

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1677 Session of  
2011

INTRODUCED BY BOYD, AUMENT, BEAR, CUTLER, DENLINGER, EVANKOVICH,  
EVERETT, GROVE, HICKERNELL, HUTCHINSON, KILLION, MOUL, PETRI,  
ROSS, SAYLOR, TALLMAN AND LAWRENCE, JUNE 17, 2011

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JUNE 17, 2011

AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated  
2 Statutes, in retirement for school employees, further  
3 providing for definitions, for construction of part, for  
4 mandatory and optional membership, for eligibility points for  
5 retention and reinstatement of service credits, for  
6 creditable nonschool service, for classes of service, for  
7 eligibility for annuities, for eligibility for vesting, for  
8 eligibility for death benefits, for regular member  
9 contributions for current service, for member contributions  
10 for creditable school service, for return of accumulated  
11 deductions, for maximum single life annuity, for disability  
12 annuities, for member's options, for termination of  
13 annuities, for death benefits, for payment of benefits and  
14 for administrative duties of board; providing for long-term  
15 disability group insurance program; and further providing for  
16 duties of employers, for rights and duties of school  
17 employees and members, for members' savings account, for  
18 State accumulation account and for payments to school  
19 entities by Commonwealth.

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

22 Section 1. The definitions of "accumulated deductions,"  
23 "basic contribution rate," "eligible annuitants," "final average  
24 salary, "standard single life annuity," "superannuation or  
25 normal retirement age" and "vestee" in section 8102 of Title 24  
26 of the Pennsylvania Consolidated Statutes, amended November 23,

1 2010 (P.L.1269, No.120), are amended and the section is amended  
2 by adding a definition to read:

3 § 8102. Definitions.

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

7 "Accumulated deductions." The total of pickup contributions,  
8 after-tax contributions, eligible roll-ins made pursuant to  
9 section 8507(1) (relating to rights and duties of school  
10 employees and members) and the contributions paid into the fund  
11 by the member on account of current school service, previous  
12 school service, or creditable nonschool service and the  
13 statutory interest credited on all such contributions.

14 \* \* \*

15 "After-tax contributions." The optional contributions paid  
16 into the fund by the member from the member's salary after all  
17 applicable taxes have been deducted.

18 \* \* \*

19 "Basic contribution rate." For Class T-A, T-B and T-C  
20 service, the rate of 6 1/4%. For Class T-D service, the rate of  
21 7 1/2%. For all active members on the effective date of this  
22 provision who are currently paying 5 1/4% and elect Class T-D  
23 service, the rate of 6 1/2%. For Class T-E service, the rate of  
24 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G  
25 service, the rate of 7 1/2%.

26 \* \* \*

27 "Eligible annuitants." All current and prospective  
28 annuitants, other than Class T-G annuitants, with 24 1/2 or more  
29 eligibility points and all current and prospective disability  
30 annuitants. Beginning January 1, 1995, "eligible annuitants"

1 shall include members with 15 or more eligibility points who  
2 terminated or who terminate school service on or after attaining  
3 superannuation retirement age and who are annuitants with an  
4 effective date of retirement after superannuation age.

5 \* \* \*

6 "Final average salary." The highest average compensation  
7 received as an active member, other than as a Class T-G member,  
8 during any three nonoverlapping periods of 12 consecutive months  
9 with the compensation for part-time service being annualized on  
10 the basis of the fractional portion of the school year for which  
11 credit is received; except, if the employee was not a member for  
12 three such periods, the total compensation received as an active  
13 member, other than as a Class T-G member, annualized in the case  
14 of part-time service divided by the number of such periods of  
15 membership; in the case of a member with multiple service  
16 credit, the final average salary shall be determined by  
17 reference to compensation received by him as a school employee  
18 or a State employee or both, excluding compensation received for  
19 service performed as a member of Class T-G or Class QB in the  
20 State Employees' Retirement System; and, in the case of a  
21 noneligible member, subject to the application of the provisions  
22 of section 8325.1 (relating to annual compensation limit under  
23 IRC § 401(a)(17)).

24 \* \* \*

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

1 of years and fractional part of a year of credited service. For  
2 Class T-E credited service of a member, an annuity equal to 2%  
3 of the final average salary, multiplied by the total number of  
4 years and fractional part of a year of credited service of a  
5 member. For Class T-F credited service of a member, an annuity  
6 equal to 2.5% of the final average salary, multiplied by the  
7 total number of years and fractional part of a year of credited  
8 service of a member. For Class T-G credited service of a member,  
9 an annuity with a present value equal to the balance of the  
10 members' savings account.

