUNT.
6 THE BOARD ANNUALLY SHALL ALLOW VALUATION INTEREST CALCULATED ON
7 THE MEAN AMOUNT FOR THE PRECEDING YEAR OF THE BALANCE IN THE
8 STATE ACCUMULATION ACCOUNT EXCLUDING ANY EARNINGS OF THE FUND
9 CREDITED TO THE ACCOUNT DURING THAT YEAR. IN THE EVENT THE TOTAL
10 EARNINGS FOR THE YEAR DO NOT EXCEED 5 1/2% OF THE MEAN AMOUNT
11 FOR THE PRECEDING YEAR OF THE TOTAL ASSETS OF THE FUND LESS
12 EARNINGS CREDITED TO THE FUND DURING THAT YEAR PLUS THE
13 ADMINISTRATIVE EXPENSES OF THE BOARD, THE DIFFERENCE REQUIRED TO
14 BE APPROPRIATED FROM THE GENERAL FUND SHALL BE CREDITED TO THE
15 STATE ACCUMULATION ACCOUNT.

16 (C) CUSTODIAN OF FUND.--THE STATE TREASURER SHALL BE THE
17 CUSTODIAN OF THE FUND.

18 (D) PAYMENTS FROM FUND.--ALL PAYMENTS FROM THE FUND SHALL BE
19 MADE BY THE STATE TREASURER IN ACCORDANCE WITH REQUISITIONS
20 SIGNED BY THE SECRETARY OF THE BOARD, OR HIS DESIGNEE, AND
21 RATIFIED BY RESOLUTION OF THE BOARD.

22 (E) FIDUCIARY STATUS OF BOARD.--THE MEMBERS OF THE BOARD,
23 EMPLOYEES OF THE BOARD, AND AGENTS THEREOF SHALL STAND IN A
24 FIDUCIARY RELATIONSHIP TO THE MEMBERS OF THE SYSTEM REGARDING
25 THE INVESTMENTS AND DISBURSEMENTS OF ANY OF THE MONEYS OF THE
26 FUND AND SHALL NOT PROFIT EITHER DIRECTLY OR INDIRECTLY WITH
27 RESPECT THERETO. THE BOARD MAY, WHEN POSSIBLE AND CONSISTENT
28 WITH ITS FIDUCIARY DUTIES IMPOSED BY THIS SUBSECTION OR OTHER
29 LAW, INCLUDING ITS OBLIGATION TO INVEST AND MANAGE THE FUND FOR
30 THE EXCLUSIVE BENEFIT OF THE MEMBERS OF THE SYSTEM, CONSIDER

1 WHETHER AN INVESTMENT IN ANY PROJECT OR BUSINESS ENHANCES AND
2 PROMOTES THE GENERAL WELFARE OF THIS COMMONWEALTH AND ITS
3 CITIZENS, INCLUDING, BUT NOT LIMITED TO, INVESTMENTS THAT
4 INCREASE AND ENHANCE THE EMPLOYMENT OF COMMONWEALTH RESIDENTS,
5 ENCOURAGE THE CONSTRUCTION AND RETENTION OF ADEQUATE HOUSING AND
6 STIMULATE FURTHER INVESTMENT AND ECONOMIC ACTIVITY IN THIS
7 COMMONWEALTH. THE BOARD SHALL, THROUGH THE GOVERNOR, SUBMIT TO
8 THE GENERAL ASSEMBLY ANNUALLY, AT THE SAME TIME THE BOARD
9 SUBMITS ITS BUDGET COVERING ADMINISTRATIVE EXPENSES, A REPORT
10 IDENTIFYING THE NATURE AND AMOUNT OF ALL EXISTING INVESTMENTS
11 MADE PURSUANT TO THIS SUBSECTION.

12 (F) NAME FOR TRANSACTING BUSINESS.--BY THE NAME OF "THE
13 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM" OR "THE PUBLIC
14 SCHOOL EMPLOYEES' RETIREMENT SYSTEM" ALL OF THE BUSINESS OF THE
15 SYSTEM SHALL BE TRANSACTED, ITS FUND INVESTED, ALL REQUISITIONS
16 FOR MONEY DRAWN AND PAYMENTS MADE, AND ALL OF ITS CASH AND
17 SECURITIES AND OTHER PROPERTY SHALL BE HELD, EXCEPT THAT, ANY
18 OTHER LAW TO THE CONTRARY NOTWITHSTANDING, THE BOARD MAY
19 ESTABLISH A NOMINEE REGISTRATION PROCEDURE FOR THE PURPOSE OF
20 REGISTERING SECURITIES IN ORDER TO FACILITATE THE PURCHASE,
21 SALE, OR OTHER DISPOSITION OF SECURITIES PURSUANT TO THE
22 PROVISIONS OF THIS PART.

23 (G) DEPOSITS IN BANKS AND TRUST COMPANIES.--FOR THE PURPOSE
24 OF MEETING DISBURSEMENTS FOR ANNUITIES AND OTHER PAYMENTS IN
25 EXCESS OF THE RECEIPTS, THERE SHALL BE KEPT AVAILABLE BY THE
26 STATE TREASURER AN AMOUNT, NOT EXCEEDING 10% OF THE TOTAL AMOUNT
27 IN THE FUND, ON DEPOSIT IN ANY BANK, SAVINGS BANK OR SAVINGS AND
28 LOAN ASSOCIATION IN THIS COMMONWEALTH ORGANIZED UNDER THE LAWS
29 THEREOF OR UNDER THE LAWS OF THE UNITED STATES OR WITH ANY TRUST
30 COMPANY OR COMPANIES INCORPORATED BY ANY LAW OF THIS

1 COMMONWEALTH, PROVIDED ANY OF SUCH BANKS, TRUST COMPANIES,
2 SAVINGS BANKS OR SAVINGS AND LOAN ASSOCIATIONS SHALL FURNISH
3 ADEQUATE SECURITY FOR SAID DEPOSIT. THE SUM DEPOSITED IN ANY ONE
4 BANK OR TRUST COMPANY SHALL NOT EXCEED 25% OF THE PAID-UP
5 CAPITAL AND SURPLUS OF SAID BANK OR TRUST COMPANY OR, IN THE
6 CASE OF SAVINGS BANKS OR SAVINGS AND LOAN ASSOCIATIONS, SHALL
7 NOT EXCEED 25% OF THE UNAPPROPRIATED SURPLUS.

8 [(H) INVESTMENT IN CORPORATE STOCKS.--PREFERRED AND COMMON
9 STOCK OF ANY CORPORATION ORGANIZED UNDER THE LAWS OF THE UNITED
10 STATES OR OF ANY COMMONWEALTH OR STATE THEREOF OR OF THE
11 DISTRICT OF COLUMBIA AND PREFERRED AND COMMON STOCK AS DEFINED
12 IN SUBSECTION (I) OF ANY CORPORATION AS DEFINED IN SUBSECTION
13 (J) WHOSE SHARES ARE TRADED IN UNITED STATES DOLLARS ON THE NEW
14 YORK STOCK EXCHANGE AND AMERICAN STOCK EXCHANGE SHALL BE AN
15 AUTHORIZED INVESTMENT OF THE FUND, PROVIDED THAT THEY FULFILL
16 CERTAIN GUIDELINES IN PARAGRAPH (1), REGARDLESS OF ANY OTHER
17 PROVISION OF LAW PROVIDED THAT:

18 (1) IN THE CASE OF ANY STOCK OTHER THAN STOCK OF A BANK
19 OR INSURANCE COMPANY, THE STOCK IS LISTED OR TRADED (OR IF
20 UNLISTED OR NOT ENTITLED TO TRADING PRIVILEGES SHALL BE
21 ELIGIBLE FOR LISTING AND APPLICATION FOR SUCH LISTING SHALL
22 HAVE BEEN MADE) ON THE NEW YORK STOCK EXCHANGE OR AMERICAN
23 STOCK EXCHANGE. NO INVESTMENT IN THE STOCK OF CORPORATIONS
24 NOT ORGANIZED UNDER THE LAWS OF THE UNITED STATES OR OF ANY
25 COMMONWEALTH OR STATE THEREOF OR OF THE DISTRICT OF COLUMBIA
26 SHALL BE MADE WHICH WOULD CAUSE THE BOOK VALUE OF SUCH
27 INVESTMENT TO EXCEED 5% OF THE BOOK VALUE OF THE TOTAL ASSETS
28 OF THE FUND. SHARES OF BANKS AND INSURANCE COMPANIES SHALL BE
29 ELIGIBLE FOR PURCHASE WHETHER OR NOT TRADED ON THE NEW YORK
30 STOCK EXCHANGE. THE SHARES OF UNLISTED NONFINANCIAL COMPANIES

1 SHALL BE ELIGIBLE FOR PURCHASE PROVIDED SUCH CORPORATIONS
2 PRODUCE REVENUE OF \$200,000,000 OR MORE IN THEIR MOST RECENT
3 FISCAL YEAR-END AND HAVE PAID CASH DIVIDENDS FOR THE PAST
4 FIVE OR MORE CONSECUTIVE YEARS;

5 (2) NO INVESTMENT IN COMMON STOCK BE MADE WHICH AT THAT
6 TIME WOULD CAUSE THE BOOK VALUE OF THE INVESTMENTS IN COMMON
7 STOCK TO EXCEED 50% OF THE TOTAL ASSETS OF THE FUND;

8 (3) THE AMOUNT INVESTED IN THE COMMON STOCK OF ANY ONE
9 COMPANY SHALL NOT EXCEED AT COST 2% OF THE BOOK VALUE OF THE
10 ASSETS OF THE FUND AT THE TIME OF PURCHASE AND SHALL NOT
11 EXCEED 5% OF THE ISSUED AND OUTSTANDING COMMON STOCK OF THAT
12 COMPANY; AND

13 (4) THE PERCENTAGE LIMITATIONS OF PARAGRAPH (3) SHALL
14 NOT APPLY TO THE REINVESTMENT OF FUNDS REALIZED FROM THE SALE
15 OR TRANSFER OF COMMON STOCKS AND NO SALE OR OTHER LIQUIDATION
16 OF ANY INVESTMENT SHALL BE REQUIRED SOLELY BECAUSE OF ANY
17 CHANGE IN MARKET VALUES WHEREBY THE PERCENTAGES OF STOCKS SET
18 FORTH IN THIS SUBSECTION ARE EXCEEDED.

19 (I) COMMON STOCK DEFINED.--"COMMON STOCK" AS USED IN
20 SUBSECTION (H) SHALL INCLUDE THE STOCK CERTIFICATES,
21 CERTIFICATES OF BENEFICIAL INTERESTS, OR TRUST PARTICIPATION
22 CERTIFICATES ISSUED BY ANY CORPORATION OR UNINCORPORATED
23 ASSOCIATION INCLUDED UNDER THE DEFINITION OF "CORPORATION" IN
24 SUBSECTION (J).

25 (J) CORPORATION DEFINED.--"CORPORATION" AS USED IN
26 SUBSECTION (H) SHALL INCLUDE A VOLUNTARY ASSOCIATION, A JOINT-
27 STOCK ASSOCIATION OR COMPANY, A BUSINESS TRUST, A MASSACHUSETTS
28 TRUST, A COMMON-LAW TRUST, AND ANY OTHER ORGANIZATION ORGANIZED
29 AND EXISTING FOR ANY LAWFUL PURPOSE AND WHICH LIKE A
30 CORPORATION, CONTINUES TO EXIST, NOTWITHSTANDING CHANGES IN THE

1 PERSONNEL OF ITS MEMBERS OR PARTICIPANTS AND CONDUCTS ITS
2 AFFAIRS THROUGH A COMMITTEE, A BOARD, OR SOME OTHER GROUP ACTING
3 IN A REPRESENTATIVE CAPACITY.

4 (K) INVESTMENT IN REAL ESTATE AND MORTGAGES.--REAL ESTATE,
5 WHETHER DIRECT OR THROUGH POOLED FUNDS, INCLUDING BUT NOT
6 LIMITED TO REAL ESTATE WHICH SHALL NOT REQUIRE MANAGERIAL
7 RESPONSIBILITY BY THE BOARD; AND BONDS, NOTES AND DEEDS OF
8 TRUST, OF INDIVIDUALS OR CORPORATIONS SECURED BY MORTGAGES ON
9 REAL ESTATE LOCATED IN ANY STATE, DISTRICT OR TERRITORY OF THE
10 UNITED STATES, SHALL BE AN AUTHORIZED INVESTMENT OF THE BOARD
11 REGARDLESS OF ANY OTHER PROVISION OF LAW. ALL INSTRUMENTS,
12 TRANSFERS OF INTEREST, AND ALL RECORDS PERTAINING TO REAL
13 ESTATE, MORTGAGES OR BONDS INVESTED IN BY THE BOARD, SHALL BE
14 OPEN TO PUBLIC INSPECTION.

15 (L) ADDITIONAL BOARD POWER ON INVESTMENTS.--REGARDLESS OF
16 ANY LIMITATIONS, CONDITIONS OR RESTRICTIONS IMPOSED ON THE
17 MAKING OF INVESTMENTS BY THIS PART OR OTHER LAW, THE BOARD MAY,
18 AT ITS DISCRETION, INVEST A MAXIMUM OF 10% OF THE BOOK VALUE OF
19 THE ASSETS OF THE FUND IN ANY INVESTMENTS NOT OTHERWISE
20 SPECIFICALLY AUTHORIZED, PROVIDED THAT SUCH INVESTMENTS ARE MADE
21 WITH THE EXERCISE OF THAT DEGREE OF JUDGMENT AND CARE UNDER THE
22 CIRCUMSTANCES THEN PREVAILING WHICH PERSONS OF PRUDENCE,
23 DISCRETION AND INTELLIGENCE WHO ARE FAMILIAR WITH SUCH MATTERS
24 EXERCISE IN THE MANAGEMENT OF THEIR OWN AFFAIRS NOT IN REGARD TO
25 SPECULATION, BUT IN REGARD TO THE PERMANENT DISPOSITION OF THE
26 FUND, CONSIDERING THE PROBABLE INCOME TO BE DERIVED THEREFROM AS
27 WELL AS THE PROBABLE SAFETY OF THEIR CAPITAL.

28 (M) OBLIGATIONS OF UNITED STATES TO BE AUTHORIZED
29 INVESTMENTS.--REGARDLESS OF ANY OTHER PROVISION OF LAW,
30 OBLIGATIONS OF THE UNITED STATES GOVERNMENT AND ITS AGENCIES

1 SHALL BE AUTHORIZED INVESTMENTS OF THE FUND.

2 (N) VEHICLES FOR AUTHORIZED INVESTMENTS.--THE BOARD MAY MAKE

3 ANY INVESTMENTS AUTHORIZED IN THIS PART OR OTHER LAW BY BECOMING

4 A LIMITED PARTNER IN PARTNERSHIPS THAT WILL HOLD SUCH

5 INVESTMENTS, OR BY ACQUIRING SHARES OR UNITS OF PARTICIPATION OR

6 OTHERWISE PARTICIPATING BENEFICIALLY IN BANK COLLECTIVE TRUSTS

7 OR IN SEPARATE ACCOUNTS OF ANY INSURANCE COMPANY AUTHORIZED TO

8 DO BUSINESS IN THIS COMMONWEALTH, OR BY ACQUIRING STOCKS OR

9 SHARES OR UNITS OF PARTICIPATION OR OTHERWISE PARTICIPATING

10 BENEFICIALLY IN THE FUND OF ANY CORPORATION OR TRUST ORGANIZED

11 OR EXISTING UNDER THE LAWS OF THE UNITED STATES OR OF ANY STATE,

12 DISTRICT OR TERRITORY THEREOF WHICH FUND IS MAINTAINED FOR AND

13 CONSISTS OF ASSETS OF EMPLOYEES' BENEFIT TRUSTS (INCLUDING

14 GOVERNMENTAL PLANS AS DEFINED IN SECTION 414(D) OF THE INTERNAL

15 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 414(D)), AS

16 FROM TIME TO TIME AMENDED) WHICH MEET THE REQUIREMENTS FOR

17 QUALIFICATION UNDER SECTION 401 OF THE INTERNAL REVENUE CODE OF

18 1986; PROVIDED THAT, IN ANY SUCH CASE, THE LIABILITY OF THE

19 PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND SHALL BE LIMITED TO THE

20 AMOUNT OF ITS INVESTMENT. IN THE CASE OF AUTHORIZED INVESTMENTS

21 IN REAL ESTATE OR INTERESTS THEREIN, THE BOARD'S ACQUISITION OF

22 THE STOCK OR SHARES OF OR ITS OTHER PARTICIPATION BENEFICIALLY

23 IN THE FUND OR ANY SUCH VEHICLE (INCLUDING ANY ENTITY ORGANIZED

24 AND MAINTAINED AS A VEHICLE FOR AN INVESTMENT OR INVESTMENTS OF

25 THE BOARD EXCLUSIVELY) SHALL NOT BE DEEMED AN INVESTMENT IN THE

26 COMMON STOCK AS DEFINED IN SUBSECTION (I) OF ANY CORPORATION AS

27 DEFINED IN SUBSECTION (J) FOR THE PURPOSES OF ANY LIMITATION ON

28 INVESTMENT IN CORPORATE STOCKS SET FORTH IN SUBSECTION (H).

29 (O)] (H) VENTURE CAPITAL.--[THE PROVISIONS OF SUBSECTION (L)

30 NOTWITHSTANDING, VENTURE] VENTURE CAPITAL INVESTMENTS [MADE

1 THROUGH LIMITED PARTNERSHIPS AND THROUGH SEPARATE ACCOUNTS]
2 SHALL BE LIMITED TO NOT MORE THAN 2% OF THE BOOK VALUE OF THE
3 TOTAL ASSETS OF THE FUND AS DETERMINED FOR FINANCIAL STATEMENT
4 PURPOSES AS OF JUNE 30 NEXT PRECEDING THE DATE OF INVESTMENT. [A
5 VENTURE CAPITAL INVESTMENT SHALL BE MADE ONLY IF SUCH INVESTMENT
6 WILL ENHANCE THE GENERAL WELFARE OF THIS COMMONWEALTH AND ITS
7 CITIZENS THROUGH ECONOMIC DEVELOPMENT AND MEETS THE STANDARD OF
8 PRUDENCE SET FORTH IN SUBSECTION (L).] AN INVESTMENT SHALL BE
9 DEEMED A VENTURE CAPITAL INVESTMENT IF IT RESULTS IN THE
10 ACQUISITION OF EQUITY INTERESTS OR A COMBINATION OF DEBT AND
11 EQUITY INTERESTS IN A BUSINESS WHICH IS EXPECTED TO GROW
12 SUBSTANTIALLY IN THE FUTURE AND IN WHICH THE EXPECTED RETURN ON
13 INVESTMENT IS TO COME PREDOMINANTLY FROM AN INCREASE IN VALUE OF
14 THE EQUITY [INTEREST AND THAT ARE NOT HELD THROUGH OR SECURED BY
15 STOCK THAT IS AN AUTHORIZED INVESTMENT UNDER THE AUTHORITY OF
16 SUBSECTION (H)] INTERESTS AND ARE NOT INTERESTS IN OR SECURED BY
17 REAL ESTATE. A VENTURE CAPITAL INVESTMENT MAY BE MADE ONLY IF,
18 IN THE JUDGMENT OF THE BOARD, THE INVESTMENT IS REASONABLY
19 LIKELY TO ENHANCE THE GENERAL WELFARE OF THIS COMMONWEALTH AND
20 ITS CITIZENS AND MEETS THE STANDARD OF PRUDENCE SET FORTH IN
21 SUBSECTION (A). IN DETERMINING WHETHER THE INVESTMENT MEETS THE
22 STANDARD OF PRUDENCE, THE BOARD MAY CONSIDER, TOGETHER WITH THE
23 EXPECTED RETURN ON AND THE RISK CHARACTERISTICS OF THE
24 PARTICULAR INVESTMENT, THE ACTUAL AND EXPECTED FUTURE RETURNS
25 AND THE RISK CHARACTERISTICS OF THE TOTAL VENTURE CAPITAL
26 INVESTMENTS HELD BY THE BOARD AT THE TIME AND THE DEGREE TO
27 WHICH THE PROPOSED NEW INVESTMENT WOULD PROMOTE FURTHER
28 DIVERSIFICATION WITHIN THE VENTURE CAPITAL ASSET CLASS.

