
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2316 Session of
2015

INTRODUCED BY ORTITAY, COX, CUTLER, GODSHALL, GROVE, KAUFFMAN,
MCGINNIS, SACCONI, SAYLOR AND WARD, SEPTEMBER 7, 2016

REFERRED TO COMMITTEE ON STATE GOVERNMENT, SEPTEMBER 7, 2016

AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania
2 Consolidated Statutes, in retirement for State employees and
3 officers, further providing for preliminary provisions and
4 for membership, credited service, classes of service and
5 eligibility for benefits; providing for State Employees'
6 Defined Contribution Plan; further providing for
7 contributions, for benefits and for administration, funds and
8 accounts; and making editorial changes.

9 The General Assembly of the Commonwealth of Pennsylvania

10 hereby enacts as follows:

11 ARTICLE I

12 (RESERVED)

13 ARTICLE II

14 (RESERVED)

15 ARTICLE III

16 Section 301. The definitions of "alternate payee," "average
17 noncovered salary," "beneficiary," "compensation," "creditable
18 nonstate service," "credited service," "date of termination of
19 service," "distribution," "domestic relations order," "final
20 average salary," "inactive member," "intervening military
21 service," "irrevocable beneficiary," "previous State service,"

1 "reemployed from USERRA leave," "retirement counselor," "salary
2 deductions," "special vestee," "State employee," "superannuation
3 age" and "valuation interest" in section 5102 of Title 71 of the
4 Pennsylvania Consolidated Statutes, amended December 28, 2015
5 (P.L.529, No.93), are amended and the section is amended by
6 adding definitions to read:

7 § 5102. Definitions.

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

11 * * *

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

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

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

28 "Accumulated voluntary contributions." The total of any
29 amounts rolled over by a participant or transferred by a direct
30 trustee-to-trustee transfer into the trust together with any

1 investment earnings and losses and adjustment for fees, costs
2 and expenses credited or charged thereon.

3 * * *

4 "Active participant." A State employee for whom mandatory
5 pickup participant contributions are being made to the trust or
6 for whom such contributions otherwise required for current State
7 service are not being made solely by reason of any provision of
8 this part relating to the limitations under section 401(a)(17)
9 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
10 26 U.S.C. § 401(a)(17) or 415).

11 * * *

12 "Alternate payee." Any spouse, former spouse, child or
13 dependent of a member or participant who is recognized by a
14 domestic relations order as having a right to receive all or a
15 portion of the moneys payable to that member or participant
16 under this part.

17 * * *

18 "Average noncovered salary." The average of the amounts of
19 compensation received by an active member each calendar year
20 since January 1, 1956, exclusive of the amount which was or
21 could have been covered by the Federal Social Security Act[,]
22 (42 U.S.C. § 301 et seq.), during that portion of the member's
23 service since January 1, 1956, for which he has received social
24 security integration credit.

25 * * *

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

1 benefit upon the death of the participant.

2 * * *

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

6 * * *

7 "Compensation." Pickup contributions and mandatory pickup
8 contributions plus remuneration actually received as a State
9 employee excluding refunds for expenses, contingency and
10 accountable expense allowances; excluding any severance payments
11 or payments for unused vacation or sick leave; and excluding
12 payments for military leave and any other payments made by an
13 employer while on USERRA leave, leave of absence granted under
14 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
15 government employees), military leave of absence granted under
16 51 Pa.C.S. § 7302 (relating to granting military leaves of
17 absence) or other types of military leave, including other types
18 of leave payments, stipends, differential wage payments as
19 defined in IRC § 414(u) (12) and any other payments: Provided,
20 however, That compensation received prior to January 1, 1973,
21 shall be subject to the limitations for retirement purposes in
22 effect December 31, 1972, if any: Provided further, That the
23 limitation under section 401(a) (17) of the Internal Revenue Code
24 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17)) taken into
25 account for the purpose of member contributions, including any
26 additional member contributions in addition to regular or joint
27 coverage member contributions and Social Security integration
28 contributions, regardless of class of service, shall apply to
29 each member who first became a member of the State Employees'
30 Retirement System on or after January 1, 1996, and who by reason

1 of such fact is a noneligible member subject to the application
2 of the provisions of section 5506.1(a) (relating to annual
3 compensation limit under IRC § 401(a) (17)) and shall apply to
4 each participant.

5 * * *

6 "Creditable nonstate service." Service other than:

7 (1) service as a State employee;

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

11 (3) school service converted to State service pursuant
12 to section 5303.2 (relating to election to convert school
13 service to State service)

14 for which an active member may obtain credit in the system.

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

26 "Date of termination of service." The last day of service
27 for which:

28 (1) pickup contributions are made for an active member
29 [or];

30 (2) in the case of an inactive member on leave without

1 pay, the date of his resignation or the date his employment
2 is formally discontinued by his employer[.];

3 (3) mandatory pickup participant contributions are made
4 for an active participant;

5 (4) in the case of an inactive participant on leave
6 without pay, the date of his resignation or the date his
7 employment is formally discontinued by his employer; or

8 (5) in the case of a combined service employee, the
9 latest of the dates in paragraphs (1), (2), (3) and (4).

10 * * *

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

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

28 * * *

29 "Employer defined contributions."

30 (1) Unless paragraph (2) applies, contributions equal to

1 4% of an active participant's compensation which are made by
2 the Commonwealth or other employer for current service to the
3 trust to be credited in the participant's individual
4 investment account.

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

12 * * *

13 "Final average salary." The highest average compensation
14 received as a member during any three nonoverlapping periods of
15 four consecutive calendar quarters during which the member was a
16 State employee, with the compensation for part-time service
17 being annualized on the basis of the fractional portion of the
18 year for which credit is received; except if the employee was
19 not a member for three nonoverlapping periods of four
20 consecutive calendar quarters, the total compensation received
21 as a member, annualized in the case of part-time service,
22 divided by the number of nonoverlapping periods of four
23 consecutive calendar quarters of membership; in the case of a
24 member with multiple service, the final average salary shall be
25 determined on the basis of the compensation received by him as a
26 [State employee] member of the system or as a school employee
27 other than as a participant in the School Employees' Defined
28 Contribution Plan, or both; in the case of a member with Class
29 A-3 or Class A-4 service and service in one or more other
30 classes of service, the final average salary shall be determined

1 on the basis of the compensation received by him in all classes
2 of State service credited in the system; and, in the case of a
3 member who first became a member on or after January 1, 1996,
4 the final average salary shall be determined as hereinabove
5 provided but subject to the application of the provisions of
6 section 5506.1(a) (relating to annual compensation limit under
7 IRC § 401(a)(17)). Final average salary shall be determined by
8 including in compensation payments deemed to have been made to a
9 member reemployed from USERRA leave to the extent member
10 contributions have been made as provided in section 5302(f)(2)
11 (relating to credited State service) and payments made to a
12 member on leave of absence under 51 Pa.C.S. § 4102 (relating to
13 leaves of absence for certain government employees) as provided
14 in section 5302(f)(6).

15 * * *

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

29 "Inactive participant." A participant for whom no mandatory
30 pickup participant contributions are being made to the trust,

1 except in the case of an active participant for whom such
2 contributions otherwise required for current State service are
3 not being made solely by reason of any provision of this part
4 relating to limitations under section 401(a)(17) or 415 of the
5 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
6 401(a)(17) or 415), but who has vested accumulated total defined
7 contributions standing to his credit in the trust and who has
8 not filed an application for an annuity.

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

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

22 * * *

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

30 "Irrevocable successor payee." The person permanently

1 designated by a participant receiving distributions in writing
2 to the board pursuant to an approved domestic relations order to
3 receive one or more distributions from the plan upon the death
4 of such participant.

5 * * *

6 "Mandatory pickup participant contributions." Contributions
7 equal to 7% of compensation that are made by the Commonwealth or
8 other employer for active participants for current service which
9 are picked up by the employer.

10 * * *

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

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

17 * * *

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

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

25 "Previous State service." Service rendered as a State
26 employee prior to his most recent entrance in the system[.],
27 provided that the State employee was not a participant in the
28 plan, was not eligible to be an optional participant in the plan
29 under section 5301(b.1) (relating to mandatory and optional
30 membership in system and participation in plan) or was not

1 prohibited from being a participant under section 5301(c.1)
2 during such service.

3 * * *

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

12 * * *

13 "Retirement counselor." The State Employees' Retirement
14 System or State Employees' Defined Contribution Plan employee
15 whose duty it shall be to advise each employee of his rights and
16 duties as a member of the system or as a participant of the
17 plan.

18 "Salary deductions." The amounts certified by the board,
19 deducted from the compensation of an active member or active
20 participant, or the school service compensation of a multiple
21 service member who is an active member of the Public School
22 Employees' Retirement System, and paid into the fund or trust.

23 * * *

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

1 because of the elimination of his job position or duties due to
2 the transfer of other job positions or duties to a controlled
3 organization of the Penn State Geisinger Health System, provided
4 that:

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

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

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

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

19 * * *

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

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

29 (ii) State-owned educational institutions.

30 (iii) Community colleges.

1 (iv) The Pennsylvania State University, except an
2 employee in the College of Agriculture who is paid wholly
3 from Federal funds or an employee who is participating in
4 the Federal Civil Service Retirement System. The
5 university shall be totally responsible for all employer
6 contributions under [section] sections 5507 (relating to
7 contributions to system by the Commonwealth and other
8 [employers).] employers before July 1, 2018) and 5507.1
9 (relating to contributions to system by the Commonwealth
10 and other employers starting July 1, 2018).

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

30 (3) Any separate independent public corporation created

1 by statute, not including any municipal or quasi-municipal
2 corporation, so long as he remains an officer or employee of
3 such public corporation, and provided that such officer or
4 employee of such public corporation was an employee of the
5 Commonwealth immediately prior to his employment by such
6 corporation, and further provided such public corporation
7 shall agree to contribute and contributes to the fund or to
8 the trust, from time to time, the moneys required to build up
9 the reserves necessary for the payment of the annuities or
10 other benefits of such officers and employees without any
11 liability on the part of the Commonwealth to make
12 appropriations for such purposes.

13 * * *

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

18 "Superannuation age." For classes of service in the system
19 other than Class A-3 and Class A-4, any age upon accrual of 35
20 eligibility points or age 60, except for a member of the General
21 Assembly, an enforcement officer, a correction officer, a
22 psychiatric security aide, a Delaware River Port Authority
23 policeman or an officer of the Pennsylvania State Police, age
24 50, and, except for a member with Class G, Class H, Class I,
25 Class J, Class K, Class L, Class M or Class N service, age 55
26 upon accrual of 20 eligibility points. For Class A-3 and Class
27 A-4 service, any age upon attainment of a superannuation score
28 of 92, provided the member has accrued 35 eligibility points, or
29 age 65, or for park rangers or capitol police officers, age 55
30 with 20 years of service as a park ranger or capitol police

1 officer, except for a member of the General Assembly, an
2 enforcement officer, a correction officer, a psychiatric
3 security aide, a Delaware River Port Authority policeman or an
4 officer of the Pennsylvania State Police, age 55. A vestee with
5 Class A-3 or Class A-4 service credit attains superannuation age
6 on the birthday the vestee attains the age resulting in a
7 superannuation score of 92, provided that the vestee has at
8 least 35 eligibility points, or attains another applicable
9 superannuation age, whichever occurs first.

10 * * *

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

14 * * *

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

18 * * *

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

22 * * *

23 "Voluntary contributions." Contributions made by a
24 participant to the trust in excess of his mandatory pickup
25 participant contributions either by salary deduction paid
26 through the employer or by an eligible rollover or direct
27 trustee-to-trustee transfer and credited to his individual
28 investment account.

29 Section 302. Section 5103 of Title 71 is amended to read:
30 § 5103. Notice to members and participants.

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

11 Section 303. Title 71 is amended by adding a section to
12 read:

13 § 5104. Reference to State Employees' Retirement System.

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

22 (b) Agreement.--The agreement of an employer listed in the
23 definition of "State employee" under section 5102 (relating to
24 definitions) or any other law to make contributions to the State
25 Employees' Retirement Fund or to enroll its employees as members
26 in the State Employees' Retirement System shall be deemed to be
27 an agreement to make contributions to the State Employees'
28 Defined Contribution Trust or to enroll its employees in the
29 State Employees' Defined Contribution Plan.

30 Section 304. Section 5301 heading, (a), (b), (c) and (d) of

1 Title 71 are amended and the section is amended by adding
2 subsections to read:

3 § 5301. Mandatory and optional membership in system and
4 participation in plan.

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

8 (1) Governor.

9 (2) Lieutenant Governor.

10 (3) Members of the General Assembly.

11 (4) Heads or deputy heads of administrative departments.

12 (5) Members of any independent administrative board or
13 commission.

14 (6) Members of any departmental board or commission.

15 (7) Members of any advisory board or commission.

16 (8) Secretary to the Governor.

17 (9) Budget Secretary.

18 (10) Legislative employees.

19 (11) School employees who have elected membership in the
20 Public School Employees' Retirement System.

21 (12) School employees who have elected membership in an
22 independent retirement program approved by the employer,
23 provided that in no case, except as hereinafter provided,
24 shall the employer contribute on account of such elected
25 membership at a rate greater than the employer normal
26 contribution rate as determined in section 5508(b) (relating
27 to actuarial cost method for fiscal years ending before July
28 1, 2018). For the fiscal year 1986-1987 an employer may
29 contribute on account of such elected membership at a rate
30 which is the greater of 7% or the employer normal

1 contribution rate as determined in section 5508(b) and for
2 the fiscal year 1992-1993 and all years after that at a rate
3 of 9.29%.

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

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

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

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

25 (17) State employees, other than sworn police officers
26 performing service as a sworn police officer, whose first
27 period of State service starts on or after January 1, 2018.

28 (a.1) Mandatory participation in the plan.--State employees
29 listed in subsection (a) (17) who are not listed in subsection
30 (a) (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11) and

1 (13) shall be mandatory participants as of the first date of
2 State service.

3 (b) Optional membership in the system.--The State employees
4 listed in subsection (a)(1) through (11) shall have the right to
5 elect membership in the system on or before December 31, 2017;
6 once such election is exercised, membership shall continue until
7 the termination of State service.

8 (b.1) (1) Optional participation in the plan.--The State
9 employees listed in subsection (a)(17) who also are listed in
10 subsection (a)(1) through (10) shall have the right to elect
11 participation in the plan. Once such election is exercised,
12 participation will be effective as of the date of election
13 and shall continue until the termination of State service.
14 The State employees described in this paragraph shall not
15 have the right to elect membership in the system.

16 (2) The State employees not listed in subsection (a)
17 (17), who are listed in subsection (a)(1) through (10) and
18 who are not members of the system because membership is
19 optional, shall have the right to elect participation in the
20 plan. Once such election is exercised, participation shall be
21 effective as of the date of election and shall continue until
22 termination of State service. The State employees described
23 in this paragraph shall not have the right to elect
24 membership in the system.

25 (c) Prohibited membership in the system.--The State
26 employees listed in subsection (a)(12), (13), (14) [and], (15)
27 and (17) shall not have the right to elect membership in the
28 system.

29 (c.1) Prohibited participation in the plan.--The State
30 employees listed in subsection (a)(17) who also are listed in

1 subsection (a) (13) and (15) shall not be eligible to participate
2 in the plan.

3 (d) Return to service.--An annuitant who returns to service
4 as a State employee shall resume active membership in the system
5 as of the effective date of employment, except as otherwise
6 provided in section 5706(a) (relating to termination of
7 annuities), regardless of the optional membership category of
8 the position. An inactive participant or a participant receiving
9 distributions who returns to service as a State employee shall
10 be an active participant of the plan as of the effective date of
11 employment unless the position is eligible for optional
12 participation or is not eligible for participation in the plan,
13 or except as otherwise provided in section 5706(a).

14 * * *

15 Section 305. Section 5302(a), (b), (e) and (f) of Title 71,
16 amended December 28, 2015 (P.L.529, No.93), are amended to read:
17 § 5302. Credited State service.

18 (a) Computation of credited service.--In computing credited
19 State service of a member for the determination of benefits, a
20 full-time salaried State employee, including any member of the
21 General Assembly, shall receive credit for service in each
22 period for which contributions as required are made to the fund,
23 or for which contributions otherwise required for such service
24 were not made to the fund solely by reason of section 5502.1
25 (relating to waiver of regular member contributions and Social
26 Security integration member contributions) or any provision of
27 this part relating to the limitations under IRC § 401(a) (17) or
28 415, except as otherwise provided in this part, but in no case
29 shall he receive more than one year's credit for any 12
30 consecutive months or 26 consecutive biweekly pay periods. A per

1 diem or hourly State employee shall receive one year of credited
2 service for each nonoverlapping period of 12 consecutive months
3 or 26 consecutive biweekly pay periods in which he is employed
4 and for which contributions are made to the fund or would have
5 been made to the fund but for such waiver under section 5502.1
6 or limitations under the IRC for at least 220 days or 1,650
7 hours of employment. If the member was employed and
8 contributions were made to the fund for less than 220 days or
9 1,650 hours, he shall be credited with a fractional portion of a
10 year determined by the ratio of the number of days or hours of
11 service actually rendered to 220 days or 1,650 hours, as the
12 case may be. A part-time salaried employee shall be credited
13 with the fractional portion of the year which corresponds to the
14 number of hours or days of service actually rendered and for
15 which contributions are made to the fund in relation to 1,650
16 hours or 220 days, as the case may be. In no case shall a member
17 who has elected multiple service receive an aggregate in the two
18 systems of more than one year of credited service for any 12
19 consecutive months.

20 (b) Creditable leaves of absence.--

21 (1) A member on leave without pay who is studying under
22 a Federal grant approved by the head of his department or who
23 is engaged up to a maximum of two years of temporary service
24 with the United States Government, another state or a local
25 government under the Intergovernmental Personnel Act of 1970
26 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
27 be eligible for credit for such service: Provided, That
28 contributions are made in accordance with sections 5501
29 (relating to regular member contributions for current
30 service), 5501.1 (relating to shared-risk member

1 contributions for Class A-3 and Class A-4 service), 5505.1
2 (relating to additional member contributions) [and], 5507
3 (relating to contributions to system by the Commonwealth and
4 other [employers]) employers before July 1, 2018) and 5507.1
5 (relating to contributions to system by the Commonwealth and
6 other employers starting July 1, 2018), the member returns
7 from leave without pay to active State service as a member of
8 the system for a period of at least one year, and he is not
9 entitled to retirement benefits for such service under a
10 retirement system administered by any other governmental
11 agency.

12 (2) An active member or active participant on paid leave
13 granted by an employer for purposes of serving as an elected
14 full-time officer for a Statewide employee organization which
15 is a collective bargaining representative under the act of
16 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
17 and Firemen Collective Bargaining Act, or the act of July 23,
18 1970 (P.L.563, No.195), known as the Public Employe Relations
19 Act, and up to 14 full-time business agents appointed by an
20 employee organization that represents correction officers
21 employed at State correctional institutions: Provided, That
22 for elected full-time officers such leave shall not be for
23 more than three consecutive terms of the same office and for
24 up to 14 full-time business agents appointed by an employee
25 organization that represents correction officers employed at
26 State correctional institutions no more than three
27 consecutive terms of the same office; that the employer shall
28 fully compensate the member or the participant, including,
29 but not limited to, salary, wages, pension and retirement
30 contributions and benefits, other benefits and seniority, as

1 if he were in full-time active service; and that the
2 Statewide employee organization shall fully reimburse the
3 employer for all expenses and costs of such paid leave,
4 including, but not limited to, contributions and payment in
5 accordance with [sections] section 5404 (relating to
6 participant contributions), 5405 (relating to mandatory
7 pickup participant contributions), 5406 (relating to employer
8 defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or
9 5507.1, if the employee organization either directly pays, or
10 reimburses the Commonwealth or other employer for,
11 contributions made in accordance with [section] sections
12 5404, 5405, 5406, 5507 and 5507.1.

13 * * *

14 (e) Cancellation of credited service.--All credited service
15 in the system shall be cancelled if a member withdraws his total
16 accumulated deductions, except that a member with Class A-3 or
17 Class A-4 service credit and one or more other classes of
18 service credit shall not have his service credit as a member of
19 any classes of service other than as a member of Class A-3 or
20 Class A-4 cancelled when the member receives a lump sum payment
21 of accumulated deductions resulting from Class A-3 or Class A-4
22 service pursuant to section 5705.1 (relating to payment of
23 accumulated deductions resulting from Class A-3 and Class A-4
24 service). A partial or total distribution of accumulated total
25 defined contributions to a combined service employee shall not
26 cancel service credited in the system.

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

30 (1) For purposes of determining whether a member is

1 eligible to receive credited service in the system for a
2 period of active military service, other than active duty
3 service to meet periodic training requirements, rendered
4 after August 5, 1991, and that began before the effective
5 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
6 (relating to military leave of absence) shall apply to all
7 individuals who were active members of the system when the
8 period of military service began, even if not defined as an
9 employee pursuant to 51 Pa.C.S. § 7301 (relating to
10 definitions).

11 (1.1) State employees may not receive service credit in
12 the system or exercise the options under 51 Pa.C.S. § 7306
13 (relating to retirement rights) for military leaves that
14 begin on or after the effective date of this subsection,
15 except as otherwise provided by this subsection.

16 (1.2) State employees may not participate in the plan or
17 exercise the options under 51 Pa.C.S. § 7306 for military
18 leaves that begin on or after the effective date of this
19 paragraph, except as otherwise provided by this subsection.

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

23 (i) A State employee who is reemployed from USERRA
24 leave as an active member of the system shall be treated
25 as not having incurred a break in State service by reason
26 of the USERRA leave and shall be granted eligibility
27 points as if the State employee had not been on the
28 USERRA leave. If a State employee who is reemployed from
29 USERRA leave as an active member of the system
30 subsequently makes regular member contributions,

1 additional member contributions, Social Security
2 integration member contributions, shared-risk member
3 contributions and any other member contributions in the
4 amounts and in the time periods required by 38 U.S.C. Ch.
5 43 (relating to employment and reemployment rights of
6 members of the uniformed services) and IRC § 414(u) as if
7 the State employee had continued in State office or
8 employment and performed State service and was
9 compensated during the period of USERRA leave, then the
10 State employee shall be granted State service credit for
11 the period of USERRA leave. The State employee shall have
12 the State employee's benefits, rights and obligations
13 determined under this part as if the State employee was
14 an active member who performed creditable State service
15 during the USERRA leave in the job position that the
16 State employee would have held had the State employee not
17 been on USERRA leave and received the compensation on
18 which the member contributions to receive State service
19 credit for the USERRA leave were determined.

20 (ii) For purposes of determining whether a State
21 employee has made the required employee contributions for
22 State service credit for USERRA leave, if an employee who
23 is reemployed from USERRA leave as an active member of
24 the system terminates State service or dies in State
25 service before the expiration of the allowed payment
26 period, then State service credit for the USERRA leave
27 will be granted as if the required member contributions
28 were paid the day before termination or death. The amount
29 of the required member contributions will be treated as
30 an incomplete payment subject to the provisions of

1 section 5506 (relating to incomplete payments). Upon a
2 subsequent return to State service or to school service
3 as a multiple service member, the required member
4 contributions treated as incomplete payments shall be
5 treated as member contributions that were either
6 withdrawn in a lump sum at termination or paid as a lump
7 sum pursuant to section 5705(a)(4) (relating to member's
8 options), as the case may be.