11 \* \* \*

12 "Superannuation or normal retirement age."

13	Class of service	Age
14	T-A	62 or any age upon accrual of
15		35 eligibility points
16	T-B	62
17	T-C and T-D	62 or age 60 provided the
18		member has at least 30
19		eligibility points or any
20		age upon accrual of 35
21		eligibility points
22	T-E and T-F	65 with accrual of at least
23		three eligibility points
24		or a combination of age
25		and eligibility points
26		totaling 92, provided the
27		member has accrued at
28		least 35 eligibility
29		points
30	<u>T-G</u>	<u>55</u>

1       \* \* \*

2       "Vestee." A member with five or more eligibility points who  
3 has terminated school service, has left his accumulated  
4 deductions in the fund and is deferring filing of an application  
5 for receipt of an annuity. For Class T-E and Class T-F members,  
6 a member with ten or more eligibility points who has terminated  
7 school service, has left his accumulated deductions in the fund  
8 and is deferring filing of an application for receipt of an  
9 annuity. For Class T-G members, a member who has terminated  
10 school service, is eligible to leave his accumulated deductions  
11 in the fund and is deferring filing of an application for  
12 receipt of annuity.

13       Section 2. Section 8103 of Title 24 is amended by adding a  
14 subsection to read:

15       § 8103. Construction of part.

16       \* \* \*

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

26       Section 3. Section 8301(a) of Title 24, amended November 23,  
27 2010 (P.L.1269, No.120), is amended and the section is amended  
28 by adding a subsection to read:

29       § 8301. Mandatory and optional membership.

30       (a) Mandatory membership.--Membership in the system shall be

1 mandatory as of the effective date of employment for all school  
2 employees except the following:

3 (1) Any officer or employee of the Department of  
4 Education, State-owned educational institutions, community  
5 colleges, area vocational-technical schools, technical  
6 institutes, or the Pennsylvania State University and who is a  
7 member of the State Employees' Retirement System or a member  
8 of another retirement program approved by the employer.

9 (2) Any school employee, other than a school employee  
10 eligible for Class T-G membership, who is not a member of the  
11 system and who is employed on a per diem or hourly basis for  
12 less than 80 full-day sessions or 500 hours in any fiscal  
13 year or annuitant who returns to school service under the  
14 provisions of section 8346(b) (relating to termination of  
15 annuities).

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

21 (4) Any part-time school employee who has an individual  
22 retirement account pursuant to the Federal act of September  
23 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the  
24 Employee Retirement Income Security Act of 1974.

25 \* \* \*

26 (d) Other retirement program.--The employer contribution  
27 rate on account of school employees who have elected membership  
28 in another retirement program approved by the employer rather  
29 than membership in Class QB or Class T-G shall be 5%.

30 Section 4. Section 8303 of Title 24 is amended by adding a

1 subsection to read:

2 § 8303. Eligibility points for retention and reinstatement of  
3 service credits.

4 \* \* \*

5 (e) Purchase prohibited.--Notwithstanding any other  
6 provision of this part, a Class T-G member shall not be  
7 permitted to purchase previous school service or creditable  
8 nonschool service except for an approved leave of absence and  
9 activated military service.

10 Section 5. Section 8304(a) of Title 24, amended November 23,  
11 2010 (P.L.1269, No.120), is amended to read:

12 § 8304. Creditable nonschool service.

13 (a) Eligibility.--An active member or a multiple service  
14 member who is an active member of the State Employees'  
15 Retirement System shall be eligible to receive Class T-C, Class  
16 T-E or Class T-F service credit for creditable nonschool service  
17 and Class T-D, Class T-E or Class T-F service for intervening  
18 military service, provided the member becomes a Class T-D member  
19 pursuant to section 8305.1 (relating to election to become a  
20 Class T-D member) or Class T-F member pursuant to section 8305.2  
21 (relating to election to become a Class T-F member) or 8305  
22 (relating to classes of service), and Class T-G service for  
23 activated military service provided the member is a Class T-G  
24 member under section 8305(f), as set forth in subsection (b)  
25 provided that he is not entitled to receive, eligible to receive  
26 now or in the future, or is receiving retirement benefits for  
27 such service under a retirement system administered and wholly  
28 or partially paid for by any other governmental agency or by any  
29 private employer, or a retirement program approved by the  
30 employer in accordance with section 8301(a)(1) (relating to

1 mandatory and optional membership), and further provided that  
2 such service is certified by the previous employer and the  
3 manner of payment of the amount due is agreed upon by the  
4 member, the employer, and the board.