29 (I) VEHICLES FOR AUTHORIZED INVESTMENTS.--THE BOARD IN ITS
30 PRUDENT DISCRETION MAY MAKE ANY INVESTMENTS WHICH MEET THE

1 STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A) BY BECOMING A
2 LIMITED PARTNER IN PARTNERSHIPS THAT WILL HOLD SUCH INVESTMENTS;
3 OR BY ACQUIRING SHARES OR UNITS OF PARTICIPATION OR OTHERWISE
4 PARTICIPATING BENEFICIALLY IN BANK COLLECTIVE TRUSTS OR IN THE
5 SEPARATE ACCOUNTS OF ANY INSURANCE COMPANY AUTHORIZED TO DO
6 BUSINESS IN THIS COMMONWEALTH; OR BY ACQUIRING STOCKS OR SHARES
7 OR UNITS OF PARTICIPATION OR OTHERWISE PARTICIPATING
8 BENEFICIALLY IN THE FUND OF ANY CORPORATION OR TRUST ORGANIZED
9 OR EXISTING UNDER THE LAWS OF THE UNITED STATES OR OF ANY STATE,
10 DISTRICT OR TERRITORY THEREOF WHICH FUND IS MAINTAINED FOR AND
11 CONSISTS OF ASSETS OF EMPLOYEES' BENEFIT TRUSTS, INCLUDING
12 GOVERNMENTAL PLANS AS DEFINED IN SECTION 414(D) OF THE INTERNAL
13 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 414(D)) OR
14 WHICH MEET THE REQUIREMENTS FOR QUALIFICATION UNDER SECTION 401
15 OF THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26
16 U.S.C. § 401), PROVIDED THAT, IN ANY SUCH CASE, THE LIABILITY OF
17 THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND SHALL BE LIMITED TO
18 THE AMOUNT OF ITS INVESTMENT.

19 (J) LEGISLATIVE DECLARATION CONCERNING CERTAIN AUTHORIZED
20 INVESTMENTS.--THE GENERAL ASSEMBLY FINDS AND DECLARES THAT
21 AUTHORIZED INVESTMENTS OF THE FUND MADE BY OR ON BEHALF OF THE
22 BOARD UNDER THIS SECTION WHEREBY THE BOARD BECOMES A JOINT OWNER
23 OR STOCKHOLDER IN ANY COMPANY, CORPORATION OR ASSOCIATION ARE
24 OUTSIDE THE SCOPE OF THE ORIGINAL INTENT OF AND THEREFOR DO NOT
25 VIOLATE THE PROHIBITION SET FORTH IN SECTION 8 OF ARTICLE VIII
26 OF THE CONSTITUTION OF PENNSYLVANIA.

27 § 8533. TAXATION, ATTACHMENT AND ASSIGNMENT OF FUNDS.

28 (A) GENERAL RULE.--EXCEPT AS PROVIDED IN [SUBSECTION (B)]
29 SUBSECTIONS (B), (C) AND (D), THE RIGHT OF A PERSON TO A
30 MEMBER'S ANNUITY, A STATE ANNUITY, OR RETIREMENT ALLOWANCE, TO

1 THE RETURN OF CONTRIBUTIONS, ANY BENEFIT OR RIGHT ACCRUED OR
2 ACCRUING TO ANY PERSON UNDER THE PROVISIONS OF THIS PART, AND
3 THE MONEYS IN THE FUND ARE HEREBY EXEMPT FROM ANY STATE OR
4 MUNICIPAL TAX, AND EXEMPT FROM LEVY AND SALE, GARNISHMENT,
5 ATTACHMENT, OR ANY OTHER PROCESS WHATSOEVER, AND SHALL BE
6 UNASSIGNABLE.

7 (B) FORFEITURE.--RIGHTS UNDER THIS PART SHALL BE SUBJECT TO
8 FORFEITURE AS PROVIDED BY THE ACT OF JULY 8, 1978 (P.L.752,
9 NO.140), KNOWN AS THE ["]PUBLIC EMPLOYEE PENSION FORFEITURE
10 ACT.["]

11 (C) DOMESTIC RELATIONS ORDER.--RIGHTS UNDER THIS PART SHALL
12 BE SUBJECT TO ATTACHMENT IN FAVOR OF AN ALTERNATE PAYEE AS SET
13 FORTH IN AN APPROVED DOMESTIC RELATIONS ORDER.

14 (D) DIRECT ROLLOVER.--EFFECTIVE WITH DISTRIBUTIONS MADE ON
15 OR AFTER JANUARY 1, 1993, AND NOTWITHSTANDING ANY OTHER
16 PROVISION OF THIS PART TO THE CONTRARY, A DISTRIBUTE MAY ELECT,
17 AT THE TIME AND IN THE MANNER PRESCRIBED BY THE BOARD, TO HAVE
18 ANY PORTION OF AN ELIGIBLE ROLLOVER DISTRIBUTION PAID DIRECTLY
19 TO AN ELIGIBLE RETIREMENT PLAN BY WAY OF A DIRECT ROLLOVER. FOR
20 PURPOSES OF THIS SUBSECTION, A "DISTRIBUTE" INCLUDES A MEMBER
21 AND A MEMBER'S SURVIVING SPOUSE AND A MEMBER'S FORMER SPOUSE WHO
22 IS AN ALTERNATE PAYEE UNDER AN APPROVED DOMESTIC RELATIONS
23 ORDER. FOR PURPOSES OF THIS SUBSECTION, THE TERM "ELIGIBLE
24 ROLLOVER DISTRIBUTION" HAS THE MEANING GIVEN SUCH TERM BY
25 SECTION 402(F)(2)(A) OF THE INTERNAL REVENUE CODE OF 1986
26 (PUBLIC LAW 99-514, 26 U.S.C. § 402(F)(2)(A)) AND "ELIGIBLE
27 RETIREMENT PLAN" HAS THE MEANING GIVEN SUCH TERM BY SECTION
28 402(C)(8)(B) OF THE INTERNAL REVENUE CODE OF 1986, EXCEPT THAT A
29 QUALIFIED TRUST SHALL BE CONSIDERED AN ELIGIBLE RETIREMENT PLAN
30 ONLY IF IT ACCEPTS THE DISTRIBUTE'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 SECTION 408(A)
AND (B) OF THE INTERNAL REVENUE CODE OF 1986.

SECTION 7. TITLE 24 IS AMENDED BY ADDING SECTIONS TO READ:
§ 8533.1. APPROVAL OF DOMESTIC RELATIONS ORDERS.

(A) CERTIFICATION.--A DOMESTIC RELATIONS ORDER 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 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

1 STATES THAT IT IS THE RESPONSIBILITY OF EACH ALTERNATE PAYEE
2 TO KEEP A CURRENT MAILING ADDRESS ON FILE WITH THE SYSTEM.

3 (6) DOES NOT GRANT AN ALTERNATE PAYEE ANY OF THE RIGHTS,
4 OPTIONS OR PRIVILEGES OF A MEMBER UNDER THIS PART.

5 (7) REQUIRES THE MEMBER TO EXECUTE AN AUTHORIZATION
6 ALLOWING EACH ALTERNATE PAYEE TO MONITOR THE MEMBER'S
7 COMPLIANCE WITH THE TERMS OF THE DOMESTIC RELATIONS ORDER
8 THROUGH ACCESS TO INFORMATION CONCERNING THE MEMBER
9 MAINTAINED BY THE SYSTEM.

10 (B) DETERMINATION BY SECRETARY.--WITHIN A REASONABLE PERIOD
11 OF TIME AFTER RECEIPT OF A DOMESTIC RELATIONS ORDER, THE
12 SECRETARY OF THE BOARD, OR HIS DESIGNATED REPRESENTATIVE, SHALL
13 DETERMINE WHETHER THIS ORDER IS AN APPROVED DOMESTIC RELATIONS
14 ORDER AND NOTIFY THE MEMBER AND EACH ALTERNATE PAYEE OF THIS
15 DETERMINATION. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE
16 EXCLUSIVE REMEDY OF ANY MEMBER OR ALTERNATE PAYEE AGGRIEVED BY A
17 DECISION OF THE SECRETARY OF THE BOARD, OR HIS DESIGNATED
18 REPRESENTATIVE, SHALL BE THE RIGHT TO AN ADJUDICATION BY THE
19 BOARD UNDER 2 PA.C.S. CH. 5 (RELATING TO PRACTICE AND PROCEDURE)
20 WITH APPEAL THEREFROM TO THE COMMONWEALTH COURT UNDER 2 PA.C.S.
21 CH. 7 (RELATING TO JUDICIAL REVIEW) AND 42 PA.C.S. § 763(A)(1)
22 (RELATING TO DIRECT APPEALS FROM GOVERNMENT AGENCIES).

23 (C) OTHER ORDERS.--THE REQUIREMENTS FOR APPROVAL IDENTIFIED
24 IN SUBSECTION (A) SHALL NOT APPLY TO ANY DOMESTIC RELATIONS
25 ORDER WHICH IS AN ORDER FOR SUPPORT AS THAT TERM IS DEFINED IN
26 23 PA.C.S. § 4302 (RELATING TO DEFINITIONS) OR AN ORDER FOR THE
27 ENFORCEMENT OF ARREARAGES AS PROVIDED IN 23 PA.C.S. § 3703
28 (RELATING TO ENFORCEMENT OF ARREARAGES). THESE ORDERS SHALL BE
29 APPROVED TO THE EXTENT THAT THEY DO NOT ATTACH MONEYS IN EXCESS
30 OF THE LIMITS ON ATTACHMENTS AS ESTABLISHED BY THE LAWS OF THIS

1 COMMONWEALTH AND THE UNITED STATES.

2 (D) OBLIGATION DISCHARGED.--ONLY THE REQUIREMENTS OF THIS
3 PART AND ANY REGULATIONS PROMULGATED HEREUNDER SHALL BE USED TO
4 GOVERN THE APPROVAL OR DISAPPROVAL OF A DOMESTIC RELATIONS
5 ORDER. THEREFORE, IF THE SECRETARY OF THE BOARD, OR HIS
6 DESIGNATED REPRESENTATIVE, ACTS IN ACCORDANCE WITH THE
7 PROVISIONS OF THIS PART AND ANY PROMULGATED REGULATIONS IN
8 APPROVING OR DISAPPROVING A DOMESTIC RELATIONS ORDER, THEN THE
9 OBLIGATIONS OF THE SYSTEM WITH RESPECT TO SUCH APPROVAL OR
10 DISAPPROVAL SHALL BE DISCHARGED.

11 § 8533.2. IRREVOCABLE BENEFICIARY.

12 NOTWITHSTANDING ANY OTHER PROVISION OF THIS PART, A DOMESTIC
13 RELATIONS ORDER MAY PROVIDE FOR AN IRREVOCABLE BENEFICIARY. A
14 DOMESTIC RELATIONS ORDER REQUIRING THE NOMINATION OF AN
15 IRREVOCABLE BENEFICIARY SHALL BE DEEMED TO BE ONE THAT REQUIRES
16 A MEMBER TO NOMINATE AN ALTERNATE PAYEE AS A BENEFICIARY AND
17 THAT PROHIBITS THE REMOVAL OR CHANGE OF THAT BENEFICIARY WITHOUT
18 APPROVAL OF A COURT OF COMPETENT JURISDICTION, EXCEPT BY
19 OPERATION OF LAW. SUCH A DOMESTIC RELATIONS ORDER MAY BE
20 CERTIFIED AS AN APPROVED DOMESTIC RELATIONS ORDER BY THE
21 SECRETARY OF THE BOARD, OR HIS DESIGNATED REPRESENTATIVE, AFTER
22 THE MEMBER MAKES SUCH NOMINATION, IN WHICH CASE THE IRREVOCABLE
23 BENEFICIARY SO ORDERED BY THE COURT CANNOT BE CHANGED BY THE
24 MEMBER WITHOUT APPROVAL BY THE COURT.

25 § 8533.3. IRREVOCABLE SURVIVOR ANNUITANT.

26 NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS PART, A DOMESTIC
27 RELATIONS ORDER MAY PROVIDE FOR AN IRREVOCABLE SURVIVOR
28 ANNUITANT. A DOMESTIC RELATIONS ORDER REQUIRING THE DESIGNATION
29 OF AN IRREVOCABLE SURVIVOR ANNUITANT SHALL BE DEEMED TO BE ONE
30 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.

§ 8533.4. AMENDMENT OF APPROVED DOMESTIC RELATIONS ORDERS.

(A) DECEASED ALTERNATE PAYEE.--IN THE EVENT THAT THE
ALTERNATE PAYEE PREDECEASES THE MEMBER 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.

(B) RECERTIFICATION OF AMENDED ORDER.--IF A DIVORCE COURT
AMENDS THE APPROVED DOMESTIC RELATIONS ORDER FOR ANY REASON,
THEN THE AMENDED ORDER MUST BE SUBMITTED FOR RECERTIFICATION AS
AN APPROVED DOMESTIC RELATIONS ORDER AS SET FORTH IN THIS PART.

§ 8535. ~~REIMBURSEMENT OF DISTRICTS~~ PAYMENTS TO SCHOOL ENTITIES <—
BY COMMONWEALTH.

FOR EACH SCHOOL YEAR BEGINNING WITH THE 1994-1995 SCHOOL
YEAR, EACH SCHOOL ~~DISTRICT SHALL BE REIMBURSED~~ ENTITY SHALL BE <—
PAID BY THE COMMONWEALTH FOR CONTRIBUTIONS BASED UPON SCHOOL
SERVICE OF ACTIVE MEMBERS OF THE SYSTEM AFTER JUNE 30, 1994, AS
FOLLOWS:

(1) THE COMMONWEALTH SHALL REIMBURSE PAY EACH SCHOOL <—
~~DISTRICT~~ ENTITY FOR CONTRIBUTIONS MADE TO THE PUBLIC SCHOOL <—

1 EMPLOYEES' RETIREMENT FUND BASED UPON SCHOOL SERVICE OF ALL
2 ACTIVE MEMBERS, INCLUDING MEMBERS ON ACTIVATED MILITARY
3 SERVICE LEAVE, WHOSE EFFECTIVE DATES OF EMPLOYMENT WITH THEIR
4 SCHOOL DISTRICTS ENTITIES ARE AFTER JUNE 30, 1993, AND WHO <—
5 ALSO HAD NOT PREVIOUSLY BEEN EMPLOYED BY ANY SCHOOL ENTITY
6 WITHIN THIS COMMONWEALTH AN AMOUNT EQUAL TO THE AMOUNT
7 CERTIFIED BY THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD AS
8 NECESSARY TO PROVIDE, TOGETHER WITH THE MEMBERS'
9 CONTRIBUTIONS, RESERVES ON ACCOUNT OF PROSPECTIVE ANNUITIES,
10 SUPPLEMENTAL ANNUITIES AND THE PREMIUM ASSISTANCE PROGRAM AS
11 PROVIDED IN THIS PART IN ACCORDANCE WITH SECTION 8328
12 (RELATING TO ACTUARIAL COST METHOD), MULTIPLIED BY THE MARKET
13 VALUE/INCOME AID RATIO OF THE SCHOOL DISTRICT ENTITY. FOR NO <—
14 SCHOOL YEAR SHALL ANY SCHOOL DISTRICT ENTITY RECEIVE LESS <—
15 THAN THE AMOUNT THAT WOULD RESULT IF THE MARKET VALUE/INCOME
16 AID RATIO AID RATIO AS DEFINED IN SECTION 2501(14.1) OF THE <—
17 ACT OF MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS THE PUBLIC
18 SCHOOL CODE OF 1949, WAS .15.

19 (2) THE COMMONWEALTH SHALL REIMBURSE PAY EACH SCHOOL <—
20 DISTRICT ENTITY FOR CONTRIBUTIONS MADE TO THE PUBLIC SCHOOL <—
21 EMPLOYEES' RETIREMENT FUND BASED UPON SCHOOL SERVICE OF ALL
22 ACTIVE MEMBERS, INCLUDING MEMBERS ON ACTIVATED MILITARY
23 SERVICE LEAVE, WHO ARE NOT DESCRIBED IN PARAGRAPH (1), ONE-
24 HALF OF THE AMOUNT CERTIFIED BY THE PUBLIC SCHOOL EMPLOYEES'
25 RETIREMENT BOARD AS NECESSARY TO PROVIDE, TOGETHER WITH THE
26 MEMBERS' CONTRIBUTIONS, RESERVES ON ACCOUNT OF PROSPECTIVE
27 ANNUITIES, SUPPLEMENTAL ANNUITIES AND THE PREMIUM ASSISTANCE
28 PROGRAM AS PROVIDED IN THIS PART IN ACCORDANCE WITH SECTION
29 8328.

30 (3) THE STATE TREASURER SHALL MAKE PAYMENT TO SCHOOL <—

1 ENTITIES OF THE COMMONWEALTH'S PORTION OF THE EMPLOYER'S
2 LIABILITY UNDER THIS SECTION NO LATER THAN FIVE CALENDAR DAYS
3 PRIOR TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND'S
4 PAYMENT DUE DATES.

5 SECTION 8. THE DEFINITION OF "SUPERANNUATION ANNUITANT" IN
6 SECTION 5102 OF TITLE 71 IS AMENDED AND THE SECTION IS AMENDED
7 BY ADDING DEFINITIONS TO READ:

8 § 5102. DEFINITIONS.

9 THE FOLLOWING WORDS AND PHRASES AS USED IN THIS PART, UNLESS
10 A DIFFERENT MEANING IS PLAINLY REQUIRED BY THE CONTEXT, SHALL
11 HAVE THE FOLLOWING MEANINGS:

12 * * *

13 "ALTERNATE PAYEE." ANY SPOUSE, FORMER SPOUSE, CHILD OR
14 DEPENDENT OF A MEMBER WHO IS RECOGNIZED BY A DOMESTIC RELATIONS
15 ORDER AS HAVING A RIGHT TO RECEIVE ALL OR A PORTION OF THE
16 MONEYS PAYABLE TO THAT MEMBER UNDER THIS PART.

17 * * *

18 "APPROVED DOMESTIC RELATIONS ORDER." ANY DOMESTIC RELATIONS
19 ORDER WHICH HAS BEEN DETERMINED TO BE APPROVED IN ACCORDANCE
20 WITH SECTION 5953.1 (RELATING TO APPROVAL OF DOMESTIC RELATIONS
21 ORDERS).

22 * * *

23 "DISABILITY ANNUITANT." A MEMBER ON AND AFTER THE EFFECTIVE
24 DATE OF DISABILITY UNTIL HIS ANNUITY, OR THE PORTION OF HIS
25 ANNUITY PAYMENTS IN EXCESS OF ANY ANNUITY TO WHICH HE MAY
26 OTHERWISE BE ENTITLED, IS TERMINATED.

27 "DOMESTIC RELATIONS ORDER." ANY JUDGMENT, DECREE OR ORDER,
28 INCLUDING APPROVAL OF A PROPERTY SETTLEMENT AGREEMENT, ENTERED
29 ON OR AFTER THE EFFECTIVE DATE OF THIS DEFINITION BY A COURT OF
30 COMPETENT JURISDICTION PURSUANT TO A DOMESTIC RELATIONS LAW

1 WHICH RELATES TO THE MARITAL PROPERTY RIGHTS OF THE SPOUSE OR
2 FORMER SPOUSE OF A MEMBER, INCLUDING THE RIGHT TO RECEIVE ALL,
3 OR A PORTION OF, THE MONEYS PAYABLE TO THAT MEMBER UNDER THIS
4 PART IN FURTHERANCE OF THE EQUITABLE DISTRIBUTION OF MARITAL
5 ASSETS. THE TERM INCLUDES ORDERS OF SUPPORT AS THAT TERM IS
6 DEFINED BY 23 PA.C.S. § 4302 (RELATING TO DEFINITIONS) AND
7 ORDERS FOR THE ENFORCEMENT OF ARREARAGES AS PROVIDED IN 23
8 PA.C.S. § 3703 (RELATING TO ENFORCEMENT OF ARREARAGES).

9 * * *

10 "IRREVOCABLE BENEFICIARY." THE PERSON OR PERSONS PERMANENTLY
11 DESIGNATED BY A MEMBER IN WRITING TO THE STATE EMPLOYEES'
12 RETIREMENT BOARD PURSUANT TO AN APPROVED DOMESTIC RELATIONS
13 ORDER TO RECEIVE ALL OR A PORTION OF THE ACCUMULATED DEDUCTIONS
14 OR LUMP SUM BENEFIT PAYABLE UPON THE DEATH OF SUCH MEMBER.

15 "IRREVOCABLE SURVIVOR ANNUITANT." THE PERSON PERMANENTLY
16 DESIGNATED BY A MEMBER IN WRITING TO THE STATE EMPLOYEES'
17 RETIREMENT BOARD PURSUANT TO AN APPROVED DOMESTIC RELATIONS
18 ORDER TO RECEIVE AN ANNUITY UPON THE DEATH OF SUCH MEMBER.

19 * * *

20 "SUPERANNUATION ANNUITANT." AN ANNUITANT WHOSE ANNUITY
21 [BECOMES] FIRST BECAME PAYABLE ON OR AFTER THE ATTAINMENT OF
22 SUPERANNUATION AGE AND WHO IS NOT A DISABILITY ANNUITANT.

23 * * *

24 SECTION 8.1. SECTION 5304(E) OF TITLE 71 IS REPEALED. <—

25 SECTION 9. SECTIONS 5308(C), 5308.1, 5505(B), 5508(B), (C) <—
26 AND (E), 5704(A), 5705(A)(4) AND 5706 OF TITLE 71 ARE AMENDED TO
27 READ:

28 § 5308. ELIGIBILITY FOR ANNUITIES.