9 (iii) A State employee who is reemployed from USERRA
10 leave as an active member of the system who does not make
11 the required member contributions or makes only part of
12 the required member contributions within the allowed
13 payment period shall not be granted credited service for
14 the period of USERRA leave for which the required member
15 contributions were not timely made, shall not be eligible
16 to subsequently make contributions and shall not be
17 granted either State service credit or nonstate service
18 credit for the period of USERRA leave for which the
19 required member contributions were not timely made.

20 (2.1) The following shall apply:

21 (i) A participant who is reemployed from USERRA
22 leave shall be treated as not having incurred a break in
23 State service by reason of the USERRA leave and shall be
24 granted vesting credit as if the participant had not been
25 on USERRA leave. If a participant who is reemployed from
26 USERRA leave subsequently makes mandatory pickup
27 participant contributions in the amounts and in the time
28 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
29 if the participant had continued in his State office or
30 employment and performed State service and been

1 compensated during the period of USERRA leave, the
2 participant's employer shall make the corresponding
3 employer defined contributions. Such an employee shall
4 have his contributions, benefits, rights and obligations
5 determined under this part as if he were an active
6 participant who performed State service during the USERRA
7 leave in the job position that he would have held had he
8 not been on USERRA leave and received the compensation on
9 which the mandatory pickup participant contributions to
10 receive State service credit for the USERRA leave were
11 determined, including the right to make voluntary
12 contributions on such compensation as permitted by law.

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

22 (3) A State employee who is a member of the system and
23 performs USERRA leave from which the employee could have been
24 reemployed from USERRA leave had the State employee returned
25 to State service in the time frames required by 38 U.S.C. Ch.
26 43 for reemployment rights, but did not do so, shall be able
27 to receive creditable nonstate service as nonintervening
28 military service for the period of USERRA leave should the
29 employee later return to State service as an active member of
30 the system and is otherwise eligible to purchase the service

1 as nonintervening military service.

2 (3.1) A State employee who is a participant in the plan
3 and performs USERRA leave from which the employee could have
4 been reemployed from USERRA leave had the employee returned
5 to State service in the time frames required by 38 U.S.C. Ch.
6 43 for reemployment rights, but was not reemployed, shall not
7 be eligible to make mandatory pickup participant
8 contributions or voluntary contributions for the period of
9 USERRA leave should the employee later return to State
10 service and be a participant in the plan.

11 (4) [A State employee] An active member or inactive
12 member on leave without pay who on or after the effective
13 date of this subsection is granted a leave of absence under
14 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
15 government employees) or a military leave under 51 Pa.C.S.
16 Ch. 73, that is not USERRA leave shall be able to receive
17 creditable nonstate service as nonintervening military
18 service should the employee return to State service as an
19 active member of the system and is otherwise eligible to
20 purchase the service as nonintervening military service.

21 (4.1) An active participant or inactive participant on
22 leave without pay who, on or after the effective date of this
23 paragraph, is granted a leave of absence under 51 Pa.C.S. §
24 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
25 USERRA leave shall not be able to make mandatory pickup
26 participant contributions or voluntary contributions during
27 or for the leave of absence or military leave and shall not
28 have employer defined contributions made during such leave,
29 without regard to whether or not the State employee received
30 salary, wages, stipends, differential wage payments or other

1 payments from his employer during the leave, notwithstanding
2 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
3 Pa.C.S. Ch. 73.

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

11 (5.1) If a participant dies while performing USERRA
12 leave, the beneficiaries or successor payees of the deceased
13 participant are entitled to any additional benefits, other
14 than benefit accruals relating to the period of qualified
15 military service, provided under this part had the
16 participant resumed and terminated employment on account of
17 death.

18 (6) A State employee who is on a leave of absence from
19 his duties as a State employee for which 51 Pa.C.S. § 4102
20 provides that he is not to suffer a loss of pay, time or
21 efficiency rating shall not be an active member, receive
22 service credit or make member contributions for the leave of
23 absence, except as provided for in this part. Notwithstanding
24 this paragraph, any pay the member receives pursuant to 51
25 Pa.C.S. § 4102 shall be included in the determination of
26 final average salary and other calculations in the system
27 utilizing compensation as if the payments were compensation
28 under this part.

29 Section 306. Sections 5303(b)(2), (d)(1), (e)(1) and (4),
30 5303.2(a) and (e) and 5304(a) and (b) of Title 71 are amended to

1 read:

2 § 5303. Retention and reinstatement of service credits.

3 * * *

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

5 * * *

6 (2) A special vestee or person otherwise eligible to be
7 a special vestee who returns to State service, other than as
8 a participant in the plan, or withdraws his accumulated
9 deductions pursuant to section 5311 (relating to eligibility
10 for refunds) or 5701 (relating to return of total accumulated
11 deductions) shall receive or retain eligibility points in
12 accordance with paragraph (1) but upon subsequent termination
13 of State service shall only be eligible to be an annuitant,
14 vestee or inactive member without regard to previous status
15 as a special vestee and without regard to the provisions of
16 this part providing for special vestees.

17 * * *

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

19 (1) Any person who was an employee of any county in this
20 Commonwealth on the personal staff of an appellate court
21 judge prior to September 9, 1985, and who had that employment
22 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
23 (relating to local chamber facilities) shall be a member of
24 the system for all service rendered as an employee of the
25 Commonwealth on the personal staff of an appellate court
26 judge subsequent to the date of the transfer unless
27 specifically prohibited pursuant to section 5301(c) (relating
28 to mandatory and optional membership in system and
29 participation in plan). The employee shall be entitled to
30 have any prior service credit in that county or other

1 municipal pension plan or retirement system transferred to
2 the system and deemed to be State service for all purposes
3 under this part. However, for those employees who were in
4 continuous county employment which commenced prior to July
5 22, 1983, section 5505.1 shall not apply. The transfer of
6 prior service credit to the system shall occur upon the
7 transfer, by the member, county or other municipal pension
8 plan or retirement system, to the system of the amount of
9 accumulated member contributions, pick-up contributions and
10 credited interest standing in the employee's county or
11 municipal pension plan or retirement system account as of the
12 date that these funds are transferred to the system. In the
13 event that these funds have been refunded to the member, the
14 transfer of service credit shall occur when the member
15 transfers an amount equal to either the refund which the
16 member received from the county or municipal pension plan or
17 retirement system or the amount due under section 5504, if
18 less. In the case of a transfer by the member, the transfer
19 shall occur by December 31, 1987, in order for the member to
20 receive credit for the prior service. In the case of a
21 transfer by the county or other municipal pension plan or
22 retirement system, the transfer shall also occur by December
23 31, 1987. If the amount transferred to the system by the
24 member of a county or municipal pension plan or retirement
25 system is greater than the amount that would have accumulated
26 in the member's account if the employee had been a member of
27 the system, all excess funds shall be returned to the
28 employee within 90 days of the date on which such funds are
29 credited to the member's account in the system. Within 60
30 days of receipt of written notice that an employee has

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

14 * * *

15 (e) Transfer and purchase of certain pension service credit;
16 Philadelphia Regional Port Authority.--

17 (1) Any employee of the Philadelphia Regional Port
18 Authority who becomes a State employee, as defined in section
19 5102 (relating to definitions), and an active member of the
20 system shall be eligible to obtain retirement credit for
21 prior uncredited service with the Philadelphia Port
22 Corporation, a Pennsylvania not-for-profit corporation
23 ("predecessor corporation"), provided that the Commonwealth
24 does not incur any liability for the funding of the annuities
25 attributable to the prior, uncredited "predecessor
26 corporation" service, the cost of which shall be determined
27 according to paragraph (2).

28 * * *

29 (4) Any person who became employed by the Philadelphia
30 Regional Port Authority between July 10, 1989, and passage of

1 this act and who becomes a State employee, as defined in
2 section 5102, and an active member of the system shall be
3 eligible to obtain retirement credit for service from the
4 date of employment with the Philadelphia Regional Port
5 Authority, provided that the contributions are made in
6 accordance with sections 5501, 5504, 5505.1 and 5506.

7 * * *

8 § 5303.2. Election to convert school service to State service.

9 (a) Eligibility.--An active member or inactive member on
10 leave without pay who was an employee transferred from the
11 Department of Education to the Department of Corrections
12 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
13 No.175), known as The Administrative Code of 1929, and who on
14 the effective date of that transfer did not participate in an
15 independent retirement program approved by the Department of
16 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
17 and optional membership) or section 5301(a)(12) (relating to
18 mandatory and optional membership in system and participation in
19 plan), notwithstanding any other provision of law or any
20 collective bargaining agreement, arbitration award, contract or
21 term or conditions of any retirement system or pension plan, may
22 make a one-time election to convert all service credited in the
23 Public School Employees' Retirement System as of June 30, 1999,
24 and transfer to the system all accumulated member contributions
25 and statutory interest credited in the members' savings account
26 in the Public School Employees' Retirement System as of June 30,
27 1999, plus statutory interest on that amount credited by the
28 Public School Employees' Retirement System from July 1, 1999, to
29 the date of transfer to the system.

30 * * *

1 (e) Transfer.--Within 180 days after the effective date of
2 this subsection, the Public School Employees' Retirement System
3 shall transfer to the board for each member electing to convert
4 under this section the accumulated member contributions and
5 statutory interest credited in the Public School Employees'
6 Retirement System, plus an amount equal to the value of all
7 annual employer contributions made to the Public School
8 Employees' Retirement System with interest at the annual rate
9 adopted by the board for the calculation of the normal
10 contribution rate under section 5508(b) (relating to actuarial
11 cost method for fiscal years ending before July 1, 2018), from
12 the date of each contribution to the date of the transfer of the
13 funds to the board. Any debt owed by a member to the Public
14 School Employees' Retirement System for whatever reason shall be
15 transferred to the system and shall be paid in a manner and in
16 accordance with conditions prescribed by the board.

17 * * *

18 § 5304. Creditable nonstate service.

19 (a) Eligibility.--

20 (1) An active member who first becomes an active member
21 before January 1, 2011, or before December 1, 2010, as a
22 member of the General Assembly, or a multiple service member
23 who first becomes an active member before January 1, 2011, or
24 before December 1, 2010, as a member of the General Assembly,
25 and who is a school employee and an active member of the
26 Public School Employees' Retirement System shall be eligible
27 for Class A service credit for creditable nonstate service as
28 set forth in subsections (b) and (c) except that intervening
29 military service shall be credited in the class of service
30 for which the member was eligible at the time of entering

1 into military service and for which he makes the required
2 contributions to the fund and except that a multiple service
3 member who is a school employee and an active member of the
4 Public School Employees' Retirement System shall not be
5 eligible to purchase service credit for creditable nonstate
6 service set forth in subsection (c)(5).

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

24 * * *

25 (b) Limitations on eligibility.--An active member or a
26 multiple service member who is a school employee and an active
27 member of the Public School Employees' Retirement System shall
28 be eligible to receive credit for nonstate service provided that
29 he does not have credit for such service in the system or in the
30 school system and is not entitled to receive, eligible to

1 receive now or in the future, or is receiving retirement
2 benefits for such service in the system or under a retirement
3 system administered and wholly or partially paid for by any
4 other governmental agency or by any private employer, or a
5 retirement program approved by the employer in accordance with
6 section 5301(a)(12) (relating to mandatory and optional
7 membership in system and participation in plan), and further
8 provided, that such service is certified by the previous
9 employer and contributions are agreed upon and made in
10 accordance with section 5505 (relating to contributions for the
11 purchase of credit for creditable nonstate service).

12 * * *

13 Section 307. Section 5305(b) introductory paragraph and (3)
14 of Title 71, amended December 28, 2015 (P.L.529, No.93), are
15 amended to read:

16 § 5305. Social security integration credits.

17 * * *

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

1 contributions), and he:

2 * * *

3 (3) terminates his status as a vestee or an annuitant
4 and returns to State service as an active member of the
5 system.

6 * * *

7 Section 308. Section 5305.1 of Title 71 is amended to read:
8 § 5305.1. Eligibility for actuarial increase factor.

9 A person who is:

10 (1) an active member;

11 (2) an inactive member on leave without pay; [or]

12 (3) a multiple service member who is a school employee
13 and an active member of the Public School Employees'
14 Retirement System; or

15 (4) a combined service employee who is an active
16 participant or inactive participant on leave without pay;

17 who terminates State service or school service, as the case may
18 be, after attaining age 70 and who applies for a superannuation
19 annuity with an effective date of retirement the day after the
20 date of termination of State service or school service shall
21 have that person's maximum single life annuity calculated
22 pursuant to section 5702(a.1) (relating to maximum single life
23 annuity).

24 Section 309. Section 5306(a), (a.1)(2) and (6), (a.2)(1) and
25 (2) and (b) of Title 71 are amended and the section is amended
26 by adding a subsection to read:

27 § 5306. Classes of service.

28 (a) Class A and Class A-3 membership.--

29 (1) A State employee who is a member of Class A on the
30 effective date of this part or who first becomes a member of

1 the system subsequent to the effective date of this part and
2 before January 1, 2011, or before December 1, 2010, as a
3 member of the General Assembly, shall be classified as a
4 Class A member and receive credit for Class A service upon
5 payment of regular and additional member contributions for
6 Class A service, provided that the State employee does not
7 become a member of Class AA pursuant to subsection (a.1)
8 [or], a member of Class D-4 pursuant to subsection (a.2) or a
9 participant in the plan.

10 (2) A State employee who first becomes a member of the
11 system on or after January 1, 2011, or on or after December
12 1, 2010, as a member of the General Assembly, shall be
13 classified as a Class A-3 member and receive credit for Class
14 A-3 service upon payment of regular member contributions and
15 shared-risk member contributions for Class A-3 service
16 provided that the State employee does not become a member of
17 Class A-4 pursuant to subsection (a.3), except that a member
18 of the judiciary shall be classified as a member of such
19 other class of service for which the member of the judiciary
20 is eligible, shall elect and make regular member
21 contributions[.], and further provided that the State
22 employee does not become a participant in the plan or is not
23 eligible to be an optional participant of the plan under
24 section 5301 (relating to mandatory and optional membership
25 in system and participation in plan).

26 (3) A person who first becomes a sworn police officer on
27 or after January 1, 2018, shall receive credit for service as
28 a sworn police officer as a member of Class A-3 upon payment
29 of the required member contributions and shall not be
30 eligible to be a participant in the plan for such service.

1 All other State service shall be credited in the plan as
2 otherwise provided under this part, except that any State
3 service performed concurrently with service as an active or
4 inactive member on leave without pay as a sworn police
5 officer shall be credited as Class A-3 service and shall not
6 be eligible for active participation in the plan. Class A-3
7 service provided for under this paragraph shall be subject to
8 an election to be credited as Class A-4 service.

9 (a.1) Class AA membership.--

10 * * *

11 (2) A person who is a State employee on June 30, 2001,
12 and July 1, 2001, but is not an active member of the system
13 because membership in the system is optional or prohibited
14 pursuant to section 5301 [(relating to mandatory and optional
15 membership)] and who first becomes an active member after
16 June 30, 2001, and before January 1, 2011, or before December
17 1, 2010, as a member of the General Assembly, and who is not
18 a State police officer and not employed in a position for
19 which a class of service other than Class A is credited or
20 could be elected shall be classified as a Class AA member and
21 receive credit for Class AA State service upon payment of
22 regular member contributions for Class AA service and,
23 subject to the limitations contained in paragraph (7), if
24 previously a member of Class A or previously employed in a
25 position for which Class A service could have been earned,
26 shall have all Class A State service (other than State
27 service performed as a State [Police] police officer or for
28 which a class of service other than Class A was earned or
29 could have been elected) classified as Class AA service.

30 * * *

1 (6) A State employee who after June 30, 2001, becomes a
2 State police officer or who is employed in a position in
3 which the member could elect membership in the system in a
4 class of service other than Class AA or Class D-4 shall
5 retain any Class AA service credited prior to becoming a
6 State police officer or being so employed but shall be
7 ineligible to receive Class AA credit thereafter and instead
8 shall receive Class A credit for service as a member of the
9 judiciary if such judicial service begins before January 1,
10 2018, or if he first became a member before January 1, 2011,
11 or December 1, 2010, as a member of the General Assembly, or
12 Class A-3 credit for service other than as a member of the
13 judiciary if such nonjudicial service begins before January
14 1, 2017, and he first became a member on or after January 1,
15 2011, or December 1, 2010, as a member of the General
16 Assembly, unless a class of membership other than Class A is
17 elected.

18 * * *

19 (a.2) Class of membership for members of the General
20 Assembly.--

21 (1) A person who:

22 (i) becomes a member of the General Assembly and an
23 active member of the system after June 30, 2001, and
24 before December 1, 2010; or

25 (ii) is a member of the General Assembly on July 1,
26 2001, but is not an active member of the system because
27 membership in the system is optional pursuant to section
28 5301 and who becomes an active member after June 30,
29 2001, and before December 1, 2010;

30 and who was not a State police officer on or after July 1,

1 1989, shall be classified as a Class D-4 member and receive
2 credit as a Class D-4 member for all State service as a
3 member of the system performed as a member of the General
4 Assembly upon payment of regular member contributions for
5 Class D-4 service and, subject to the limitations contained
6 in subsection (a.1)(7), if previously a member of Class A or
7 employed in a position for which Class A service could have
8 been earned, shall receive Class AA service credit for all
9 Class A State service, other than State service performed as
10 a State police officer or for which a class of service other
11 than Class A or Class D-4 was or could have been elected or
12 credited.

13 (2) Provided an election to become a Class D-4 member is
14 made pursuant to section 5306.2 (relating to elections by
15 members of the General Assembly), a State employee who was
16 not a State police officer on or after July 1, 1989, who on
17 July 1, 2001, is a member of the General Assembly and an
18 active member of the system and not a member of Class D-3
19 shall be classified as a Class D-4 member and receive credit
20 as a Class D-4 member for all State service as a member of
21 the system performed as a member of the General Assembly not
22 credited as another class other than Class A upon payment of
23 regular member contributions for Class D-4 service and,
24 subject to the limitations contained in paragraph (a.1)(7),
25 shall receive Class AA service credit for all Class A State
26 service, other than State service performed as a State police
27 officer or as a State employee in a position in which the
28 member could have elected a class of service other than Class
29 A, performed before July 1, 2001.

30 * * *

1 (b) Other class membership.--

2 (1) A State employee who is a member of a class of
3 service other than Class A on the effective date of this part
4 shall retain his membership in that class until such service
5 is discontinued; any service as a member of the system
6 thereafter shall be credited as Class A service, Class AA
7 service or Class D-4 service as provided for in this section.

8 (2) Notwithstanding any other provision of this section,
9 a State employee who is appointed bail commissioner of the
10 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
11 (relating to jurisdiction and venue) and is eligible to be a
12 member of the system as a bail commissioner may, within 30
13 days of the effective date of this sentence or within 30 days
14 of his initial appointment as a bail commissioner, whichever
15 is later, elect Class E-2 service credit for service
16 performed as a bail commissioner. This class of service
17 multiplier for E-2 service as a bail commissioner shall be
18 1.5.

19 * * *

20 (e) Ineligibility for active membership and classes of
21 service.--An individual who is a State employee on January 1,
22 2018, but is not a member of the system or who first becomes a
23 State employee on or after January 1, 2018, shall be ineligible
24 for active membership in the system or the several classes of
25 State service as otherwise provided for under this section. Any
26 such State employee, if eligible, may be a participant in the
27 plan as a result of such State service.

28 Section 310. Sections 5306.3(c) and 5307 of Title 71 are
29 amended to read:

30 § 5306.3. Election to become a Class A-4 member.

1 * * *

2 (c) Effect of election.--An election to become a Class A-4
3 member shall be irrevocable and shall become effective on the
4 effective date of membership in the system and shall remain in
5 effect for all future [creditable] State service creditable in
6 the system, other than service performed as a member of the
7 judiciary. Payment of regular member contributions for Class A-4
8 State service performed prior to the election of Class A-4
9 membership shall be made in a form, manner and time determined
10 by the board. Upon termination and a subsequent reemployment, a
11 member who elected Class A-4 membership shall be credited as a
12 Class A-4 member for creditable State service performed after
13 reemployment, except as a member of the judiciary, regardless of
14 termination of employment, termination of membership by
15 withdrawal of accumulated deductions or status as an annuitant,
16 vestee or inactive member after the termination of service.

17 * * *

18 § 5307. Eligibility points.

19 (a) General rule.--An active member of the system shall
20 accrue one eligibility point for each year of credited service
21 as a member of the State or the Public School Employees'
22 Retirement System. A member shall accrue an additional two-
23 thirds of an eligibility point for each year of Class D-3
24 credited service. In the case of a fractional part of a year of
25 credited service, a member shall accrue the corresponding
26 fractional portion of eligibility points to which the class of
27 service entitles him.

28 (a.1) USERRA leave.--A member of the system who is
29 reemployed from USERRA leave or who dies while performing USERRA
30 leave shall be granted the eligibility points that he would have

1 accrued had he continued in his State office or employment
2 instead of performing USERRA leave. In the event that a State
3 employee who is reemployed from USERRA leave makes the member
4 contributions to be granted State service credit for the USERRA
5 leave, no additional eligibility points will be granted.

6 (b) Transitional rule.--

7 (1) In determining whether a member who is not a State
8 employee or school employee on June 30, 2001, and July 1,
9 2001, and who has previous State service (except a disability
10 annuitant who returns to State service after June 30, 2001,
11 upon termination of the disability annuity) has the five
12 eligibility points required by sections 5102 (relating to
13 definitions), 5308(b) (relating to eligibility for
14 annuities), 5309 (relating to eligibility for vesting),
15 5704(b) (relating to disability annuities) and 5705(a)
16 (relating to member's options), only eligibility points
17 earned by performing credited State service as an active
18 member of the system, USERRA leave or credited school service
19 as an active member of the Public School Employees'
20 Retirement System after June 30, 2001, shall be counted until
21 such member earns one eligibility point by performing
22 credited State service or credited school service after June
23 30, 2001, at which time all eligibility points as determined
24 pursuant to subsection (a) shall be counted.

25 (2) Any member to whom paragraph (1) applies shall be
26 considered to have satisfied any requirement for five
27 eligibility points contained in this part if the member:

28 (i) has ten or more eligibility points as determined
29 pursuant to subsection (a); or

30 (ii) has Class G, Class H, Class I, Class J, Class

1 L, Class M or Class N service and has eight or more
2 eligibility points as determined pursuant to subsection
3 (a).

4 (c) Transitional rule for combined service employees.--In
5 determining whether a combined service employee has the five
6 eligibility points required by sections 5102, 5308(b)(1),
7 5309(1) and 5705(a) or the ten eligibility points required by
8 sections 5102, 5308(b)(2), 5309(2) and 5705(a), any such
9 combined service employee shall be considered to have satisfied
10 any requirement for five or ten eligibility points, as the case
11 may be, if the combined service employee does not terminate
12 State service for three or more years after the effective date
13 of participation in the plan.