5 \* \* \*

6 Section 6. Section 8305 of Title 24 is amended by adding a  
7 subsection to read:

8 § 8305. Classes of service.

9 \* \* \*

10 (f) Class T-G membership.--Notwithstanding any other  
11 provision of this part, a person who first becomes a school  
12 employee and an active member on or after July 1, 2012, shall be  
13 classified as a Class T-G member upon payment of regular member  
14 contributions.

15 Section 7. Section 8307(c) of Title 24 is amended to read:

16 § 8307. Eligibility for annuities.

17 \* \* \*

18 (c) Disability annuity.--An active or inactive member not in  
19 Class T-G who has credit for at least five years of service  
20 shall, upon filing of a proper application, be entitled to a  
21 disability annuity if he becomes mentally or physically  
22 incapable of continuing to perform the duties for which he is  
23 employed and qualifies for an annuity in accordance with the  
24 provisions of section 8505(c)(1) (relating to duties of board  
25 regarding applications and elections of members).

26 Section 8. Section 8308 of Title 24, amended November 23,  
27 2010 (P.L.1269, No.120), is amended to read:

28 § 8308. Eligibility for vesting.

29 Any Class T-C or Class T-D member who terminates school  
30 service with five or more eligibility points shall be entitled



1 to vest his retirement benefits until attainment of  
2 superannuation age. Any Class T-E or Class T-F member who  
3 terminates school service with ten or more eligibility points  
4 shall be entitled to vest his retirement benefits until  
5 attainment of superannuation age. Any Class T-G member who  
6 terminates school service shall be eligible to vest his  
7 retirement benefits until attainment of superannuation age  
8 provided the balance of his members' savings account is greater  
9 than \$5,000 as of the date of termination.

10 Section 9. Section 8309 of Title 24 is amended to read:

11 § 8309. Eligibility for death benefits.

12 In the event of the death of a member who is eligible for an  
13 annuity in accordance with section 8307(a) or (b) (relating to  
14 eligibility for annuities) his beneficiary shall be entitled to  
15 a death benefit as provided in section 8347 (relating to death  
16 benefits). In the event of the death of a member not eligible  
17 for an annuity his beneficiary shall receive the accumulated  
18 deductions standing to the member's credit in the fund. In the  
19 event of the death of a Class T-G member, his beneficiary shall  
20 be entitled to a death benefit as provided in section 8347(e).

21 Section 10. Section 8321 of Title 24 is amended by adding a  
22 subsection to read:

23 § 8321. Regular member contributions for current service.

24 \* \* \*

25 (c) After-tax contributions.--

26 (1) After-tax contributions may be made by Class T-G  
27 active members for current service up to but no more than the  
28 applicable limits under the IRC.

29 (2) After-tax contributions shall be made by payroll  
30 deductions and transmitted to the system by the school

1 employer.

2 (3) After-tax contributions shall be treated as taxed at  
3 the time they are made to the system, shall be tracked  
4 separately and shall not be treated as taxable when paid out  
5 to the member.

6 (4) After-tax contributions may be changed or stopped by  
7 the member upon notice to the school employer.

8 Section 11. Section 8323(a) and (c.1) of Title 24, amended  
9 November 23, 2010 (P.L.1269, No.120), is amended to read:

10 § 8323. Member contributions for creditable school service.

11 (a) Previous school service, sabbatical leave and full  
12 coverage.--The contributions to be paid by an active member or  
13 an eligible State employee for credit for reinstatement of all  
14 previously credited school service, school service not  
15 previously credited, sabbatical leave as if he had been in full-  
16 time daily attendance, or full-coverage membership shall be  
17 sufficient to provide an amount equal to the accumulated  
18 deductions which would have been standing to the credit of the  
19 member for such service had regular member contributions been  
20 made with full coverage at the rate of contribution necessary to  
21 be credited as Class T-C service, Class T-D service if the  
22 member is a Class T-D member, Class T-E service if the member is  
23 a Class T-E member [or], Class T-F service if the member is a  
24 Class T-F member or Class T-G service if the member is a Class  
25 T-G member and had such contributions been credited with  
26 statutory interest during the period the contributions would  
27 have been made and during all periods of subsequent school and  
28 State service up to the date of purchase.