29 * * *

30 (C) DISABILITY ANNUITY.--AN ACTIVE MEMBER OR INACTIVE MEMBER

1 ON LEAVE WITHOUT PAY WHO HAS CREDIT FOR AT LEAST FIVE YEARS OF
2 SERVICE OR ANY ACTIVE MEMBER OR INACTIVE MEMBER ON LEAVE WITHOUT
3 PAY WHO IS AN OFFICER OF THE PENNSYLVANIA STATE POLICE OR AN
4 ENFORCEMENT OFFICER SHALL, UPON COMPLIANCE WITH SECTION 5907(K),
5 BE ENTITLED TO A DISABILITY ANNUITY IF [PRIOR TO ATTAINMENT OF
6 SUPERANNUATION AGE] HE BECOMES MENTALLY OR PHYSICALLY INCAPABLE
7 OF CONTINUING TO PERFORM THE DUTIES FOR WHICH HE IS EMPLOYED AND
8 QUALIFIES IN ACCORDANCE WITH THE PROVISIONS OF SECTION
9 5905(C)(1) (RELATING TO DUTIES OF THE BOARD REGARDING
10 APPLICATIONS AND ELECTIONS OF MEMBERS).

11 § 5308.1. ELIGIBILITY FOR SPECIAL EARLY RETIREMENT.

12 NOTWITHSTANDING ANY PROVISIONS OF THIS TITLE TO THE CONTRARY,
13 THE FOLLOWING SPECIAL EARLY RETIREMENT PROVISIONS SHALL BE
14 APPLICABLE TO SPECIFIED ELIGIBLE MEMBERS AS FOLLOWS:

15 (1) DURING THE PERIOD OF JULY 1, 1985, TO SEPTEMBER 30,
16 1991, AN ACTIVE MEMBER WHO HAS ATTAINED THE AGE OF AT LEAST
17 53 YEARS AND HAS ACCRUED AT LEAST 30 ELIGIBILITY POINTS SHALL
18 BE ENTITLED, UPON TERMINATION OF STATE SERVICE AND COMPLIANCE
19 WITH SECTION 5907(F) (RELATING TO RIGHTS AND DUTIES OF STATE
20 EMPLOYEES AND MEMBERS), TO RECEIVE A MAXIMUM SINGLE LIFE
21 ANNUITY CALCULATED UNDER SECTION 5702 (RELATING TO MAXIMUM
22 SINGLE LIFE ANNUITY) WITHOUT A REDUCTION BY VIRTUE OF AN
23 EFFECTIVE DATE OF RETIREMENT WHICH IS UNDER THE
24 SUPERANNUATION AGE.

25 (2) DURING THE PERIOD OF JULY 1, 1985, TO SEPTEMBER 30,
26 1991, AN ACTIVE MEMBER WHO HAS ATTAINED THE AGE OF AT LEAST
27 50 YEARS BUT NOT GREATER THAN 53 YEARS AND HAS ACCRUED AT
28 LEAST 30 ELIGIBILITY POINTS SHALL BE ENTITLED, UPON
29 TERMINATION OF STATE SERVICE AND COMPLIANCE WITH SECTION
30 5907(F), TO RECEIVE A MAXIMUM SINGLE LIFE ANNUITY CALCULATED

1 UNDER SECTION 5702 WITH A REDUCTION BY VIRTUE OF AN EFFECTIVE
2 DATE OF RETIREMENT WHICH IS UNDER THE SUPERANNUATION AGE OF A
3 PERCENTAGE FACTOR WHICH SHALL BE DETERMINED BY MULTIPLYING
4 THE NUMBER OF MONTHS, INCLUDING A FRACTION OF A MONTH AS A
5 FULL MONTH, BY WHICH THE EFFECTIVE DATE OF RETIREMENT
6 PRECEDES THE ATTAINMENT OF AGE 53 BY 0.25%.

7 (3) DURING THE PERIOD OF OCTOBER 1, 1991, TO JUNE 30,
8 1993, A MEMBER WHO HAS CREDIT FOR AT LEAST 30 ELIGIBILITY
9 POINTS SHALL BE ENTITLED, UPON TERMINATION OF SERVICE AND
10 FILING OF A PROPER APPLICATION, TO RECEIVE A MAXIMUM SINGLE
11 LIFE ANNUITY CALCULATED PURSUANT TO SECTION 5702 WITHOUT ANY
12 REDUCTION BY VIRTUE OF AN EFFECTIVE DATE OF RETIREMENT WHICH
13 IS UNDER THE SUPERANNUATION AGE.

14 (4) DURING THE PERIOD OF JULY 1, 1993, TO JANUARY 1,
15 1997, A MEMBER WHO HAS CREDIT FOR AT LEAST 30 ELIGIBILITY
16 POINTS SHALL BE ENTITLED, UPON TERMINATION OF SERVICE AND
17 FILING OF A PROPER APPLICATION, TO RECEIVE A MAXIMUM SINGLE
18 LIFE ANNUITY CALCULATED PURSUANT TO SECTION 5702 WITHOUT ANY
19 REDUCTION BY VIRTUE OF AN EFFECTIVE DATE OF RETIREMENT WHICH
20 IS UNDER THE SUPERANNUATION AGE.

21 § 5505. CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR CREDITABLE <—
22 NONSTATE SERVICE.

23 * * *

24 (B) NONINTERVENING MILITARY SERVICE.--

25 (1) THE AMOUNT DUE FOR THE PURCHASE OF CREDIT FOR
26 MILITARY SERVICE OTHER THAN INTERVENING MILITARY SERVICE
27 SHALL BE DETERMINED BY APPLYING THE MEMBER'S BASIC
28 CONTRIBUTION RATE, THE ADDITIONAL CONTRIBUTION RATE PLUS THE
29 COMMONWEALTH NORMAL CONTRIBUTION RATE FOR ACTIVE MEMBERS AT
30 THE TIME OF ENTRY, SUBSEQUENT TO SUCH MILITARY SERVICE, OF

1 THE MEMBER INTO STATE SERVICE TO HIS AVERAGE ANNUAL RATE OF
2 COMPENSATION OVER THE FIRST THREE YEARS OF SUCH SUBSEQUENT
3 STATE SERVICE AND MULTIPLYING THE RESULT BY THE NUMBER OF
4 YEARS AND FRACTIONAL PART OF A YEAR OF CREDITABLE
5 NONINTERVENING MILITARY SERVICE BEING PURCHASED TOGETHER WITH
6 STATUTORY INTEREST DURING ALL PERIODS OF SUBSEQUENT STATE AND
7 SCHOOL SERVICE TO DATE OF PURCHASE. UPON APPLICATION FOR
8 CREDIT FOR SUCH SERVICE, PAYMENT SHALL BE MADE IN A LUMP SUM
9 WITHIN 30 DAYS OR IN THE CASE OF AN ACTIVE MEMBER IT MAY BE
10 AMORTIZED WITH STATUTORY INTEREST THROUGH SALARY DEDUCTIONS
11 IN AMOUNTS AGREED UPON BY THE MEMBER AND THE BOARD.
12 APPLICATION MAY BE FILED FOR ALL SUCH MILITARY SERVICE CREDIT
13 UPON COMPLETION OF THREE YEARS OF SUBSEQUENT STATE SERVICE
14 AND SHALL BE CREDITED AS CLASS A SERVICE.

15 (2) APPLICANTS MAY PURCHASE CREDIT AS FOLLOWS:

16 (I) ONE PURCHASE OF THE TOTAL AMOUNT OF CREDITABLE
17 NONINTERVENING MILITARY SERVICE; OR

18 (II) ONE PURCHASE PER 12-MONTH PERIOD OF A PORTION
19 OF CREDITABLE NONINTERVENING MILITARY SERVICE.

20 THE AMOUNT OF EACH PURCHASE SHALL BE NOT LESS THAN ONE YEAR
21 OF CREDITABLE NONINTERVENING MILITARY SERVICE.

22 * * *

23 § 5508. ACTUARIAL COST METHOD.

24 * * *

25 (B) EMPLOYER NORMAL CONTRIBUTION RATE.--THE EMPLOYER NORMAL
26 CONTRIBUTION RATE SHALL BE DETERMINED AFTER EACH ACTUARIAL
27 VALUATION ON THE BASIS OF AN ANNUAL INTEREST RATE AND SUCH
28 MORTALITY AND OTHER TABLES AS SHALL BE ADOPTED BY THE BOARD IN
29 ACCORDANCE WITH GENERALLY ACCEPTED ACTUARIAL PRINCIPLES. THE
30 EMPLOYER NORMAL CONTRIBUTION RATE SHALL BE DETERMINED AS A LEVEL

1 PERCENTAGE OF THE COMPENSATION OF THE AVERAGE NEW ACTIVE MEMBER,
2 WHICH PERCENTAGE, IF CONTRIBUTED ON THE BASIS OF HIS PROSPECTIVE
3 COMPENSATION THROUGH HIS ENTIRE PERIOD OF ACTIVE STATE SERVICE,
4 WOULD BE SUFFICIENT TO FUND THE LIABILITY FOR ANY PROSPECTIVE
5 BENEFIT PAYABLE TO HIM, EXCEPT FOR THE SUPPLEMENTAL BENEFITS
6 PROVIDED FOR IN SECTIONS 5708 (RELATING TO SUPPLEMENTAL
7 ANNUITIES), 5708.1 (RELATING TO ADDITIONAL SUPPLEMENTAL
8 ANNUITIES) [AND] 5708.2 (RELATING TO FURTHER ADDITIONAL
9 SUPPLEMENTAL ANNUITIES) AND 5708.3 (RELATING TO SUPPLEMENTAL
10 ANNUITIES COMMENCING 1994), IN EXCESS OF THAT PORTION FUNDED BY
11 HIS PROSPECTIVE MEMBER CONTRIBUTIONS.

12 (C) ACCRUED LIABILITY CONTRIBUTION RATE.--FOR THE FISCAL
13 YEAR BEGINNING JULY 1, 1991, THE ACCRUED LIABILITY CONTRIBUTION
14 RATE SHALL BE COMPUTED AS THE RATE OF TOTAL COMPENSATION OF ALL
15 ACTIVE MEMBERS WHICH SHALL BE CERTIFIED BY THE ACTUARY AS
16 SUFFICIENT TO FUND OVER A PERIOD OF 20 YEARS FROM JULY 1, 1991,
17 THE PRESENT VALUE OF THE LIABILITIES FOR ALL PROSPECTIVE
18 BENEFITS, EXCEPT FOR THE SUPPLEMENTAL BENEFITS AS PROVIDED IN
19 SECTIONS 5708, 5708.1 [AND] 5708.2 AND 5708.3, IN EXCESS OF THE
20 TOTAL ASSETS IN THE FUND (CALCULATED RECOGNIZING ALL INVESTMENT
21 GAINS AND LOSSES OVER A FIVE-YEAR PERIOD), EXCLUDING THE BALANCE
22 IN THE SUPPLEMENTAL ANNUITY ACCOUNT, AND THE PRESENT VALUE OF
23 EMPLOYER NORMAL CONTRIBUTIONS AND OF MEMBER CONTRIBUTIONS
24 PAYABLE WITH RESPECT TO ALL ACTIVE MEMBERS ON JULY 1, 1991. THE
25 AMOUNT OF EACH ANNUAL ACCRUED LIABILITY CONTRIBUTION SHALL BE 5%
26 GREATER THAN THE AMOUNT OF SUCH CONTRIBUTION FOR THE PREVIOUS
27 FISCAL YEAR, EXCEPT THAT, IF THE ACCRUED LIABILITY IS INCREASED
28 BY LEGISLATION ENACTED SUBSEQUENT TO JULY 1, 1991, SUCH
29 ADDITIONAL LIABILITY SHALL BE FUNDED OVER A PERIOD OF 20 YEARS
30 FROM THE FIRST DAY OF JULY, COINCIDENT WITH OR NEXT FOLLOWING

1 THE EFFECTIVE DATE OF THE INCREASE, PROVIDED THAT THE LIABILITY
2 FOR ANY ADDITIONAL BENEFITS CREATED BY THIS ACT SHALL BE FUNDED
3 OVER A PERIOD OF 20 YEARS COMMENCING JULY 1, 1992. THE AMOUNT OF
4 EACH ANNUAL ACCRUED LIABILITY CONTRIBUTION FOR SUCH ADDITIONAL
5 LEGISLATIVE LIABILITIES SHALL BE 5% GREATER THAN THE AMOUNT OF
6 SUCH CONTRIBUTION FOR THE PREVIOUS FISCAL YEAR.

7 * * *

8 (E) SUPPLEMENTAL ANNUITY CONTRIBUTION RATE.--CONTRIBUTIONS
9 FROM THE COMMONWEALTH REQUIRED TO PROVIDE FOR THE PAYMENT OF
10 SUPPLEMENTAL ANNUITIES AS PROVIDED IN SECTIONS 5708, 5708.1 AND
11 5708.2 SHALL BE PAID OVER A PERIOD OF 20 YEARS FROM JULY 1,
12 1991. THE AMOUNT OF EACH ANNUAL SUPPLEMENTAL ANNUITIES
13 CONTRIBUTION SHALL BE 5% GREATER THAN THE AMOUNT OF SUCH
14 CONTRIBUTION FOR THE PREVIOUS FISCAL YEAR. IN THE EVENT THAT
15 SUPPLEMENTAL ANNUITIES ARE INCREASED BY LEGISLATION ENACTED
16 SUBSEQUENT TO JULY 1, 1991, THE ADDITIONAL LIABILITY FOR THE
17 INCREASE IN BENEFITS SHALL BE FUNDED IN ANNUAL INSTALLMENTS
18 INCREASING BY 5% EACH YEAR OVER A PERIOD OF 20 YEARS FROM THE
19 JULY FIRST, COINCIDENT WITH OR NEXT FOLLOWING THE EFFECTIVE DATE
20 OF SUCH LEGISLATION. NOTWITHSTANDING THE PRECEDING, THE FUNDING
21 FOR THE SUPPLEMENTAL ANNUITIES COMMENCING 1994 PROVIDED FOR IN
22 SECTION 5708.3 SHALL BE AS PROVIDED IN SECTION 5708.3(F).

23 * * *

24 § 5704. DISABILITY ANNUITIES.

25 (A) AMOUNT OF ANNUITY.--A MEMBER WHO HAS MADE APPLICATION
26 FOR A DISABILITY ANNUITY AND HAS BEEN FOUND TO BE ELIGIBLE IN
27 ACCORDANCE WITH THE PROVISIONS OF SECTION 5905(C)(1) (RELATING
28 TO DUTIES OF THE BOARD REGARDING APPLICATIONS AND ELECTIONS OF
29 MEMBERS) SHALL RECEIVE A DISABILITY ANNUITY PAYABLE FROM THE
30 EFFECTIVE DATE OF DISABILITY AS DETERMINED BY THE BOARD AND

1 CONTINUED UNTIL A SUBSEQUENT DETERMINATION BY THE BOARD THAT THE
2 ANNUITANT IS NO LONGER ENTITLED TO A DISABILITY ANNUITY. THE
3 DISABILITY ANNUITY SHALL BE EQUAL TO A STANDARD SINGLE LIFE
4 ANNUITY MULTIPLIED BY THE CLASS OF SERVICE MULTIPLIER APPLICABLE
5 TO THE CLASS OF SERVICE AT THE TIME OF DISABILITY IF THE PRODUCT
6 OF SUCH CLASS OF SERVICE MULTIPLIER AND THE TOTAL NUMBER OF
7 YEARS OF CREDITED SERVICE IS GREATER THAN 16.667, OTHERWISE THE
8 STANDARD SINGLE LIFE ANNUITY SHALL BE MULTIPLIED BY THE LESSER
9 OF THE FOLLOWING RATIOS:

10
$$MY^*/Y \text{ OR } 16.667/Y$$

11 WHERE Y = NUMBER OF YEARS OF CREDITED SERVICE, Y* = TOTAL YEARS
12 OF CREDITED SERVICE IF THE MEMBER WERE TO CONTINUE AS A STATE
13 EMPLOYEE UNTIL ATTAINING SUPERANNUATION AGE AS APPLICABLE AT THE
14 TIME OF DISABILITY, OR IF THE MEMBER HAS ATTAINED SUPERANNUATION
15 AGE, AS APPLICABLE AT THE TIME OF DISABILITY, THEN THE NUMBER OF
16 YEARS OF CREDITED SERVICE AND M = THE CLASS OF SERVICE
17 MULTIPLIER AS APPLICABLE AT THE [TIME OF DISABILITY] EFFECTIVE
18 DATE OF DISABILITY. A MEMBER OF CLASS C SHALL RECEIVE, IN
19 ADDITION, ANY ANNUITY TO WHICH HE MAY BE ELIGIBLE UNDER SECTION
20 5702(A)(3) (RELATING TO MAXIMUM SINGLE LIFE ANNUITY). THE MEMBER
21 SHALL BE ENTITLED TO THE ELECTION OF A JOINT AND SURVIVOR
22 ANNUITY ON THAT PORTION OF THE DISABILITY ANNUITY TO WHICH HE IS
23 ENTITLED UNDER SECTION 5702.

24 * * *

25 § 5705. MEMBER'S OPTIONS.

26 (A) GENERAL RULE.--ANY VESTEE HAVING TEN OR MORE ELIGIBILITY
27 POINTS OR ANY OTHER ELIGIBLE MEMBER UPON TERMINATION OF STATE
28 SERVICE WHO HAS NOT WITHDRAWN HIS TOTAL ACCUMULATED DEDUCTIONS
29 AS PROVIDED IN SECTION 5701 (RELATING TO RETURN OF TOTAL
30 ACCUMULATED DEDUCTIONS) MAY APPLY FOR AND ELECT TO RECEIVE

1 EITHER A MAXIMUM SINGLE LIFE ANNUITY, AS CALCULATED IN
2 ACCORDANCE WITH THE PROVISIONS OF SECTION 5702 (RELATING TO
3 MAXIMUM SINGLE LIFE ANNUITY), OR A REDUCED ANNUITY CERTIFIED BY
4 THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE MAXIMUM SINGLE
5 LIFE ANNUITY AND IN ACCORDANCE WITH ONE OF THE FOLLOWING
6 OPTIONS; EXCEPT THAT NO MEMBER SHALL ELECT AN ANNUITY PAYABLE TO
7 ONE OR MORE SURVIVOR ANNUITANTS OTHER THAN HIS SPOUSE OR
8 ALTERNATE PAYEE OF SUCH A MAGNITUDE THAT THE PRESENT VALUE OF
9 THE ANNUITY PAYABLE TO HIM FOR LIFE PLUS ANY LUMP SUM PAYMENT HE
10 MAY HAVE ELECTED TO RECEIVE IS LESS THAN 50% OF THE PRESENT
11 VALUE OF HIS MAXIMUM SINGLE LIFE ANNUITY:

12 * * *

13 (4) OPTION 4.--SOME OTHER BENEFIT WHICH SHALL BE
14 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE
15 MAXIMUM SINGLE LIFE ANNUITY, SUBJECT TO THE FOLLOWING
16 RESTRICTIONS:

17 (I) ANY ANNUITY SHALL BE PAYABLE WITHOUT REDUCTION
18 DURING THE LIFETIME OF THE MEMBER [EXCEPT AS THE RESULT
19 OF THE MEMBER'S ELECTION TO RECEIVE AN ANNUITY REDUCED
20 UPON ATTAINMENT OF AGE 65, IN ANTICIPATION OF THE RECEIPT
21 OF A SOCIAL SECURITY BENEFIT];

22 (II) THE SUM OF ALL ANNUITIES PAYABLE TO THE
23 DESIGNATED SURVIVOR ANNUITANTS SHALL NOT BE GREATER THAN
24 ONE AND ONE-HALF TIMES THE ANNUITY PAYABLE TO THE MEMBER;
25 AND

26 (III) A PORTION OF THE BENEFIT MAY BE PAYABLE AS A
27 LUMP SUM, EXCEPT THAT SUCH LUMP SUM PAYMENT SHALL NOT
28 EXCEED AN AMOUNT EQUAL TO THE TOTAL ACCUMULATED
29 DEDUCTIONS STANDING TO THE CREDIT OF THE MEMBER. THE
30 BALANCE OF THE PRESENT VALUE OF THE MAXIMUM SINGLE LIFE

1 ANNUITY ADJUSTED IN ACCORDANCE WITH SECTION 5702(B) SHALL
2 BE PAID IN THE FORM OF AN ANNUITY WITH A GUARANTEED TOTAL
3 PAYMENT, A SINGLE LIFE ANNUITY, OR A JOINT AND SURVIVOR
4 ANNUITY OR ANY COMBINATION THEREOF BUT SUBJECT TO THE
5 RESTRICTIONS OF SUBPARAGRAPHS (I) AND (II) UNDER THIS
6 OPTION.

7 * * *

8 § 5706. TERMINATION OF ANNUITIES.