14 Section 311. Section 5308 of Title 71, amended December 28,
15 2015 (P.L.529, No.93), is amended to read:

16 § 5308. Eligibility for annuities.

17 (a) Superannuation annuity.--Attainment of superannuation
18 age by an active member [or], an inactive member on leave
19 without pay or a combined service employee who is an active
20 participant or inactive participant on leave without pay with
21 three or more eligibility points other than eligibility points
22 resulting from nonstate service or nonschool service shall
23 entitle him to receive a superannuation annuity upon termination
24 of State service and compliance with section 5907(f) (relating
25 to rights and duties of State employees [and], members and
26 participants).

27 (b) Withdrawal annuity.--

28 (1) Any vestee or any active member [or], inactive
29 member on leave without pay or a combined service employee
30 who is an active participant or inactive participant on leave

1 without pay who terminates State service having five or more
2 eligibility points and who does not have Class A-3 or Class
3 A-4 service credit or Class T-E or Class T-F service credit
4 in the Public School Employees' Retirement System, or who has
5 Class G, Class H, Class I, Class J, Class K, Class L, Class M
6 or Class N service and terminates State service having five
7 or more eligibility points, upon compliance with section
8 5907(f), (g) or (h) shall be entitled to receive an annuity.

9 (2) Any vestee, active member [or], inactive member on
10 leave without pay or a combined service employee who is an
11 active participant or inactive participant on leave without
12 pay who has Class A-3 or Class A-4 service credit or Class T-
13 E or Class T-F service credit in the Public School Employees'
14 Retirement System who terminates State service having ten or
15 more eligibility points, upon compliance with section
16 5907(f), (g) or (h), shall be entitled to receive an annuity.

17 (3) Any vestee, active member [or], inactive member on
18 leave without pay or a combined service employee who is an
19 active participant or inactive participant on leave without
20 pay who has either Class A-3 or Class A-4 service credit or
21 Class T-E or Class T-F service credit in the Public School
22 Employees' Retirement System and also has service credited in
23 the system in one or more other classes of service who has
24 five or more, but fewer than ten, eligibility points, upon
25 compliance with section 5907(f), (g) or (h), shall be
26 eligible to receive an annuity calculated on his service
27 credited in classes of service other than Class A-3 or Class
28 A-4, provided that the member has five or more eligibility
29 points resulting from service in classes other than Class A-3
30 or Class A-4 or Class T-E or Class T-F service in the Public

1 School Employees' Retirement System.

2 (c) Disability annuity.--An active member or inactive member
3 on leave without pay who has five or more eligibility points
4 other than eligibility points resulting from membership in the
5 Public School Employees' Retirement System or any active member
6 or inactive member on leave without pay who is an officer of the
7 Pennsylvania State Police or an enforcement officer shall, upon
8 compliance with section 5907(k), be entitled to a disability
9 annuity if he becomes mentally or physically incapable of
10 continuing to perform the duties for which he is employed and
11 qualifies in accordance with the provisions of section 5905(c)
12 (1) (relating to duties of the board regarding applications and
13 elections of members and participants).

14 (d) Required beginning date.--Members eligible for an
15 annuity must commence receiving the annuity by the member's
16 required beginning date.

17 (e) Eligibility of combined service employees for
18 superannuation annuity.--A combined service employee is deemed
19 to have satisfied the requirement of three or more years of
20 credited State or school service under subsection (a) if the
21 combined service employee does not terminate State service
22 before three years after the effective date of participation in
23 the plan. Nothing in this subsection amends or waives any other
24 requirement to be eligible for a superannuation annuity.

25 Section 312. Section 5308.1(1) of Title 71 is amended to
26 read:

27 § 5308.1. Eligibility for special early retirement.

28 Notwithstanding any provisions of this title to the contrary,
29 the following special early retirement provisions shall be
30 applicable to specified eligible members as follows:

1 (1) During the period of July 1, 1985, to September 30,
2 1991, an active member who has attained the age of at least
3 53 years and has accrued at least 30 eligibility points shall
4 be entitled, upon termination of State service and compliance
5 with section 5907(f) (relating to rights and duties of State
6 employees [and], members and participants), to receive a
7 maximum single life annuity calculated under section 5702
8 (relating to maximum single life annuity) without a reduction
9 by virtue of an effective date of retirement which is under
10 the superannuation age.

11 * * *

12 Section 313. Section 5311(a) of Title 71, amended December
13 28, 2015 (P.L.529, No.93), is amended to read:

14 § 5311. Eligibility for refunds.

15 (a) Total accumulated deductions.--Any active member,
16 regardless of eligibility for benefits, may elect to receive his
17 total accumulated deductions upon termination of service in lieu
18 of any benefit from the system to which he is entitled.

19 * * *

20 Section 313.1. Title 71 is amended by adding a section to
21 read:

22 § 5312. Election to terminate active membership in the system.

23 (a) General rule.--A member may make a one-time election to
24 terminate active membership in the system.

25 (b) Time for making election.--The election to terminate
26 active membership in the system must be made by the member
27 filing written notice with the board in a form and manner
28 determined by the board during the period beginning January 1,
29 2018, and ending April 20, 2018.

30 (c) Effect of election.--An election to terminate active

1 membership in the system shall be irrevocable and shall become
2 effective on the date of the election. Notwithstanding any other
3 provision of this part, a member who makes an election to
4 terminate active membership in the system shall not be eligible
5 for active membership in the system for any State service
6 performed after the date of the election.

7 (d) Effect of failure to make election.--Failure to elect to
8 terminate active membership within the election period set forth
9 in subsection (b) shall result in the continuation of the
10 member's active membership in the system, as provided under this
11 part, until the termination of State service.

12 Section 314. Title 71 is amended by adding a chapter to
13 read:

14 CHAPTER 54

15 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

16 Sec.

17 5401. Establishment.

18 5402. Plan document.

19 5403. Individual investment accounts.

20 5404. Participant contributions.

21 5405. Mandatory pickup participant contributions.

22 5406. Employer defined contributions.

23 5407. Eligibility for benefits.

24 5408. Death benefits.

25 5409. Vesting.

26 5410. Termination of distributions.

27 5411. Agreements with financial institutions and other
28 organizations.

29 5411.1 Annuitization.

30 5412. Powers and duties of board.

1 5413. Responsibility for investment loss.

2 5414. Investments based on participants' investment allocation
3 choices.

4 5415. Expenses.

5 5416. (Reserved).

6 5417. Required distributions.

7 § 5401. Establishment.

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

17 (b) State Employees' Defined Contribution Trust.--The State
18 Employees' Defined Contribution Trust is established as part of
19 the State Employees' Defined Contribution Plan. The trust shall
20 be comprised of the individual investment accounts and all
21 assets and moneys in those accounts. The members of the board
22 shall be the trustees of the trust established under this
23 section which shall be administered exclusively for the benefit
24 of those State employees who participate in the plan and their
25 beneficiaries within the meaning of and conformity with IRC §
26 401(a). The board shall determine the terms and provisions of
27 the trust not inconsistent with this part, IRC or other
28 applicable law and shall provide for the investment and
29 administration of the trust.

30 (c) Holding of assets.--All assets and income in the plan

1 that have been or shall be withheld or contributed by the
2 participants, the Commonwealth and other employers in accordance
3 with this part shall be held in trust in any funding vehicle
4 permitted by the applicable provisions of IRC for the exclusive
5 benefit of the plan's participants and their beneficiaries until
6 such time as the funds are distributed to the participants or
7 their beneficiaries in accordance with the terms of the plan
8 document. The assets of the plan held in trust for the exclusive
9 benefit of the plan's participants and their beneficiaries may
10 be used for the payment of the fees, costs and expenses related
11 to the administration and investment of the plan and the trust.

12 (d) Name for transacting business.--All of the business of
13 the plan shall be transacted, the trust invested, all
14 requisitions for money drawn and payments made and all of its
15 cash and securities and other property shall be held by the name
16 of the "State Employees' Defined Contribution Plan," except
17 that, any other law to the contrary notwithstanding, the board
18 may establish a nominee registration procedure for the purpose
19 of registering securities in order to facilitate the purchase,
20 sale or other disposition of securities pursuant to the
21 provisions of this part.

22 § 5402. Plan document.

23 The board shall set forth the terms and provisions of the
24 plan and trust in a document containing the terms and conditions
25 of the plan and in a trust declaration that shall be published
26 in the Pennsylvania Bulletin. The creation of the document
27 containing the terms and conditions of the plan and the trust
28 declaration and the establishment of the terms and provisions of
29 the plan and the trust need not be promulgated by regulation or
30 formal rulemaking and shall not be subject to the act of July

1 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
2 Documents Law. A reference in this part or other law to the plan
3 shall include the plan document unless the context clearly
4 indicates otherwise.

5 § 5403. Individual investment accounts.

6 The board shall establish in the trust an individual
7 investment account for each participant in the plan. All
8 contributions by a participant or an employer for or on behalf
9 of a participant shall be credited to the participant's
10 individual investment account, together with all interest and
11 investment earnings and losses. Investment and administrative
12 fees, costs and expenses shall be charged to the participants'
13 individual investment accounts. Employer defined contributions
14 shall be recorded and accounted for separately from participant
15 contributions, but all interest, investment earnings and losses
16 and investment and administrative fees, costs and expenses shall
17 be allocated proportionately.

18 § 5404. Participant contributions.

19 (a) Mandatory contributions.--Each participant shall make
20 mandatory pickup participant contributions through payroll
21 deductions to the participant's individual investment account
22 equal to 7% of compensation for current State service. The
23 employer shall cause such contributions for current service to
24 be made and deducted from each payroll or on such schedule as
25 established by the board.

26 (b) Voluntary contributions.--A participant may make
27 voluntary contributions through direct trustee-to-trustee
28 transfers or through transfers of money received in an eligible
29 rollover into the trust to the extent allowed by IRC § 402. Such
30 rollovers shall be made in a form and manner as determined by

1 the board, shall be credited to the participant's individual
2 investment account and shall be separately accounted for by the
3 board.

4 (c) Prohibited contributions.--No contributions shall be
5 allowed which would cause a violation of the limitations related
6 to contributions applicable to governmental plans contained in
7 IRC § 415 or in other provisions of law. In the event that any
8 disallowed contributions are made, any participant contributions
9 in excess of the limitations and investment earnings thereon
10 shall be refunded to the participant by the board.

11 § 5405. Mandatory pickup participant contributions.

12 (a) Treatment for purposes of IRC § 414(h).--All
13 contributions to the trust required to be made under section
14 5404(a) (relating to participant contributions) with respect to
15 current State service rendered by an active participant shall be
16 picked up by the Commonwealth or other employer and shall be
17 treated as the employer's contribution for purposes of IRC §
18 414(h). After the effective date of this section, an employer
19 employing a participant in the plan shall pick up the required
20 mandatory participant contributions by a reduction in the
21 compensation of the participant.

22 (b) Treatment for other purposes.--For all purposes other
23 than the IRC, such mandatory pickup participant contributions
24 shall be treated as contributions made by a participant in the
25 same manner and to the same extent as if the contributions were
26 made directly by the participant and not picked up.

27 § 5406. Employer defined contributions.

28 (a) Contributions for current service.--The Commonwealth or
29 other employer of a participant shall make employer defined
30 contributions for current service of each active participant

1 which shall be credited to each respective participant's
2 individual investment account.

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

16 (c) Limitations on contributions.--No contributions shall be
17 allowed which would cause a violation of the limitations related
18 to contributions applicable to governmental plans contained in
19 IRC § 415 or in other provisions of law. In the event that any
20 disallowed contributions are made, any employer defined
21 contributions in excess of the limitations and investment
22 earnings thereon shall be refunded to the employer by the board.
23 § 5407. Eligibility for benefits.

24 (a) Termination of service.--A participant who terminates
25 State service shall be eligible to withdraw the vested
26 accumulated total defined contributions standing to his credit
27 in the participant's individual investment account or such
28 lesser amount as the participant may request. Payment shall be
29 made in a lump sum unless the board has established other forms
30 of distribution in the plan document. A participant who

1 withdraws his vested accumulated total defined contributions
2 shall no longer be a participant in the plan, notwithstanding
3 that the participant may have contracted to receive an annuity
4 or other form of payment from a provider retained by the board
5 for such purposes.

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

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

16 (d) Loans.--Loans or other distributions from the plan to
17 State employees who have not terminated State service are not
18 permitted, except as required by law.

19 (e) Small individual investment accounts.--

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

25 (2) The board may also provide in the plan document
26 that, notwithstanding subsection (f), a participant whose
27 vested accumulated employer defined contributions are below
28 the thresholds established by the board may receive those
29 distributions without the obligation to purchase an annuity.
30 The threshold may be established as a dollar amount, an

1 annuity amount, in some other form individually or in
2 combination as the board determines.

3 (f) Requirement to purchase partial annuity.--Except as
4 prohibited by the IRC or as otherwise provided in this part, a
5 participant who is eligible and elects to receive a distribution
6 or vested accumulated employer defined contributions shall be
7 required to purchase at least a partial payout as a life annuity
8 with that distribution from an annuity provider contracted by
9 the board under section 5408(c) (relating to death benefits) and
10 under such conditions as provided in the plan document. The
11 conditions may include that the board is authorized to make the
12 distribution directly to the annuity provider.

13 (g) Spousal consent not required.--A participant who is
14 married may receive a lump sum distribution or other
15 distribution directly from the board without the consent of the
16 spouse.
17 § 5408. Death benefits.

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

24 (b) Death of participant receiving distributions.--In the
25 event of the death of a participant receiving distributions, the
26 board shall pay to the participant's beneficiary the vested
27 balance in the participant's individual investment account in a
28 lump sum or in such other manner as the board may establish in
29 the plan document or, if the board has established alternative
30 methods of distribution in the plan document under which the

1 participant was receiving distributions, to the participant's
2 beneficiary or successor payee, as the case may be, as provided
3 in the plan document.

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

9 § 5409. Vesting.

10 (a) Participant and voluntary contributions.--Subject to the
11 forfeiture and attachment provisions of section 5953 (relating
12 to taxation, attachment and assignment of funds) or otherwise as
13 provided by law, a participant shall be vested with respect to
14 all mandatory pickup participant contributions and voluntary
15 contributions paid by or on behalf of the participant to the
16 trust in addition to interest and investment gains or losses on
17 the participant contributions, but not including investment fees
18 and administrative charges.

19 (b) Employer contributions.--Subject to the forfeiture and
20 attachment provisions of section 5953 or otherwise as provided
21 by law, a participant shall be vested with respect to employer-
22 defined contributions paid to the participant's individual
23 investment account in the trust and earnings on the employer
24 contributions, but minus losses and a proportionate share of
25 investment fees and administrative charges, according to the
26 following schedule:

27 (1) During the first year of State service as a
28 participant in the plan, 0%.

29 (2) At the first year until the second year of State
30 service as a participant in the plan, 25%.

1 (3) At the second year until the third year of State
2 service as a participant in the plan, 50%.

3 (4) At the third year until the fourth year of State
4 service as a participant in the plan, 75%.

5 (5) At and after the fourth year of State service as a
6 participant in the plan, 100%.

7 (c) Plan document.--The board shall establish, in the plan
8 document created by the board under section 5402 (relating to
9 plan document), the following:

10 (1) How the required time periods of State service in
11 the plan are determined and calculated.

12 (2) The effect of periods that State employees spend on
13 unpaid leave on the determination of a participant's vested
14 status in the plan.

15 (3) The effect of termination of State service or
16 distributions from the plan on a participant's vested status
17 in the plan.

18 (4) Other terms and conditions for the implementation
19 and administration of this section.

20 (d) Nonvested employer-defined contributions.--Nonvested
21 employer-defined contributions, including earnings and losses on
22 the employer contributions, that are not distributable to a
23 participant who has not fully vested are credited to the
24 participant's most recent employer's future obligations assessed
25 under section 5509 (relating to appropriations and assessments
26 by the Commonwealth).

27 (e) USERRA leave and vesting credit.--A participant in the
28 plan who is reemployed from USERRA leave or who dies while
29 performing USERRA leave shall receive vesting credit under this
30 section for the State service that would have been performed had

1 the member not performed USERRA leave.

2 § 5410. Termination of distributions.

3 (a) Return to State service.--A participant receiving
4 distributions or an inactive participant who returns to State
5 service shall cease receiving distributions and shall not be
6 eligible to receive distributions until the participant
7 subsequently terminates State service, without regard to whether
8 the participant is a mandatory, optional or prohibited member of
9 the system or participant in the plan. This subsection shall not
10 apply to a distribution of accumulated employer defined
11 contributions or other distributions that the participant has
12 received and used to purchase an annuity from a provider
13 contracted by the board.

14 (b) Return of benefits paid during USERRA leave.--If a
15 former State employee is reemployed from USERRA leave and has
16 previously received any payments or annuity from the plan during
17 the USERRA leave, the employee shall return to the board the
18 amount so received plus interest as provided in the plan
19 document. The amount payable shall be certified in each case by
20 the board in accordance with methods approved by the actuary and
21 shall be paid in a lump sum within 30 days or, in the case of an
22 active participant, may be amortized with interest as provided
23 in the plan document through salary deductions to the trust in
24 amounts agreed upon by the participant and the board, but for
25 not longer than a period that starts with the date of
26 reemployment and continues for up to three times the length of
27 the participant's immediate past period of USERRA leave. The
28 repayment period shall not exceed five years.

29 § 5411. Agreements with financial institutions and other
30 organizations.

1 (a) Authority to enter into agreements.--To establish and
2 administer the State Employees' Defined Contribution Plan, the
3 board shall have the power to enter into written agreements with
4 one or more financial institutions or other organizations
5 relating to the plan's administration and investment of funds
6 held pursuant to the plan.

7 (b) Agreement terms and considerations.--Under the plan, the
8 board shall enter into an agreement to provide fully bundled
9 retirement plan investment, plan administration and services to
10 employees who participate in the plan. The agreement shall
11 provide for appropriate long-term retirement-oriented
12 investments and shall include either fixed or variable deferred
13 annuities, or a combination thereof. In determining the
14 financial institution or other organization with which the board
15 shall enter into an agreement, the board shall consider all of
16 the following:

17 (1) The financial stability of the financial institution
18 or other organization and the ability of the financial
19 institution or other organization to provide the contracted
20 rights and benefits to participants.

21 (2) The cost of the investments, plan administration and
22 services to the participants.

23 (3) The experience of the financial institution or other
24 organization in providing defined contribution retirement
25 plans in lieu of defined benefit plan participation to
26 employees or as part of employee hybrid retirement plans.

27 (4) The experience of the financial institution or other
28 organization in paying retirement income to employees.

29 (5) The experience of the financial institution or other
30 organization in providing plan education, counseling and

1 advice to participants in employee retirement plans that are
2 offered in lieu of defined benefit plan participation or as
3 part of employee hybrid retirement plans.

4 (c) Advice to participants.--The plan shall provide
5 education, counseling and objective participant-specific plan
6 advice to participants.

7 § 5411.1. Annuitization.

8 The plan shall include the requirement that any disbursement
9 of the accumulated assets in an individual investment account
10 made after the participant reaches 55 years of age must include
11 at least partial payout as a life annuity. The board shall
12 determine the minimum annuity amount. The plan shall offer
13 participants a menu of lifetime annuity options, either fixed or
14 variable, or a combination of both.

15 § 5412. Powers and duties of board.

16 The board shall have the following powers and duties to
17 establish the plan and trust and administer the provisions of
18 this chapter and part:

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

21 (2) The board shall pay all administrative fees, costs
22 and expenses of managing, investing and administering the
23 plan, the trust and the individual investment accounts from
24 the balance of such individual investment accounts except as
25 may be provided otherwise by law.

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

29 (3.1) The board shall include default investment options
30 and strategies to include predetermined investment portfolio

1 options that shall be constructed to reflect different risk
2 profiles and shall be constructed to automatically reallocate
3 and rebalance contributions as a participant ages. The plan
4 may permit participants to construct their own investment
5 portfolios using some or all of the investment options
6 comprising the default solutions.

7 (4) The board shall at all times have the power to
8 change the terms of the plan as may be necessary to maintain
9 the tax-qualified status of the plan.

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

13 (6) The board may perform an annual review of any
14 qualified fund manager for the purpose of assuring that the
15 fund manager continues to meet all standards and criteria
16 established.

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

21 (8) The board may allow a former participant to maintain
22 his individual investment account within the plan.

23 (9) The board shall administer the program in compliance
24 with the qualifications and other rules of the IRC.

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

27 (11) The board shall determine what constitutes a
28 termination of State service.

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

1 the IRC.

2 (13) The board shall have the power to establish
3 procedures in the plan document or to promulgate rules and
4 regulations as it deems necessary for the administration and
5 management of the plan, including, but not limited to,
6 establishing:

7 (i) Procedures whereby eligible participants may
8 change their investment choices on a periodic basis or
9 make other elections regarding their participation in the
10 plan.

11 (ii) Procedures for deducting mandatory pickup
12 participant contributions from a participant's
13 compensation.

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

17 (iv) Standards and criteria for disclosing and
18 providing options to eligible individuals regarding
19 investments of amounts deferred under the plan, provided
20 that one of the available options must serve as the
21 default option for participants who do not make a timely
22 election and that, to the extent commercially available,
23 one option must have an annuity investment feature.

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

30 (vi) Procedures, standards and criteria for the

1 making of distributions from the plan upon termination
2 from employment or death or in other circumstances
3 consistent with the purpose of the plan.

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

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

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

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

23 § 5413. Responsibility for investment loss.

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

30 § 5414. Investments based on participants' investment

1 allocation choices.

2 (a) General rule.--All contributions, interest and
3 investment earnings shall be invested based on the participant's
4 investment allocation choices. All investment allocation choices
5 shall be credited proportionally between participant
6 contributions and employer defined contributions. Each
7 participant shall be credited individually with the amount of
8 contributions, interest and investment earnings.

9 (b) Investment of contributions made by entities other than
10 the Commonwealth.--Investment of contributions by any
11 corporation, institution, insurance company or custodial bank
12 that the board has approved shall not be unreasonably delayed,
13 and in no case shall the investment of contributions be delayed
14 more than 30 days from the date of payroll deduction or the date
15 voluntary contributions are made to the date that funds are
16 invested. Any interest earned on the funds pending investment
17 shall be allocated to the Commonwealth and credited to the
18 individual investment accounts of participants who are then
19 participating in the plan unless the interest is used to defray
20 administrative costs and fees that would otherwise be required
21 to be borne by participants who are then participating in the
22 plan.

23 § 5415. Expenses.

24 All fees, costs and expenses of administering the plan and
25 the trust and investing the assets of the trust shall be borne
26 by the participants and paid from assessments against the
27 balances of the individual investment accounts as established by
28 the board, except as may be provided otherwise by law.

29 § 5416. (Reserved).

30 § 5417. Required distributions.