29 \* \* \*

30 (c.1) Activated military service leave.--The contributions

1 to be paid by an active member for credit for all activated  
2 military service leave as if he had been in regular attendance  
3 in the duties for which he is employed shall be sufficient to  
4 provide an amount equal to the accumulated deductions which  
5 would have been standing to the credit of the member for such  
6 service had regular member contributions been made with full  
7 coverage at the rate of contribution necessary to be credited as  
8 Class T-C service or Class T-D service if the member is a Class  
9 T-D member, Class T-E service if the member is a Class T-E  
10 member [or], Class T-F if the member is a Class T-F member or  
11 Class T-G service if the member is a Class T-G member and had  
12 such contributions been credited with statutory interest during  
13 the period the contributions would have been made and during all  
14 periods of subsequent State and school service up to the date of  
15 purchase. In the case of activated military service leave  
16 beginning after the date of enactment of this subsection,  
17 contributions due from the member shall be made as if he is in  
18 regular attendance in the duties for which he is employed.

19 \* \* \*

20 Section 12. Section 8341 of Title 24 is amended to read:  
21 § 8341. Return of accumulated deductions.

22 (a) Election.--Any member upon termination of service may,  
23 in lieu of all benefits payable under this chapter to which he  
24 may be entitled, elect to receive his accumulated deductions.

25 (b) Class T-G.--Any Class T-G member who elects under this  
26 section to receive his accumulated deductions in lieu of all  
27 benefits to which he may be entitled shall forfeit any amounts  
28 credited in accordance with section 8502(m.1) (relating to  
29 administrative duties of board), including any interest credited  
30 thereon.

Section 13. Sections 8342 and 8344 of Title 24 are amended  
by adding subsections to read:

§ 8342. Maximum single life annuity.

\* \* \*

(d) Class T-G members.--Upon termination of service, any Class T-G member who is eligible to receive an annuity pursuant to the provisions of section 8307(a) and has made an application in accordance with the provisions of section 8507(f) shall be entitled to receive a maximum single life annuity with a present value equal to the balance of the members' savings account maintained in accordance with section 8523 (relating to members' savings account) standing to his credit as of his effective date of retirement.

§ 8344. Disability annuities.

\* \* \*

(f) Ineligibility.--Notwithstanding any other provision of this part, a Class T-G member shall not be eligible to receive a disability annuity provided under this part, but shall be eligible to participate in any long-term disability group insurance program established by the board in accordance with section 8502.3 (relating to long-term disability group insurance program).

Section 14. Section 8345(a) of Title 24, amended November 23, 2010 (P.L.1269, No.120), is amended to read:

§ 8345. Member's options.

(a) General rule.--Any Class T-C or Class T-D member who is a vestee with five or more eligibility points, any Class T-E or Class T-F member who is a vestee with ten or more eligibility points, or any other eligible member upon termination of school service who has not withdrawn his accumulated deductions as

1 provided in section 8341 (relating to return of accumulated  
2 deductions) may apply for and elect to receive either a maximum  
3 single life annuity, as calculated in accordance with the  
4 provisions of section 8342 (relating to maximum single life  
5 annuity), or a reduced annuity certified by the actuary to be  
6 actuarially equivalent to the maximum single life annuity and in  
7 accordance with one of the following options, except that no  
8 member shall elect an annuity payable to one or more survivor  
9 annuitants other than his spouse or alternate payee of such a  
10 magnitude that the present value of the annuity payable to him  
11 for life plus any lump sum payment he may have elected to  
12 receive is less than 50% of the present value of his maximum  
13 single life annuity. In no event shall a Class T-E or Class T-F  
14 member receive an annual benefit, calculated as of the effective  
15 date of retirement, greater than the member's final average  
16 salary.

17       (1) Option 1.--A life annuity to the member with a  
18       guaranteed total payment equal to the present value of the  
19       maximum single life annuity on the effective date of  
20       retirement with the provision that, if, at his death, he has  
21       received less than such present value, the unpaid balance  
22       shall be payable to his beneficiary.

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

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

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

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

7           (ii) The sum of all annuities payable to the  
8       designated survivor annuitants shall not be greater than  
9       one and one-half times the annuity payable to the member.