9 (A) GENERAL RULE.--IF THE ANNUITANT RETURNS TO STATE SERVICE
10 OR ENTERS SCHOOL SERVICE AND ELECTS MULTIPLE SERVICE MEMBERSHIP,
11 ANY ANNUITY PAYABLE TO HIM UNDER THIS PART SHALL CEASE AND IN
12 THE CASE OF AN ANNUITY OTHER THAN A DISABILITY ANNUITY THE
13 PRESENT VALUE OF SUCH ANNUITY, ADJUSTED FOR FULL COVERAGE IN THE
14 CASE OF A JOINT COVERAGE MEMBER WHO MAKES THE APPROPRIATE BACK
15 CONTRIBUTIONS FOR FULL COVERAGE, SHALL BE FROZEN AS OF THE DATE
16 SUCH ANNUITY CEASES. AN ANNUITANT WHO IS CREDITED WITH AN
17 ADDITIONAL 10% OF CLASS A AND CLASS C SERVICE AS PROVIDED IN
18 SECTION 5302(C) (RELATING TO CREDITED STATE SERVICE) AND WHO
19 RETURNS TO STATE SERVICE SHALL FORFEIT SUCH CREDITED SERVICE AND
20 SHALL HAVE HIS FROZEN PRESENT VALUE ADJUSTED AS IF HIS 10%
21 RETIREMENT INCENTIVE HAD NOT BEEN APPLIED TO HIS ACCOUNT. IN THE
22 EVENT THAT THE COST-OF-LIVING INCREASE ENACTED DECEMBER 18, 1979
23 OCCURRED DURING THE PERIOD OF SUCH STATE OR SCHOOL EMPLOYMENT,
24 THE FROZEN PRESENT VALUE SHALL BE INCREASED, ON OR AFTER THE
25 MEMBER ATTAINS SUPERANNUATION AGE, BY THE PERCENT APPLICABLE HAD
26 HE NOT RETURNED TO SERVICE. THIS SUBSECTION SHALL NOT APPLY IN
27 THE CASE OF ANY ANNUITANT WHO MAY RENDER SERVICES TO THE
28 COMMONWEALTH IN THE CAPACITY OF AN INDEPENDENT CONTRACTOR OR AS
29 A MEMBER OF AN INDEPENDENT BOARD OR COMMISSION OR AS A MEMBER OF
30 A DEPARTMENTAL ADMINISTRATIVE OR ADVISORY BOARD OR COMMISSION

1 WHEN SUCH MEMBERS OF INDEPENDENT OR DEPARTMENTAL BOARDS OR
2 COMMISSIONS ARE COMPENSATED ON A PER DIEM BASIS FOR NOT MORE
3 THAN [100] 150 DAYS PER CALENDAR YEAR.

4 (A.1) RETURN TO STATE SERVICE DURING EMERGENCY.--WHEN, IN
5 THE JUDGMENT OF THE EMPLOYER, AN EMERGENCY CREATES AN INCREASE
6 IN THE WORK LOAD SUCH THAT THERE IS SERIOUS IMPAIRMENT OF
7 SERVICE TO THE PUBLIC, AN ANNUITANT MAY BE RETURNED TO STATE
8 SERVICE FOR A PERIOD NOT TO EXCEED 95 DAYS IN ANY FISCAL YEAR
9 WITHOUT LOSS OF HIS ANNUITY. IN COMPUTING THE NUMBER OF DAYS AN
10 ANNUITANT HAS RETURNED TO STATE SERVICE, ANY AMOUNT OF TIME LESS
11 THAN ONE-HALF OF A DAY SHALL BE COUNTED AS ONE-HALF OF A DAY.
12 FOR AGENCIES, BOARDS AND COMMISSIONS UNDER THE GOVERNOR'S
13 JURISDICTION, THE APPROVAL OF THE GOVERNOR THAT AN EMERGENCY
14 EXISTS SHALL BE REQUIRED BEFORE AN ANNUITANT MAY BE RETURNED TO
15 STATE SERVICE.

16 (B) SUBSEQUENT DISCONTINUANCE OF SERVICE.--UPON SUBSEQUENT
17 DISCONTINUANCE OF SERVICE, SUCH MEMBER OTHER THAN A FORMER
18 ANNUITANT WHO ELECTED TO ELIMINATE THE EFFECT OF HIS FROZEN
19 PRESENT VALUE IN ACCORDANCE WITH SUBSECTION (C) OR A FORMER
20 DISABILITY ANNUITANT SHALL BE ENTITLED TO AN ANNUITY WHICH IS
21 ACTUARIALLY EQUIVALENT TO THE SUM OF THE PRESENT VALUE AS
22 DETERMINED UNDER SUBSECTION (A) AND THE PRESENT VALUE OF A
23 MAXIMUM SINGLE LIFE ANNUITY BASED ON YEARS OF SERVICE CREDITED
24 SUBSEQUENT TO REENTRY IN THE SYSTEM AND HIS FINAL AVERAGE SALARY
25 COMPUTED BY REFERENCE TO HIS COMPENSATION DURING HIS ENTIRE
26 PERIOD OF STATE AND SCHOOL SERVICE.

27 (C) ELECTION TO ELIMINATE THE EFFECT OF FROZEN PRESENT
28 VALUE.--

29 (1) IF AN ANNUITANT WHO HAS NOT ELECTED MULTIPLE SERVICE
30 RETURNS TO STATE SERVICE AND EARNS THREE ELIGIBILITY POINTS

1 BY PERFORMING CREDITED STATE SERVICE FOLLOWING THE MOST
2 RECENT PERIOD OF RECEIPT OF AN ANNUITY UNDER THIS PART AND
3 THE PRESENT VALUE OF HIS ANNUITY HAS BEEN FROZEN IN
4 ACCORDANCE WITH SUBSECTION (A), THE FORMER ANNUITANT MAY
5 ELECT TO ELIMINATE THE EFFECT OF THE FROZEN PRESENT VALUE
6 RESULTING FROM ALL PREVIOUS PERIODS OF RETIREMENT BY AGREEING
7 TO RETURN TO THE FUND ALL PAYMENTS UNDER OPTION 4 AND ANNUITY
8 PAYMENTS PAYABLE DURING PREVIOUS PERIODS OF RETIREMENT PLUS
9 INTEREST AS SET FORTH IN PARAGRAPH (4) IN THE FORM OF AN
10 ACTUARIAL ADJUSTMENT TO HIS SUBSEQUENT BENEFITS.

11 (2) A FORMER ANNUITANT WHO HAS NOT ELECTED MULTIPLE
12 SERVICE AND CHOOSES TO ELIMINATE THE EFFECT OF HIS FROZEN
13 PRESENT VALUE MUST ELECT TO DO SO IN THE FISCAL YEAR IN WHICH
14 HE FIRST BECOMES ELIGIBLE OR IN THE FOLLOWING FISCAL YEAR.
15 ONLY AN ACTIVE OR INACTIVE MEMBER ON LEAVE CAN ELECT TO
16 ELIMINATE THE EFFECT OF FROZEN PRESENT VALUE.

17 (3) UPON SUBSEQUENT DISCONTINUANCE OF SERVICE WHERE A
18 FORMER ANNUITANT HAS ELECTED TO ELIMINATE THE EFFECT OF THE
19 FROZEN PRESENT VALUE UNDER THIS SUBSECTION, THAT PORTION OF
20 THE PRESENT VALUE OF HIS ACCOUNT UPON WHICH HIS ANNUITY HAD
21 BEEN CALCULATED SHALL NO LONGER BE FROZEN AND HE SHALL BE
22 ENTITLED TO AN ANNUITY CALCULATED IN ACCORDANCE WITH THE
23 PROVISIONS OF THIS PART AS THEN IN EFFECT, ADJUSTED ACCORDING
24 TO PARAGRAPH (4), PROVIDED THAT A FORMER ANNUITANT WHO
25 RETIRED UNDER A PROVISION OF LAW GRANTING ADDITIONAL SERVICE
26 CREDIT IF TERMINATION OF STATE SERVICE OR RETIREMENT OCCURRED
27 DURING A SPECIFIC PERIOD OF TIME, SHALL NOT BE PERMITTED TO
28 RETAIN THE ADDITIONAL SERVICE CREDIT UNDER THE PRIOR LAW WHEN
29 THE ANNUITY IS COMPUTED FOR HIS MOST RECENT RETIREMENT.

30 (4) IN ADDITION TO ANY OTHER ADJUSTMENT TO THE PRESENT

1 VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY THAT A MEMBER MAY BE
2 ENTITLED TO RECEIVE THAT OCCURS AS A RESULT OF ANY OTHER
3 PROVISION OF LAW, THE PRESENT VALUE OF THE MAXIMUM SINGLE
4 LIFE ANNUITY SHALL BE REDUCED BY ALL AMOUNTS PAID OR PAYABLE
5 TO HIM DURING ALL PREVIOUS PERIODS OF RETIREMENT PLUS
6 INTEREST ON THESE AMOUNTS UNTIL THE DATE OF SUBSEQUENT
7 RETIREMENT. THE INTEREST FOR EACH YEAR SHALL BE CALCULATED
8 BASED UPON THE ANNUAL INTEREST RATE ADOPTED FOR THAT FISCAL
9 YEAR BY THE BOARD FOR THE CALCULATION OF THE NORMAL
10 CONTRIBUTION RATE PURSUANT TO SECTION 5508(B) (RELATING TO
11 ACTUARIAL COST METHOD).

12 SECTION 10. TITLE 71 IS AMENDED BY ADDING A SECTION TO READ:

13 § 5708.3. SUPPLEMENTAL ANNUITIES COMMENCING 1994.

14 (A) BENEFITS.--COMMENCING WITH THE FIRST MONTHLY ANNUITY
15 PAYMENT AFTER JULY 1, 1994, ANY ELIGIBLE BENEFIT RECIPIENT SHALL
16 BE ENTITLED TO RECEIVE A FURTHER ADDITIONAL MONTHLY SUPPLEMENTAL
17 ANNUITY FROM THE SYSTEM. THIS SHALL BE IN ADDITION TO THE
18 SUPPLEMENTAL ANNUITIES PROVIDED FOR IN SECTIONS 5708 (RELATING
19 TO SUPPLEMENTAL ANNUITIES), 5708.1 (RELATING TO ADDITIONAL
20 SUPPLEMENTAL ANNUITIES) AND 5708.2 (RELATING TO FURTHER
21 ADDITIONAL SUPPLEMENTAL ANNUITIES).

22 (B) AMOUNT OF ADDITIONAL SUPPLEMENTAL ANNUITY.--THE AMOUNT
23 OF THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY SHALL BE
24 DETERMINED ON THE BASIS OF THE MOST RECENT EFFECTIVE DATE OF
25 RETIREMENT AND PAYABLE ON THE FIRST \$3,000 OF ANNUITY RECEIVED
26 PER MONTH, AS FOLLOWS:

<u>MOST RECENT EFFECTIVE</u>	<u>PERCENTAGE FACTOR</u>
<u>DATE OF RETIREMENT</u>	
<u>JULY 1, 1991, THROUGH JUNE 30, 1992</u>	<u>1.5%</u>
<u>JULY 1, 1990, THROUGH JUNE 30, 1991</u>	<u>2.8%</u>

1	JULY 1, 1989, THROUGH JUNE 30, 1990	5.3%
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2	ON OR PRIOR TO JUNE 30, 1989	7.9%
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3 (C) PAYMENT.--THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY
4 PROVIDED UNDER THIS SECTION SHALL BE PAID AUTOMATICALLY UNLESS
5 THE INTENDED RECIPIENT FILES A WRITTEN NOTICE WITH THE SYSTEM
6 REQUESTING THAT THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY NOT
7 BE PAID.

8 (D) CONDITIONS.--THE ADDITIONAL SUPPLEMENTAL ANNUITY
9 PROVIDED UNDER THIS SECTION SHALL BE PAYABLE UNDER THE SAME
10 TERMS AND CONDITIONS AS PROVIDED UNDER THE OPTION PLAN IN EFFECT
11 AS OF JUNE 30, 1994.

12 (E) BENEFITS PAID TO BENEFICIARIES OR SURVIVORS.--NO
13 SUPPLEMENTAL ANNUITY EFFECTIVE AFTER THE DEATH OF THE MEMBER
14 SHALL BE PAYABLE TO THE BENEFICIARY OR SURVIVOR ANNUITANT OF THE
15 DECEASED MEMBER.

16 (F) FUNDING.--NOTWITHSTANDING SECTION 5508(E) (RELATING TO
17 ACTUARIAL COST METHOD), THE ADDITIONAL LIABILITY FOR THE
18 INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN
19 ANNUAL INSTALLMENTS INCREASING BY 5% EACH YEAR OVER A PERIOD OF
20 20 YEARS BEGINNING JULY 1, 1995.

21 (G) DEFINITION.--AS USED IN THIS SECTION, THE TERM "ELIGIBLE
22 BENEFIT RECIPIENT" SHALL MEAN A PERSON WHO IS RECEIVING A
23 SUPERANNUATION, WITHDRAWAL OR DISABILITY ANNUITY AND WHO
24 COMMENCED RECEIPT OF THAT ANNUITY ON OR PRIOR TO JUNE 30, 1992,
25 BUT THE SUPPLEMENTAL ANNUITIES SHALL NOT BE PAYABLE TO AN
26 ANNUITANT RECEIVING A WITHDRAWAL ANNUITY PRIOR TO THE FIRST DAY
27 OF JULY COINCIDENT WITH OR FOLLOWING THE ANNUITANT'S ATTAINMENT
28 OF SUPERANNUATION AGE.

29 SECTION 11. SECTIONS 5901(A), 5902, 5905, 5907(F), (H) AND
30 (K), 5908(B) AND (C), 5931 AND 5953 OF TITLE 71 ARE AMENDED TO

1 READ:

2 § 5901. THE STATE EMPLOYEES' RETIREMENT BOARD.

3 (A) STATUS AND MEMBERSHIP.--THE BOARD SHALL BE AN
4 INDEPENDENT ADMINISTRATIVE BOARD AND CONSIST OF 11 MEMBERS: THE
5 STATE TREASURER, EX OFFICIO, TWO SENATORS OR FORMER SENATORS,
6 TWO MEMBERS OR FORMER MEMBERS OF THE HOUSE OF REPRESENTATIVES
7 AND SIX MEMBERS APPOINTED BY THE GOVERNOR, ONE OF WHOM SHALL BE
8 AN ANNUITANT OF THE SYSTEM, FOR TERMS OF FOUR YEARS, SUBJECT TO
9 CONFIRMATION BY THE SENATE. AT LEAST FIVE BOARD MEMBERS SHALL BE
10 ACTIVE MEMBERS OF THE SYSTEM, AND AT LEAST TWO SHALL HAVE TEN OR
11 MORE YEARS OF CREDITED STATE SERVICE. THE CHAIRMAN OF THE BOARD
12 SHALL BE DESIGNATED BY THE GOVERNOR FROM AMONG THE MEMBERS OF
13 THE BOARD. EACH MEMBER OF THE BOARD WHO IS A MEMBER OF THE
14 GENERAL ASSEMBLY MAY APPOINT A DULY AUTHORIZED DESIGNEE TO ACT
15 IN HIS STEAD.

16 * * *

17 § 5902. ADMINISTRATIVE DUTIES OF THE BOARD.

18 (A) EMPLOYEES.--THE SECRETARY, CLERICAL, AND OTHER EMPLOYEES
19 OF THE BOARD AND THEIR SUCCESSORS WHOSE POSITIONS ON THE
20 EFFECTIVE DATE OF THIS PART ARE UNDER THE CLASSIFIED SERVICE
21 PROVISIONS OF THE ACT OF AUGUST 5, 1941 (P.L.752, NO.286), KNOWN
22 AS THE CIVIL SERVICE ACT, SHALL CONTINUE UNDER SUCH PROVISIONS.
23 NOTWITHSTANDING ANY OTHER PROVISIONS OF LAW, THE COMPENSATION
24 SHALL BE ESTABLISHED BY THE BOARD FOR THE SECRETARY, THE
25 ASSISTANT SECRETARY, INVESTMENT PROFESSIONALS AND OTHER
26 PROFESSIONALS DESIGNATED BY THE BOARD WHO ARE NOT COVERED BY A
27 COLLECTIVE BARGAINING AGREEMENT. THE SECRETARY SHALL ACT AS
28 CHIEF ADMINISTRATIVE OFFICER FOR THE BOARD. IN ADDITION TO OTHER
29 POWERS AND DUTIES CONFERRED UPON AND DELEGATED TO THE SECRETARY
30 BY THE BOARD, THE SECRETARY SHALL:

1 (1) SERVE AS THE ADMINISTRATIVE AGENT OF THE BOARD.

2 (2) SERVE AS LIAISON BETWEEN THE BOARD AND APPLICABLE
3 LEGISLATIVE COMMITTEES, THE TREASURY DEPARTMENT, THE
4 DEPARTMENT OF THE AUDITOR GENERAL, AND BETWEEN THE BOARD AND
5 THE INVESTMENT COUNSEL AND THE MORTGAGE SUPERVISOR IN
6 ARRANGING FOR INVESTMENTS TO SECURE MAXIMUM RETURNS TO THE
7 FUND.

8 (3) REVIEW AND ANALYZE PROPOSED LEGISLATION AND
9 LEGISLATIVE DEVELOPMENTS AFFECTING THE SYSTEM AND PRESENT
10 FINDINGS TO THE BOARD, LEGISLATIVE COMMITTEES, AND OTHER
11 INTERESTED GROUPS OR INDIVIDUALS.

12 (4) DIRECT THE MAINTENANCE OF FILES AND RECORDS AND
13 PREPARATION OF PERIODIC REPORTS REQUIRED FOR ACTUARIAL
14 EVALUATION STUDIES.

15 (5) RECEIVE INQUIRIES AND REQUESTS FOR INFORMATION
16 CONCERNING THE SYSTEM FROM THE PRESS, COMMONWEALTH OFFICIALS,
17 STATE EMPLOYEES, THE GENERAL PUBLIC, RESEARCH ORGANIZATIONS,
18 AND OFFICIALS AND ORGANIZATIONS FROM OTHER STATES, AND
19 PROVIDE INFORMATION AS AUTHORIZED BY THE BOARD.

20 (6) SUPERVISE A STAFF OF ADMINISTRATIVE, TECHNICAL, AND
21 CLERICAL EMPLOYEES ENGAGED IN RECORD-KEEPING AND CLERICAL
22 PROCESSING ACTIVITIES IN MAINTAINING FILES OF MEMBERS,
23 ACCOUNTING FOR CONTRIBUTIONS, PROCESSING PAYMENTS TO
24 ANNUITANTS, PREPARING REQUIRED REPORTS, AND RETIREMENT
25 COUNSELING.

26 (B) PROFESSIONAL PERSONNEL.--THE BOARD SHALL CONTRACT FOR
27 THE SERVICES OF A CHIEF MEDICAL EXAMINER, AN ACTUARY, INVESTMENT
28 ADVISORS AND COUNSELORS, AND SUCH OTHER PROFESSIONAL PERSONNEL
29 AS IT DEEMS ADVISABLE. THE BOARD MAY, WITH THE APPROVAL OF THE
30 ATTORNEY GENERAL, CONTRACT FOR LEGAL SERVICES.

1 (C) EXPENSES.--THE BOARD SHALL, THROUGH THE GOVERNOR, SUBMIT
2 TO THE GENERAL ASSEMBLY ANNUALLY A BUDGET COVERING THE
3 ADMINISTRATIVE EXPENSES OF THIS PART. SUCH EXPENSES AS APPROVED
4 BY THE GENERAL ASSEMBLY IN AN APPROPRIATION BILL SHALL BE PAID
5 FROM INVESTMENT EARNINGS OF THE FUND. CONCURRENTLY WITH ITS
6 ADMINISTRATIVE BUDGET, THE BOARD SHALL ALSO SUBMIT TO THE
7 GENERAL ASSEMBLY ANNUALLY A LIST OF PROPOSED EXPENDITURES WHICH
8 THE BOARD INTENDS TO PAY THROUGH THE USE OF DIRECTED COMMISSIONS
9 TOGETHER WITH A LIST OF THE ACTUAL EXPENDITURES FROM THE PAST
10 YEAR ACTUALLY PAID BY THE BOARD THROUGH THE USE OF DIRECTED
11 COMMISSIONS. ALL SUCH DIRECTED COMMISSION EXPENDITURES SHALL BE
12 MADE BY THE BOARD FOR THE EXCLUSIVE BENEFIT OF THE SYSTEM AND
13 ITS MEMBERS.

14 (D) MEETINGS.--THE BOARD SHALL HOLD AT LEAST SIX REGULAR
15 MEETINGS ANNUALLY AND SUCH OTHER MEETINGS AS IT MAY DEEM
16 NECESSARY.

17 (E) RECORDS.--THE BOARD SHALL KEEP A RECORD OF ALL ITS
18 PROCEEDINGS WHICH SHALL BE OPEN TO INSPECTION BY THE PUBLIC.

19 (F) FUNCTIONS.--THE BOARD SHALL PERFORM SUCH OTHER FUNCTIONS
20 AS ARE REQUIRED FOR THE EXECUTION OF THE PROVISIONS OF THIS
21 PART.