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

4 Section 315. Section 5501.1(b)(7) and (8) of Title 71 are
5 amended and the subsection is amended by adding a paragraph to
6 read:

7 § 5501.1. Shared-risk member contributions for Class A-3 and
8 Class A-4 service.

9 * * *

10 (b) Determination of shared-risk contribution rate.--

11 * * *

12 (7) For any fiscal year in which the actual
13 contributions by the Commonwealth or an employer are lower
14 than those required to be made under section 5507(d)
15 [(relating to contributions by the Commonwealth and other
16 employers)] (relating to contributions to system by the
17 Commonwealth and other employers before July 1, 2018) or
18 5507.1 (relating to contributions to system by the
19 Commonwealth and other employers starting July 1, 2018), the
20 prospective shared-risk contribution rate for those employees
21 whose employers are not making the contributions required by
22 section 5507(d) shall be zero and shall not subsequently be
23 increased, except as otherwise provided in this section.

24 (8) If the actuary certifies that the accrued liability
25 contributions calculated in accordance with the actuarial
26 cost method provided in [section 5508(b)] section 5508
27 (relating to actuarial cost method for fiscal years ending
28 before July 1, 2018) or 5508.1 (relating to actuarial cost
29 method for fiscal years beginning July 1, 2018, or later), as
30 adjusted by the experience adjustment factor, are zero or

1 less, then the shared-risk contribution rate for the next
2 fiscal year shall be zero and shall not subsequently be
3 increased, except as otherwise provided in this section.

4 (9) For periods commencing on or after July 1, 2018, the
5 determination of shared-risk member contribution rate shall
6 be based on the annual interest rate adopted by the board for
7 the calculation of the accrued liability contribution rate
8 under section 5508.1(c).

9 Section 316. The definition of "actuarially required
10 contribution rate" in section 5501.2 of Title 71 is amended to
11 read:

12 § 5501.2. Definitions.

13 The following words and phrases when used in this chapter
14 shall have the meanings given to them in this section unless the
15 context clearly indicates otherwise:

16 "Actuarially required contribution rate." The employer
17 contribution rate as calculated pursuant to section 5508(a),
18 (b), (c), (e) and (f) (relating to actuarial cost method for
19 fiscal years ending before July 1, 2017) or 5508.1(a), (b), (c),
20 (e) and (f) (relating to actuarial cost method for fiscal years
21 beginning July 1, 2018, or later).

22 * * *

23 Section 317. Section 5502 of Title 71, amended December 28,
24 2015 (P.L.529, No.93), is amended to read:

25 § 5502. Social Security integration member contributions.

26 Except for any period of current service in which the making
27 of regular member contributions has ceased solely by reason of
28 section 5502.1 (relating to waiver of regular member
29 contributions and Social Security integration member
30 contributions) or any provision of this part relating to

1 limitations under IRC § 401(a)(17) or 415(b), contributions
2 shall be made on behalf of [a] an active member of any class who
3 prior to March 1, 1974, has elected Social Security integration
4 coverage. The amount of such contributions shall be 6 1/4% of
5 that portion of his compensation as an active member in excess
6 of the maximum wages taxable under the provisions of the Social
7 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
8 addition to the regular member contributions which, after such
9 election, shall be determined on the basis of the basic
10 contribution rate of 5% and the additional member contribution
11 of 1 1/4%: Provided, That a member may elect to discontinue
12 Social Security integration coverage and shall thereafter be
13 ineligible to accrue any further Social Security integration
14 credits or any additional benefits on account of Social Security
15 integration membership.

16 Section 318. Section 5503.1(a) of Title 71 is amended to
17 read:

18 § 5503.1. Pickup contributions.

19 (a) Treatment for purposes of IRC § 414(h).--All
20 contributions to the fund required to be made under sections
21 5501 (relating to regular member contributions for current
22 service), 5501.1 (relating to shared-risk member contributions
23 for Class A-3 and Class A-4 service), 5502 (relating to Social
24 Security integration member contributions), 5503 (relating to
25 joint coverage member contributions) and [section] 5505.1
26 (relating to additional member contributions), with respect to
27 current State service rendered by an active member on or after
28 January 1, 1982, shall be picked up by the Commonwealth or other
29 employer and shall be treated as the employer's contribution for
30 purposes of IRC § 414(h).

1 * * *

2 Section 319. Section 5504 of Title 71, amended December 28,
3 2015 (P.L.529, No.93), is amended to read:

4 § 5504. Member contributions for the purchase of credit for
5 previous State service or to become a full coverage
6 member.

7 (a) Amount of contributions for service in other than Class
8 G through N.--

9 (1) The contributions to be paid by an active member or
10 eligible school employee for credit in the system for total
11 previous State service other than service in Class G, Class
12 H, Class I, Class J, Class K, Class L, Class M and Class N or
13 to become a full coverage member shall be sufficient to
14 provide an amount equal to the regular and additional
15 accumulated deductions which would have been standing to the
16 credit of the member for such service had regular and
17 additional member contributions been made with full coverage
18 in the class of service and at the rate of contribution
19 applicable during such period of previous service and had his
20 regular and additional accumulated deductions been credited
21 with statutory interest during all periods of subsequent
22 State service as an active member or inactive member on leave
23 without pay and school service as an active member or
24 inactive member on leave without pay of the Public School
25 Employees' Retirement System up to the date of purchase.

26 (2) Notwithstanding paragraph (1), members with Class A-
27 3 State service shall make contributions and receive credit
28 as if the previous State service was Class A-3 service, and
29 members with Class A-4 State service shall make contributions
30 and receive credit as if the previous State service was Class

1 A-4 service, even if it would have been credited as a
2 different class of service had the State employee been a
3 member of the system at the time the service was performed
4 unless it was mandatory that the State employee be an active
5 member of the system and the previous State service is being
6 credited as the result of a mandatory active membership
7 requirement.

8 (a.1) Converted county service.--No contributions shall be
9 required to restore credit for previously credited State service
10 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
11 and Class N. Such service shall be restored upon the
12 commencement of payment of the contributions required to restore
13 credit in the system for all other previous State service.

14 (b) Certification and method of payment.--

15 (1) The amount payable shall be certified in each case
16 by the board in accordance with methods approved by the
17 actuary and shall be paid in a lump sum within 30 days or in
18 the case of an active member or eligible school employee who
19 is an active member of the Public School Employees'
20 Retirement System may be amortized with statutory interest
21 through salary deductions to the system in amounts agreed
22 upon by the member and the board. The salary deduction
23 amortization plans agreed to by members and the board may
24 include a deferral of payment amounts and statutory interest
25 until the termination of school service or State service or
26 beginning service as a participant as the board in its sole
27 discretion decides to allow. The board may limit the salary
28 deduction amortization plans to such terms as the board in
29 its sole discretion determines. In the case of an eligible
30 school employee who is an active member of the Public School

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

5 (2) No payments for service or coverage shall be allowed
6 for which the required contributions would cause a violation
7 of the limitation related to contributions applicable to
8 governmental plans contained in IRC § 415. In the event that
9 any service credit or coverage based on such disallowed
10 contributions is granted after the effective date of this
11 paragraph, then such service credit shall be canceled and
12 benefits calculated without regard to such service or
13 contributions and any member contributions in excess of the
14 limitations and statutory interest credited on those
15 contributions shall be refunded to the member by the board.

16 Section 320. Sections 5505(b)(1), (c), (d) and (i)(4) and
17 5505.1 of Title 71 are amended to read:

18 § 5505. Contributions for the purchase of credit for creditable
19 nonstate service.

20 * * *

21 (b) Nonintervening military service.--

22 (1) The amount due for the purchase of credit for
23 military service other than intervening military service
24 shall be determined by applying the member's basic
25 contribution rate, the additional contribution rate plus the
26 Commonwealth normal contribution rate for active members at
27 the time of entry, subsequent to such military service, of
28 the member into State service to his average annual rate of
29 compensation over the first three years of such subsequent
30 State service and multiplying the result by the number of

1 years and fractional part of a year of creditable
2 nonintervening military service being purchased together with
3 statutory interest during all periods of subsequent State
4 service as an active member or inactive member on leave
5 without pay and school service as an active member or
6 inactive member on leave without pay of the Public School
7 Employees' Retirement System to date of purchase. Upon
8 application for credit for such service, payment shall be
9 made in a lump sum within 30 days or in the case of an active
10 member or eligible school employee who is an active member of
11 the Public School Employees' Retirement System it may be
12 amortized with statutory interest through salary deductions
13 to the system in amounts agreed upon by the member and the
14 board. The salary deduction amortization plans agreed to by
15 members and the board may include a deferral of payment
16 amounts and statutory interest until the termination of
17 school service or State service or beginning service as a
18 participant as the board in its sole discretion decides to
19 allow. The board may limit salary deduction amortization
20 plans to such terms as the board in its sole discretion
21 determines. In the case of an eligible school employee who is
22 an active member of the Public School Employees' Retirement
23 System, the agreed upon salary deductions shall be remitted
24 to the Public School Employees' Retirement Board, which shall
25 certify and transfer to the board the amounts paid.
26 Application may be filed for all such military service credit
27 upon completion of three years of subsequent State service
28 and shall be credited as Class A service.

29 * * *

30 (c) Intervening military service.--Contributions on account

1 of credit for intervening military service shall be determined
2 by the member's regular contribution rate, shared-risk
3 contribution rate, Social Security integration contribution
4 rate, the additional contribution rate which shall be applied
5 only to those members who began service on or after the
6 effective date of this amendatory act and compensation at the
7 time of entry of the member into active military service,
8 together with statutory interest during all periods of
9 subsequent State service as an active member or inactive member
10 on leave without pay and school service as an active member or
11 inactive member on leave without pay of the Public School
12 Employees' Retirement System to date of purchase. Upon
13 application for such credit the amount due shall be certified in
14 the case of each member by the board in accordance with methods
15 approved by the actuary, and contributions may be made by:

- 16 (1) regular monthly payments during active military
17 service; or
- 18 (2) a lump sum payment within 30 days of certification;
19 or
- 20 (3) salary deductions to the system in amounts agreed
21 upon by the member or eligible school employee who is an
22 active member of the Public School Employees' Retirement
23 System and the board.

24 The salary deduction amortization plans agreed to by members and
25 the board may include a deferral of payment amounts and
26 statutory interest until the termination of school service or
27 State service or beginning service as a participant as the board
28 in its sole discretion decides to allow. The board may limit
29 salary deduction amortization plans to such terms as the board
30 in its sole discretion determines. In the case of an eligible

1 school employee who is an active member of the Public School
2 Employees' Retirement System, the agreed upon salary deductions
3 shall be remitted to the Public School Employees' Retirement
4 Board, which shall certify and transfer to the board the amounts
5 paid.

6 (d) Nonmilitary and nonmagisterial service.--Contributions
7 on account of credit for creditable nonstate service other than
8 military and magisterial service by State employees who first
9 become members of the system before January 1, 2011, or before
10 December 1, 2010, as a member of the General Assembly shall be
11 determined by applying the member's basic contribution rate, the
12 additional contribution rate plus the Commonwealth normal
13 contribution rate for active members at the time of entry
14 subsequent to such creditable nonstate service of the member
15 into State service to his compensation at the time of entry into
16 State service as a member of the system and multiplying the
17 result by the number of years and fractional part of a year of
18 creditable nonstate service being purchased together with
19 statutory interest during all periods of subsequent State
20 service as an active member or inactive member on leave without
21 pay and school service as an active member or inactive member on
22 leave without pay of the Public School Employees' Retirement
23 System to the date of purchase. Upon application for credit for
24 such service payment shall be made in a lump sum within 30 days
25 or in the case of an active member or eligible school employee
26 who is an active member of the Public School Employees'
27 Retirement System it may be amortized with statutory interest
28 through salary deductions to the system in amounts agreed upon
29 by the member and the board. The salary deduction amortization
30 plans agreed to by members and the board may include a deferral

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

11 * * *

12 (i) Purchases of nonstate service credit by State employees
13 who first became members of the system on or after December 1,
14 2010.--

15 * * *

16 (4) The payment for credit purchased under this
17 subsection shall be certified in each case by the board in
18 accordance with methods approved by the actuary and shall be
19 paid in a lump sum within 30 days or in the case of an active
20 member or eligible school employee who is an active member of
21 the Public School Employees' Retirement System may be
22 amortized with statutory interest through salary deductions
23 to the system in amounts agreed upon by the member and the
24 board. The salary deduction amortization plans agreed to by
25 members and the board may include a deferral of payment
26 amounts and interest until the termination of school service
27 or State service or beginning service as a participant as the
28 board in its sole discretion decides to allow. The board may
29 limit the salary deduction amortization plans to such terms
30 as the board in its sole discretion determines. In the case

1 of an eligible school employee who is an active member of the
2 Public School Employees' Retirement System, the agreed upon
3 salary deductions shall be remitted to the Public School
4 Employees' Retirement Board, which shall certify and transfer
5 to the board the amounts paid.

6 * * *

7 § 5505.1. Additional member contributions.

8 In addition to regular or joint coverage member contributions
9 and social security integration contributions, contributions
10 shall be made on behalf of each active member, regardless of
11 class of service, at the rate of 1 1/4% of compensation until
12 such time as the actuary certifies that all accrued liability
13 contributions have been completed in accordance with the
14 actuarial cost method provided in section 5508(b) (relating to
15 actuarial cost method for fiscal years ending before July 1,
16 2018).

17 Section 321. Section 5506 of Title 71, amended December 28,
18 2015 (P.L.529, No.93), is amended to read:

19 § 5506. Incomplete payments.

20 In the event that a member terminates State service or
21 becomes a participant or a multiple service member who is an
22 active member of the Public School Employees' Retirement System
23 terminates school service before the agreed upon payments for
24 credit for previous State service, USERRA leave, creditable
25 nonstate service, social security integration, full coverage
26 membership or return of benefits on account of returning to
27 State service or entering school service and electing multiple
28 service have been completed, the member or multiple service
29 member who is an active member of the Public School Employees'
30 Retirement System shall have the right to pay within 30 days of

1 termination of State service or school service or becoming a
2 participant the balance due, including interest, in a lump sum
3 and the annuity shall be calculated including full credit for
4 the previous State service, creditable nonstate service, social
5 security integration, or full coverage membership. In the event
6 a member does not pay the balance due within 30 days of
7 termination of State service or becoming a participant or in the
8 event a member dies in State service or within 30 days of
9 termination of State service or becoming a participant or in the
10 case of a multiple service member who is an active member of the
11 Public School Employees' Retirement System does not pay the
12 balance due within 30 days of termination of school service or
13 dies in school service or within 30 days of termination of
14 school service and before the agreed upon payments have been
15 completed, the present value of the benefit otherwise payable
16 shall be reduced by the balance due, including interest, and the
17 benefit payable shall be calculated as the actuarial equivalent
18 of such reduced present value.

19 Section 322. Sections 5506.1(a) and 5507 heading, (a), (b),
20 (d), (e) and (f) of Title 71 are amended to read:

21 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

22 (a) General rule.--In addition to other applicable
23 limitations set forth in this part, and notwithstanding any
24 provision of this part to the contrary, the annual compensation
25 of each noneligible member and each participant taken into
26 account for benefit purposes under this part shall not exceed
27 the limitation under IRC § 401(a)(17). On and after January 1,
28 1996, any reference in this part to the limitation under IRC §
29 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
30 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual

1 compensation limit set forth in this subsection. The OBRA '93
2 annual compensation limit is \$150,000, as adjusted by the
3 commissioner for increases in the cost of living in accordance
4 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
5 effect for a calendar year applies to any determination period
6 which is a period, not exceeding 12 months, over which
7 compensation is determined, beginning in such calendar year. If
8 a determination period consists of fewer than 12 months, the
9 OBRA '93 compensation limit will be multiplied by a fraction,
10 the numerator of which is the number of months in the
11 determination period and the denominator of which is 12.

12 * * *

13 § 5507. Contributions to system by the Commonwealth and other
14 employers before July 1, 2018.

15 (a) Contributions on behalf of active members.--[The] Until
16 June 30, 2018, the Commonwealth and other employers whose
17 employees are members of the system, and from January 1, 2018,
18 to June 30, 2018, the Commonwealth and other employers whose
19 employees are participants in the plan, shall make contributions
20 to the fund on behalf of all active members in such amounts as
21 shall be certified by the board as necessary to provide,
22 together with the members' total accumulated deductions, annuity
23 reserves on account of prospective annuities other than those
24 provided in sections 5708 (relating to supplemental annuities),
25 5708.1 (relating to additional supplemental annuities), 5708.2
26 (relating to further additional supplemental annuities), 5708.3
27 (relating to supplemental annuities commencing 1994), 5708.4
28 (relating to special supplemental postretirement adjustment),
29 5708.5 (relating to supplemental annuities commencing 1998),
30 5708.6 (relating to supplemental annuities commencing 2002),

1 5708.7 (relating to supplemental annuities commencing 2003) and
2 5708.8 (relating to special supplemental postretirement
3 adjustment of 2002), in accordance with the actuarial cost
4 method provided in section 5508(a), (b), (c), (d) and (f)
5 (relating to actuarial cost method for fiscal years ending
6 before July 1, 2018).

7 (b) Contributions on behalf of annuitants.--[The] Until June
8 30, 2018, the Commonwealth and other employers whose employees
9 are members of the system shall make contributions on behalf of
10 annuitants in such amounts as shall be certified by the board as
11 necessary to fund the liabilities for supplemental annuities in
12 accordance with the actuarial cost method provided in section
13 5508(e) (relating to actuarial cost method).

14 * * *

15 (d) Payment of final contribution rate.--Notwithstanding the
16 calculation of the actuarially required contribution rate and
17 the provisions of subsections (a) and (b), until June 30, 2018,
18 the Commonwealth and other employers whose employees are members
19 of the system shall make contributions to the fund on behalf of
20 all active members and annuitants in such amounts as shall be
21 certified by the board in accordance with section 5508(i).

22 (e) Benefits completion plan contributions.--In addition to
23 all other contributions required under this section and section
24 5508, until June 30, 2018, the Commonwealth and other employers
25 whose employees are members of the system shall make
26 contributions as certified by the board pursuant to section 5941
27 (relating to benefits completion plan).

28 (f) Contributions resulting from members reemployed from
29 USERRA leave.--When a State employee reemployed from USERRA
30 leave makes the member contributions required to be granted

1 State service credit for the USERRA leave before July 1, 2018,
2 either by actual payment or by actuarial debt under section 5506
3 (relating to incomplete payments), then the Commonwealth
4 employer or other employer by whom the State employee is
5 employed at the time the member contributions are made, or the
6 last employer before termination in the case of payment under
7 section 5506, shall make whatever employer contributions would
8 have been made under this section had the employee making the
9 member contributions after being reemployed from USERRA leave
10 continued to be employed in his State office or position instead
11 of performing USERRA leave.

12 Section 323. Title 71 is amended by adding a section to
13 read:

14 § 5507.1. Contributions to system by the Commonwealth and other
15 employers starting July 1, 2018.

16 (a) Contributions on behalf of members.--For fiscal years
17 beginning on or after July 1, 2018, the Commonwealth and other
18 employers whose employees are or were members of the system
19 shall make contributions to the fund on behalf of all members in
20 such amounts as shall be certified by the board as necessary to
21 provide, together with the members' total accumulated
22 deductions, annuity reserves on account of annuities including
23 those provided in sections 5708 (relating to supplemental
24 annuities), 5708.1 (relating to additional supplemental
25 annuities), 5708.2 (relating to further additional supplemental
26 annuities), 5708.3 (relating to supplemental annuities
27 commencing 1994), 5708.4 (relating to special supplemental
28 postretirement adjustment), 5708.5 (relating to supplemental
29 annuities commencing 1998), 5708.6 (relating to supplemental
30 annuities commencing 2002), 5708.7 (relating to supplemental

1 annuities commencing 2003) and 5708.8 (relating to special
2 supplemental postretirement adjustment of 2002), in accordance
3 with the actuarial cost method provided in section 5508.1
4 (relating to actuarial cost method for fiscal years beginning
5 July 1, 2018, or later).

6 (b) Payment of employer contributions to the system.--

7 (1) Payment of employer normal contributions shall be as
8 a percentage of compensation of active members.

9 (2) Payment of accrued liability contributions as
10 modified by the experience adjustment factor shall be as a
11 percentage of compensation of active members and active
12 participants.

13 (3) Payment of the additional accrued liability
14 contributions determined under section 5508.1(d) shall be in
15 equal monthly payments during the fiscal year on the first
16 day of each month, or in such other time and manner as the
17 board may establish.

18 (c) Payment of final contribution rate.--Notwithstanding the
19 calculation of the actuarially required contribution rate and
20 the provisions of subsections (a) and (b) (1) and (2), after June
21 30, 2018, the Commonwealth and other employers whose employees
22 are members of the system shall make contributions to the fund
23 on behalf of all active members and annuitants in such amounts
24 as shall be certified by the board in accordance with section
25 5508.1(h).

26 (d) Benefits completion plan contributions.--In addition to
27 all other contributions required under this section and section
28 5508.1, after June 30, 2018, the Commonwealth and other
29 employers whose employees are active members of the system shall
30 make contributions as certified by the board pursuant to section

1 5941 (relating to benefits completion plan).

2 (e) Contributions resulting from members reemployed from
3 USERRA leave.--When a State employee reemployed from USERRA
4 leave makes the member contributions required to be granted
5 State service credit for the USERRA leave after June 30, 2018,
6 either by actual payment or by actuarial debt under section 5506
7 (relating to incomplete payments), the Commonwealth employer or
8 other employer that employed the State employee when the member
9 contributions are made or the last employer before termination
10 in the case of payment under section 5506 shall make the
11 employer contributions that would have been made under this
12 section if the employee making the member contributions after
13 the employee is reemployed from USERRA leave continued to be
14 employed in the employee's State office or position instead of
15 performing USERRA leave.

16 Section 324. Section 5508 heading, (a), (b), (c) (1) and (3),
17 (e) (2) and (f) (1) of Title 71 are amended and subsection (c) is
18 amended by adding a paragraph to read:

19 § 5508. Actuarial cost method for fiscal years ending before
20 July 1, 2018.

21 (a) Employer contribution rate on behalf of active
22 members.--[The] For the fiscal years ending before July 1, 2018,
23 the amount of the Commonwealth and other employer contributions
24 on behalf of all active members shall be computed by the actuary
25 as a percentage of the total compensation of all active members
26 during the period for which the amount is determined and shall
27 be so certified by the board. The actuarially required
28 contribution rate on behalf of all active members shall consist
29 of the employer normal contribution rate, as defined in
30 subsection (b), and the accrued liability contribution rate as

1 defined in subsection (c). The actuarially required contribution
2 rate on behalf of all active members shall be modified by the
3 experience adjustment factor as calculated in subsection (f).

4 (b) Employer normal contribution rate.--[The] For the fiscal
5 years ending before July 1, 2018, the employer normal
6 contribution rate shall be determined after each actuarial
7 valuation on the basis of an annual interest rate and such
8 mortality and other tables as shall be adopted by the board in
9 accordance with generally accepted actuarial principles. The
10 employer normal contribution rate shall be determined as a level
11 percentage of the compensation of the average new active member,
12 which percentage, if contributed on the basis of his prospective
13 compensation through his entire period of active State service,
14 would be sufficient to fund the liability for any prospective
15 benefit payable to him in excess of that portion funded by his
16 prospective member contributions, excluding shared-risk member
17 contributions.