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

22       \* \* \*

23       Section 15. Section 8346(a), (a.1), (c) and (d) of Title 24  
24       are amended and the section is amended by adding a subsection to  
25       read:

26       § 8346. Termination of annuities.

27       (a) General rule.--If an annuitant, other than a Class T-G  
28       annuitant, returns to school service or enters or has entered  
29       State service and elects multiple service membership, any  
30       annuity payable to him under this part shall cease effective

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

18 (a.1) Return of benefits.--In the event an annuitant,  
19 including a Class T-G annuitant, whose annuity ceases pursuant  
20 to this section receives any annuity payment, including a lump  
21 sum payment pursuant to section 8345 (relating to member's  
22 options) on or after the date of his return to school service or  
23 entering State service, the annuitant shall return to the board  
24 the amount so received plus statutory interest. The amount  
25 payable shall be certified in each case by the board in  
26 accordance with methods approved by the actuary and shall be  
27 paid in a lump sum within 90 days or in the case of an active  
28 member or a State employee who is an active member of the State  
29 Employees' Retirement System may be amortized with statutory  
30 interest through salary deductions in amounts agreed upon by the

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

12 \* \* \*

13 (c) Subsequent discontinuance of service.--Upon subsequent  
14 discontinuance of service, such member other than a former  
15 annuitant who had the effect of his frozen present value  
16 eliminated in accordance with subsection (d) [or], a former  
17 disability annuitant or a Class T-G annuitant shall be entitled  
18 to an annuity which is actuarially equivalent to the sum of the  
19 present value as determined under subsection (a) and the present  
20 value of a maximum single life annuity based on years of service  
21 credited subsequent to reentry in the system and his final  
22 average salary computed by reference to his compensation during  
23 his entire period of school and State service.

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

25 (1) An annuitant, other than a Class T-G annuitant, who  
26 returns to school service and earns three eligibility points  
27 by performing credited school service following the most  
28 recent period of receipt of an annuity under this part, or an  
29 annuitant who enters State service and:

30 (i) is a multiple service member; or



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

14           (2) Upon subsequent discontinuance of service and the  
15      filing of an application for an annuity, a former annuitant  
16      who qualifies to have the effect of a frozen present value  
17      eliminated under this subsection shall be entitled to receive  
18      the higher of either:

19           (i) an annuity (prior to optional modification)  
20      calculated as if the freezing of the former annuitant's  
21      account pursuant to subsection (a) had not occurred,  
22      adjusted by crediting Class T-C school service as Class  
23      T-D service as provided for in section 8305(c) (relating  
24      to classes of service) and further adjusted according to  
25      paragraph (3), provided that a former annuitant of the  
26      system or a former annuitant of the State Employees'  
27      Retirement System who retired under a provision of law  
28      granting additional service credit if termination of  
29      school or State service or retirement occurred during a  
30      specific period of time shall not be permitted to retain

1 the additional service credit under the prior law when  
2 the annuity is computed for his most recent retirement;  
3 or

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

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

23 (e) Class T-G annuitant.--

24 (1) If a Class T-G annuitant returns to school service,  
25 any annuity payable to him under this part shall cease  
26 effective upon the date of his return to school service.

27 (2) In the event the annuity of a Class T-G annuitant  
28 ceases pursuant to the provisions of this part, the present  
29 value of such annuity at the time of the return to service  
30 shall be transferred to the members' savings account.

1       (3) Upon subsequent discontinuance of service, such  
2       Class T-G member shall be entitled to a maximum single life  
3       annuity with a present value equal to the balance of the  
4       members' savings account maintained in accordance with  
5       section 8523 (relating to members' savings account) standing  
6       to his credit as of his effective date of retirement.

7       Section 16. Sections 8347, 8349 and 8502 of Title 24 are  
8 amended by adding subsections to read:

9       § 8347. Death benefits.

10       \* \* \*

11       (e) Class T-G members.--In the event of the death of a class  
12       T-G member, other than a Class T-G annuitant, his beneficiary  
13       shall receive the balance of the members' savings account  
14       maintained in accordance with section 8523 (relating to members'  
15       savings account) regardless of whether the member has attained  
16       superannuation retirement age.

17       § 8349. Payment of benefits.

18       \* \* \*

19       (d) De minimus accounts.--A Class T-G member who terminates  
20       school service with a balance of \$5,000 or less credited to his  
21       members' savings account as of the date of termination of  
22       service shall receive the balance of the members' savings  
23       account in one lump sum payment as provided in IRC §401(a)(31).