22 (G) PERFORMANCE OF DEPARTMENTAL DUTIES.--IN THE EVENT THE
23 HEAD OF THE DEPARTMENT FAILS TO COMPLY WITH THE PROCEDURES AS
24 MANDATED IN SECTION 5906 (RELATING TO DUTIES OF HEADS OF
25 DEPARTMENTS), THE BOARD SHALL PERFORM SUCH DUTIES AND BILL THE
26 DEPARTMENT FOR THE COST OF SAME.

27 (H) REGULATIONS AND PROCEDURES.--THE BOARD SHALL, WITH THE
28 ADVICE OF THE ATTORNEY GENERAL AND THE ACTUARY, ADOPT AND
29 PROMULGATE RULES AND REGULATIONS FOR THE UNIFORM ADMINISTRATION
30 OF THE SYSTEM. THE ACTUARY SHALL APPROVE IN WRITING ALL

1 COMPUTATIONAL PROCEDURES USED IN THE CALCULATION OF
2 CONTRIBUTIONS AND BENEFITS PRIOR TO THEIR APPLICATION BY THE
3 BOARD.

4 (I) DATA.--THE BOARD SHALL KEEP IN CONVENIENT FORM SUCH DATA
5 AS ARE STIPULATED BY THE ACTUARY IN ORDER THAT AN ANNUAL
6 ACTUARIAL VALUATION OF THE VARIOUS ACCOUNTS CAN BE COMPLETED
7 WITHIN SIX MONTHS OF THE CLOSE OF EACH CALENDAR YEAR.

8 (J) ACTUARIAL INVESTIGATION AND VALUATION.--THE BOARD SHALL
9 HAVE THE ACTUARY MAKE AN ANNUAL VALUATION OF THE VARIOUS
10 ACCOUNTS WITHIN SIX MONTHS OF THE CLOSE OF EACH CALENDAR YEAR.
11 IN THE YEAR 1975 AND IN EVERY FIFTH YEAR THEREAFTER THE BOARD
12 SHALL HAVE THE ACTUARY CONDUCT AN ACTUARIAL INVESTIGATION AND
13 EVALUATION OF THE SYSTEM BASED ON DATA INCLUDING THE MORTALITY,
14 SERVICE, AND COMPENSATION EXPERIENCE PROVIDED BY THE BOARD
15 ANNUALLY DURING THE PRECEDING FIVE YEARS CONCERNING THE MEMBERS
16 AND BENEFICIARIES. THE BOARD SHALL ADOPT SUCH TABLES AS ARE
17 NECESSARY FOR THE ACTUARIAL VALUATION OF THE FUND AND
18 CALCULATION OF CONTRIBUTIONS, ANNUITIES AND BENEFITS BASED ON
19 THE REPORTS AND RECOMMENDATIONS OF THE ACTUARY.

20 (K) CERTIFICATION OF EMPLOYER CONTRIBUTIONS.--THE BOARD
21 SHALL, EACH YEAR IN ADDITION TO THE ITEMIZED BUDGET REQUIRED
22 UNDER SECTION 5509 (RELATING TO APPROPRIATIONS AND ASSESSMENTS
23 BY THE COMMONWEALTH), CERTIFY, AS A PERCENTAGE OF THE MEMBERS'
24 PAYROLL, THE EMPLOYERS' CONTRIBUTIONS AS DETERMINED PURSUANT TO
25 SECTION 5508 (RELATING TO ACTUARIAL COST METHOD) NECESSARY FOR
26 THE FUNDING OF PROSPECTIVE ANNUITIES FOR ACTIVE MEMBERS AND THE
27 ANNUITIES OF ANNUITANTS AND CERTIFY THE RATES AND AMOUNTS OF THE
28 EMPLOYERS' NORMAL CONTRIBUTIONS AS DETERMINED PURSUANT TO
29 SECTION 5508(B), ACCRUED LIABILITY CONTRIBUTIONS AS DETERMINED
30 PURSUANT TO SECTION 5508(C), SUPPLEMENTAL ANNUITIES CONTRIBUTION

1 RATE AS DETERMINED PURSUANT TO SECTION 5508(E) AND THE
2 EXPERIENCE ADJUSTMENT FACTOR AS DETERMINED PURSUANT TO SECTION
3 5508(F), WHICH SHALL BE PAID TO THE FUND AND CREDITED TO THE
4 APPROPRIATE ACCOUNTS. THESE CERTIFICATIONS SHALL BE REGARDED AS
5 FINAL AND NOT SUBJECT TO MODIFICATION BY THE BUDGET SECRETARY.

6 (L) MEMBER CONTRIBUTIONS.--THE BOARD SHALL CAUSE ALL PICKUP
7 CONTRIBUTIONS MADE ON BEHALF OF A MEMBER TO BE CREDITED TO THE
8 ACCOUNT OF THE MEMBER AND CREDIT TO HIS ACCOUNT ANY OTHER
9 PAYMENT MADE BY SUCH MEMBER AND SHALL PAY ALL SUCH AMOUNTS INTO
10 THE FUND.

11 (M) ANNUAL FINANCIAL STATEMENT.--THE BOARD SHALL PREPARE AND
12 HAVE PUBLISHED, ON OR BEFORE JULY 1 OF EACH YEAR, A FINANCIAL
13 STATEMENT AS OF THE CALENDAR YEAR ENDING DECEMBER 31 OF THE
14 PREVIOUS YEAR SHOWING THE CONDITION OF THE FUND AND THE VARIOUS
15 ACCOUNTS, INCLUDING, BUT NOT LIMITED TO, THE BOARD'S ACCRUAL AND
16 EXPENDITURE OF DIRECTED COMMISSIONS, AND SETTING FORTH SUCH
17 OTHER FACTS, RECOMMENDATIONS, AND DATA AS MAY BE OF USE IN THE
18 ADVANCEMENT OF KNOWLEDGE CONCERNING ANNUITIES AND OTHER BENEFITS
19 PROVIDED BY THIS PART. THE BOARD SHALL SUBMIT SAID FINANCIAL
20 STATEMENT TO THE GOVERNOR AND SHALL FILE COPIES WITH THE HEAD OF
21 EACH DEPARTMENT FOR THE USE OF THE STATE EMPLOYEES AND THE
22 PUBLIC.

23 (N) INDEPENDENT AUDIT.--THE BOARD SHALL PROVIDE FOR AN
24 ANNUAL AUDIT OF THE SYSTEM BY AN INDEPENDENT CERTIFIED PUBLIC
25 ACCOUNTANT, WHICH AUDIT SHALL INCLUDE THE BOARD'S ACCRUAL AND
26 EXPENDITURE OF DIRECTED COMMISSIONS.

27 § 5905. DUTIES OF THE BOARD REGARDING APPLICATIONS AND
28 ELECTIONS OF MEMBERS.

29 (A) STATEMENT TO NEW MEMBERS.--AS SOON AS PRACTICABLE AFTER
30 EACH MEMBER SHALL HAVE BECOME AN ACTIVE MEMBER IN THE SYSTEM,

1 THE BOARD SHALL ISSUE TO THE MEMBER A STATEMENT CERTIFYING HIS
2 CLASS OF SERVICE, HIS MEMBER CONTRIBUTION RATE, AND THE
3 AGGREGATE LENGTH OF TOTAL PREVIOUS STATE SERVICE AND CREDITABLE
4 NONSTATE SERVICE FOR WHICH HE MAY RECEIVE CREDIT.

5 (B) SCHOOL EMPLOYEES ELECTING MULTIPLE SERVICE STATUS.--UPON
6 RECEIPT OF NOTIFICATION FROM THE PUBLIC SCHOOL EMPLOYEES'
7 RETIREMENT BOARD THAT A FORMER STATE EMPLOYEE HAS BECOME AN
8 ACTIVE MEMBER IN THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
9 AND HAS ELECTED TO BECOME A MEMBER WITH MULTIPLE SERVICE STATUS
10 THE BOARD SHALL:

11 (1) IN CASE OF A MEMBER RECEIVING AN ANNUITY FROM THE
12 SYSTEM, DISCONTINUE PAYMENTS, TRANSFER THE PRESENT VALUE, AT
13 THAT TIME, OF THE MEMBER'S ANNUITY FROM THE ANNUITY RESERVE
14 ACCOUNT TO THE MEMBERS' SAVINGS ACCOUNT AND RESUME CREDITING
15 OF STATUTORY INTEREST ON THE AMOUNT RESTORED TO HIS CREDIT
16 AND TRANSFER THE BALANCE OF THE PRESENT VALUE OF THE TOTAL
17 ANNUITY FROM THE ANNUITY RESERVE ACCOUNT TO THE STATE
18 ACCUMULATION ACCOUNT; OR

19 (2) IN CASE OF A MEMBER WHO IS NOT RECEIVING AN ANNUITY
20 AND HAS NOT WITHDRAWN HIS TOTAL ACCUMULATED DEDUCTIONS,
21 CONTINUE OR RESUME THE CREDITING OF STATUTORY INTEREST ON HIS
22 TOTAL ACCUMULATED DEDUCTIONS DURING THE PERIOD HIS TOTAL
23 ACCUMULATED DEDUCTIONS REMAIN IN THE FUND; OR

24 (3) IN CASE OF A FORMER STATE EMPLOYEE WHO IS NOT
25 RECEIVING AN ANNUITY FROM THE SYSTEM AND HIS TOTAL
26 ACCUMULATED DEDUCTIONS WERE WITHDRAWN, CERTIFY TO THE FORMER
27 STATE EMPLOYEE THE ACCUMULATED DEDUCTIONS AS THEY WOULD HAVE
28 BEEN AT THE TIME OF HIS SEPARATION HAD HE BEEN A FULL
29 COVERAGE MEMBER TOGETHER WITH STATUTORY INTEREST FOR ALL
30 PERIODS OF SUBSEQUENT STATE AND SCHOOL SERVICE TO THE DATE OF

1 REPAYMENT. SUCH AMOUNT SHALL BE RESTORED BY HIM AND SHALL BE
2 CREDITED WITH STATUTORY INTEREST AS SUCH PAYMENTS ARE
3 RESTORED.

4 (C) DISABILITY ANNUITIES.--IN EVERY CASE WHERE THE BOARD HAS
5 RECEIVED AN APPLICATION DULY EXECUTED BY THE MEMBER OR BY A
6 PERSON LEGALLY AUTHORIZED TO ACT IN HIS BEHALF FOR A DISABILITY
7 ANNUITY BASED UPON THE MEMBER'S PHYSICAL OR MENTAL INCAPACITY
8 FOR THE PERFORMANCE OF THE JOB FOR WHICH [THE MEMBER IS
9 EMPLOYED] HE IS EMPLOYED, WITH OR WITHOUT A SUPPLEMENT FOR A
10 SERVICE-CONNECTED DISABILITY, TAKING INTO ACCOUNT RELEVANT
11 DECISIONS BY THE PENNSYLVANIA WORKMEN'S COMPENSATION BOARD, THE
12 BOARD SHALL:

13 (1) THROUGH THE MEDICAL EXAMINER, HAVE THE APPLICATION
14 AND ANY SUPPORTING MEDICAL RECORDS AND OTHER DOCUMENTATION
15 SUBMITTED WITH THE APPLICATION REVIEWED AND ON THE BASIS OF
16 SAID REVIEW, AND THE SUBSEQUENT RECOMMENDATION BY THE MEDICAL
17 EXAMINER REGARDING THE APPLICANT'S MEDICAL QUALIFICATION FOR
18 A DISABILITY ANNUITY ALONG WITH SUCH OTHER RECOMMENDATIONS
19 WHICH HE MAY MAKE WITH RESPECT TO THE PERMANENCY OF
20 DISABILITY OR THE NEED FOR SUBSEQUENT REVIEWS, MAKE A FINDING
21 OF DISABILITY AND WHETHER OR NOT THE DISABILITY IS SERVICE
22 CONNECTED OR NONDISABILITY AND IN THE CASE OF DISABILITY
23 ESTABLISH AN EFFECTIVE DATE OF DISABILITY AND THE TERMS AND
24 CONDITIONS REGARDING SUBSEQUENT REVIEWS;

25 (2) UPON THE RECOMMENDATION OF THE MEDICAL EXAMINER ON
26 THE BASIS OF A REVIEW OF SUBSEQUENT MEDICAL REPORTS SUBMITTED
27 WITH AN APPLICATION FOR CONTINUANCE OF DISABILITY, MAKE A
28 FINDING OF CONTINUED DISABILITY AND WHETHER OR NOT THE
29 DISABILITY CONTINUES TO BE SERVICE CONNECTED, OR A FINDING OF
30 NONDISABILITY; AND IN THE CASE OF A FINDING THAT THE

1 DISABILITY IS NO LONGER SERVICE CONNECTED, DISCONTINUE ANY
2 SUPPLEMENTAL PAYMENTS ON ACCOUNT OF SUCH SERVICE CONNECTED
3 DISABILITY AS OF THE DATE OF THE FINDING; AND IN THE CASE OF
4 A FINDING OF NONDISABILITY ESTABLISH THE DATE OF TERMINATION
5 OF DISABILITY AND AT THAT TIME DISCONTINUE ANY ANNUITY
6 PAYMENTS IN EXCESS OF AN ANNUITY CALCULATED IN ACCORDANCE
7 WITH SECTION 5702 (RELATING TO MAXIMUM SINGLE LIFE ANNUITY);
8 AND

9 (3) UPON RECEIPT OF A WRITTEN STATEMENT FROM A
10 DISABILITY ANNUITANT OF HIS EARNED INCOME OF THE PREVIOUS
11 QUARTER, ADJUST THE PAYMENTS OF THE DISABILITY ANNUITY FOR
12 THE FOLLOWING QUARTER IN ACCORDANCE WITH THE PROVISIONS OF
13 SECTION 5704(C) (RELATING TO DISABILITY ANNUITIES).

14 (C.1) TERMINATION OF SERVICE.--[THE BOARD SHALL, IN] IN THE
15 CASE OF ANY MEMBER TERMINATING STATE SERVICE WHO IS ENTITLED TO
16 AN ANNUITY[,] AND WHO IS NOT THEN A DISABILITY ANNUITANT, THE
17 BOARD SHALL ADVISE SUCH MEMBER IN WRITING OF ANY BENEFITS TO
18 WHICH HE MAY BE ENTITLED UNDER THE PROVISIONS OF THIS PART AND
19 SHALL HAVE THE MEMBER PREPARE, ON OR BEFORE THE DATE OF
20 TERMINATION OF STATE SERVICE, ONE OF THE FOLLOWING THREE FORMS,
21 A COPY OF WHICH SHALL BE GIVEN TO THE MEMBER AND THE ORIGINAL OF
22 WHICH SHALL BE FILED WITH THE BOARD:

23 (1) AN APPLICATION FOR THE RETURN OF TOTAL ACCUMULATED
24 DEDUCTIONS;

25 (2) AN ELECTION TO VEST HIS RETIREMENT RIGHTS AND, IF HE
26 IS A JOINT COVERAGE MEMBER AND SO DESIRES, ELECT TO BECOME A
27 FULL COVERAGE MEMBER AND AGREE TO PAY WITHIN 30 DAYS OF THE
28 DATE OF TERMINATION OF SERVICE THE LUMP SUM REQUIRED; OR

29 (3) AN APPLICATION FOR AN IMMEDIATE ANNUITY AND, IF HE
30 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.

(E) CERTIFICATION TO VESTEES TERMINATING SERVICE.--THE BOARD
SHALL CERTIFY TO A VESTEE WITHIN ONE YEAR OF TERMINATION OF
STATE SERVICE OF SUCH MEMBER:

(1) THE TOTAL 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
SHALL BECOME ENTITLED UPON THE ATTAINMENT OF SUPERANNUATION
AGE AND THE FILING OF AN APPLICATION FOR SUCH ANNUITY.

(E.1) 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[, AND THAT FAILURE TO APPLY WITHIN THAT TIME
SHALL RESULT IN THE CANCELLATION OF THE RIGHT OF THE VESTEE TO
ANY DEATH BENEFIT IN EXCESS OF]; 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 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

1 ATTAINING SUPERANNUATION AGE, HE SHALL BE DEEMED TO HAVE ELECTED
2 TO RECEIVE HIS TOTAL ACCUMULATED DEDUCTIONS UPON ATTAINMENT OF
3 SUPERANNUATION AGE.

4 (F) INITIAL ANNUITY PAYMENT AND CERTIFICATION.--THE BOARD
5 SHALL MAKE THE FIRST MONTHLY PAYMENT TO A MEMBER WHO IS ELIGIBLE
6 FOR AN ANNUITY WITHIN 60 DAYS OF THE FILING OF HIS APPLICATION
7 FOR AN ANNUITY OR, IN THE CASE OF A VESTEE WHO HAS DEFERRED THE
8 FILING OF HIS APPLICATION TO A DATE LATER THAN 90 DAYS FOLLOWING
9 ATTAINMENT OF SUPERANNUATION AGE, WITHIN 60 DAYS OF THE
10 EFFECTIVE DATE OF RETIREMENT, AND RECEIPT OF THE REQUIRED DATA
11 FROM THE HEAD OF THE DEPARTMENT. CONCURRENTLY THE BOARD SHALL
12 CERTIFY TO SUCH MEMBER:

13 (1) THE TOTAL ACCUMULATED DEDUCTIONS STANDING TO HIS
14 CREDIT SHOWING SEPARATELY THE AMOUNT CONTRIBUTED BY THE
15 MEMBER, THE PICKUP CONTRIBUTION AND THE INTEREST CREDITED TO
16 THE DATE OF TERMINATION OF SERVICE;

17 (2) THE NUMBER OF YEARS AND FRACTIONAL PART OF A YEAR
18 CREDITED IN EACH CLASS OF SERVICE;

19 (3) THE FINAL AVERAGE SALARY ON WHICH HIS ANNUITY IS
20 BASED AS WELL AS ANY APPLICABLE REDUCTION FACTORS DUE TO AGE
21 AND/OR ELECTION OF AN OPTION; AND

22 (4) THE TOTAL ANNUITY PAYABLE UNDER THE OPTION ELECTED
23 AND THE AMOUNT AND EFFECTIVE DATE OF ANY FUTURE REDUCTION
24 UNDER SECTION 5703 (RELATING TO REDUCTION OF ANNUITIES ON
25 ACCOUNT OF SOCIAL SECURITY OLD-AGE INSURANCE BENEFITS).

26 (G) DEATH BENEFITS.--UPON RECEIPT OF NOTIFICATION FROM THE
27 HEAD OF A DEPARTMENT OF THE DEATH OF AN ACTIVE MEMBER OR A
28 MEMBER ON LEAVE WITHOUT PAY, THE BOARD SHALL ADVISE THE
29 DESIGNATED BENEFICIARY OF THE BENEFITS TO WHICH HE IS ENTITLED,
30 AND SHALL MAKE THE FIRST PAYMENT TO THE BENEFICIARY WITHIN 60

1 DAYS OF RECEIPT OF CERTIFICATION OF DEATH AND OTHER NECESSARY
2 DATA. IF NO BENEFICIARY DESIGNATION IS IN EFFECT AT THE DATE OF
3 THE MEMBER'S DEATH OR NO NOTICE HAS BEEN FILED WITH THE BOARD TO
4 PAY THE AMOUNT OF THE BENEFITS TO THE MEMBER'S ESTATE, THE BOARD
5 IS AUTHORIZED TO PAY THE BENEFITS TO THE EXECUTOR,
6 ADMINISTRATOR, SURVIVING SPOUSE OR NEXT OF KIN OF THE DECEASED
7 MEMBER, AND PAYMENT PURSUANT HERETO SHALL FULLY DISCHARGE THE
8 FUND FROM ANY FURTHER LIABILITY TO MAKE PAYMENT OF SUCH BENEFITS
9 TO ANY OTHER PERSON. IF THE SURVIVING SPOUSE OR NEXT OF KIN OF
10 THE DECEASED MEMBER CANNOT BE FOUND FOR THE PURPOSE OF PAYING
11 THE BENEFITS FOR A PERIOD OF SEVEN YEARS FROM THE DATE OF DEATH
12 OF THE MEMBER, THEN THE BENEFITS SHALL BE ESCHEATED TO THE
13 COMMONWEALTH FOR THE BENEFIT OF THE FUND.

14 (H) MEDICAL INSURANCE COVERAGE.--UPON RECEIPT OF THE
15 ELECTION BY AN ELIGIBLE MEMBER TO CONVERT HIS MEDICAL, MAJOR
16 MEDICAL, AND HOSPITALIZATION INSURANCE COVERAGE TO THE PLAN FOR
17 STATE ANNUITANTS, THE BOARD SHALL NOTIFY THE INSURANCE CARRIER
18 OF SUCH ELECTION AND SHALL DEDUCT THE APPROPRIATE ANNUAL CHARGES
19 IN EQUAL MONTHLY INSTALLMENTS. SUCH DEDUCTIONS SHALL BE
20 TRANSMITTED TO THE DESIGNATED FISCAL OFFICER OF THE COMMONWEALTH
21 HAVING JURISDICTION OVER THE PAYMENT OF SUCH GROUP CHARGES ON
22 BEHALF OF THE ANNUITANT.