18 (c) Accrued liability contribution rate.--

19 (1) For the fiscal years beginning July 1, 2002, and
20 July 1, 2003, the accrued liability contribution rate shall
21 be computed as the rate of total compensation of all active
22 members which shall be certified by the actuary as sufficient
23 to fund over a period of ten years from July 1, 2002, the
24 present value of the liabilities for all prospective
25 benefits, except for the supplemental benefits as provided in
26 sections 5708 (relating to supplemental annuities), 5708.1
27 (relating to additional supplemental annuities), 5708.2
28 (relating to further additional supplemental annuities),
29 5708.3 (relating to supplemental annuities commencing 1994),
30 5708.4 (relating to special supplemental postretirement

1 adjustment), 5708.5 (relating to supplemental annuities
2 commencing 1998), 5708.6 (relating to supplemental annuities
3 commencing 2002), 5708.7 (relating to supplemental annuities
4 commencing 2003) and 5708.8 (relating to special supplemental
5 postretirement adjustment of 2002), in excess of the total
6 assets in the fund (calculated recognizing all investment
7 gains and losses over a five-year period), excluding the
8 balance in the supplemental annuity account, and the present
9 value of employer normal contributions and of member
10 contributions payable with respect to all active members on
11 December 31, 2001, and excluding contributions to be
12 transferred by county retirement systems or pension plans
13 pursuant to section 5507(c) (relating to contributions to
14 system by the Commonwealth and other employers before July 1,
15 2018). The amount of each annual accrued liability
16 contribution shall be equal to the amount of such
17 contribution for the fiscal year beginning July 1, 2002,
18 except that, if the accrued liability is increased by
19 legislation enacted subsequent to June 30, 2002, but before
20 July 1, 2003, such additional liability shall be funded over
21 a period of ten years from the first day of July, coincident
22 with or next following the effective date of the increase.
23 The amount of each annual accrued liability contribution for
24 such additional legislative liabilities shall be equal to the
25 amount of such contribution for the first annual payment.

26 * * *

27 (3) For the fiscal year beginning July 1, 2010, the
28 accrued liability contribution rate shall be computed as the
29 rate of total compensation of all active members which shall
30 be certified by the actuary as sufficient to fund in equal

1 dollar installments over a period of 30 years from July 1,
2 2010, the present value of the liabilities for all
3 prospective benefits calculated as of the immediately prior
4 valuation date, including the supplemental benefits as
5 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
6 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
7 payable from the retirement benefit plan established pursuant
8 to section 5941 (relating to benefits completion plan), in
9 excess of the actuarially calculated assets in the fund
10 (calculated recognizing all realized and unrealized
11 investment gains and losses each year in level annual
12 installments over five years), including the balance in the
13 supplemental annuity account, and the present value of
14 employer normal contributions and of member contributions
15 payable with respect to all active members, inactive members
16 on leave without pay, vestees and special vestees on December
17 31, 2009. If the accrued liability is changed by legislation
18 enacted subsequent to December 31, 2009, and before January
19 1, 2017, such change in liability shall be funded in equal
20 dollar installments over a period of ten years from the first
21 day of July following the valuation date coincident with or
22 next following the date such legislation is enacted.

23 (4) For the fiscal year beginning July 1, 2018, the
24 accrued liability contribution rate shall be computed as
25 provided for under this section, except that the rate shall
26 be computed as a rate of total compensation of all active
27 members and active participants for the fiscal year. In
28 addition to any employer defined contributions made to the
29 trust, the Commonwealth and other employers of participants
30 shall make the accrued liability contributions to the fund

1 certified by the board.

2 * * *

3 (e) Supplemental annuity contribution rate.--

4 * * *

5 (2) For fiscal years beginning on or after July 1, 2010,
6 and ending on or before June 30, 2018, contributions from the
7 Commonwealth and other employers whose employees are members
8 of the system required to provide for the payment of
9 supplemental annuities as provided in sections 5708, 5708.1,
10 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
11 shall be paid as part of the accrued liability contribution
12 rate as provided for in subsection (c)(3), and there shall
13 not be a separate supplemental annuity contribution rate
14 attributable to those supplemental annuities. In the event
15 that supplemental annuities are increased by legislation
16 enacted subsequent to December 31, 2009, and before January
17 1, 2017, the additional liability for the increase in
18 benefits shall be funded in equal dollar installments over a
19 period of ten years from the first day of July following the
20 valuation date coincident with or next following the date
21 such legislation is enacted.

22 (f) Experience adjustment factor.--

23 (1) For each [year] fiscal year ending before July 1,
24 2018, after the establishment of the accrued liability
25 contribution rate and the supplemental annuity contribution
26 rate for the fiscal year beginning July 1, 2010, any increase
27 or decrease in the unfunded accrued liability and any
28 increase or decrease in the liabilities and funding for
29 supplemental annuities, due to actual experience differing
30 from assumed experience (recognizing all realized and

1 unrealized investment gains and losses over a five-year
2 period), changes in contributions caused by the final
3 contribution rate being different from the actuarially
4 required contribution rate, State employees making shared-
5 risk member contributions, changes in actuarial assumptions
6 or changes in the terms and conditions of the benefits
7 provided by the system by judicial, administrative or other
8 processes other than legislation, including, but not limited
9 to, reinterpretation of the provisions of this part
10 recognized by the actuarial valuations on December 31, 2010,
11 and through December 31, 2016, shall be amortized in equal
12 dollar annual contributions over a period of 30 years
13 beginning with the July 1 succeeding the actuarial valuation
14 determining said increases or decreases.

15 * * *

16 Section 325. Title 71 is amended by adding a section to
17 read:

18 § 5508.1. Actuarial cost method for fiscal years beginning July
19 1, 2018, or later.

20 (a) Employer contributions on behalf of members.--For fiscal
21 years beginning on or after July 1, 2018, the amount of the
22 Commonwealth and other employer contributions on behalf of all
23 members shall be computed by the actuary and certified by the
24 board as an employer normal contribution rate as defined in
25 subsection (b) and the accrued liability contribution amount as
26 defined in subsection (c). The accrued liability contribution
27 amount shall be modified by the experience adjustment factor as
28 calculated in subsection (f).

29 (b) Employer normal contribution rate.--For fiscal years
30 beginning on or after July 1, 2018, the employer normal

1 contribution rate for all active members of the system shall be
2 the employer normal contribution rate that would have been
3 applicable if the employer normal contribution rate was
4 determined as part of the December 31, 2017, actuarial valuation
5 under section 5508(b) (relating to actuarial cost method for
6 fiscal years ending before July 1, 2018) without regard to the
7 provisions of this section and the inapplicability of that rate
8 to periods on or after July 1, 2018.

9 (c) Accrued liability contribution amount.--

10 (1) For fiscal years beginning July 1, 2018, the accrued
11 liability contribution rate shall be computed as the rate of
12 total compensation of all active members and active
13 participants which shall be determined by the actuary as
14 sufficient to fund the equal dollar installments determined
15 under section 5508(c). If the accrued liability is changed by
16 legislation enacted subsequent to December 31, 2016, such
17 change in liability shall be funded in equal dollar
18 installments as a percentage of compensation of all active
19 members and active participants over a period of 10 years
20 from the first day of July following the valuation date
21 coincident with or next following the date such legislation
22 is enacted. The accrued liability contribution rate shall be
23 determined after each actuarial valuation on the basis of an
24 annual interest rate and such mortality and other tables as
25 shall be adopted by the board in accordance with generally
26 accepted actuarial principles.

27 (2) For purposes of determining the accrued liability
28 contribution rate in paragraph (1) and subsection (e) and the
29 experience adjustment factor in subsection (f), the term
30 "compensation of all active members and active participants"

1 shall include an additional amount equal to the difference
2 between:

3 (i) The actual compensation of all active members
4 and active participants of The Pennsylvania State
5 University, the State System of Higher Education, State-
6 owned educational institutions and community colleges.

7 (ii) The compensation of all employees of The
8 Pennsylvania State University, the State System of Higher
9 Education, State-owned educational institutions and
10 community colleges who are active members, active
11 participants, active members of the Public School
12 Employees' Retirement System, active participants of the
13 School Employees' Defined Contribution Plan and employees
14 who are members or participants of an independent
15 retirement program approved by the employer multiplied by
16 a fraction equal to the amount determined under
17 subparagraph (i) as part of the December 31, 2017,
18 actuarial valuation divided by the amount determined
19 under this subparagraph as of December 31, 2017.

20 (d) Allocation of accrued liability contribution amount.--
21 For the fiscal year beginning July 1, 2018, and all subsequent
22 fiscal years, The Pennsylvania State University, the State
23 System of Higher Education, each State-owned educational
24 institution and each community college shall make such
25 additional actuarial accrued liability contributions as shall be
26 certified by the board. The additional actuarial accrued
27 liability contributions shall be the product of:

28 (1) the amount by which the final contribution rate
29 exceeds the employer normal contribution rate determined
30 under subsection (b)(1); multiplied by

1 (2) the difference between:

2 (i) the actual compensation of all active members
3 and active participants of each such educational
4 institution; and

5 (ii) the compensation of all active members, active
6 participants, active members of the Public School
7 Employees' Retirement System, active participants of the
8 School Employees' Defined Contribution Plan and employees
9 who are members or participants of an independent
10 retirement program approved by the employer of each such
11 educational institution multiplied by a fraction equal to
12 the amount determined under subparagraph (i) as part of
13 the December 31, 2017, actuarial valuation divided by the
14 amount of compensation of all active members, active
15 participants, active members of the Public School
16 Employees' Retirement System, active participants of the
17 School Employees' Defined Contribution Plan and employees
18 who are members or participants of an independent
19 retirement program approved by the employer of each such
20 educational institution determined as of December 31,
21 2017.

22 (e) Supplemental annuity contribution amounts.--For fiscal
23 years beginning on or after July 1, 2018, contributions from the
24 Commonwealth and other employers whose employees are members of
25 the system required to provide for the payment of supplemental
26 annuities as provided in sections 5708 (relating to supplemental
27 annuities), 5708.1 (relating to additional supplemental
28 annuities), 5708.2 (relating to further additional supplemental
29 annuities), 5708.3 (relating to supplemental annuities
30 commencing 1994), 5708.4 (relating to special supplemental

1 postretirement adjustment), 5708.5 (relating to supplemental
2 annuities commencing 1998), 5708.6 (relating to supplemental
3 annuities commencing 2002), 5708.7 (relating to supplemental
4 annuities commencing 2003) and 5708.8 (relating to special
5 supplemental postretirement adjustment of 2002) shall be paid as
6 part of the accrued liability contribution rate as provided for
7 in subsection (c) and there shall not be a separate supplemental
8 annuity contribution amount attributable to those supplemental
9 annuities. In the event that supplemental annuities are
10 increased by legislation enacted subsequent to December 31,
11 2015, the additional liability for the increase in benefits
12 shall be funded in equal dollar installments as a percentage of
13 compensation of all active members and active participants over
14 a period of 10 years from the first day of July following the
15 valuation date coincident with or next following the date such
16 legislation is enacted as part of the accrued liability amount
17 and not as a separate supplemental annuity contribution amount.

18 (f) Experience adjustment factor.--

19 (1) For each year beginning on or after July 1, 2018:

20 (i) the accrued liability contribution rate computed
21 under subsection (c) shall be modified each year by any
22 amounts calculated for each year under section 5508(f)
23 for each of the respective amortization periods remaining
24 as of July 1, 2018; and

25 (ii) any increase or decrease in the unfunded
26 accrued liability and any increase or decrease in the
27 liabilities and funding for supplemental annuities, due
28 to actual experience differing from assumed experience,
29 recognizing all realized and unrealized investment gains
30 and losses over a five-year period, changes in

1 contributions caused by the final contribution rate being
2 different from the actuarially required contribution
3 rate, State employees making shared-risk member
4 contributions, changes in actuarial assumptions or
5 changes in the terms and conditions of the benefits
6 provided by the system by judicial, administrative or
7 other processes other than legislation, including, but
8 not limited to, reinterpretation of the provisions of
9 this part, shall be amortized in equal dollar
10 installments expressed as a level percentage of
11 compensation of all active members and active
12 participants over a period of 30 years beginning with the
13 July 1 succeeding the actuarial valuation determining
14 said increases or decreases.

15 (2) The actuarially required contribution rate shall be
16 the sum of the normal contribution rate determined under
17 subsection (b) (2), the accrued liability contribution rate
18 and the supplemental annuity contribution rate modified by
19 the experience adjustment factor as calculated in paragraph
20 (1).

21 (g) Temporary application of collared contribution rate.--
22 The collared contribution rate for each fiscal year beginning on
23 or after July 1, 2018, shall be determined by comparing the
24 actuarially required contribution rate calculated without regard
25 for costs added by legislation to the prior year's final
26 contribution rate. If the actuarially required contribution rate
27 calculated without regard for costs added by legislation is more
28 than 4.5% of the total compensation of all active members
29 greater than the prior year's final contribution rate, then the
30 collared contribution rate shall be applied and be equal to the

1 prior year's final contribution rate increased by 4.5% of total
2 compensation of all active members. Otherwise, and for all
3 subsequent fiscal years, the collared contribution rate shall
4 not be applicable. In no case shall the collared contribution
5 rate be less than 4% of total compensation of all active
6 members.

7 (h) Final contribution rate.--For the fiscal year beginning
8 July 1, 2018, if the collared contribution rate is applicable,
9 the final contribution rate shall be the collared contribution
10 rate plus the costs added by legislation. For each subsequent
11 fiscal year for which the collared contribution rate is
12 applicable, the final contribution rate shall be the collared
13 contribution rate plus the costs added by legislation. For all
14 other fiscal years beginning on or after July 1, 2017, the final
15 contribution rate shall be the actuarially required contribution
16 rate, provided that the final contribution rate shall not be
17 less than the employer normal contribution rate, as provided
18 under subsection (b).

19 Section 326. Section 5509 of Title 71 is amended to read:
20 § 5509. Appropriations and assessments by the Commonwealth.

21 (a) Annual submission of budget.--The board shall prepare
22 and submit annually an itemized budget consisting of the amounts
23 necessary to be appropriated by the Commonwealth out of the
24 General Fund and special operating funds and the amounts to be
25 assessed the other employers required to meet the separate
26 obligations to both the fund and the trust accruing during the
27 fiscal period beginning the first day of July of the following
28 year.

29 (b) Appropriation and payment.--The General Assembly shall
30 make an appropriation sufficient to provide for the separate

1 obligations of the Commonwealth to both the fund and the trust.
2 Such amount shall be paid by the State Treasurer through the
3 Department of Revenue into the fund or the trust, as the case
4 may be, in accordance with requisitions presented by the board.
5 The contributions to the system by the Commonwealth on behalf of
6 active members who are officers of the Pennsylvania State Police
7 shall be charged to the General Fund and to the Motor License
8 Fund in the same ratios as used to apportion the appropriations
9 for salaries of members of the Pennsylvania State Police. The
10 contributions to the system by the Commonwealth on behalf of
11 active members who are enforcement officers and investigators of
12 the Pennsylvania Liquor Control Board shall be charged to the
13 General Fund and to the State Stores Fund.

14 (c) Contributions from funds other than General Fund.--The
15 amounts assessed other employers who are required to make the
16 necessary separate contributions to both the fund and the trust
17 out of funds other than the General Fund shall be paid by such
18 employers into the fund or the trust, as the case may be, in
19 accordance with requisitions presented by the board. The General
20 Fund of the Commonwealth shall not be held liable to appropriate
21 the moneys required to build up the reserves in the fund
22 necessary for the payment of benefits from the system to
23 employees or to make the employer defined contributions for
24 employees of such other employers. In case any such other
25 employer shall fail to provide to the fund the moneys necessary
26 for such purpose, then the service of such members of the system
27 for such period for which money is not so provided shall be
28 credited and pickup contributions with respect to such members
29 shall continue to be credited to the members' savings account.
30 The annuity to which such member is entitled shall be determined

1 as actuarially equivalent to the present value of the maximum
2 single life annuity of each such member reduced by the amount of
3 employer contributions to the system payable on account and
4 attributable to his compensation during such service, except
5 that no reduction shall be made as a result of the failure of an
6 employer to make contributions required for a period of USERRA
7 leave.

8 Section 327. Section 5701 of Title 71, amended December 28,
9 2015 (P.L.529, No.93), is amended to read:

10 § 5701. Return of total accumulated deductions.

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

15 Section 328. Section 5701.1 of Title 71 is amended to read:

16 § 5701.1. Transfer of accumulated deductions.

17 When an employee of the Juvenile Court Judges' Commission
18 elects membership in an independent retirement program pursuant
19 to section 5301(f) (relating to mandatory and optional
20 membership in system and participation in plan), the board shall
21 transfer directly to the trustee or administrator of the
22 independent retirement program all accumulated deductions
23 resulting from service credited while an employee of the
24 Juvenile Court Judges' Commission.

25 Section 329. Sections 5702(a)(1) and 5704(a) and (c) of
26 Title 71 are amended and the sections are amended by adding
27 subsections to read:

28 § 5702. Maximum single life annuity.

29 (a) General rule.--Any full coverage member who is eligible
30 to receive an annuity pursuant to the provisions of section

1 5308(a) or (b) (relating to eligibility for annuities) who
2 terminates State service, or if a multiple service member who is
3 a school employee who is an active member of the Public School
4 Employees' Retirement System who terminates school service,
5 before attaining age 70 shall be entitled to receive a maximum
6 single life annuity attributable to his credited service and
7 equal to the sum of the following single life annuities
8 beginning at the effective date of retirement:

9 (1) A standard single life annuity multiplied by the sum
10 of the products, determined separately for each class of
11 service, obtained by multiplying the appropriate class of
12 service multiplier by the ratio of years of service credited
13 in that class to the total credited service. In case the
14 member on the effective date of retirement is under
15 superannuation age for any service, a reduction factor
16 calculated to provide benefits actuarially equivalent to an
17 annuity starting at superannuation age shall be applied to
18 the product determined for that service. The class of service
19 multiplier for any period of concurrent service shall be
20 multiplied by the proportion of total State and school
21 compensation during such period attributable to State service
22 as a member of the system. In the event a member has two
23 multipliers for one class of service the class of service
24 multiplier to be used for calculating benefits for that class
25 shall be the average of the two multipliers weighted by the
26 proportion of compensation attributable to each multiplier
27 during the three years of highest annual compensation in that
28 class of service: Provided, That in the case of a member of
29 Class E-1, a portion but not all of whose three years of
30 highest annual judicial compensation is prior to January 1,

1 1973, two class of service multipliers shall be calculated on
2 the basis of his entire judicial service, the one applying
3 the judicial class of service multipliers effective prior to
4 January 1, 1973 and the second applying the class of service
5 multipliers effective subsequent to January 1, 1973. The
6 average class of service multiplier to be used for
7 calculating benefits for his judicial service shall be the
8 average of the two calculated multipliers weighted by the
9 proportion of compensation attributable to each of the
10 calculated multipliers during the three years of highest
11 annual compensation in that class of service.

12 * * *

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

18 § 5704. Disability annuities.

19 (a) Amount of annuity.--A member who has made application
20 for a disability annuity and has been found to be eligible in
21 accordance with the provisions of section 5905(c)(1) (relating
22 to duties of the board regarding applications and elections of
23 members and participants) shall receive a disability annuity
24 payable from the effective date of disability as determined by
25 the board and continued until a subsequent determination by the
26 board that the annuitant is no longer entitled to a disability
27 annuity. The disability annuity shall be equal to a standard
28 single life annuity multiplied by the class of service
29 multiplier applicable to the class of service at the time of
30 disability if the product of such class of service multiplier

1 and the total number of years of credited service is greater
2 than 16.667, otherwise the standard single life annuity shall be
3 multiplied by the lesser of the following ratios:

4 MY^*/Y or $16.667/Y$

5 where Y = number of years of credited service, Y* = total years
6 of credited service if the member were to continue as a State
7 employee until attaining superannuation age as applicable at the
8 time of disability, or if the member has attained superannuation
9 age, as applicable at the time of disability, then the number of
10 years of credited service and M = the class of service
11 multiplier as applicable at the effective date of disability. A
12 member of Class C shall receive, in addition, any annuity to
13 which he may be eligible under section 5702(a)(3) (relating to
14 maximum single life annuity). The member shall be entitled to
15 the election of a joint and survivor annuity on that portion of
16 the disability annuity to which he is entitled under section
17 5702.

18 * * *

19 (c) Reduction on account of earned income.--Subsequent to
20 January 1, 1972, payments on account of disability shall be
21 reduced by that amount by which the earned income of the
22 annuitant, as reported in accordance with section 5908(b)
23 (relating to rights and duties of annuitants), for the preceding
24 calendar year together with the disability annuity payments
25 provided in this section other than subsection (b), for the
26 year, exceeds the product of:

27 [(i)] (1) the last year's salary of the annuitant as
28 a [State employee] member of the system; and

29 [(ii)] (2) the ratio of the current monthly payment
30 to the monthly payment at the effective date of

1 disability;

2 Provided, That the annuitant shall not receive less than his
3 member's annuity or the amount to which he may be entitled under
4 section 5702 whichever is greater.

5 * * *

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

11 Section 330. Sections 5706(a), (a.1), (a.2), (b) and (c)(1)
12 and (3) of Title 71, amended December 28, 2015 (P.L.529, No.93),
13 are amended to read:

14 § 5706. Termination of annuities.

15 (a) General rule.--

16 (1) If the annuitant returns to State service or enters
17 or has entered school service and elects multiple service
18 membership, any annuity payable to him under this part shall
19 cease effective upon the date of his return to State service
20 or entering school service without regard to whether he is a
21 mandatory, optional or prohibited member of the system or
22 participant in the plan or, if a multiple service member,
23 whether he is a mandatory, optional or prohibited member or
24 participant of the Public School Employees' Retirement System
25 or School Employees' Defined Contribution Plan and in the
26 case of an annuity other than a disability annuity the
27 present value of such annuity, adjusted for full coverage in
28 the case of a joint coverage member who makes the appropriate
29 back contributions for full coverage, shall be frozen as of
30 the date such annuity ceases. An annuitant who is credited

1 with an additional 10% of Class A and Class C service as
2 provided in section 5302(c) (relating to credited State
3 service) and who returns to State service shall forfeit such
4 credited service and shall have his frozen present value
5 adjusted as if his 10% retirement incentive had not been
6 applied to his account. In the event that the cost-of-living
7 increase enacted December 18, 1979 occurred during the period
8 of such State or school employment, the frozen present value
9 shall be increased, on or after the member attains
10 superannuation age, by the percent applicable had he not
11 returned to service.