24       § 8502. Administrative duties of board.

25       \* \* \*

26       (m.1) Additional amounts credited to members' savings  
27       account for Class T-G members.--The board shall credit annually  
28       to each Class T-G member's individual members' savings account  
29       5% of such Class T-G member's compensation until date of  
30       termination of service. The amount shall be credited with

1 statutory interest until date of termination of service, except  
2 in the case of a vestee, who shall have such interest credited  
3 until the effective date of retirement or until the return of  
4 his accumulated deductions, if he so elects.

5 \* \* \*

6 Section 17. Title 24 is amended by adding a section to read:  
7 § 8502.3. Long-term disability group insurance program.

8 (a) Authority.--The board may sponsor a participant-funded  
9 long-term disability group insurance program to be funded by and  
10 for Class T-G members. The board may administer the program  
11 itself or through any legal entity authorized by law to do so.  
12 The program may also be administered in whole or in part on a  
13 fully insured or self-funded basis at the board's sole  
14 discretion. The board shall have the authority to establish  
15 accounts, adopt any policy statement or promulgate regulations  
16 as may be required for the proper administration of the long-  
17 term disability group insurance program.

18 (b) Hold harmless.--Neither the Commonwealth nor the board,  
19 including their respective officers, directors and employees,  
20 shall be liable for any claims, demands, actions or liability of  
21 any nature, including, but not limited to, attorney fees and  
22 court costs, based upon or arising out of the operation of the  
23 program, whether incurred directly or indirectly. The eligible  
24 participants who enroll and participate in the program shall be  
25 deemed to agree, on behalf of themselves and their heirs,  
26 successors and assigns, to hold harmless the Commonwealth and  
27 the board, including their respective officers, directors and  
28 employees, from any claims, demands, actions or liability of any  
29 nature, whether directly or indirectly, including attorney fees  
30 and court costs, based upon or arising out of the operation of

1 the program.

2 (c) No recourse.--Under no circumstances shall the assets of  
3 the Commonwealth or those that comprise the Public School  
4 Employees' Retirement Fund as set forth in section 8522  
5 (relating to Public School Employees' Retirement Fund) be liable  
6 for or used to pay any claims, demands, actions or liability of  
7 any nature, whether directly or indirectly, including, but not  
8 limited to, attorney fees and court costs, based upon or arising  
9 out of the operation of the program.

10 (d) Reservation of immunities.--Nothing contained in this  
11 part shall be construed as a waiver of the Commonwealth's or  
12 board's immunities, defenses, rights or actions arising out of  
13 their sovereign status or from the Eleventh Amendment to the  
14 Constitution of the United States.

15 (e) Nature of rights.--Any termination or other modification  
16 of the program, including, but not limited to, a change in  
17 benefit options or structure or insurance providers, shall not  
18 give rise to any contractual rights or claims by any eligible  
19 persons or any other person claiming an interest, either  
20 directly or indirectly, in the program. No provision of this  
21 part nor any rule or regulation adopted pursuant to this part  
22 shall create in any person a contractual right in that  
23 provision.

24 (f) Additional requirements.--The assets of the fund shall  
25 not be liable or utilized for payment of any expenses or claims  
26 incurred by the long-term disability group insurance program.  
27 The program shall not be subject to the provisions of section  
28 8531 (relating to State guarantee).

29 Section 18. Section 8506(g) and (h) are amended to read:

30 § 8506. Duties of employers.

1       \* \* \*

2       (g) Former State employee contributors.--The employer shall,  
3 upon the employment of a former member of the State Employees'  
4 Retirement System who is not an annuitant of the State  
5 Employees' Retirement System, advise such employee of his right  
6 to elect multiple service membership within 365 days of entry  
7 into the system and, in the case any such employee who so elects  
8 has withdrawn his accumulated deductions, require him to restore  
9 his accumulated deductions as they would have been at the time  
10 of his separation had he been a full coverage member, together  
11 with statutory interest for all periods of subsequent State and  
12 school service to date of repayment. The employer shall advise  
13 the board of such election. Notwithstanding any other provision  
14 of this part, notice under this subsection shall not be required  
15 for any Class T-G member.