23 (I) JOINT COVERAGE ANNUITANTS.--THE BOARD SHALL NOTIFY IN
24 WRITING EACH JOINT COVERAGE ANNUITANT WHO RETIRED PRIOR TO JULY
25 1, 1962 THAT HE MAY ELECT ANY TIME PRIOR TO JULY 1, 1974 TO
26 RECEIVE HIS ANNUITY WITHOUT REDUCTION ATTRIBUTABLE TO SOCIAL
27 SECURITY COVERAGE UPON PAYMENT IN A LUMP SUM OF THE AMOUNT WHICH
28 SHALL BE CERTIFIED BY THE BOARD WITHIN 60 DAYS OF SUCH ELECTION.
29 UPON RECEIPT OF SUCH PAYMENT THE BOARD SHALL RECOMPUTE THE
30 ANNUITY PAYABLE TO SUCH ANNUITANT AND THE ANNUITY AND/OR LUMP

1 SUM, IF ANY, PAYABLE UPON HIS DEATH TO HIS BENEFICIARY OR
2 SURVIVOR ANNUITANT AS THOUGH HE HAD BEEN A FULL COVERAGE MEMBER
3 ON THE EFFECTIVE DATE OF RETIREMENT. SUCH RECOMPUTED ANNUITY
4 SHALL BE PAID BEGINNING WITH THE SECOND MONTHLY PAYMENT NEXT
5 FOLLOWING THE MONTH IN WHICH THE LUMP SUM PAYMENT IS RECEIVED.

6 § 5907. RIGHTS AND DUTIES OF STATE EMPLOYEES AND MEMBERS.

7 * * *

8 (F) TERMINATION OF SERVICE.--EACH MEMBER WHO TERMINATES
9 STATE SERVICE AND WHO IS NOT THEN A DISABILITY ANNUITANT SHALL
10 EXECUTE ON OR BEFORE THE DATE OF TERMINATION OF SERVICE THE
11 APPROPRIATE APPLICATION, DULY ATTESTED BY THE MEMBER OR HIS
12 LEGALLY CONSTITUTED REPRESENTATIVE, ELECTING TO:

13 (1) WITHDRAW HIS TOTAL ACCUMULATED DEDUCTIONS; OR

14 (2) VEST HIS RETIREMENT RIGHTS; AND IF HE IS A JOINT
15 COVERAGE MEMBER, AND SO DESIRES, ELECT TO BECOME A FULL
16 COVERAGE MEMBER AND AGREE TO PAY WITHIN 30 DAYS OF THE DATE
17 OF TERMINATION OF SERVICE THE LUMP SUM REQUIRED; OR

18 (3) RECEIVE AN IMMEDIATE ANNUITY[,] AND MAY,

19 (I) IF ELIGIBLE, ELECT TO CONVERT HIS MEDICAL, MAJOR
20 MEDICAL, AND HOSPITALIZATION COVERAGE TO THE PLAN FOR
21 STATE ANNUITANTS; AND

22 (II) IF HE IS A JOINT COVERAGE MEMBER, ELECT TO
23 BECOME A FULL COVERAGE MEMBER AND AGREE TO PAY WITHIN 30
24 DAYS OF DATE OF TERMINATION OF SERVICE THE LUMP SUM
25 REQUIRED.

26 * * *

27 (H) VESTEES ATTAINING SUPERANNUATION AGE.--UPON ATTAINMENT
28 OF SUPERANNUATION AGE A VESTEE SHALL EXECUTE AND FILE AN
29 APPLICATION FOR AN ANNUITY. ANY SUCH APPLICATION FILED WITHIN 90
30 DAYS AFTER ATTAINING SUPERANNUATION AGE SHALL BE EFFECTIVE AS OF

1 THE DATE OF ATTAINMENT OF SUPERANNUATION AGE. ANY APPLICATION
2 FILED AFTER SUCH PERIOD SHALL BE EFFECTIVE AS OF THE DATE IT IS
3 FILED WITH THE BOARD[.], SUBJECT TO THE PROVISIONS OF SECTION
4 5905(F) (RELATING TO DUTIES OF THE BOARD REGARDING APPLICATIONS
5 AND ELECTIONS OF MEMBERS). IF A VESTEE DOES NOT FILE AN
6 APPLICATION WITHIN SEVEN YEARS AFTER ATTAINING SUPERANNUATION
7 AGE, HE SHALL BE DEEMED TO HAVE ELECTED TO RECEIVE HIS TOTAL
8 ACCUMULATED DEDUCTIONS UPON ATTAINMENT OF SUPERANNUATION AGE.

9 * * *

10 (K) DISABILITY ANNUITIES.--IF SERVICE OF A MEMBER [WHO IS
11 UNDER SUPERANNUATION AGE] IS TERMINATED DUE TO HIS PHYSICAL OR
12 MENTAL INCAPACITY FOR THE PERFORMANCE OF DUTY, IN LIEU OF AN
13 APPLICATION AND ELECTION UNDER SUBSECTION (F), AN APPLICATION
14 FOR A DISABILITY ANNUITY WITH OR WITHOUT A SUPPLEMENT FOR A
15 SERVICE CONNECTED DISABILITY MAY BE EXECUTED BY HIM OR BY A
16 PERSON LEGALLY AUTHORIZED TO ACT ON HIS BEHALF.

17 § 5908. RIGHTS AND DUTIES OF ANNUITANTS.

18 * * *

19 (B) PERIODIC EARNINGS STATEMENTS BY DISABILITY ANNUITANTS.--
20 IT SHALL BE THE DUTY OF AN ANNUITANT RECEIVING A DISABILITY
21 ANNUITY PRIOR TO THE ATTAINMENT OF SUPERANNUATION AGE [50] TO
22 FURNISH A WRITTEN STATEMENT WITHIN 30 DAYS OF THE CLOSE OF EACH
23 CALENDAR QUARTER OF ALL EARNED INCOME DURING THAT QUARTER AND
24 INFORMATION SHOWING WHETHER OR NOT HE IS ABLE TO ENGAGE IN A
25 GAINFUL OCCUPATION AND SUCH OTHER INFORMATION AS MAY BE REQUIRED
26 BY THE BOARD. ON FAILURE, NEGLECT, OR REFUSAL TO FURNISH SUCH
27 INFORMATION FOR THE PERIOD OF THE PRECEDING QUARTER, THE BOARD
28 MAY REFUSE TO MAKE FURTHER PAYMENTS DUE TO DISABILITY TO SUCH
29 ANNUITANT UNTIL HE HAS FURNISHED SUCH INFORMATION TO THE
30 SATISFACTION OF THE BOARD. SHOULD SUCH REFUSAL CONTINUE FOR SIX

1 MONTHS, ALL OF HIS RIGHTS TO THE DISABILITY ANNUITY PAYMENTS IN
2 EXCESS OF ANY ANNUITY TO WHICH HE IS OTHERWISE ENTITLED SHALL BE
3 FORFEITED FROM THE DATE OF HIS LAST WRITTEN STATEMENT TO THE
4 BOARD. ANY MONEYS RECEIVED IN EXCESS OF THOSE TO WHICH HE WAS
5 ENTITLED SHALL BE DEDUCTED FROM THE PRESENT VALUE OF THE ANNUITY
6 TO WHICH HE IS OTHERWISE ENTITLED.

7 (C) MEDICAL EXAMINATIONS OF DISABILITY ANNUITANTS.--SHOULD
8 ANY DISABILITY ANNUITANT [RECEIVING A DISABILITY ANNUITY WHILE
9 STILL UNDER SUPERANNUATION AGE] REFUSE TO SUBMIT TO A MEDICAL
10 EXAMINATION BY A PHYSICIAN OR PHYSICIANS AT THE REQUEST OF THE
11 BOARD, HIS PAYMENTS DUE TO DISABILITY SHALL BE DISCONTINUED
12 UNTIL THE WITHDRAWAL OF SUCH REFUSAL. SHOULD SUCH REFUSAL
13 CONTINUE FOR A PERIOD OF SIX MONTHS, ALL OF HIS RIGHTS TO THE
14 DISABILITY ANNUITY PAYMENTS IN EXCESS OF ANY ANNUITY TO WHICH HE
15 IS OTHERWISE ENTITLED SHALL BE FORFEITED.

16 * * *

17 § 5931. MANAGEMENT OF FUND AND ACCOUNTS.

18 (A) CONTROL AND MANAGEMENT OF FUND.--THE MEMBERS OF THE
19 BOARD SHALL BE THE TRUSTEES OF THE FUND [AND]. REGARDLESS OF ANY
20 OTHER PROVISION OF LAW GOVERNING THE INVESTMENTS OF FUNDS UNDER
21 THE CONTROL OF AN ADMINISTRATIVE BOARD OF THE STATE GOVERNMENT,
22 THE TRUSTEES SHALL HAVE EXCLUSIVE CONTROL AND MANAGEMENT OF THE
23 SAID FUND AND FULL POWER TO INVEST THE SAME IN ACCORDANCE WITH
24 THE PROVISIONS OF THIS SECTION, SUBJECT, HOWEVER, TO THE
25 EXERCISE OF THAT DEGREE OF JUDGMENT, SKILL AND CARE UNDER THE
26 CIRCUMSTANCES THEN PREVAILING WHICH PERSONS OF PRUDENCE,
27 DISCRETION AND INTELLIGENCE, WHO ARE FAMILIAR WITH SUCH MATTERS,
28 EXERCISE IN THE MANAGEMENT OF THEIR OWN AFFAIRS NOT IN REGARD TO
29 SPECULATION, BUT IN REGARD TO THE PERMANENT DISPOSITION OF THE
30 FUNDS, CONSIDERING THE PROBABLE INCOME TO BE DERIVED THEREFROM

1 AS WELL AS THE PROBABLE SAFETY OF THEIR CAPITAL[, AND FURTHER
2 SUBJECT TO ALL THE TERMS, CONDITIONS, LIMITATIONS AND
3 RESTRICTIONS IMPOSED BY THIS PART OR OTHER LAW UPON THE MAKING
4 OF INVESTMENTS. THE BOARD SHALL WHEN POSSIBLE AND CONSISTENT
5 WITH THE TERMS, CONDITIONS, LIMITATIONS, RESPONSIBILITIES AND
6 RESTRICTIONS IMPOSED BY THIS SUBSECTION OR OTHER LAW, INVEST IN
7 ANY PROJECT OR BUSINESS WHICH PROMOTES EMPLOYMENT OF
8 PENNSYLVANIA RESIDENTS. SUBJECT TO LIKE TERMS, CONDITIONS,
9 LIMITATIONS AND RESTRICTIONS, SAID]. THE TRUSTEES SHALL HAVE THE
10 POWER TO HOLD, PURCHASE, SELL, LEND, ASSIGN, TRANSFER OR DISPOSE
11 OF ANY OF THE SECURITIES AND INVESTMENTS IN WHICH ANY OF THE
12 MONEYS IN THE FUND SHALL HAVE BEEN INVESTED AS WELL AS OF THE
13 PROCEEDS OF SAID INVESTMENTS, INCLUDING ANY DIRECTED COMMISSIONS
14 WHICH HAVE ACCRUED TO THE BENEFIT OF THE FUND AS A CONSEQUENCE
15 OF THE INVESTMENTS, AND OF ANY MONEYS BELONGING TO SAID FUND[.],
16 SUBJECT IN EVERY CASE TO MEETING THE STANDARD OF PRUDENCE SET
17 FORTH IN THIS SUBSECTION.

18 (B) CREDITING OF INTEREST.--THE BOARD, ANNUALLY, SHALL ALLOW
19 THE REQUIRED INTEREST ON THE MEAN AMOUNT FOR THE PRECEDING YEAR
20 TO THE CREDIT OF EACH OF THE ACCOUNTS. THE AMOUNT SO ALLOWED
21 SHALL BE CREDITED THERETO BY THE BOARD AND TRANSFERRED FROM THE
22 INTEREST RESERVE ACCOUNT.

23 (C) CUSTODIAN OF FUND.--THE STATE TREASURER SHALL BE THE
24 CUSTODIAN OF THE FUND.

25 (D) PAYMENTS FROM FUND.--ALL PAYMENTS FROM THE FUND SHALL BE
26 MADE BY THE STATE TREASURER IN ACCORDANCE WITH REQUISITIONS
27 SIGNED BY THE SECRETARY OF THE BOARD, OR HIS DESIGNEE, AND
28 RATIFIED BY RESOLUTION OF THE BOARD.

29 (E) FIDUCIARY STATUS OF BOARD.--THE MEMBERS OF THE BOARD,
30 EMPLOYEES OF THE BOARD AND AGENTS THEREOF SHALL STAND IN A

1 FIDUCIARY RELATIONSHIP TO THE MEMBERS OF THE SYSTEM REGARDING
2 THE INVESTMENTS AND DISBURSEMENTS OF ANY OF THE MONEYS OF THE
3 FUND AND SHALL NOT PROFIT EITHER DIRECTLY OR INDIRECTLY WITH
4 RESPECT THERETO. THE BOARD MAY, WHEN POSSIBLE AND CONSISTENT
5 WITH ITS FIDUCIARY DUTIES IMPOSED BY THIS SUBSECTION OR OTHER
6 LAW, INCLUDING ITS OBLIGATION TO INVEST AND MANAGE THE FUND FOR
7 THE EXCLUSIVE BENEFIT OF THE MEMBERS OF THE SYSTEM, CONSIDER
8 WHETHER AN INVESTMENT IN ANY PROJECT OR BUSINESS ENHANCES AND
9 PROMOTES THE GENERAL WELFARE OF THIS COMMONWEALTH AND ITS
10 CITIZENS, INCLUDING, BUT NOT LIMITED TO, INVESTMENTS THAT
11 INCREASE AND ENHANCE THE EMPLOYMENT OF COMMONWEALTH RESIDENTS,
12 ENCOURAGE THE CONSTRUCTION AND RETENTION OF ADEQUATE HOUSING AND
13 STIMULATE FURTHER INVESTMENT AND ECONOMIC ACTIVITY IN THIS
14 COMMONWEALTH. THE BOARD SHALL, THROUGH THE GOVERNOR, SUBMIT TO
15 THE GENERAL ASSEMBLY ANNUALLY, AT THE SAME TIME THE BOARD
16 SUBMITS ITS BUDGET COVERING ADMINISTRATIVE EXPENSES, A REPORT
17 IDENTIFYING THE NATURE AND AMOUNT OF ALL EXISTING INVESTMENTS
18 MADE PURSUANT TO THIS SUBSECTION.

19 (F) NAME FOR TRANSACTING BUSINESS.--BY THE NAME OF "THE
20 STATE EMPLOYEES' RETIREMENT SYSTEM" OR "THE STATE EMPLOYES'
21 RETIREMENT SYSTEM" ALL OF THE BUSINESS OF THE SYSTEM SHALL BE
22 TRANSACTED, ITS FUND INVESTED, ALL REQUISITIONS FOR MONEY DRAWN
23 AND PAYMENTS MADE, AND ALL OF ITS CASH AND SECURITIES AND OTHER
24 PROPERTY SHALL BE HELD, EXCEPT THAT, ANY OTHER LAW TO THE
25 CONTRARY NOTWITHSTANDING, THE BOARD MAY ESTABLISH A NOMINEE
26 REGISTRATION PROCEDURE FOR THE PURPOSE OF REGISTERING SECURITIES
27 IN ORDER TO FACILITATE THE PURCHASE, SALE OR OTHER DISPOSITION
28 OF SECURITIES PURSUANT TO THE PROVISIONS OF THIS LAW.

29 (G) DEPOSITS IN BANKS AND TRUST COMPANIES.--FOR THE PURPOSE
30 OF MEETING DISBURSEMENTS FOR ANNUITIES AND OTHER PAYMENTS IN

1 EXCESS OF THE RECEIPTS, THERE SHALL BE KEPT AVAILABLE BY THE
2 STATE TREASURER AN AMOUNT, NOT EXCEEDING 10% OF THE TOTAL AMOUNT
3 IN THE FUND, ON DEPOSIT IN ANY BANK OR BANKS IN THIS
4 COMMONWEALTH ORGANIZED UNDER THE LAWS THEREOF OR UNDER THE LAWS
5 OF THE UNITED STATES OR WITH ANY TRUST COMPANY OR COMPANIES
6 INCORPORATED BY ANY LAW OF THIS COMMONWEALTH, PROVIDED ANY OF
7 SUCH BANKS OR TRUST COMPANIES SHALL FURNISH ADEQUATE SECURITY
8 FOR SAID DEPOSIT, AND PROVIDED THAT THE SUM SO DEPOSITED IN ANY
9 ONE BANK OR TRUST COMPANY SHALL NOT EXCEED 25% OF THE PAID-UP
10 CAPITAL AND SURPLUS OF SAID BANK OR TRUST COMPANY.

11 [(H) INVESTMENT IN CORPORATE STOCKS.--PREFERRED AND COMMON
12 STOCK AS DEFINED IN SUBSECTION (I) OF ANY CORPORATION AS DEFINED
13 IN SUBSECTION (J) ORGANIZED UNDER THE LAWS OF THE UNITED STATES
14 OR OF ANY COMMONWEALTH OR STATE THEREOF OR OF THE DISTRICT OF
15 COLUMBIA AND PREFERRED AND COMMON STOCK AS DEFINED IN SUBSECTION
16 (I) OF ANY CORPORATION AS DEFINED IN SUBSECTION (J) WHOSE SHARES
17 ARE TRADED IN UNITED STATES DOLLARS ON THE NEW YORK STOCK
18 EXCHANGE SHALL BE AUTHORIZED INVESTMENTS OF THE FUND, REGARDLESS
19 OF ANY OTHER PROVISION OF LAW PROVIDED THAT:

20 (1) NO INVESTMENT IN COMMON STOCK BE MADE WHICH AT THAT
21 TIME WOULD CAUSE THE BOOK VALUE OF THE INVESTMENTS IN COMMON
22 STOCK TO EXCEED 50% OF THE TOTAL ASSETS OF THE FUND;

23 (2) THE AMOUNT INVESTED IN THE COMMON STOCK OF ANY ONE
24 COMPANY NOT EXCEED AT COST 2% OF THE BOOK VALUE OF THE ASSETS
25 OF THE FUND AT THE TIME OF PURCHASE AND SHALL NOT EXCEED 5%
26 OF THE ISSUED AND OUTSTANDING COMMON STOCK OF THAT COMPANY;

27 (3) NO INVESTMENT IN THE STOCK OF CORPORATIONS NOT
28 ORGANIZED UNDER THE LAWS OF THE UNITED STATES OR OF ANY
29 COMMONWEALTH OR STATE THEREOF OR OF THE DISTRICT OF COLUMBIA
30 SHALL BE MADE WHICH WOULD CAUSE THE BOOK VALUE OF SUCH

INVESTMENT TO EXCEED 5% OF THE BOOK VALUE OF THE TOTAL ASSETS
OF THE FUND; AND

(4) NO SALE OR OTHER LIQUIDATION OF ANY INVESTMENT BE
REQUIRED SOLELY BECAUSE OF ANY CHANGE IN MARKET VALUES
WHEREBY THE PERCENTAGES OF STOCKS HEREINABOVE SET FORTH ARE
EXCEEDED.

(I) COMMON STOCK DEFINED.--"COMMON STOCK" AS USED IN
SUBSECTION (H) SHALL INCLUDE THE STOCK CERTIFICATES,
CERTIFICATES OF BENEFICIAL INTERESTS OR TRUST PARTICIPATION
CERTIFICATES ISSUED BY ANY CORPORATION OR UNINCORPORATED
ASSOCIATION INCLUDED UNDER THE DEFINITION OF "CORPORATION" IN
THE FOLLOWING PARAGRAPH.

(J) CORPORATION DEFINED.--"CORPORATION" AS USED IN
SUBSECTION (H) SHALL INCLUDE A VOLUNTARY ASSOCIATION, A JOINT-
STOCK ASSOCIATION OR COMPANY, A BUSINESS TRUST, A MASSACHUSETTS
TRUST, A COMMON-LAW TRUST AND ANY OTHER ORGANIZATION ORGANIZED
AND EXISTING FOR ANY LAWFUL PURPOSE AND WHICH LIKE A
CORPORATION, CONTINUES TO EXIST, NOTWITHSTANDING CHANGES IN THE
PERSONNEL OF ITS MEMBERS OR PARTICIPANTS AND CONDUCTS ITS
AFFAIRS THROUGH A COMMITTEE, A BOARD OR SOME OTHER GROUP ACTING
IN A REPRESENTATIVE CAPACITY.