12 (2) This subsection shall not apply in the case of any
13 annuitant who:

14 (i) may render services to the Commonwealth in the
15 capacity of an independent contractor; or

16 (ii) is over normal retirement age or who has been
17 an annuitant for more than one year and who may render
18 service to the Commonwealth:

19 (A) as a member of an independent board or
20 commission or as a member of a departmental
21 administrative or advisory board or commission when
22 such members of independent or departmental boards or
23 commissions are compensated on a per diem basis for
24 not more than 150 days per calendar year; or

25 (B) as a member of an independent board or
26 commission requiring appointment by the Governor,
27 with advice and consent of the Senate, where the
28 annual salary payable to the member does not exceed
29 \$35,000 and where the member has been an annuitant
30 for at least six months immediately preceding the

1 appointment.

2 (a.1) Return to State service during emergency.--When, in
3 the judgment of the employer, an emergency creates an increase
4 in the work load such that there is serious impairment of
5 service to the public, an annuitant may be returned to State
6 service for a period not to exceed 95 days in any calendar year
7 without loss of his annuity. In computing the number of days an
8 annuitant has returned to State service, any amount of time less
9 than one-half of a day shall be counted as one-half of a day.
10 For agencies, boards and commissions under the Governor's
11 jurisdiction, the approval of the Governor that an emergency
12 exists shall be required before an annuitant may be returned to
13 State service. Such service shall not be subject to member
14 contributions or be eligible for qualification as creditable
15 State service or for participation in the plan, mandatory pickup
16 participant contributions or employer defined contributions.

17 (a.2) Return of benefits.--In the event an annuitant whose
18 annuity ceases pursuant to this section receives any annuity
19 payment, including a lump sum payment pursuant to section 5705
20 (relating to member's options) on or after the date of his
21 return to State service or entering school service, the
22 annuitant shall return to the board the amount so received plus
23 statutory interest. The amount payable shall be certified in
24 each case by the board in accordance with methods approved by
25 the actuary and shall be paid in a lump sum within 30 days or in
26 the case of an active member or school employee who is an active
27 member of the Public School Employees' Retirement System may be
28 amortized with statutory interest through salary deductions to
29 the system in amounts agreed upon by the member and the board.
30 The salary deduction amortization plans agreed to by the member

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

11 (a.3) Return of benefits paid during USERRA leave.--In the
12 event that a former State employee is reemployed from USERRA
13 leave who had received any payments or annuity from the system
14 during the USERRA leave, the employee shall return to the board
15 the amount so received plus statutory interest. The amount
16 payable shall be certified in each case by the board in
17 accordance with methods approved by the actuary and shall be
18 paid in a lump sum within 30 days or in the case of an active
19 member may be amortized with statutory interest through salary
20 deductions in amounts agreed upon by the member and the board,
21 but not longer than a period that starts with the date of
22 reemployment and continuing for up to three times the length of
23 the member's immediate past period of USERRA leave, with the
24 repayment period not to exceed five years or such longer time as
25 may be agreed to between the board and the member.

26 (a.4) Return to service as a senior judge or senior
27 magisterial district judge.--Notwithstanding the provisions of
28 the act of September 30, 1983 (P.L.160, No.39), known as the
29 Public Official Compensation Law, 42 Pa.C.S. (relating to
30 judiciary and judicial procedure) or any other provision of law

1 or rule of court providing for or allowing a member of the
2 judiciary to return to service as a senior judge, senior
3 justice, senior magisterial district judge or in any
4 administrative, fact finding, adjudicative, appellate or other
5 capacity with any court or tribunal or in any other capacity for
6 which compensation is received and to receive such compensation,
7 whether paid on a per diem, hourly, salaried or other basis, in
8 addition to any annuity payable under this part, any such member
9 of the judiciary who returns to State service shall be subject
10 to the provision of this section and section 5301 (relating to
11 mandatory and optional membership) unless that member of the
12 judiciary is over normal retirement age or has been an annuitant
13 for more than one year.

14 (a.5) No contributions or credited service.--The service of
15 an annuitant whose annuity does not cease upon his return to
16 State or school service shall not be subject to member
17 contributions or eligible for qualification as creditable State
18 service.

19 (b) Subsequent discontinuance of service.--Upon subsequent
20 discontinuance of service, such [member] terminating State
21 employee other than a former annuitant who had the effect of his
22 frozen present value eliminated in accordance with subsection
23 (c) or a former disability annuitant shall be entitled to an
24 annuity which is actuarially equivalent to [the sum of] the
25 present value as determined under subsection (a) [and] to which
26 shall be added, if the service after reemployment was as a
27 member of the system, the present value of a maximum single life
28 annuity based on years of service credited subsequent to reentry
29 in the system and his final average salary computed by reference
30 to his compensation as a member of the system or as a member of

1 the Public School Employees' Retirement System during his entire
2 period of State and school service.

3 (c) Elimination of the effect of frozen present value.--

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

11 (i) is a multiple service member; or

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

25 (2) Upon subsequent discontinuance of service and the
26 filing of an application for an annuity, a former annuitant
27 who qualifies to have the effect of a frozen present value
28 eliminated under this subsection shall be entitled to receive
29 the higher of either:

30 (i) an annuity (prior to optional modification)

1 calculated as if the freezing of the former annuitant's
2 account pursuant to subsection (a) had not occurred,
3 adjusted by crediting Class A State service as Class AA
4 service as provided for in section 5306(a.1) (relating to
5 classes of service) and further adjusted according to
6 paragraph (3), provided that a former annuitant of the
7 system or a former annuitant of the Public School
8 Employees' Retirement System who retired under a
9 provision of law granting additional service credit if
10 termination of State or school service or retirement
11 occurred during a specific period of time shall not be
12 permitted to retain the additional service credit under
13 the prior law when the annuity is computed for his most
14 recent retirement; or

15 (ii) an annuity (prior to optional modification)
16 calculated as if the former annuitant did not qualify to
17 have the effect of the frozen present value eliminated,
18 unless the former annuitant notifies the board in writing by
19 the later of the date the application for annuity is filed or
20 the effective date of retirement that the former annuitant
21 wishes to receive the lower annuity.

22 (3) In addition to any other adjustment to the present
23 value of the maximum single life annuity that a member may be
24 entitled to receive that occurs as a result of any other
25 provision of law, the present value of the maximum single
26 life annuity shall be reduced by all amounts paid or payable
27 to him during all previous periods of retirement plus
28 interest on these amounts until the date of subsequent
29 retirement. The interest for each year shall be calculated
30 based upon the annual interest rate adopted for that fiscal

1 year by the board for the calculation of the normal
2 contribution rate pursuant to section 5508(b) (relating to
3 actuarial cost method[).] for fiscal years ending before July
4 1, 2018) or for the calculation of the accrued liability
5 contribution rate under section 5508.1(c) (relating to
6 actuarial cost method for fiscal years beginning July 1,
7 2018, or later) for fiscal years starting on or after July 1,
8 2018.

9 Section 331. Sections 5707(a), (b) and (f), 5708.1(f),
10 5708.2(f), 5708.3(f), 5708.5(f), 5708.6(f), 5708.7(f),
11 5708.8(g), 5709 heading, (a) and (b) and 5901(a), (c) and (d) of
12 Title 71 are amended to read:

13 § 5707. Death benefits.

14 (a) Members eligible for annuities.--Any active member,
15 inactive member on leave without pay, combined service employee
16 who is an active participant or inactive participant on leave
17 without pay, vestee or current or former State employee
18 performing USERRA leave who dies and was eligible for an annuity
19 in accordance with section 5308(a) or (b) (relating to
20 eligibility for annuities) or special vestee who has attained
21 superannuation age and dies before applying for a superannuation
22 annuity shall be considered as having applied for an annuity to
23 become effective the day before his death and in the event he
24 has not elected an option or such election has not been approved
25 prior to his death, it shall be assumed that he elected Option
26 1.

27 (b) Members ineligible for annuities.--In the event of the
28 death of a special vestee, an active member, an inactive member
29 on leave without pay, a combined service employee who is an
30 active participant or inactive participant on leave without pay,

1 or a current or former State employee performing USERRA leave
2 who is not entitled to a death benefit as provided in subsection
3 (a), his designated beneficiary shall be paid the full amount of
4 his total accumulated deductions.

5 * * *

6 (f) Members subject to limitations under section 5702(c).--
7 Subject to the limitations contained in section 401(a)(9) of the
8 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
9 401(a)(9)), the present value of any annuity in excess of that
10 payable under section 5702 (relating to maximum single life
11 annuity) that is not subject to the limitations under section
12 415(b) of the Internal Revenue Code of 1986 shall be paid in a
13 lump sum to the beneficiary designated by the member after the
14 death of the member. A beneficiary receiving a benefit under
15 this subsection shall not be able to elect a payment method
16 otherwise allowed under section 5709(b)(2) and (3) (relating to
17 payment of benefits from the system).

18 § 5708.1. Additional supplemental annuities.

19 * * *

20 (f) Funding.--The actuary shall annually certify the amount
21 of appropriations for the next fiscal year needed to fund, over
22 a period of ten years from July 1, 2002, the additional monthly
23 supplemental annuity provided for in this section, which amounts
24 shall be paid during the period beginning July 1, 2002, and
25 ending June 30, 2010. For fiscal years beginning on or after
26 July 1, 2010, the additional liability provided in this section
27 shall be funded as part of the actuarial accrued liability as
28 provided in [section 5508 (relating to actuarial cost method).]
29 sections 5508 (relating to actuarial cost method for fiscal
30 years ending before July 1, 2018) and 5508.1 (relating to

1 actuarial cost method for fiscal years beginning July 1, 2018,
2 or later).

3 * * *

4 § 5708.2. Further additional supplemental annuities.

5 * * *

6 (f) Funding.--The actuary shall annually estimate the amount
7 of Commonwealth appropriations for the next fiscal year needed
8 to fund, over a period of ten years from July 1, 2002, the
9 additional monthly supplemental annuity provided for in this
10 section, which amounts shall be paid during the period beginning
11 July 1, 2002, and ending June 30, 2010. For fiscal years
12 beginning on or after July 1, 2010, the additional liability
13 provided in this section shall be funded as part of the
14 actuarial accrued liability as provided in [section 5508
15 (relating to actuarial cost method).] sections 5508 (relating to
16 actuarial cost method for fiscal years ending before July 1,
17 2018) and 5508.1 (relating to actuarial cost method for fiscal
18 years beginning July 1, 2018, or later).

19 * * *

20 § 5708.3. Supplemental annuities commencing 1994.

21 * * *

22 (f) Funding.--For the period beginning July 1, 2002, and
23 ending June 30, 2010, the additional liability for the increase
24 in benefits provided in this section shall be funded in equal
25 dollar annual installments over a period of ten years beginning
26 July 1, 2002. For fiscal years beginning on or after July 1,
27 2010, the additional liability for the increase in benefits
28 provided in this section shall be funded as part of the
29 actuarial accrued liability as provided in [section 5508
30 (relating to actuarial cost method).] sections 5508 (relating to

1 actuarial cost method for fiscal years ending before July 1,
2 2018) and 5508.1 (relating to actuarial cost method for fiscal
3 years beginning July 1, 2018, or later).

4 * * *

5 § 5708.5. Supplemental annuities commencing 1998.

6 * * *

7 (f) Funding.--For the period beginning July 1, 2002, and
8 ending June 30, 2010, the additional liability for the increase
9 in benefits provided in this section shall be funded in equal
10 dollar annual installments over a period of ten years beginning
11 July 1, 2002. For fiscal years beginning on or after July 1,
12 2010, the additional liability for the increase in benefits
13 provided in this section shall be funded as part of the
14 actuarial accrued liability as provided in [section 5508
15 (relating to actuarial cost method).] sections 5508 (relating to
16 actuarial cost method for fiscal years ending before July 1,
17 2018) and 5508.1 (relating to actuarial cost method for fiscal
18 years beginning July 1, 2018, or later).

19 * * *

20 § 5708.6. Supplemental annuities commencing 2002.

21 * * *

22 (f) Funding.--For the period beginning July 1, 2003, and
23 ending June 30, 2010, the additional liability for the increase
24 in benefits provided in this section shall be funded in equal
25 dollar annual installments over a period of ten years beginning
26 July 1, 2003. For fiscal years beginning on or after July 1,
27 2010, the additional liability for the increase in benefits
28 provided in this section shall be funded as part of the
29 actuarial accrued liability as provided in [section 5508
30 (relating to actuarial cost method).] sections 5508 (relating to

1 actuarial cost method for fiscal years ending before July 1,
2 2018) and 5508.1 (relating to actuarial cost method for fiscal
3 years beginning July 1, 2018, or later).

4 * * *

5 § 5708.7. Supplemental annuities commencing 2003.

6 * * *

7 (f) Funding.--For the period beginning July 1, 2004, and
8 ending June 30, 2010, the additional liability for the increase
9 in benefits provided in this section shall be funded in equal
10 dollar annual installments over a period of ten years beginning
11 July 1, 2004. For fiscal years beginning on or after July 1,
12 2010, the additional liability for the increase in benefits
13 provided in this section shall be funded as part of the
14 actuarial accrued liability as provided in [section 5508
15 (relating to actuarial cost method).] sections 5508 (relating to
16 actuarial cost method for fiscal years ending before July 1,
17 2018) and 5508.1 (relating to actuarial cost method for fiscal
18 years beginning July 1, 2018, or later).

19 * * *

20 § 5708.8. Special supplemental postretirement adjustment of
21 2002.

22 * * *

23 (g) Funding.--For the period beginning July 1, 2003, and
24 ending June 30, 2010, the additional liability for the increase
25 in benefits provided in this section shall be funded in equal
26 dollar annual installments over a period of ten years beginning
27 July 1, 2003. For fiscal years beginning on or after July 1,
28 2010, the additional liability for the increase in benefits
29 provided in this section shall be funded as part of the
30 actuarial accrued liability as provided in [section 5508

1 (relating to actuarial cost method).] sections 5508 (relating to
2 actuarial cost method for fiscal years ending before July 1,
3 2018) and 5508.1 (relating to actuarial cost method for fiscal
4 years beginning July 1, 2018, or later).

5 * * *

6 § 5709. Payment of benefits from the system.

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

10 (b) Death benefits.--If the amount of a death benefit
11 payable from the fund to a beneficiary of a member under section
12 5707 (relating to death benefits) or under the provisions of
13 Option 1 of section 5705(a)(1) (relating to member's options) is
14 \$10,000 or more, such beneficiary may elect to receive payment
15 according to one of the following options:

16 (1) a lump sum payment;

17 (2) an annuity actuarially equivalent to the amount
18 payable; or

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

22 * * *

23 § 5901. The State Employees' Retirement Board.

24 (a) Status and membership.--The board shall be an
25 independent administrative board and consist of 11 members: the
26 State Treasurer, ex officio, two Senators, two members of the
27 House of Representatives and six members appointed by the
28 Governor, one of whom shall be an annuitant of the system or a
29 participant of the plan who has terminated State service and is
30 receiving or is eligible to receive distributions, for terms of

1 four years, subject to confirmation by the Senate. At least five
2 board members shall be active members of the system or active
3 participants of the plan, and at least two shall have ten or
4 more years of credited State service or shall have been active
5 participants of the plan for ten calendar years. The chairman of
6 the board shall be designated by the Governor from among the
7 members of the board. Each member of the board who is a member
8 of the General Assembly may appoint a duly authorized designee
9 to act in his stead. In the event that a board member, who is
10 designated as an active participant or as the participant in the
11 plan who is receiving or is eligible to receive distributions,
12 receives a total distribution of the member's interest in the
13 plan, that board member may continue to serve on the board for
14 the remainder of the member's term.

15 * * *

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

25 (d) Compensation and expenses.--The members of the board who
26 are members of the system or participants in the plan shall
27 serve without compensation but shall not suffer loss of salary
28 or wages through serving on the board. The members of the board
29 who are not members of the system or participants in the plan
30 shall receive \$100 per day when attending meetings and all board

1 members shall be reimbursed for any necessary expenses. However,
2 when the duties of the board as mandated are not executed, no
3 compensation or reimbursement for expenses of board members
4 shall be paid or payable during the period in which such duties
5 are not executed.

6 * * *

7 Section 332. Section 5902(a.1) introductory paragraph, (3),
8 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (m) and (n) of
9 Title 71 are amended and the section is amended by adding a
10 subsection to read:

11 § 5902. Administrative duties of the board.

12 * * *

13 (a.1) Secretary.--The secretary shall act as chief
14 administrative officer for the board with respect to both the
15 system and the plan. In addition to other powers and duties
16 conferred upon and delegated to the secretary by the board, the
17 secretary shall:

18 * * *

19 (3) Review and analyze proposed legislation and
20 legislative developments affecting the system or the plan and
21 present findings to the board, legislative committees, and
22 other interested groups or individuals.

23 * * *

24 (5) Receive inquiries and requests for information
25 concerning the system or the plan from the press,
26 Commonwealth officials, State employees, the general public,
27 research organizations, and officials and organizations from
28 other states, and provide information as authorized by the
29 board.

30 (6) Supervise a staff of administrative, technical, and

1 clerical employees engaged in record-keeping and clerical
2 processing activities for both the system and the plan in
3 maintaining files of members and participants, accounting for
4 contributions, processing payments to annuitants and
5 terminated participants, preparing required reports, and
6 retirement counseling. The board may utilize the staff of
7 employees provided for under this subsection for both the
8 system and the plan but shall allocate the fees, costs and
9 expenses incurred under this subsection between the system
10 and the plan as appropriate.

11 (b) Professional personnel.--The board shall contract for
12 the services of a chief medical examiner, an actuary, investment
13 advisors and counselors, and such other professional personnel
14 as it deems advisable. The board may, with the approval of the
15 Attorney General, contract for legal services. The board may
16 utilize the same individuals and firms contracted under this
17 subsection for both the system and the plan but shall allocate
18 the fees, costs and expenses incurred under this subsection
19 between the system and the plan as appropriate.

20 (c) Expenses.--The board shall, through the Governor, submit
21 to the General Assembly annually a budget covering the
22 administrative expenses of [this part] the system and a separate
23 budget covering the administrative expenses of the plan. Such
24 expenses of the system as approved by the General Assembly in an
25 appropriation bill shall be paid from investment earnings of the
26 fund. Such expenses of the plan as approved by the General
27 Assembly shall be paid from interest, pursuant to section
28 5414(b) (relating to investments based on members' investment
29 allocation choices), or assessments on the balances of the
30 participants' individual investment accounts except as may be

1 provided otherwise by law. Concurrently with its administrative
2 budget, the board shall also submit to the General Assembly
3 annually a list of proposed expenditures which the board intends
4 to pay through the use of directed commissions, together with a
5 list of the actual expenditures from the past year actually paid
6 by the board through the use of directed commissions. All such
7 directed commission expenditures shall be made by the board for
8 the exclusive benefit of the system and its members.

9 * * *

10 (e) Records.--

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

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

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

29 (ii) cause substantial competitive harm to the
30 person from whom sensitive investment or financial

1 information relating to the investment was received; or
2 (iii) have a substantial detrimental impact on the
3 value of an investment to be acquired, held or disposed
4 of by the fund or trust or would cause a breach of the
5 standard of care or fiduciary duty set forth in this
6 part.

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

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

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

23 (B) the entity in which the investment was made
24 is liquidated;
25 whichever is later.

26 (iii) The sensitive investment or financial
27 information excluded from [inspection] access under
28 paragraph (2) (iii), to the extent not otherwise excluded
29 from [inspection] access, shall constitute a public
30 record subject to public [inspection] access under the

1 Right-to-Know Law once:

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

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

9 whichever is later.

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

16 (5) Any record, material or data received, prepared,
17 used or retained by the board or its employees, or agents
18 relating to the contributions, account value or benefits
19 payable to or on account of a participant shall not
20 constitute a public record subject to public access under the
21 Right-to-Know Law, if, in the reasonable judgment of the
22 board, the access would disclose any of the following:

23 (i) The existence, date, amount and any other
24 information pertaining to the rollover contributions or
25 trustee-to-trustee transfers of any participant.

26 (ii) The investment options selections of any
27 participant.

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

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

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

4 (6) Nothing in this subsection shall be construed to
5 designate any record, material or data received, prepared,
6 used or retained by the board or its employees, or agents
7 relating to the contributions, account value or benefits
8 payable to or on account of a participant as a public record
9 subject to public access under the Right-to-Know Law.

10 * * *

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

27 (i) Data.--The board shall keep in convenient form such data
28 as are stipulated by the actuary in order that an annual
29 actuarial valuation of the various accounts of the fund can be
30 completed within six months of the close of each calendar year.

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

27 (k) Certification of employer contributions to the fund.--
28 The board shall, each year in addition to the itemized budget
29 required under section 5509 (relating to appropriations and
30 assessments by the Commonwealth), certify, as a percentage of

1 the members' payroll, the shared-risk contribution rate, the
2 employers' contributions as determined pursuant to [section 5508
3 (relating to actuarial cost method)] sections 5508 (relating to
4 actuarial cost method for fiscal years ending before July 1,
5 2018) and 5508.1 (relating to actuarial cost method for fiscal
6 years beginning July 1, 2018, or later) necessary for the
7 funding of prospective annuities for active members and the
8 annuities of annuitants and certify the rates and amounts of the
9 employers' normal contributions as determined pursuant to
10 [section] sections 5508(b) and 5508.1(b), accrued liability
11 contributions as determined pursuant to [section] sections
12 5508(c) and 5508.1(c) and (d), supplemental annuities
13 contribution rate as determined pursuant to section 5508(e), the
14 experience adjustment factor as determined pursuant to [section]
15 sections 5508(f) and 5508.1(f), the collared contribution rate
16 pursuant to section 5508(h) and the final contribution rate
17 pursuant to section 5508(i), which shall be paid to the fund and
18 credited to the appropriate accounts. The board may allocate the
19 final contribution rate and certify various employer
20 contribution rates and amounts based upon the different benefit
21 eligibility, class of service multiplier, superannuation age and
22 other benefit differences resulting from State service credited
23 for individual members even though such allocated employer
24 contribution rate on behalf of any given member may be more or
25 less than 5% of the member's compensation for the period from
26 July 1, 2010, to June 30, 2011, or may differ from the prior
27 year's contribution for that member by more or less than the
28 percentages used to calculate the collared contribution rate for
29 that year and may be below any minimum contribution rate
30 established for the collared contribution rate or final

1 contribution rate. These certifications shall be regarded as
2 final and not subject to modification by the Secretary of the
3 Budget.

4 * * *

5 (m) Annual financial statement.--The board shall prepare and
6 have published, on or before July 1 of each year, [a financial
7 statement] financial statements as of the calendar year ending
8 December 31 of the previous year showing the condition of the
9 fund and the trust and the various accounts, including, but not
10 limited to, the board's accrual and expenditure of directed
11 commissions, and setting forth such other facts,
12 recommendations, and data as may be of use in the advancement of
13 knowledge concerning annuities and other benefits provided by
14 this part. The board shall submit said financial [statement]
15 statements to the Governor and shall file copies with the head
16 of each department for the use of the State employees and the
17 public.

18 (n) Independent [audit] audits.--The board shall provide for
19 [an annual audit] annual audits of the system and the plan by
20 [an] independent certified public [accountant] accountants,
21 which [audit] audits shall include the board's accrual and
22 expenditure of directed commissions. The board may use the same
23 independent certified public accountant for the audits of both
24 the system and the plan.