16       (h) Former State employee annuitants.--The employer shall,  
17 upon the employment of an annuitant of the State Employees'  
18 Retirement System who applies for membership in the system,  
19 advise such employee that he may elect multiple service  
20 membership within 365 days of entry into the system and that if  
21 he so elects his annuity from the State Employees' Retirement  
22 System will be discontinued effective upon the date of his  
23 return to school service and, upon termination of school service  
24 and application for an annuity, the annuity will be adjusted in  
25 accordance with section 8346 (relating to termination of  
26 annuities). The employer shall advise the board of such  
27 election. Notwithstanding any other provision of this part,  
28 notice under this subsection shall not be required for any Class  
29 T-G member.

30       \* \* \*

Section 19. Section 8507(c), (h) and (k) of Title 24 are amended and the section is amended by adding a subsection to read:

§ 8507. Rights and duties of school employees and members.

\* \* \*

(c) Multiple service membership.--Any active member, other than a Class T-G member, who was formerly an active member in the State Employees' Retirement System may elect to become a multiple service member. Such election shall occur no later than 365 days after becoming an active member in this system.

\* \* \*

(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, other than a Class T-G member, is terminated due to his physical or mental incapacity for the performance of duty, in lieu of an application and election under subsection (f), an application for a disability annuity may be executed by him or by a person legally authorized to act on his behalf.

(l) Eligible roll-in.--An active Class T-G member may transfer money received in an eligible rollover distribution to

1 the members' savings account to the extent allowed by IRC § 402.  
2 The rollover shall be made in a form and manner as determined by  
3 the board, shall be credited to the Class T-G member's  
4 accumulated deductions and shall be separately accounted for by  
5 the board.

6 Section 20. Sections 8523 and 8524 of Title 24 are amended  
7 to read:

8 § 8523. Members' savings account.

9 (a) Credits to account.--The members' savings account shall  
10 be the ledger account to which shall be credited the amounts of  
11 the pickup contributions made by the employer [and],  
12 contributions or lump sum payments made by active members in  
13 accordance with the provisions of Chapter 83 (relating to  
14 membership, contributions and benefits) and section 8507(1)  
15 (relating to rights and duties of school employees and members)  
16 and amounts credited in accordance with section 8502(m.1)  
17 (relating to administrative duties of board).

18 (b) Interest and transfers from account.--The individual  
19 member accounts to which interest is payable shall be credited  
20 with statutory interest. The accumulated deductions credited to  
21 the account of a member, including amounts credited in  
22 accordance with section 8502(m.1), who dies in service or whose  
23 application for an annuity has been approved shall be  
24 transferred from the members' savings account to the annuity  
25 reserve account provided for in section 8525 (relating to  
26 annuity reserve account).

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

30 § 8524. State accumulation account.



1     (a) General rule.--The State accumulation account shall be  
2 the ledger account to which shall be credited all contributions  
3 of the Commonwealth and other employers as well as the earnings  
4 of the fund, except the premium assistance contributions and  
5 earnings thereon in the health insurance account. Valuation  
6 interest shall be allowed on the total amount of such account  
7 less any earnings of the fund credited during the year. The  
8 reserves necessary for the payment of annuities and death  
9 benefits as approved by the board and as provided in Chapter 83  
10 (relating to membership, contributions and benefits) shall be  
11 transferred from the State accumulation account to the annuity  
12 reserve account. At the end of each year the required interest  
13 shall be transferred from the State accumulation account to the  
14 credit of the members' savings account and the annuity reserve  
15 account. The administrative expenses of the board shall be  
16 charged to the State accumulation account. Amounts credited to  
17 the members' savings account as provided in section 8502(m.1)  
18 (relating to administrative duties of board) shall be  
19 transferred from the State accumulation account.

20     (b) Refund.--In the event a Class T-G member elects a refund  
21 under section 8341(b) (relating to return of accumulated  
22 deductions) forfeiting the amounts credited in accordance with  
23 section 8502(m.1), the forfeited amount, including interest  
24 thereon, shall be transferred to the State accumulation account.

25     Section 21. Section 8535 of Title 24, amended November 23,  
26 2010 (P.L.1269, No.120), is amended to read:

27     § 8535. Payments to school entities by Commonwealth.