(K) INVESTMENT IN REAL ESTATE AND MORTGAGES.--REAL ESTATE
SUBJECT TO A LEASE TO ONE OR MORE FINANCIALLY RESPONSIBLE
TENANTS WHICH LEASE SHALL NOT REQUIRE MANAGERIAL RESPONSIBILITY
BY THE BOARD; AND BONDS, NOTES AND DEEDS OF TRUST, OF
INDIVIDUALS OR CORPORATIONS SECURED BY MORTGAGES ON REAL ESTATE
LOCATED IN ANY STATE, DISTRICT OR TERRITORY OF THE UNITED
STATES, SHALL BE AN AUTHORIZED INVESTMENT OF THE BOARD
REGARDLESS OF ANY OTHER PROVISION OF LAW. THE BOARD SHALL
PROMULGATE REGULATIONS TO IMPLEMENT THE FOREGOING TO INSURE THE

1 SAFETY OF INVESTMENTS MADE PURSUANT TO THIS SUBSECTION WHICH
2 REGULATIONS SHALL BE IN ACCORDANCE WITH GENERALLY ACCEPTED
3 STANDARDS AND INVESTMENT PRINCIPLES FOR PENSION FUNDS OF
4 COMPARABLE SIZE. ALL INSTRUMENTS, TRANSFERS OF INTEREST, AND ALL
5 RECORDS PERTAINING TO REAL ESTATE, MORTGAGES OR BONDS INVESTED
6 IN BY THE BOARD, SHALL BE OPEN TO PUBLIC INSPECTION. REPORTS AS
7 REQUESTED BY THE BOARD, SHALL BE SUBMITTED ON ALL REAL ESTATE
8 AND MORTGAGE INVESTMENTS BY MORTGAGE ADVISORS AND
9 CORRESPONDENTS.

10 (L) INVESTMENT IN INSTITUTIONAL REAL ESTATE.--INSTITUTIONAL
11 REAL ESTATE FUNDS SHALL BE AN AUTHORIZED INVESTMENT OF THE FUND
12 PROVIDED THAT NO INVESTMENT SHALL BE MADE WHICH, AT THE TIME OF
13 PURCHASE, WOULD CAUSE THE BOOK VALUE OF SUCH INVESTMENTS TO
14 EXCEED 15% OF THE BOOK VALUE OF THE TOTAL ASSETS OF THE FUND.

15 (M) ADDITIONAL BOARD POWER ON INVESTMENTS.--REGARDLESS OF
16 ANY LIMITATIONS, CONDITIONS OR RESTRICTIONS IMPOSED ON THE
17 MAKING OF INVESTMENTS BY THIS PART OR OTHER LAW, THE BOARD MAY,
18 AT ITS DISCRETION, INVEST A MAXIMUM OF 10% OF THE BOOK VALUE OF
19 THE ASSETS OF THE FUND IN ANY INVESTMENTS NOT OTHERWISE
20 SPECIFICALLY AUTHORIZED, PROVIDED THAT SUCH INVESTMENTS ARE MADE
21 WITH THE EXERCISE OF THAT DEGREE OF JUDGMENT, SKILL AND CARE
22 UNDER THE CIRCUMSTANCES THEN PREVAILING WHICH PERSONS OF
23 PRUDENCE, DISCRETION AND INTELLIGENCE, WHO ARE FAMILIAR WITH
24 SUCH MATTERS, EXERCISE IN THE MANAGEMENT OF THEIR OWN AFFAIRS
25 NOT IN REGARD TO SPECULATION, BUT IN REGARD TO THE PERMANENT
26 DISPOSITION OF THE FUNDS, CONSIDERING THE PROBABLE INCOME TO BE
27 DERIVED THEREFROM AS WELL AS THE PROBABLE SAFETY OF THEIR
28 CAPITAL.

29 (N) OBLIGATIONS OF UNITED STATES TO BE AUTHORIZED
30 INVESTMENTS.--REGARDLESS OF ANY OTHER PROVISION OF LAW,

1 OBLIGATIONS OF THE UNITED STATES GOVERNMENT AND ITS AGENCIES
2 SHALL BE AUTHORIZED INVESTMENTS OF THE FUND.

3 (O) HOLDING ENTITIES FOR AUTHORIZED INVESTMENTS.--THE BOARD
4 MAY MAKE ANY INVESTMENTS AUTHORIZED BY THIS PART OR OTHER LAW BY
5 BECOMING A LIMITED PARTNER IN PARTNERSHIPS THAT WILL HOLD SUCH
6 INVESTMENTS, OR BY ACQUIRING SHARES OR UNITS OF PARTICIPATION OR
7 OTHERWISE PARTICIPATING BENEFICIALLY IN BANK COLLECTIVE TRUSTS
8 OR IN SEPARATE ACCOUNTS OF ANY INSURANCE COMPANY AUTHORIZED TO
9 DO BUSINESS IN THIS COMMONWEALTH, OR BY ACQUIRING STOCKS OR
10 SHARES OR UNITS OF PARTICIPATION OR OTHERWISE PARTICIPATING
11 BENEFICIALLY IN THE FUND OF ANY CORPORATION OR TRUST ORGANIZED
12 OR EXISTING UNDER THE LAWS OF THE UNITED STATES OR OF ANY STATE,
13 DISTRICT OR TERRITORY THEREOF WHICH FUND IS MAINTAINED FOR AND
14 CONSISTS OF ASSETS OF EMPLOYEES' BENEFIT TRUSTS, INCLUDING
15 GOVERNMENTAL PLANS AS DEFINED IN SECTION 414(D) OF THE INTERNAL
16 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 414(D)), OR
17 WHICH MEET THE REQUIREMENTS FOR QUALIFICATION UNDER SECTION 401
18 OF THE INTERNAL REVENUE CODE OF 1986, PROVIDED THAT, IN ANY SUCH
19 CASE, THE LIABILITY OF THE STATE EMPLOYEES' RETIREMENT FUND
20 SHALL BE LIMITED TO THE AMOUNT OF ITS INVESTMENT. IN THE CASE OF
21 AUTHORIZED INVESTMENTS IN REAL ESTATE OR INTERESTS THEREIN, THE
22 BOARD'S ACQUISITION OF THE STOCK OR SHARES OF OR ITS OTHER
23 PARTICIPATION BENEFICIALLY IN THE FUND OF ANY SUCH VEHICLE,
24 INCLUDING ANY ENTITY ORGANIZED AND MAINTAINED AS A VEHICLE FOR
25 AN INVESTMENT OR INVESTMENTS OF THE BOARD EXCLUSIVELY, SHALL NOT
26 BE DEEMED AN INVESTMENT IN THE COMMON STOCK AS DEFINED IN
27 SUBSECTION (I) OF ANY CORPORATION AS DEFINED IN SUBSECTION (J)
28 FOR THE PURPOSES OF ANY LIMITATION ON INVESTMENT IN CORPORATE
29 STOCKS SET FORTH IN SUBSECTION (H). NOTHING IN THIS SUBSECTION
30 SHALL BE DEEMED TO SUPERSEDE THE LIMITATION ON INVESTMENT IN

1 INSTITUTIONAL REAL ESTATE FUNDS AS SET FORTH IN SUBSECTION (L).
2 (P)] (H) VENTURE CAPITAL.--[THE PROVISIONS OF SUBSECTION (M)
3 NOTWITHSTANDING, VENTURE] VENTURE CAPITAL INVESTMENTS [MADE
4 THROUGH LIMITED PARTNERSHIPS AND THROUGH SEPARATE ACCOUNTS]
5 SHALL BE LIMITED TO NOT MORE THAN 2% OF THE BOOK VALUE OF THE
6 TOTAL ASSETS OF THE FUND[. A VENTURE CAPITAL INVESTMENT SHALL BE
7 MADE ONLY IF SUCH INVESTMENT WILL ENHANCE THE GENERAL WELFARE OF
8 THIS COMMONWEALTH AND ITS CITIZENS THROUGH ECONOMIC DEVELOPMENT
9 AND MEETS THE STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (M).]
10 AS DETERMINED FOR FINANCIAL STATEMENT PURPOSES AS OF DECEMBER 31
11 NEXT PRECEDING THE DATE OF INVESTMENT. AN INVESTMENT SHALL BE
12 DEEMED A VENTURE CAPITAL INVESTMENT IF IT RESULTS IN THE
13 ACQUISITION OF EQUITY INTERESTS OR A COMBINATION OF DEBT AND
14 EQUITY INTERESTS IN A BUSINESS WHICH IS EXPECTED TO GROW
15 SUBSTANTIALLY IN THE FUTURE AND IN WHICH THE EXPECTED RETURN ON
16 INVESTMENT IS TO COME PREDOMINANTLY FROM AN INCREASE IN VALUE OF
17 THE EQUITY [INTEREST AND THAT ARE NOT HELD THROUGH OR SECURED BY
18 STOCK THAT IS AN AUTHORIZED INVESTMENT UNDER THE AUTHORITY OF
19 SUBSECTION (H)] INTERESTS AND ARE NOT INTERESTS IN OR SECURED BY
20 REAL ESTATE. A VENTURE CAPITAL INVESTMENT MAY BE MADE ONLY IF,
21 IN THE JUDGMENT OF THE BOARD, THE INVESTMENT IS REASONABLY
22 LIKELY TO ENHANCE THE GENERAL WELFARE OF THIS COMMONWEALTH AND
23 ITS CITIZENS AND MEETS THE STANDARD OF PRUDENCE SET FORTH IN
24 SUBSECTION (A). IN DETERMINING WHETHER THE INVESTMENT MEETS THE
25 STANDARD OF PRUDENCE, THE BOARD MAY CONSIDER, TOGETHER WITH THE
26 EXPECTED RETURN ON AND THE RISK CHARACTERISTICS OF THE
27 PARTICULAR INVESTMENT, THE ACTUAL AND EXPECTED FUTURE RETURNS
28 AND THE RISK CHARACTERISTICS OF THE TOTAL VENTURE CAPITAL
29 INVESTMENTS HELD BY THE BOARD AT THE TIME AND THE DEGREE TO
30 WHICH THE PROPOSED NEW INVESTMENT WOULD PROMOTE FURTHER

1 DIVERSIFICATION WITHIN THE VENTURE CAPITAL ASSET CLASS.

2 (I) VEHICLES FOR AUTHORIZED INVESTMENTS.--THE BOARD IN ITS
3 PRUDENT DISCRETION MAY MAKE ANY INVESTMENTS WHICH MEET THE
4 STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A) BY BECOMING A
5 LIMITED PARTNER IN PARTNERSHIPS THAT WILL HOLD SUCH INVESTMENTS;
6 OR BY ACQUIRING SHARES OR UNITS OF PARTICIPATION OR OTHERWISE
7 PARTICIPATING BENEFICIALLY IN BANK COLLECTIVE TRUSTS OR IN THE
8 SEPARATE ACCOUNTS OF ANY INSURANCE COMPANY AUTHORIZED TO DO
9 BUSINESS IN THIS COMMONWEALTH; OR BY ACQUIRING STOCKS OR SHARES
10 OR UNITS OF PARTICIPATION OR OTHERWISE PARTICIPATING
11 BENEFICIALLY IN THE FUND OF ANY CORPORATION OR TRUST ORGANIZED
12 OR EXISTING UNDER THE LAWS OF THE UNITED STATES OR OF ANY STATE,
13 DISTRICT OR TERRITORY THEREOF, WHICH FUND IS MAINTAINED FOR AND
14 CONSISTS OF ASSETS OF EMPLOYEES' BENEFIT TRUSTS, INCLUDING
15 GOVERNMENTAL PLANS AS DEFINED IN SECTION 414(D) OF THE INTERNAL
16 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 414(D)) OR
17 WHICH MEET THE REQUIREMENTS FOR QUALIFICATION UNDER SECTION 401
18 OF THE INTERNAL REVENUE CODE OF 1986, PROVIDED THAT, IN ANY SUCH
19 CASE, THE LIABILITY OF THE STATE EMPLOYEES' RETIREMENT FUND
20 SHALL BE LIMITED TO THE AMOUNT OF ITS INVESTMENT.

21 (J) LEGISLATIVE DECLARATION CONCERNING CERTAIN AUTHORIZED
22 INVESTMENTS.--THE GENERAL ASSEMBLY FINDS AND DECLARES THAT
23 AUTHORIZED INVESTMENTS OF THE FUND MADE BY OR ON BEHALF OF THE
24 BOARD UNDER THIS SECTION WHEREBY THE BOARD BECOMES A JOINT OWNER
25 OR STOCKHOLDER IN ANY COMPANY, CORPORATION OR ASSOCIATION ARE
26 OUTSIDE THE SCOPE OF THE ORIGINAL INTENT OF AND THEREFORE DO NOT
27 VIOLATE THE PROHIBITION SET FORTH IN SECTION 8 OF ARTICLE VIII
28 OF THE CONSTITUTION OF PENNSYLVANIA.

29 § 5953. TAXATION, ATTACHMENT AND ASSIGNMENT OF FUNDS.

30 (A) GENERAL RULE.--

1 (1) EXCEPT AS PROVIDED IN [PARAGRAPH (2)] PARAGRAPHS
2 (2), (3) AND (4), THE RIGHT OF A PERSON TO ANY BENEFIT OR
3 RIGHT ACCRUED OR ACCRUING UNDER THE PROVISIONS OF THIS PART
4 AND THE MONEYS IN THE FUND ARE HEREBY EXEMPT FROM ANY STATE
5 OR MUNICIPAL TAX, LEVY AND SALE, GARNISHMENT, ATTACHMENT,
6 SPOUSE'S ELECTION, OR ANY OTHER PROCESS WHATSOEVER EXCEPT FOR
7 A SET-OFF BY THE COMMONWEALTH IN THE CASE PROVIDED IN
8 SUBPARAGRAPH (I), AND SHALL BE UNASSIGNABLE EXCEPT:

9 (I) TO THE COMMONWEALTH IN THE CASE OF A MEMBER WHO
10 IS TERMINATING STATE SERVICE AND HAS BEEN DETERMINED TO
11 BE OBLIGATED TO THE COMMONWEALTH FOR THE REPAYMENT OF
12 MONEY OWED ON ACCOUNT OF HIS EMPLOYMENT OR TO THE FUND ON
13 ACCOUNT OF A LOAN FROM A CREDIT UNION WHICH HAS BEEN
14 SATISFIED BY THE BOARD FROM THE FUND.

15 (II) TO A CREDIT UNION AS SECURITY FOR A LOAN NOT TO
16 EXCEED \$750 AND INTEREST NOT TO EXCEED 6% PER ANNUM
17 DISCOUNTED AND/OR FINES THEREON IF THE CREDIT UNION IS
18 NOW OR HEREAFTER ORGANIZED AND INCORPORATED UNDER THE
19 LAWS OF THIS COMMONWEALTH AND THE MEMBERSHIP OF SUCH
20 CREDIT UNION IS LIMITED SOLELY TO OFFICIALS AND EMPLOYEES
21 OF THE COMMONWEALTH AND IF SUCH CREDIT UNION HAS PAID TO
22 THE FUND \$3 FOR EACH SUCH ASSIGNMENT.

23 (2) RIGHTS UNDER THIS PART SHALL BE SUBJECT TO
24 FORFEITURE AS PROVIDED BY THE ACT OF JULY 8, 1978 (P.L.752,
25 NO.140), KNOWN AS THE ["]PUBLIC EMPLOYEE PENSION FORFEITURE
26 ACT.["]

27 (3) RIGHTS UNDER THIS PART SHALL BE SUBJECT TO
28 ATTACHMENT IN FAVOR OF AN ALTERNATE PAYEE AS SET FORTH IN AN
29 APPROVED DOMESTIC RELATIONS ORDER.

30 (4) EFFECTIVE WITH DISTRIBUTIONS MADE ON OR AFTER

1 JANUARY 1, 1993, AND NOTWITHSTANDING ANY OTHER PROVISION OF
2 THIS PART TO THE CONTRARY, A DISTRIBUTE MAY ELECT, AT THE
3 TIME AND IN THE MANNER PRESCRIBED BY THE BOARD, TO HAVE ANY
4 PORTION OF AN ELIGIBLE ROLLOVER DISTRIBUTION PAID DIRECTLY TO
5 AN ELIGIBLE RETIREMENT PLAN BY WAY OF A DIRECT ROLLOVER. FOR
6 PURPOSES OF THIS SUBSECTION, A "DISTRIBUTE" INCLUDES A
7 MEMBER AND A MEMBER'S SURVIVING SPOUSE AND A MEMBER'S FORMER
8 SPOUSE WHO IS AN ALTERNATE PAYEE UNDER AN APPROVED DOMESTIC
9 RELATIONS ORDER. FOR PURPOSES OF THIS SUBSECTION, THE TERM
10 "ELIGIBLE ROLLOVER DISTRIBUTION" HAS THE MEANING GIVEN SUCH
11 TERM BY SECTION 402(F)(2)(A) OF THE INTERNAL REVENUE CODE OF
12 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 402(F)(2)(A) AND
13 "ELIGIBLE RETIREMENT PLAN" HAS THE MEANING GIVEN SUCH TERM BY
14 SECTION 402(C)(8)(B) OF THE INTERNAL REVENUE CODE OF 1986,
15 EXCEPT THAT A QUALIFIED TRUST SHALL BE CONSIDERED AN ELIGIBLE
16 RETIREMENT PLAN ONLY IF IT ACCEPTS THE DISTRIBUTE'S ELIGIBLE
17 ROLLOVER DISTRIBUTION; HOWEVER, IN THE CASE OF AN ELIGIBLE
18 ROLLOVER DISTRIBUTION TO A SURVIVING SPOUSE, AN ELIGIBLE
19 RETIREMENT PLAN IS AN "INDIVIDUAL RETIREMENT ACCOUNT" OR AN
20 "INDIVIDUAL RETIREMENT ANNUITY" AS THOSE TERMS ARE DEFINED IN
21 SECTION 408(A) AND (B) OF THE INTERNAL REVENUE CODE OF 1986.

22 (B) AUTHORIZED PAYMENTS FROM FUND.--THE BOARD SHALL BE
23 AUTHORIZED TO PAY FROM THE FUND:

24 (1) IN THE CASE OF A MEMBER WHO IS TERMINATING SERVICE,
25 THE AMOUNT DETERMINED AFTER CERTIFICATION BY THE HEAD OF THE
26 DEPARTMENT THAT THE MEMBER IS SO OBLIGATED, AND AFTER REVIEW
27 AND APPROVAL BY THE DEPARTMENT OR AGENCY'S LEGAL
28 REPRESENTATIVE OR UPON RECEIPT OF AN ASSIGNMENT FROM THE
29 MEMBER IN THE AMOUNT SO CERTIFIED.

30 (2) IN THE CASE OF A LOAN THE AMOUNT OF THE LOAN AND ANY

1 FINE OR INTEREST DUE THEREON TO THE CREDIT UNION EXCEPT 5% OF
2 THE TOTAL AMOUNT DUE WHICH IS TO BE RETAINED IN THE FUND AS A
3 COLLECTION FEE:

4 (I) IF THE MEMBER OBTAINING THE LOAN SHALL HAVE BEEN
5 IN DEFAULT IN REQUIRED PAYMENTS FOR A PERIOD OF NOT LESS
6 THAN TWO YEARS; OR

7 (II) AT SUCH TIME AS THE DEPARTMENT OF BANKING SHALL
8 REQUIRE THE CREDIT UNION TO CHARGE THE AMOUNT OF THE LOAN
9 AGAINST THE RESERVE FUND OF SUCH CREDIT UNION.

10 ANY MEMBER WHO SHALL HAVE PLEDGED SUCH RIGHTS AS SECURITY FOR
11 A LOAN FROM A CREDIT UNION AND, ON WHOSE BEHALF THE BOARD
12 SHALL HAVE MADE ANY PAYMENT BY REASON OF THAT MEMBER'S
13 DEFAULT, MAY NOT THEREAFTER PLEDGE OR ASSIGN SUCH RIGHTS TO A
14 CREDIT UNION.

15 SECTION 12. TITLE 71 IS AMENDED BY ADDING SECTIONS TO READ:

16 § 5953.1. APPROVAL OF DOMESTIC RELATIONS ORDERS.

17 (A) CERTIFICATION.--A DOMESTIC RELATIONS ORDER SHALL BE
18 CERTIFIED AS AN APPROVED DOMESTIC RELATIONS ORDER BY THE
19 SECRETARY OF THE BOARD, OR HIS DESIGNATED REPRESENTATIVE, ONLY
20 IF THAT ORDER MEETS ALL OF THE FOLLOWING:

21 (1) REQUIRES THE SYSTEM TO PROVIDE ANY TYPE OR FORM OF
22 BENEFIT OR ANY OPTION ALREADY PROVIDED UNDER THIS PART.

23 (2) REQUIRES THE SYSTEM TO PROVIDE NO MORE THAN THE
24 TOTAL AMOUNT OF BENEFITS THAN THE MEMBER WOULD OTHERWISE
25 RECEIVE (DETERMINED ON THE BASIS OF ACTUARIAL VALUE) UNLESS
26 INCREASED BENEFITS ARE PAID TO THE MEMBER OR ALTERNATE PAYEE
27 BASED UPON COST-OF-LIVING INCREASES OR INCREASES BASED ON
28 OTHER THAN ACTUARIAL VALUE.

29 (3) SPECIFIES THE AMOUNT OR PERCENTAGE OF THE MEMBER'S
30 BENEFITS TO BE PAID BY THE SYSTEM TO EACH SUCH ALTERNATE

1 PAYEE OR THE MANNER IN WHICH SUCH AMOUNT OR PERCENTAGE IS TO
2 BE DETERMINED.

3 (4) SPECIFIES THE RETIREMENT OPTION TO BE SELECTED BY
4 THE MEMBER UPON RETIREMENT OR STATES THAT THE MEMBER MAY
5 SELECT ANY RETIREMENT OPTION OFFERED BY THIS PART UPON
6 RETIREMENT.