25 * * *

26 (p) Participant and employer contributions to the trust.--
27 The board shall, each year in addition to any fees and itemized
28 budget required under section 5509 (relating to appropriations
29 and assessments by the Commonwealth), certify, as a percentage
30 of each participant's compensation, the employer defined

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

9 Section 333. Section 5903 heading and (a) of Title 71,
10 amended December 28, 2015 (P.L.529, No.93), are amended and the
11 section is amended by adding a subsection to read:

12 § 5903. Duties of the board to advise and report to heads of
13 departments [and], members and participants.

14 (a) Manual of regulations.--The board shall, with the advice
15 of the Attorney General and the actuary, prepare and provide,
16 within 90 days of the effective date of this part, a manual
17 incorporating rules and regulations consistent with the
18 provisions of this part to the heads of departments who shall
19 make the information contained therein available to the general
20 membership. The board shall thereafter advise the heads of
21 departments within 90 days of any changes in such rules and
22 regulations due to changes in the law or due to changes in
23 administrative policies. As soon as practicable after the
24 commissioner's announcement with respect thereto, the board
25 shall also advise the heads of departments as to any cost-of-
26 living adjustment for the succeeding calendar year in the amount
27 of the limitation under IRC § 401(a)(17) and the dollar amounts
28 of the limitations under IRC § 415[(b)]. As soon as practicable
29 after January 1 of each year, the board shall also advise the
30 heads of departments of the employees for whom, pursuant to

1 section 5502.1 (relating to waiver of regular member
2 contributions and Social Security integration member
3 contributions), pickup contributions are not to be made.

4 * * *

5 (b.1) Participant status statements.--The board shall have
6 furnished annually to each participant, on or before April 1 and
7 more frequently as the board may agree or as required by law, a
8 statement for each participant in the plan showing the
9 accumulated total defined contributions credited to the
10 participant's individual investment account, the nature and type
11 of investments and the investment allocation of future
12 contributions as of December 31 of the previous year and
13 requesting the participant to make any necessary correction or
14 revision regarding his designated beneficiary.

15 * * *

16 Section 334. Section 5904(c) (2) of Title 71 is amended to
17 read:

18 § 5904. Duties of the board to report to the Public School
19 Employees' Retirement Board.

20 * * *

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

28 * * *

29 (2) transfer to the Public School Employees' Retirement
30 Fund the total accumulated deductions standing to such

1 member's credit and the actuarial reserve required on account
2 of years of credited service in the State system, final
3 average salary determined on the basis of his compensation as
4 a member in both systems and the average noncovered salary to
5 be charged to the State accumulation account, the State
6 Police benefit account or the enforcement officers' benefit
7 account, as each case may require.

8 * * *

9 Section 335. Section 5905 heading, (b) (3), (c.1) and (g) of
10 Title 71, amended December 28, 2015 (P.L.529, No.93), are
11 amended and the section is amended by adding subsections to
12 read:

13 § 5905. Duties of the board regarding applications and
14 elections of members and participants.

15 * * *

16 (b) School employees electing multiple service status.--Upon
17 receipt of notification from the Public School Employees'
18 Retirement Board that a former State employee has become an
19 active member in the Public School Employees' Retirement System
20 and has elected to become a member with multiple service status
21 the board shall:

22 * * *

23 (3) in case of a former State employee who is not
24 receiving an annuity from the system and his total
25 accumulated deductions were withdrawn, certify to the former
26 State employee the accumulated deductions as they would have
27 been at the time of his separation had he been a full
28 coverage member together with statutory interest for all
29 periods of subsequent State service eligible for membership
30 in the system and school service as a member of the Public

1 School Employees' Retirement System to the date of repayment.
2 Such amount shall be restored by him and shall be credited
3 with statutory interest as such payments are restored.

4 * * *

5 (c.1) Termination of service by a member.--In the case of
6 any member terminating State service who is entitled to an
7 annuity and who is not then a disability annuitant, the board
8 shall advise such member in writing of any benefits from the
9 system to which he may be entitled under the provisions of this
10 part and shall have the member prepare, on or before the date of
11 termination of State service, one of the following three forms,
12 a copy of which shall be given to the member and the original of
13 which shall be filed with the board:

14 (1) an application for the return of total accumulated
15 deductions;

16 (2) an election to vest his retirement rights and, if he
17 is a joint coverage member and so desires, elect to become a
18 full coverage member and agree to pay within 30 days of the
19 date of termination of service the lump sum required; or

20 (3) an application for an immediate annuity and, if he
21 desires:

22 (i) an election to convert his medical, major
23 medical and hospitalization insurance coverage to the
24 plan for State annuitants; and

25 (ii) if he is a joint coverage member, an election
26 to become a full coverage member and an agreement to pay
27 within 30 days of date of termination of service the lump
28 sum required.

29 (c.2) Termination of service by a participant.--In the case
30 of any participant terminating State service, the board shall

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

11 * * *

12 (e.2) Notification to inactive participants approaching
13 required beginning date.--The board shall notify each inactive
14 participant who has terminated State service and had not
15 commenced distribution by 90 days before the participant's
16 required beginning date in writing that the participant has an
17 obligation to commence distributions by his required beginning
18 date in a form and manner required by IRC § 401(a)(9) and other
19 applicable provisions of the IRC.

20 * * *

21 (f.1) Initial payment to a participant.--The board shall
22 make the initial payment to a participant who has applied for a
23 distribution within 60 days of the filing of his application.

24 (g) Death benefits.--

25 (1) Upon receipt of notification from the head of a
26 department of the death of an active member, a member
27 performing USERRA leave [or], a member on leave without pay,
28 an active participant, an inactive participant on leave
29 without pay or a former participant performing USERRA leave,
30 the board shall advise the designated beneficiary of the

1 benefits to which he is entitled, and shall make the first
2 payment to the beneficiary within 60 days of receipt of
3 certification of death and other necessary data.

4 (2) If no beneficiary designation is in effect at the
5 date of the member's death or no notice has been filed with
6 the board to pay the amount of the benefits to the member's
7 estate, the board is authorized to pay the benefits to the
8 executor, administrator, surviving spouse or next of kin of
9 the deceased member, and payment pursuant hereto shall fully
10 discharge the fund from any further liability to make payment
11 of such benefits to any other person.

12 (3) If no beneficiary designation is in effect at the
13 date of a participant's death or no notice has been filed
14 with the board to pay the amount of the benefits to the
15 participant's estate, the board is authorized to pay the
16 benefits to the surviving spouse, executor, administrator or
17 next of kin of the deceased participant and payment pursuant
18 hereto shall fully discharge the fund from any further
19 liability to make payment of such benefits to any other
20 person.

21 * * *

22 Section 336. Sections 5906(a) introductory paragraph and
23 (3), (b), (d), (e), (g), (h), (i) and (l) of Title 71 are
24 amended and the section is amended by adding subsections to
25 read:

26 § 5906. Duties of heads of departments.

27 (a) Status of members and participants.--The head of
28 department shall, at the end of each pay period, notify the
29 board in a manner prescribed by the board of salary changes
30 effective during that period for any members and participants of

1 the department, the date of all removals from the payroll, and
2 the type of leave of any members and participants of the
3 department who have been removed from the payroll for any time
4 during that period, and:

5 * * *

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

10 (i) in the case of death of the member or
11 participant the head of the department shall so notify
12 the board;

13 (ii) in the case of a service connected disability
14 of a member the head of department shall, to the best of
15 his ability, investigate the circumstances surrounding
16 the disablement of the member and submit in writing to
17 the board information which shall include but not
18 necessarily be limited to the following: date, place and
19 time of disablement to the extent ascertainable; nature
20 of duties being performed at such time; and whether or
21 not the duties being performed were authorized and
22 included among the member's regular duties. In addition,
23 the head of department shall furnish in writing to the
24 board all such other information as may be related to the
25 member's disablement;

26 (iii) in the case of a member terminating from The
27 Pennsylvania State University who is a member of the
28 system with five or more but less than ten eligibility
29 points and who has terminated State service on June 30,
30 1997, because of the transfer of his job position or

1 duties to a controlled organization of the Penn State
2 Geisinger Health System or because of the elimination of
3 his job position or duties due to the transfer of other
4 job positions or duties to a controlled organization of
5 the Penn State Geisinger Health System, the head of the
6 department shall so certify to the board.

7 (b) Records and information.--At any time at the request of
8 the board and at termination of service of a member or a
9 participant, the head of department shall furnish service and
10 compensation records and such other information as the board may
11 require and shall maintain and preserve such records as the
12 board may direct for the expeditious discharge of its duties.

13 * * *

14 (c.1) Participant and employer defined contributions.--The
15 head of the department shall:

16 (1) Cause the mandatory pickup participant contributions
17 on behalf of a participant to be made.

18 (2) Cause the employer defined contributions on behalf
19 of a participant to be made.

20 (3) Notify the board at times and in a manner prescribed
21 by the board of the compensation of any participant to whom
22 the limitation under IRC § 401(a)(17) either applies or is
23 expected to apply and cause such participant's contributions
24 to be deducted from payroll to cease at the limitation under
25 IRC § 401(a)(17) on the payroll date if and when such limit
26 shall be reached.

27 (4) Certify to the State Treasurer the amounts picked up
28 and deducted and the employer defined contributions being
29 made and send the total amount picked up, deducted and
30 contributed together with a duplicate of such voucher to the

1 secretary of the board every pay period or on such schedule
2 as established by the board.

3 (d) New employees subject to mandatory membership or
4 participation.--Upon the assumption of duties of each new State
5 employee whose membership in the system or plan is mandatory,
6 the head of department shall cause an application for membership
7 or participation and a nomination of beneficiary to be made by
8 such employee and filed with the board and shall make pickup
9 contributions or mandatory pickup participant contributions from
10 the effective date of State employment.

11 (e) New employees subject to optional membership or
12 participation.--The head of department shall, upon the
13 employment or entering into office of any State employee whose
14 membership in the system or participation in the plan is not
15 mandatory, inform such employee of his opportunity to become a
16 member of the system or participant in the plan. If such
17 employee so elects, the head of department shall cause an
18 application for membership and a nomination of beneficiary to be
19 made by him and filed with the board and shall cause proper
20 contributions to be made from the effective date of membership
21 or participation.

22 * * *

23 (g) Former school employee contributors.--The head of
24 department shall, upon the employment of a former contributor to
25 the Public School Employees' Retirement System who is not an
26 annuitant of the Public School Employees' Retirement System,
27 advise such employee of his right to elect within 365 days of
28 entry into the system to become a multiple service member, and
29 in the case of any such employee who so elects and has withdrawn
30 his accumulated deductions, require him to reinstate his credit

1 in the Public School Employees' Retirement System. The head of
2 the department shall advise the board of such election. This
3 subsection shall not apply to a State employee who is employed
4 in a position where he is or may be a participant in the plan.

5 (h) Former school employee annuitants.--The head of
6 department shall, upon the employment of an annuitant of the
7 Public School Employees' Retirement System who applies for
8 membership in the system, advise such employee that he may elect
9 multiple service membership within 365 days of entry into the
10 system and if he so elects his public school employee's annuity
11 will be discontinued effective upon the date of his return to
12 State service and, upon termination of State service and
13 application for an annuity, the annuity will be adjusted in
14 accordance with section 5706 (relating to termination of
15 annuities). The head of department shall advise the board of
16 such election. This subsection shall not apply to a State
17 employee who is employed in a position where he is or may be a
18 participant in the plan.

19 (i) Annual statement to members.--Annually, upon receipt
20 from the board, the head of department shall furnish to each
21 member the statement specified in section 5903(b) (relating to
22 duties of the board to advise and report to heads of departments
23 [and], members and participants).

24 * * *

25 (l) State employees performing USERRA or military-related
26 leave of absence.--The head of department shall report to the
27 board any State employee who ceases to be an active member or
28 active participant to perform USERRA service, or who is granted
29 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
30 of absence for certain government employees) or a military leave

1 of absence under 51 Pa.C.S. § 7302 (relating to granting
2 military leaves of absence), the date on which the USERRA
3 service, leave of absence or military leave of absence began,
4 the date on which the State employee is reemployed from USERRA
5 leave or returns after the leave of absence or military leave of
6 absence, if the event occurs, and any other information the
7 board may require or direct.

8 * * *

9 (n) Obligation of educational institutions to report
10 participation and compensation of employees in independent
11 retirement programs.--The Pennsylvania State University, the
12 State System of Higher Education, State-owned educational
13 institutions and community colleges shall report to the board
14 the compensation and other information as the board may request
15 for the application and administration of sections 5507.1
16 (relating to contributions to system by the Commonwealth and
17 other employers starting July 1, 2018) and 5508.1(c) and (d)
18 (relating to actuarial cost method for fiscal years beginning
19 July 1, 2018, or later) of employees who are participants or
20 members in the Public School Employees' Retirement System or
21 independent retirement programs approved by the employer.

22 Section 337. Section 5907 heading, (a), (e), (f) and (h) of
23 Title 71, amended December 28, 2015 (P.L.529, No.93), are
24 amended and the section is amended by adding subsections to
25 read:

26 § 5907. Rights and duties of State employees [and], members and
27 participants.

28 (a) Information on new employees.--Upon his assumption of
29 duties each new State employee shall furnish the head of
30 department with a complete record of his previous State service,

1 his school service or creditable nonstate service, and proof of
2 his date of birth and current status in the system and the plan
3 and in the Public School Employees' Retirement System. Willful
4 failure to provide the information required by this subsection
5 to the extent available upon entrance into the system shall
6 result in the forfeiture of the right of the member to
7 subsequently assert any right to benefits based on any of the
8 required information which he failed to provide. In any case in
9 which the board finds that a member is receiving an annuity
10 based on false information, the total amount received predicated
11 on such false information together with statutory interest
12 doubled and compounded shall be deducted from the present value
13 of any remaining benefits to which the member is legally
14 entitled.

15 * * *

16 (b.1) Application for participation.--On or after January 1,
17 2018, in the case of a new employee who is not currently a
18 participant in the plan and whose participation is mandatory or
19 in the case of a new employee whose participation is not
20 mandatory but is permitted and who desires to become a
21 participant in the plan, the new employee shall execute an
22 application for participation and a nomination of a beneficiary.

23 * * *

24 (d.2) Contributions for USERRA leave.--Any active
25 participant or inactive participant on leave without pay or
26 former participant who was reemployed from USERRA leave who
27 desires to make mandatory pickup participant contributions for
28 his USERRA leave shall so notify the board within the time
29 period required under 38 U.S.C. Ch. 43 (relating to employment
30 and reemployment rights of members of the uniformed services)

1 and IRC § 414(u) of his desire to make such contributions. Upon
2 making the permitted mandatory pickup participant contributions
3 within the allowed time period, the head of the department shall
4 make the corresponding employer defined contributions at the
5 same time.

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

13 (e) Beneficiary for death benefits from the system.--Every
14 member shall nominate a beneficiary by written designation filed
15 with the board as provided in section 5906(d) or (e) (relating
16 to duties of heads of departments) to receive the death benefit
17 payable under section 5707 (relating to death benefits) or the
18 benefit payable under the provisions of Option 1 of section
19 5705(a) (1) (relating to member's options). Such nomination may
20 be changed at any time by the member by written designation
21 filed with the board. A member may also nominate a contingent
22 beneficiary or beneficiaries to receive the death benefit
23 provided under section 5707 or the benefit payable under the
24 provisions of Option 1 of section 5705(a) (1).

25 (e.1) Beneficiary for death benefits from the plan.--Every
26 participant shall nominate a beneficiary by written designation
27 filed with the board as provided in section 5906(d) or (e) to
28 receive the death benefit payable under section 5408 (relating
29 to death benefits). A participant may also nominate a contingent
30 beneficiary or beneficiaries to receive the death benefit

1 provided under section 5408. Such nomination may be changed at
2 any time by the participant by written designation filed with
3 the board.

4 (e.2) Beneficiary for combined service employee.--A combined
5 service employee may designate or nominate different persons to
6 be beneficiaries, survivor annuitants and successor payees for
7 the employee's benefits from the system and the plan.

8 (f) Termination of service by members.--Each member who
9 terminates State service and who is not then a disability
10 annuitant shall execute on or before the date of termination of
11 service the appropriate application, duly attested by the member
12 or his 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 (g.1) Deferral of retirement rights.--If a participant
28 terminates State service and does not commence receiving a
29 distribution, he shall nominate a beneficiary, and he may
30 anytime thereafter, but no later than his required beginning

1 date, withdraw the vested accumulated total defined
2 contributions standing to his credit or apply for another form
3 of distribution required by law or authorized by the board.

4 (h) Vestees and special vestees attaining superannuation
5 age.--

6 (1) Upon attainment of superannuation age a vestee or
7 special vestee shall execute and file an application for an
8 annuity. Any such application filed within 90 days after
9 attaining superannuation age shall be effective as of the
10 date of attainment of superannuation age. Any application
11 filed after such period shall be effective as of the date it
12 is filed with the board, subject to the provisions of section
13 5905(f) (relating to duties of the board regarding
14 applications and elections of members and participants).

15 (2) If a vestee or special vestee does not file an
16 application within seven years after attaining superannuation
17 age, he shall be deemed to have elected to receive his total
18 accumulated deductions upon attainment of superannuation age.

19 * * *

20 Section 338. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,
21 5938, 5939 and 5951 of Title 71 are amended to read:

22 § 5931. Management of fund and accounts.

23 * * *

24 (b) Crediting of interest.--The board, annually, shall allow
25 the required interest on the mean amount for the preceding year
26 to the credit of each of the accounts other than the individual
27 investment accounts. The amount so allowed shall be credited
28 thereto by the board and transferred from the interest reserve
29 account.

30 * * *

1 § 5932. State Employees' Retirement Fund.

2 The fund shall consist of all balances in the several
3 separate accounts set apart to be used under the direction of
4 the board for the benefit of members of the system; and the
5 Treasury Department shall credit to the fund all moneys received
6 from the Department of Revenue arising from the contributions
7 relating to or on behalf of members of the system required under
8 the provisions of Chapter 55 (relating to contributions), and
9 any income earned by the investments or moneys of said fund.

10 There shall be established and maintained by the board the
11 several ledger accounts specified in sections 5933 (relating to
12 members' savings account), 5934 (relating to State accumulation
13 account), 5935 (relating to annuity reserve account), 5936
14 (relating to State Police benefit account), 5937 (relating to
15 enforcement officers' benefit account), 5938 (relating to
16 supplemental annuity account) and 5939 (relating to interest
17 reserve account). The individual investment accounts that are
18 part of the trust shall not be part of the fund. Mandatory
19 pickup participant contributions, voluntary contributions and
20 employer defined contributions made under this part and any
21 income earned by the investment of such contributions shall not
22 be paid or credited to the fund but shall be paid to the trust
23 and credited to the individual investment accounts.

24 § 5934. State accumulation account.

25 The State accumulation account shall be the ledger account to
26 which shall be credited all contributions of the Commonwealth or
27 other employers whose employees are members of the system and
28 made in accordance with the provisions of [section 5507(a) or
29 (d) (relating to contributions by the Commonwealth and other
30 employers)] sections 5507(a) or (d) (relating to contributions

1 to system by the Commonwealth and other employers before July 1,
2 2018) and 5507.1 (relating to contributions to system by the
3 Commonwealth and other employers starting July 1, 2018) except
4 that the amounts received under the provisions of the act of May
5 12, 1943 (P.L.259, No.120), and the amounts received under the
6 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,
7 No.21), shall be credited to the State Police benefit account or
8 the enforcement officers' benefit account as the case may be.
9 All amounts transferred to the fund by county retirement systems
10 or pension plans in accordance with the provisions of section
11 5507(c) also shall be credited to the State accumulation
12 account. All amounts transferred to the fund by the Public
13 School Employees' Retirement System in accordance with section
14 5303.2(e) (relating to election to convert school service to
15 State service), except amounts credited to the members' savings
16 account, and all amounts paid by the Department of Corrections
17 in accordance with section 5303.2(f) also shall be credited to
18 the State accumulation account. The State accumulation account
19 shall be credited with valuation interest. The reserves
20 necessary for the payment of annuities and death benefits
21 resulting from membership in the system as approved by the board
22 and as provided in Chapter 57 (relating to benefits) shall be
23 transferred from the State accumulation account to the annuity
24 reserve account provided for in section 5935 (relating to
25 annuity reserve account), except that the reserves necessary on
26 account of a member who is an officer of the Pennsylvania State
27 Police or an enforcement officer shall be transferred from the
28 State accumulation account to the State Police benefit account
29 provided for in section 5936 (relating to State Police benefit
30 account) or to the enforcement officers' benefit account as

1 provided for in section 5937 (relating to enforcement officers'
2 benefit account) as the case may be. The reserves necessary for
3 the payment of supplemental annuities in excess of those
4 reserves credited to the supplemental annuity account on June
5 30, 2010, shall be transferred from the State accumulation
6 account to the supplemental annuity account. In the event that
7 supplemental annuities are increased by legislation enacted
8 after December 31, 2009, the necessary reserves shall be
9 transferred from the State accumulation account to the
10 supplemental annuity account.

11 § 5935. Annuity reserve account.

12 (a) Credits and charges to account.--The annuity reserve
13 account shall be the ledger account to which shall be credited
14 the reserves held for payment of annuities and death benefits on
15 account of all annuitants except in the case of members who are
16 officers of the Pennsylvania State Police or enforcement
17 officers. The annuity reserve account shall be credited with
18 valuation interest. After the transfers provided in sections
19 5933 (relating to members' savings account), 5934 (relating to
20 State accumulation account) and 5938 (relating to supplemental
21 annuity account), all annuity and death benefit payments
22 resulting from membership in the system except those payable to
23 any member who retires as an officer of the Pennsylvania State
24 Police or an enforcement officer shall be charged to the annuity
25 reserve account and paid from the fund.

26 (b) Transfers from account.--Should an annuitant other than
27 a member who was retired as an officer of the Pennsylvania State
28 Police or an enforcement officer be subsequently restored to
29 active service as a member of the system or as a participant in
30 the plan, the present value of his member's annuity at the time

1 of reentry into State service shall be transferred from the
2 annuity reserve account and placed to his individual credit in
3 the members' savings account. In addition, the actuarial reserve
4 for his annuity less the amount transferred to the members'
5 savings account shall be transferred from the annuity reserve
6 account to the State accumulation account.

7 § 5936. State Police benefit account.

8 (a) Credits and charges to account.--The State Police
9 benefit account shall be the ledger account to which shall be
10 credited all contributions received under the provisions of the
11 act of May 12, 1943 (P.L.259, No.120), and any additional
12 Commonwealth or other employer contributions provided for in
13 [section 5507 (relating to contributions by the Commonwealth and
14 other employers)] sections 5507 (relating to contributions to
15 system by the Commonwealth and other employers before July 1,
16 2018) and 5507.1 (relating to contributions to system by the
17 Commonwealth and other employers starting July 1, 2018) which
18 are creditable to the State Police benefit account. The State
19 Police benefit account shall be credited with the required
20 interest. In addition, upon the filing of an application for an
21 annuity by a member who is an officer of the Pennsylvania State
22 Police, the total accumulated deductions standing to the credit
23 of the member in the members' savings account and the necessary
24 reserves from the State accumulation account shall be
25 transferred to the State Police benefit account. Thereafter, the
26 total annuity of such annuitant shall be charged to the State
27 Police benefit account and paid from the fund.