28     (a) General rule.--For each school year beginning with the  
29 1995-1996 school year, each school entity shall be paid by the  
30 Commonwealth for contributions based upon school service of

1 active members of the system after June 30, 1995, as follows:

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

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

30       (3) School entities shall have up to five days after

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

10 (b) Payment above required contribution.--Notwithstanding  
11 any other provision of this title to the contrary, any increase  
12 in payments by the Commonwealth to school entities above the  
13 contributions required by subsection (a) must be forwarded  
14 directly to the Public School Employees' Retirement Fund within  
15 five days. The board shall accept the same and apply it to  
16 offset the current unfunded accrued liability of the fund, if  
17 any, as it deems appropriate.

18 Section 22. Nothing in this act which amends or supplements  
19 provisions of 24 Pa.C.S. Pt. IV in relation to requirements for  
20 qualification of the Public School Employees' Retirement System  
21 as a qualified pension plan under section 401(a) of the Internal  
22 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), or  
23 any construction of 24 Pa.C.S. Pt. IV, as so amended or  
24 supplemented, or any rules or regulations adopted under 24  
25 Pa.C.S. Pt. IV shall create in any member of the system or in  
26 any other person claiming an interest in the account of any such  
27 member a contractual right, either express or implied nor in any  
28 construction of 24 Pa.C.S. Pt. IV, as so amended or  
29 supplemented, or any rules or regulations adopted under 24  
30 Pa.C.S. Pt. IV. The provisions of 24 Pa.C.S. Pt. IV shall remain

1 subject to the Internal Revenue Code of 1986, as amended, and  
2 regulations thereunder as the same may hereafter be amended, and  
3 the General Assembly reserves to itself such further exercise of  
4 its legislative power to amend or supplement such provisions as  
5 may from time to time be required in order to maintain the  
6 qualification of such system as a qualified pension plan under  
7 section 401(a) and other applicable provisions of the Internal  
8 Revenue Code of 1986.

9 Section 23. Nothing in this act shall be construed or deemed  
10 to imply that, but for the expressed applications of the  
11 limitations on benefits or other requirements under section  
12 401(a) or applicable provisions of the Internal Revenue Code of  
13 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.), those  
14 limitations would not otherwise apply to member of the Public  
15 School Employees' Retirement System and the benefits payable  
16 pursuant to 24 Pa.C.S. Pt. IV.

17 Section 24. Nothing in this act shall be construed or deemed  
18 to imply that any interpretation or application of the  
19 provisions of 24 Pa.C.S. Pt. IV or benefits available to members  
20 of the Public School Employees' Retirement System was not in  
21 accordance with the provisions of 24 Pa.C.S. Pt. IV or other  
22 applicable law prior to the effective date of this section.

23 Section 25. References in this act to provisions of the  
24 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1  
25 et seq.), including for this purpose administrative regulations  
26 promulgated thereunder, are intended to include such laws and  
27 regulations as are in effect on the effective date of this  
28 section and as they may hereafter be amended or supplemented or  
29 supplanted by successor provisions.

30 Section 26. This act shall be construed and administered in

1 such a manner that the Public School Employees' Retirement  
2 System will satisfy the requirements necessary to qualify as a  
3 qualified pension plan under section 401(a) and other applicable  
4 provisions of the Internal Revenue Code of 1986 (Public Law  
5 99-514, 26 U.S.C. § 1 et seq.). The rules, regulations and  
6 procedures adopted and promulgated by the Public School  
7 Employees' Retirement Board under 24 Pa.C.S. § 8502(h) may  
8 include those necessary to accomplish the purpose of this  
9 section.

10 Section 27. It is the express intent of the General Assembly  
11 that nothing in this act shall be construed to grant to or be  
12 deemed to imply that this act expands, contracts or otherwise  
13 affects any contractual rights, either expressed or implied, or  
14 any other constitutionally protected rights, in the terms and  
15 conditions of the Public School Employees' Retirement System or  
16 other pension or retirement benefits as a school employee,  
17 including, but not limited to, benefits, options, rights or  
18 privileges established by 24 Pa.C.S. Pt. IV for any current or  
19 former school employees.

20 Section 28. No school employee otherwise a member of,  
21 eligible to be a member of or having school service credited in  
22 a class of school service other than Class T-G may cancel,  
23 decline or waive membership in such other class of school  
24 service in order to obtain Class T-G service credit, become a  
25 member of Class T-G or elect Class T-G membership.

26 Section 29. If any provision of this act or its application  
27 to any person or circumstance is held invalid, the invalidity  
28 shall not affect other provisions or applications of this act  
29 which can be given effect without the invalid provision or  
30 application.

1       Section 30.   This act shall take effect in 60 days.