7 (5) SPECIFIES THE NAME AND LAST KNOWN MAILING ADDRESS,
8 IF ANY, OF THE MEMBER AND THE NAME AND LAST KNOWN MAILING
9 ADDRESS OF EACH ALTERNATE PAYEE COVERED BY THE ORDER AND
10 STATES THAT IT IS THE RESPONSIBILITY OF EACH ALTERNATE PAYEE
11 TO KEEP A CURRENT MAILING ADDRESS ON FILE WITH THE SYSTEM.

12 (6) DOES NOT GRANT AN ALTERNATE PAYEE ANY OF THE RIGHTS,
13 OPTIONS OR PRIVILEGES OF A MEMBER UNDER THIS PART.

14 (7) REQUIRES THE MEMBER TO EXECUTE AN AUTHORIZATION
15 ALLOWING EACH ALTERNATE PAYEE TO MONITOR THE MEMBER'S
16 COMPLIANCE WITH THE TERMS OF THE DOMESTIC RELATIONS ORDER
17 THROUGH ACCESS TO INFORMATION CONCERNING THE MEMBER
18 MAINTAINED BY THE SYSTEM.

19 (B) DETERMINATION BY SECRETARY.--WITHIN A REASONABLE PERIOD
20 AFTER RECEIPT OF A DOMESTIC RELATIONS ORDER, THE SECRETARY OF
21 THE BOARD, OR HIS DESIGNATED REPRESENTATIVE, SHALL DETERMINE
22 WHETHER THIS ORDER IS AN APPROVED DOMESTIC RELATIONS ORDER AND
23 NOTIFY THE MEMBER AND EACH ALTERNATE PAYEE OF THIS
24 DETERMINATION. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE
25 EXCLUSIVE REMEDY OF ANY MEMBER OR ALTERNATE PAYEE AGGRIEVED BY A
26 DECISION OF THE SECRETARY OF THE BOARD, OR HIS DESIGNATED
27 REPRESENTATIVE, SHALL BE THE RIGHT TO AN ADJUDICATION BY THE
28 BOARD UNDER 2 PA.C.S. CH. 5 SUBCH. A (RELATING TO PRACTICE AND
29 PROCEDURE) WITH APPEAL THEREFROM TO THE COMMONWEALTH COURT UNDER
30 2 PA.C.S. CH. 7 (RELATING TO JUDICIAL REVIEW) AND 42 PA.C.S. §

1 763(A)(1) (RELATING TO DIRECT APPEALS FROM GOVERNMENT AGENCIES).

2 (C) OTHER ORDERS.--THE REQUIREMENTS FOR APPROVAL IDENTIFIED
3 IN SUBSECTION (A) SHALL NOT APPLY TO ANY DOMESTIC RELATIONS
4 ORDER WHICH IS AN ORDER FOR SUPPORT AS THE TERM IS DEFINED AT 23
5 PA.C.S. § 4302 (RELATING TO DEFINITIONS) OR AN ORDER FOR THE
6 ENFORCEMENT OF ARREARAGES AS PROVIDED IN 23 PA.C.S. § 3703
7 (RELATING TO ENFORCEMENT OF ARREARAGES). THESE ORDERS SHALL BE
8 APPROVED TO THE EXTENT THAT THEY DO NOT ATTACH MONEYS IN EXCESS
9 OF THE LIMITS ON ATTACHMENTS AS ESTABLISHED BY THE LAWS OF THE
10 UNITED STATES AND THIS COMMONWEALTH.

11 (D) OBLIGATION DISCHARGED.--ONLY THE REQUIREMENTS OF THIS
12 PART AND ANY REGULATIONS PROMULGATED HEREUNDER SHALL BE USED TO
13 GOVERN THE APPROVAL OR DISAPPROVAL OF A DOMESTIC RELATIONS
14 ORDER. THEREFORE, IF THE SECRETARY OF THE BOARD, OR HIS
15 DESIGNATED REPRESENTATIVE, ACTS IN ACCORDANCE WITH THE
16 PROVISIONS OF THIS PART AND ANY PROMULGATED REGULATIONS IN
17 APPROVING OR DISAPPROVING A DOMESTIC RELATIONS ORDER, THEN THE
18 OBLIGATIONS OF THE SYSTEM WITH RESPECT TO SUCH APPROVAL OR
19 DISAPPROVAL SHALL BE DISCHARGED.

20 § 5953.2. IRREVOCABLE BENEFICIARY.

21 NOTWITHSTANDING ANY OTHER PROVISION OF THIS PART, A DOMESTIC
22 RELATIONS ORDER MAY PROVIDE FOR AN IRREVOCABLE BENEFICIARY. A
23 DOMESTIC RELATIONS ORDER REQUIRING THE NOMINATION OF AN
24 IRREVOCABLE BENEFICIARY SHALL BE DEEMED TO BE ONE THAT REQUIRES
25 A MEMBER TO NOMINATE AN ALTERNATE PAYEE AS A BENEFICIARY AND
26 THAT PROHIBITS THE REMOVAL OR CHANGE OF THAT BENEFICIARY WITHOUT
27 APPROVAL OF A COURT OF COMPETENT JURISDICTION, EXCEPT BY
28 OPERATION OF LAW. SUCH A DOMESTIC RELATIONS ORDER MAY BE
29 CERTIFIED AS AN APPROVED DOMESTIC RELATIONS ORDER BY THE
30 SECRETARY OF THE BOARD, OR HIS DESIGNATED REPRESENTATIVE, AFTER

1 THE MEMBER MAKES SUCH NOMINATION, IN WHICH CASE THE IRREVOCABLE
2 BENEFICIARY SO ORDERED BY THE COURT CANNOT BE CHANGED BY THE
3 MEMBER WITHOUT APPROVAL BY THE COURT.

4 § 5953.3. IRREVOCABLE SURVIVOR ANNUITANT.

5 NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS PART, A DOMESTIC
6 RELATIONS ORDER MAY PROVIDE FOR AN IRREVOCABLE SURVIVOR
7 ANNUITANT. A DOMESTIC RELATIONS ORDER REQUIRING THE DESIGNATION
8 OF AN IRREVOCABLE SURVIVOR ANNUITANT SHALL BE DEEMED TO BE ONE
9 THAT REQUIRES A MEMBER TO DESIGNATE AN ALTERNATE PAYEE AS A
10 SURVIVOR ANNUITANT AND THAT PROHIBITS THE REMOVAL OR CHANGE OF
11 THAT SURVIVOR ANNUITANT WITHOUT APPROVAL OF A COURT OF COMPETENT
12 JURISDICTION, EXCEPT BY OPERATION OF LAW. SUCH A DOMESTIC
13 RELATIONS ORDER MAY BE CERTIFIED AS AN APPROVED DOMESTIC
14 RELATIONS ORDER BY THE SECRETARY OF THE BOARD, OR HIS DESIGNATED
15 REPRESENTATIVE, IN WHICH CASE THE IRREVOCABLE SURVIVOR ANNUITANT
16 SO ORDERED BY THE COURT CANNOT BE CHANGED BY THE MEMBER WITHOUT
17 APPROVAL BY THE COURT. A PERSON INELIGIBLE TO BE DESIGNATED AS A
18 SURVIVOR ANNUITANT MAY NOT BE DESIGNATED AS AN IRREVOCABLE
19 SURVIVOR ANNUITANT.

20 § 5953.4. AMENDMENT OF APPROVED DOMESTIC RELATIONS ORDERS.

21 (A) DECEASED ALTERNATE PAYEE.--IN THE EVENT THAT THE
22 ALTERNATE PAYEE PREDECEASES THE MEMBER AND THERE ARE BENEFITS
23 PAYABLE TO THE ALTERNATE PAYEE, THE DIVORCE COURT MAY AMEND THE
24 APPROVED DOMESTIC RELATIONS ORDER TO SUBSTITUTE A PERSON FOR THE
25 DECEASED ALTERNATE PAYEE TO RECEIVE ANY BENEFITS PAYABLE TO THE
26 DECEASED ALTERNATE PAYEE.

27 (B) RECERTIFICATION OF AMENDED ORDER.--IF A DIVORCE COURT
28 AMENDS THE APPROVED DOMESTIC RELATIONS ORDER FOR ANY REASON,
29 THEN THE AMENDED ORDER MUST BE SUBMITTED FOR RECERTIFICATION AS
30 AN APPROVED DOMESTIC RELATIONS ORDER AS SET FORTH IN THIS PART.

1 § 5955.1. CONSTRUCTION OF PART WITH RESPECT TO OLDER WORKERS
2 PROTECTION.

3 IT IS HEREBY FOUND AND DECLARED THAT THE PROVISIONS OF THIS
4 PART CONSTITUTE A BONA FIDE RETIREMENT OR PENSION PLAN WITHIN
5 THE MEANING OF THE FEDERAL AGE DISCRIMINATION IN EMPLOYMENT ACT
6 OF 1967 (29 U.S.C. § 621 ET SEQ.) AND THE ACT OF OCTOBER 27,
7 1955 (P.L.744, NO.222), KNOWN AS THE PENNSYLVANIA HUMAN
8 RELATIONS ACT, AND THAT THE INTENT OF SECTION 5955 (RELATING TO
9 CONSTRUCTION OF PART) AS ORIGINALLY ENACTED AND AS SUBSEQUENTLY
10 AMENDED IS TO REQUIRE THE PENSION RIGHTS OF STATE EMPLOYEES TO
11 BE DETERMINED SOLELY BY THIS PART AND ANY AMENDMENTS THERETO,
12 REGARDLESS OF ANY OTHER PROVISION OF STATE LAW, SUBJECT ONLY TO
13 SUCH FURTHER REQUIREMENTS, EXCEPTIONS OR LIMITATIONS AS MAY BE
14 SET FORTH IN SECTION 5955 OR AS MAY BE IMPOSED BY REASON OF ANY
15 PROVISION OF THE FEDERAL OR STATE CONSTITUTION. ANY PROVISION OF
16 THIS PART WHICH IS NOT INCONSISTENT WITH THE PROVISIONS OF THE
17 FEDERAL AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967 AS AMENDED
18 BY THE FEDERAL OLDER WORKERS BENEFIT PROTECTION ACT (PUBLIC LAW
19 101-433, 104, STAT. 978) AND THE RULES AND REGULATIONS OF THE
20 FEDERAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION UNDER SUCH
21 FEDERAL LAWS SHALL BE DEEMED NOT INCONSISTENT WITH SUCH
22 PROVISIONS OF THE PENNSYLVANIA HUMAN RELATIONS COMMISSION ACT AS
23 ~~RELATES~~ RELATE TO DISCRIMINATION ON THE BASIS OF AGE WITH
24 RESPECT TO THE TERMS, CONDITIONS OR PRIVILEGES OF EMPLOYMENT.

25 SECTION 13. ANY AND ALL INVESTMENTS OF THE PUBLIC SCHOOL
26 EMPLOYEES' RETIREMENT BOARD AND OF THE STATE EMPLOYEES'
27 RETIREMENT BOARD, RESPECTIVELY, WHICH ON THE EFFECTIVE DATE OF
28 THIS SECTION ARE OWNED OR HELD THROUGH A VEHICLE AS DESCRIBED IN
29 24 PA.C.S. § 8521(I) OR 71 PA.C.S. § 5931(I), AS APPLICABLE,
30 SHALL BE DEEMED TO HAVE BEEN LAWFULLY MADE THROUGH SUCH VEHICLE

1 AT INCEPTION.

2 SECTION 14. NOTHING IN THIS ACT SHALL BE CONSTRUED TO REPEAL
3 ALL OR ANY PART OF THE ACT OF JULY 8, 1978 (P.L.752, NO.140),
4 KNOWN AS THE PUBLIC EMPLOYEE PENSION FORFEITURE ACT.

5 SECTION 15. NOTHING IN THIS ACT SHALL BE CONSTRUED TO GRANT
6 ANY ALTERNATE PAYEES ANY CONTRACTUAL RIGHTS, EITHER EXPRESS OR
7 IMPLIED, IN THE TERMS OR CONDITIONS OF EITHER THE PUBLIC SCHOOL
8 EMPLOYEES' RETIREMENT SYSTEM OR THE STATE EMPLOYEES' RETIREMENT
9 SYSTEM, INCLUDING, BUT NOT LIMITED TO, BENEFITS, OPTIONS, RIGHTS
10 OR PRIVILEGES, ESTABLISHED BY EITHER 24 PA.C.S. PT. IV OR 71
11 PA.C.S. PT. XXV.

12 SECTION 16. NOTHING IN THIS ACT SHALL BE CONSTRUED TO GRANT
13 ANY ALTERNATE PAYEES OR MEMBERS OF EITHER THE PUBLIC SCHOOL
14 EMPLOYEES' RETIREMENT SYSTEM OR THE STATE EMPLOYEES' RETIREMENT
15 SYSTEM ANY CONTRACTUAL RIGHTS, EITHER EXPRESS OR IMPLIED, IN THE
16 PROVISIONS OF THIS ACT PERTAINING TO ALTERNATE PAYEES AND
17 DOMESTIC RELATIONS ORDERS.

18 SECTION 17. THE AMENDMENT OR ADDITION OF 24 PA.C.S. §§ 8326,
19 8327, 8329 AND 8535 SHALL APPLY TO THE 1994-1995 SCHOOL YEAR AND
20 TO EACH SCHOOL YEAR THEREAFTER. THE REVISED CONTRIBUTIONS AS
21 PROVIDED FOR IN THESE SECTIONS SHALL APPLY TO ALL ACTIVE MEMBERS
22 WHOSE EFFECTIVE DATE OF EMPLOYMENT IS AFTER JUNE 30, 1993.

23 SECTION 18. THE LIABILITY FOR ADDITIONAL BENEFITS CREATED BY
24 24 PA.C.S. § 8312 AND 71 PA.C.S. § 5308.1 SHALL BE FUNDED OVER A
25 PERIOD OF 20 YEARS, COMMENCING JULY 1, 1994.

26 SECTION 19. IN RELATION TO THE AMENDMENT OF 24 PA.C.S. §
27 8346 AND 71 PA.C.S. § 5706, THE FOLLOWING SHALL APPLY:

28 (1) NOTHING IN THIS ACT SHALL BE DEEMED TO PERMIT THE
29 RESTORATION OF SERVICE CREDIT OR RETIREMENT BENEFITS WHICH
30 WERE THE SUBJECT OF AN ORDER OF FORFEITURE PURSUANT TO THE

1 ACT OF JULY 8, 1978 (P.L.752, NO.140), KNOWN AS THE PUBLIC
2 EMPLOYEE PENSION FORFEITURE ACT.

3 (2) FORMER ANNUITANTS WHO ELECT TO ELIMINATE THE EFFECT
4 OF FROZEN PRESENT VALUE DO SO WITH THE SPECIFIC UNDERSTANDING
5 THAT THEY ACCEPT THE TERMS AND CONDITIONS OF 24 PA.C.S. PT.
6 IV AND 71 PA.C.S. PT. XXV AS THEY ARE UPON THEIR SUBSEQUENT
7 TERMINATION AND DO NOT RETAIN ANY CONTRACTUAL RIGHTS TO TERMS
8 AND CONDITIONS OF 24 PA.C.S. PT. IV AND 71 PA.C.S. PT. XXV,
9 INCLUDING, BUT NOT LIMITED TO, BENEFIT FORMULAS, ACCRUAL
10 RATES AND ELIGIBILITY, CONTRIBUTION RATES, DEFINITIONS,
11 PURCHASE OF CREDITABLE SCHOOL, NONSCHOOL, STATE AND NON-STATE
12 PROVISIONS AND ACTUARIAL AND FUNDING ASSUMPTIONS OR
13 PROVISIONS ARISING FROM ANY PERIOD OF EMPLOYMENT PRIOR TO
14 FINAL TERMINATION OF SERVICE.

15 (3) FORMER ANNUITANTS WHO ARE ACTIVE MEMBERS AND
16 INACTIVE MEMBERS ON LEAVE WHO HAVE EARNED AT LEAST THREE
17 ELIGIBILITY POINTS SINCE THEIR MOST RECENT PERIOD OF RECEIPT
18 OF AN ANNUITY MAY ELECT TO ELIMINATE THE EFFECT OF FROZEN
19 PRESENT VALUE DURING THE SCHOOL OR FISCAL YEAR IN WHICH 24
20 PA.C.S. § 8346 AND 71 PA.C.S. § 5706 BECOME EFFECTIVE,
21 PROVIDED THAT THE ELECTION IS MADE PRIOR TO TERMINATION OF
22 SERVICE.

23 SECTION 20. THE AMENDMENT OF 24 PA.C.S. § 8312 AND 71
24 PA.C.S. § 5308.1 SHALL TAKE EFFECT IMMEDIATELY AND SHALL BE
25 RETROACTIVE TO JULY 1, 1993.

26 SECTION 21. THE ~~AMENDMENT~~ ADDITION OF 24 PA.C.S. § 8533(D) <—
27 AND 71 PA.C.S. § ~~5953(C)~~ 5953(A)(4) SHALL TAKE EFFECT <—
28 IMMEDIATELY AND SHALL BE RETROACTIVE TO JANUARY 1, 1993.

29 SECTION 22. THE AMENDMENT OF 24 PA.C.S. § 8509(B) SHALL TAKE
30 EFFECT IMMEDIATELY AND SHALL BE RETROACTIVE TO JULY 1, 1992.

1 SECTION 23. THE AMENDMENT OR ADDITION OF 24 PA.C.S. § 8346
2 AND 71 PA.C.S. § 5706(B) AND (C) SHALL TAKE EFFECT THE JULY 1
3 NEXT FOLLOWING THE EFFECTIVE DATE OF SECTION 25(4) OF THIS ACT.
4 NOTWITHSTANDING 24 PA.C.S. § 8328(C) AND 71 PA.C.S. § 5508(C),
5 THE ACCRUED LIABILITY CREATED BY THE AMENDMENT OR ADDITION OF 24
6 PA.C.S. § 8346 AND 71 PA.C.S. § 5706(B) AND (C) SHALL BE FUNDED
7 IN ANNUAL INSTALLMENTS INCREASING BY 5% EACH YEAR OVER A PERIOD
8 OF 20 YEARS BEGINNING JULY 1, 1995. NOTWITHSTANDING 24 PA.C.S. §
9 8328(B) AND 71 PA.C.S. § 5508(B), THE NORMAL CONTRIBUTION RATE
10 AND EMPLOYER NORMAL CONTRIBUTION RATE FOR THE PERIOD FROM THE
11 EFFECTIVE DATE OF SECTION 25 OF THIS ACT TO JUNE 30, 1995, SHALL
12 BE CALCULATED AS IF THE AMENDMENT OF 24 PA.C.S. § 8346 AND 71
13 PA.C.S. § 5706(B) AND THE ADDITION OF 71 PA.C.S. § 5706(C) DID
14 NOT OCCUR. ANY NORMAL CONTRIBUTIONS AND EMPLOYER NORMAL
15 CONTRIBUTIONS WHICH WOULD HAVE BEEN PAID FOR THE PERIOD FROM THE
16 EFFECTIVE DATE OF SECTION 25 OF THIS ACT TO JUNE 30, 1995, BUT
17 FOR THIS SECTION, SHALL BE FUNDED IN ANNUAL INSTALLMENTS
18 INCREASING BY 5% EACH YEAR OVER A PERIOD OF 20 YEARS BEGINNING
19 JULY 1, 1995.

20 SECTION 24. THE AMENDMENT OF 71 PA.C.S. § 5706(A) SHALL TAKE
21 EFFECT THE JANUARY 1 NEXT FOLLOWING THE EFFECTIVE DATE OF
22 SECTION 25(4) OF THIS ACT.

23 SECTION 25. EXCEPT AS OTHERWISE PROVIDED IN SECTIONS 20, 21
24 AND 22 OF THIS ACT, THIS ACT SHALL TAKE EFFECT AS FOLLOWS:

25 (1) THE AMENDMENT OR ADDITION OF THE DEFINITION OF
26 "ELIGIBLE ANNUITANTS" IN 24 PA.C.S. § 8102 AND OF 24 PA.C.S.
27 §§ 8326, 8327, 8329 AND 8535 SHALL TAKE EFFECT JULY 1, 1994.

28 (2) THE AMENDMENT OF 24 PA.C.S. § 8345(A)(4) AND 71
29 PA.C.S. § 5705(A)(4) SHALL TAKE EFFECT MAY 1, 1994.

30 (3) THE AMENDMENT OF 24 PA.C.S. §§ 8502(C), (N) AND (O)

1 AND 8521 AND 71 PA.C.S. §§ 5902(C), (M) AND (N) AND 5931
2 SHALL TAKE EFFECT IMMEDIATELY.

3 (4) SECTION 13 OF THIS ACT AND THIS SECTION SHALL TAKE
4 EFFECT IMMEDIATELY.

5 (5) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT IN 60
6 DAYS.