28 (b) Transfers from account.--Should the said annuitant be
29 subsequently restored to active service as a member of the
30 system or as a participant in the plan, the present value of the

1 member's annuity at the time of reentry into State service shall
2 be transferred from the State Police benefit account and placed
3 to his individual credit in the members' savings account. In
4 addition, the actuarial reserve for his annuity calculated as if
5 he had been a member of Class A if he has Class A or Class C
6 service credited; as if he had been a member of Class A-3 if the
7 annuitant has Class A-3 State service credited; or as if he had
8 been a member of Class A-4 if the annuitant has Class A-4
9 service credited, less the amount transferred to the members'
10 savings account shall be transferred from the State Police
11 benefit account to the State accumulation account. Upon
12 subsequent retirement other than as an officer of the
13 Pennsylvania State Police the actuarial reserve remaining in the
14 State Police benefit account shall be transferred to the
15 appropriate reserve account.

16 § 5937. Enforcement officers' benefit account.

17 (a) Credits and charges to account.--The enforcement
18 officers' benefit account shall be the ledger account to which
19 shall be credited moneys transferred from the enforcement
20 officers' retirement account in the State Stores Fund according
21 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
22 known as the Liquor Code, and any additional Commonwealth or
23 other employer contributions provided for in [section 5507
24 (relating to contributions by the Commonwealth and other
25 employers)] sections 5507 (relating to contributions to system
26 by the Commonwealth and other employers before July 1, 2018) and
27 5507.1 (relating to contributions to system by the Commonwealth
28 and other employers starting July 1, 2018) which are creditable
29 to the enforcement officers' benefit account. The enforcement
30 officers' benefit account shall be credited with the required

1 interest. In addition, upon the filing of an application for an
2 annuity by a member who is an enforcement officer of the
3 Pennsylvania Liquor Control Board, the total accumulated
4 deductions standing to the credit of the member in the members'
5 savings account and the necessary reserves from the State
6 accumulation account shall be transferred to the enforcement
7 officers' benefit account. Thereafter, the total annuity of such
8 annuitant shall be charged to the enforcement officers' benefit
9 account and paid from the fund.

10 (b) Transfers from account.--Should the said annuitant be
11 subsequently restored to active service as a member of the
12 system or as a participant in the plan, the present value of the
13 member's annuity at the time of reentry into State service shall
14 be transferred from the enforcement officers' benefit account
15 and placed to his individual credit in the members' savings
16 account. In addition, the actuarial reserve for his annuity
17 calculated as if he had been a member of Class A if the
18 annuitant does not have any Class AA, Class A-3 or Class A-4
19 service credited; as if he had been a member of Class AA if the
20 annuitant does have Class AA service credited; as if he had been
21 a member of Class A-3 if the annuitant has Class A-3 State
22 service credited; or as if he had been a member of Class A-4 if
23 the annuitant has Class A-4 service credited, less the amount
24 transferred to the members' savings account shall be transferred
25 from the enforcement officers' benefit account to the State
26 accumulation account. Upon subsequent retirement other than as
27 an enforcement officer the actuarial reserve remaining in the
28 enforcement officers' benefit account shall be transferred to
29 the appropriate reserve account.

30 § 5938. Supplemental annuity account.

1 The supplemental annuity account shall be the ledger account
2 to which shall be credited all contributions from the
3 Commonwealth and other employers in accordance with section
4 5507(b) [(relating to contributions by the Commonwealth and
5 other employers)] (relating to contributions to system by the
6 Commonwealth and other employers before July 1, 2018) for the
7 payment of the supplemental annuities provided in sections 5708
8 (relating to supplemental annuities), 5708.1 (relating to
9 additional supplemental annuities), 5708.2 (relating to further
10 additional supplemental annuities), 5708.3 (relating to
11 supplemental annuities commencing 1994), 5708.4 (relating to
12 special supplemental postretirement adjustment), 5708.5
13 (relating to supplemental annuities commencing 1998), 5708.6
14 (relating to supplemental annuities commencing 2002), 5708.7
15 (relating to supplemental annuities commencing 2003) and 5708.8
16 (relating to special supplemental postretirement adjustment of
17 2002) made before July 1, 2010, the amount transferred from the
18 State accumulation account to provide all additional reserves
19 necessary as of June 30, 2010, to pay such supplemental
20 annuities and adjustments, and the amounts transferred from the
21 State accumulation account to provide all additional reserves
22 necessary as a result of supplemental annuities enacted after
23 December 31, 2009. The supplemental annuity account shall be
24 credited with valuation interest. The reserves necessary for the
25 payment of such supplemental annuities shall be transferred from
26 the supplemental annuity account to the annuity reserve account
27 as provided in section 5935 (relating to annuity reserve
28 account).

29 § 5939. Interest reserve account.

30 The interest reserve account shall be the ledger account to

1 which shall be credited all income earned by the fund and to
2 which shall be charged all administrative and investment
3 expenses incurred by the fund. At the end of each year the
4 required interest shall be transferred from the interest reserve
5 account to the credit of each of the accounts of the fund in
6 accordance with the provisions of this subchapter. In addition,
7 at the end of each accounting period, the interest reserve
8 account shall be credited or charged with all recognized changes
9 in the market valuation of the investments of the fund. The
10 administrative and investment expenses of the board relating to
11 the administration of the system and investments of the fund
12 shall be paid from the fund out of earnings. Any surplus or
13 deficit in the interest reserve account at the end of each year
14 shall be transferred to the State accumulation account.

15 § 5951. State guarantee regarding the State Employees'
16 Retirement System.

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

27 Section 339. Section 5953 of Title 71, amended December 28,
28 2015 (P.L.529, No.93), is amended to read:

29 § 5953. Taxation, attachment and assignment of funds.

30 (a) General rule.--

1 (1) Except as provided in paragraphs (2), (3) [and], (4)
2 and (5), the right of a person to any benefit or right
3 accrued or accruing under the provisions of this part and the
4 moneys in the fund and the trust are hereby exempt from any
5 State or municipal tax, levy and sale, garnishment,
6 attachment, spouse's election, the provisions of Article
7 XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known
8 as The Fiscal Code, or any other process whatsoever, and no
9 participant or beneficiary, successor payee or alternate
10 payee of a participant shall have the ability to commute,
11 sell, assign, alienate, anticipate, mortgage, pledge,
12 hypothecate, commutate or otherwise transfer or convey any
13 benefit or interest in an individual investment account or
14 rights to receive or direct distributions under this part or
15 under agreements entered into under this part except as
16 otherwise provided in this part and in the case of either a
17 member or a participant except for a set-off by the
18 Commonwealth in the case provided in this paragraph, and
19 shall be unassignable except to the Commonwealth in the case
20 of a member or participant who is terminating State service
21 and has been determined to be obligated to the Commonwealth
22 for the repayment of money owed on account of his employment.

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 Act,
26 and by or pursuant to section 16(b) of Article V of the
27 Constitution of Pennsylvania. Forfeitures under this
28 subsection or under any other provision of law may not be
29 applied to increase the benefits that any member would
30 otherwise receive under this part. Notwithstanding this

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

20 (3) Rights under this part shall be subject to
21 attachment in favor of an alternate payee as set forth in an
22 approved domestic relations order.

23 (4) Effective with distributions made on or after
24 January 1, 1993, and notwithstanding any other provision of
25 this part to the contrary, a distributee may elect, at the
26 time and in the manner prescribed by the board, to have any
27 portion of an eligible rollover distribution paid directly to
28 an eligible retirement plan by way of a direct rollover. For
29 purposes of this paragraph, a "distributee" includes a member
30 [and], a participant, a member's surviving spouse [and], a

1 participant's surviving spouse, a member's former spouse who
2 is an alternate payee under an approved domestic relations
3 order, a participant's former spouse who is an alternate
4 payee under an approved domestic relations order and anyone
5 else authorized under the IRC and the plan terms approved by
6 the board to have an eligible rollover distribution paid
7 directly to an eligible retirement plan by way of a direct
8 rollover. For purposes of this paragraph, the term "eligible
9 rollover distribution" has the meaning given such term by IRC
10 § 402(f)(2)(A), and "eligible retirement plan" has the
11 meaning given such term by IRC § 402(c)(8)(B), except that a
12 qualified trust shall be considered an eligible retirement
13 plan only if it accepts the distributee's eligible rollover
14 distribution; however, in the case of an eligible rollover
15 distribution to a surviving spouse, an eligible retirement
16 plan is an "individual retirement account" or an "individual
17 retirement annuity" as those terms are defined in IRC §
18 408(a) and (b).

19 (b) Authorized payments from fund.--The board shall be
20 authorized to pay from the fund [in]:

21 (1) In the case of a member or participant who is
22 terminating service, the amount determined after
23 certification by the head of the department that the member
24 or participant is so obligated, and after review and approval
25 by the department or agency's legal representative or upon
26 receipt of an assignment from the member or participant in
27 the amount so certified[.], except that no payment shall be
28 made from the individual investment account of a participant
29 until the participant otherwise applies for and receives a
30 distribution and shall not exceed the amount of the

1 distribution.

2 (2) (Reserved).

3 (3) In the case of a participant whose former spouse is
4 an alternate payee of an equitable distribution of marital
5 assets under an approved domestic relations order, a lump sum
6 of the alternate payee's interest in the participant's
7 accumulated total defined contributions. This paragraph
8 applies without regard to whether the participant has not
9 terminated, is terminating or has terminated State service.

10 Section 340. Section 5953.1(a) introductory paragraph and
11 (1), (b), (c) and (d) of Title 71 are amended and the section is
12 amended by adding a subsection to read:

13 § 5953.1. Approval of domestic relations orders.

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

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

22 * * *

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

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

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

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

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

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

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

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

1 plan.

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

4 (9) Requires the participant to execute an authorization
5 allowing each alternate payee to monitor the participant's
6 compliance with the terms of the domestic relations order
7 through access to information concerning the participant
8 maintained by the plan. Any authorization granted pursuant to
9 this section shall be construed only as an authorization for
10 the alternate payee to receive information concerning the
11 participant which relates to the administration, calculation
12 and payment of the alternate payee's share of the
13 participant's account and not as an authorization to exercise
14 the rights afforded to participants or obtain information
15 which is not related to the administration, calculation and
16 payment of alternate payee's share of the participant's
17 individual investment account.

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

30 (11) In the case of a participant who is currently

1 receiving distributions from the trust as of the date the
2 domestic relations order is approved by the secretary of the
3 board or his designated representative, the domestic
4 relations order may not order the board to pay the alternate
5 payee more than the balance available in the participant's
6 individual investment account as of the date the order is
7 approved or require that distributions continue to the
8 alternate payee after the death of the participant and final
9 settlement of the participant's individual investment
10 account.

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

25 (c) Other orders.--The requirements for approval identified
26 in [subsection (a)] subsections (a) and (a.1) shall not apply to
27 any domestic relations order which is an order [for] of support
28 as the term is defined at 23 Pa.C.S. § 4302 (relating to
29 definitions) or an order for the enforcement of arrearages as
30 provided in 23 Pa.C.S. § 3703 (relating to enforcement of

1 arrearages). These orders shall be approved to the extent that
2 they do not attach moneys in excess of the limits on attachments
3 as established by the laws of the United States and this
4 Commonwealth[.], require distributions of benefits in a manner
5 which would violate the laws of the United States, any other
6 state or this Commonwealth or require the distribution of funds
7 for support or enforcement of arrearages against any participant
8 who is not receiving distributions from the plan at the time
9 such order is entered.

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

19 Section 341. Sections 5953.2, 5953.3 and 5953.4(a) of Title
20 71 are amended to read:

21 § 5953.2. Irrevocable beneficiary.

22 Notwithstanding any other provision of this part, a domestic
23 relations order may provide for an irrevocable beneficiary. A
24 domestic relations order requiring the nomination of an
25 irrevocable beneficiary shall be deemed to be one that requires
26 a member or participant to nominate an alternate payee as a
27 beneficiary and that prohibits the removal or change of that
28 beneficiary without approval of a court of competent
29 jurisdiction, except by operation of law. Such a domestic
30 relations order may be certified as an approved domestic

1 relations order by the secretary of the board, or his designated
2 representative, after the member or participant makes such
3 nomination, in which case the irrevocable beneficiary so ordered
4 by the court cannot be changed by the member or participant
5 without approval by the court.

6 § 5953.3. Irrevocable survivor annuitant.

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

22 § 5953.4. Amendment of approved domestic relations orders.

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

29 * * *

30 Section 342. Title 71 is amended by adding a section to

1 read:

2 § 5953.6. Irrevocable successor payee.

3 Notwithstanding any other provisions of this part, a domestic
4 relations order pertaining to a participant may provide for an
5 irrevocable successor payee only if the participant is receiving
6 a payment pursuant to a payment option provided by the board
7 that allows for a successor payee. A domestic relations order
8 requiring the designation of an irrevocable successor payee
9 shall be deemed to be one that requires a participant who is
10 receiving payments from an annuity or other distribution option
11 to designate an alternate payee as a successor payee and that
12 prohibits the removal or change of that successor payee without
13 approval of a court of competent jurisdiction, except by
14 operation of law. Such a domestic relations order may be
15 certified as an approved domestic relations order by the
16 secretary of the board or his designated representative, in
17 which case the irrevocable successor payee so ordered by the
18 court shall not be changed by the participant without approval
19 by the court. A person ineligible to be designated as a
20 successor payee shall not be designated as an irrevocable
21 successor payee. A court shall not name an irrevocable successor
22 payee if the alternate payee is eligible to receive a lump sum
23 distribution of the alternate payee's portion of the marital
24 portion of the pension benefit.

25 Section 343. Sections 5954 and 5955 of Title 71 are amended
26 to read:

27 § 5954. Fraud and adjustment of errors.

28 (a) Penalty for fraud.--Any person who shall knowingly make
29 any false statement or shall falsify or permit to be falsified
30 any record or records of this system or plan in any attempt to

1 defraud the system or plan as a result of such act shall be
2 guilty of a misdemeanor of the second degree.

3 (b) Adjustment of errors.--Should any change or mistake in
4 records result in any member, participant, beneficiary [or],
5 survivor annuitant or successor payee receiving from the system
6 or plan more or less than he would have been entitled to receive
7 had the records been correct, then regardless of the intentional
8 or unintentional nature of the error and upon the discovery of
9 such error, the board shall correct the error and if the error
10 affected contributions to or payments from the system, then so
11 far as practicable shall adjust the payments which may be made
12 for and to such person in such a manner that the actuarial
13 equivalent of the benefit to which he was correctly entitled
14 shall be paid. If the error affected contributions to or
15 payments from the plan, then the board shall take such action as
16 shall be provided for in the plan document.

17 § 5955. Construction of part.

18 (a) Exclusive source of rights and benefits.--Regardless of
19 any other provision of law, pension and benefit rights of State
20 employees shall be determined solely by this part or any
21 amendment thereto, and no collective bargaining agreement nor
22 any arbitration award between the Commonwealth and [its] other
23 employers and their employees or their collective bargaining
24 representatives shall be construed to change any of the
25 provisions herein, to require the board to administer pension or
26 retirement benefits not set forth in this part or not
27 established by the board in the plan document, to require the
28 board to modify, amend or change any of the terms and provisions
29 of the plan document, or otherwise require action by any other
30 government body pertaining to pension or retirement benefits or

1 rights of State employees. Notwithstanding the foregoing, any
2 pension or retirement benefits or rights previously so
3 established by or as a result of an arbitration award shall
4 remain in effect after the expiration of the current collective
5 bargaining agreement between the State employees so affected and
6 the Commonwealth until the expiration of each of the collective
7 bargaining agreements in effect on January 1, 2011, at which
8 time the classes of membership and resulting member contribution
9 rates and contributions for creditable nonstate service,
10 eligibility for vesting, withdrawal and superannuation
11 annuities, optional modification of annuities and other terms
12 and conditions related to class of membership shall be as
13 determined by this part for employees covered by those and
14 successor collective bargaining agreements. For purposes of
15 administering this part, for those State employees who are
16 members of each such collective bargaining unit, the date
17 January 1, 2011, contained in this part, except in this section,
18 shall be replaced with the date of the day immediately following
19 the expiration of each such collective bargaining agreement. The
20 provisions of this part insofar as they are the same as those of
21 existing law are intended as a continuation of such laws and not
22 as new enactments. The provisions of this part shall not affect
23 any act done, liability incurred, right accrued or vested, or
24 any suit or prosecution pending or to be instituted to enforce
25 any right or penalty or to punish any offense under the
26 authority of any repealed laws.

27 (b) Officer or member of the Pennsylvania State Police.--

28 (1) Notwithstanding a provision of subsection (a) or
29 section 12.1 of the act of November 23, 2010 (P.L.1269,
30 No.120) regarding the continued effectiveness of pension or

1 retirement benefits or rights previously established by or as
2 a result of a binding arbitration award issued before July 1,
3 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
4 referred to as the Policemen and Firemen Collective
5 Bargaining Act, and implemented by the board, the pension or
6 retirement benefits or rights of a State employee who on
7 January 1, 2018, is a current or former sworn police officer,
8 shall be as provided in this part as if the binding
9 arbitration award was not issued, except as provided under
10 this subsection.

11 (2) A State employee who:

12 (i) is a current or former sworn police officer or
13 becomes a sworn police officer after the effective date
14 of this subsection; and

15 (ii) terminates State service:

16 (A) before January 1, 2018; or

17 (B) on or after January 1, 2018, and does not
18 have service credited in Class A-5 shall be eligible
19 to receive the maximum single life annuity, before
20 optional modification under section 5705 (relating to
21 member's options) that the State employee would have
22 been eligible to receive if this subsection had not
23 been enacted.

24 (3) A State employee who:

25 (i) is a current or former sworn police officer or
26 becomes a sworn police officer after the effective date
27 of this subsection;

28 (ii) has service as a plan participant; and

29 (iii) terminates State service on or after January
30 1, 2018, shall be eligible to receive a maximum single

1 life annuity before optional modification under section
2 5705 equal to the maximum single life annuity that the
3 State employee would have been eligible to receive
4 without regard to any eligibility points, service credit,
5 compensation or contributions attributable to service as
6 a plan participant.

7 (4) Any benefit resulting from participation in the plan
8 shall be in addition to any benefit a sworn police officer
9 may be eligible to receive as a plan participant.

10 ARTICLE IV

11 TRANSITIONAL PROVISIONS

12 Section 401. The following apply:

13 (1) Nothing in this act which amends or supplements
14 provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV in
15 relation to requirements:

16 (i) for qualification of the State Employees'
17 Defined Contribution Plan as a qualified pension plan
18 under the Internal Revenue Code of 1986 (Public Law 99-
19 514, 26 U.S.C. § 1 et seq.) or compliance with 38 U.S.C.
20 Ch. 43 (relating to employment and reemployment rights of
21 members of the uniformed services);

22 (ii) for contributions to, participation in or
23 benefits from the State Employees' Defined Contribution
24 Plan or State Employees' Defined Contribution Trust; or

25 (iii) for domestic relations orders regarding
26 alternate payees of participants in the State Employees'
27 Defined Contribution Plan;

28 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as
29 so amended or supplemented, or any rules or regulations
30 adopted under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term

1 or provision of the State Employees' Defined Contribution
2 Plan or State Employees' Defined Contribution Trust, whether
3 established by statute or in the plan document or trust
4 declaration, shall create in any member of the State
5 Employees' Retirement System or participant in the State
6 Employees' Defined Contribution Plan or in any other person
7 claiming an interest in the account of any such member or
8 participant a contractual right, either express or implied,
9 in such provisions nor in any construction of 51 Pa.C.S. §
10 7306 or 71 Pa.C.S. Pt. XXV, as so amended or supplemented, or
11 any rules or regulations adopted under 51 Pa.C.S. or 71
12 Pa.C.S. Pt. XXV.

13 (2) The provisions of 71 Pa.C.S. Pt. XXV shall remain
14 subject to the Internal Revenue Code of 1986 and 38 U.S.C.
15 Ch. 43 and regulations thereunder, and the General Assembly
16 reserves to itself such further exercise of its legislative
17 power to amend or supplement such provisions as may from time
18 to time be required in order to maintain the qualification of
19 such system as a qualified pension plan under section 401(a)
20 and other applicable provisions of the Internal Revenue Code
21 of 1986 and 38 U.S.C. Ch. 43.

22 Section 402. References in this act to the Internal Revenue
23 Code of 1986 or 38 U.S.C. Ch. 43, or administrative regulations
24 promulgated thereunder, are intended to include such laws and
25 regulations in effect on the effective date of this act and as
26 they may hereafter be amended or supplemented or supplanted by
27 successor provisions.

28 Section 403. Nothing in this act shall be construed or
29 deemed to imply that, but for the expressed applications of the
30 limitations on benefits or other requirements under section

1 401(a) or other applicable provisions of the Internal Revenue
2 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.), those
3 limitations would not otherwise apply to such participants or to
4 members of the State Employees' Retirement System and the
5 benefits payable under 71 Pa.C.S. Pt. XXV.

6 Section 404. (a) Notwithstanding any provisions of this act
7 to the contrary, no contributions or benefit related to the
8 State Employees' Defined Contribution Plan shall be made or
9 payable to the extent that such contributions or benefits exceed
10 any limitation under section 415 of the Internal Revenue Code of
11 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect
12 with respect to governmental plans as such term is defined in
13 section 414(d) of the Internal Revenue Code of 1986 on the date
14 the contributions or benefit payment becomes effective. Any
15 increase in any limitation under section 415 of the Internal
16 Revenue Code of 1986 shall be applicable to all current and
17 future participants.

18 (b) No future amendment of this act that increases
19 contributions or benefits for active participants, inactive
20 participants or participants receiving distributions shall be
21 deemed by the rules of statutory construction or otherwise to
22 provide for contributions or benefits in excess of any
23 limitation, as adjusted or subsequently increased, provided for
24 under section 415 of the Internal Revenue Code of 1986 unless
25 specifically so provided by legislation. Notwithstanding this
26 section, any future increase in benefits for any participants in
27 the State Employee's Defined Contribution Plan are intended to
28 be applicable to the fullest extent allowed by law and this
29 section authorizes any such increases in limitations or
30 allowable benefits.

1 Section 405. Nothing in this act shall be construed or
2 deemed to imply that any calculation or actuarial method used by
3 the State Employees' Retirement Board, its actuaries or the
4 State Employees' Retirement System was not in accordance with
5 the provisions of the State Employees' Retirement Code or other
6 applicable law prior to the effective date of this section.

7 Section 406. Nothing in this act shall be construed or
8 deemed to imply that any interpretation or application of the
9 provisions of 71 Pa.C.S. Pt. XXV or benefits available to
10 members of the State Employees' Retirement System was not in
11 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other
12 applicable law, including the Internal Revenue Code of 1986
13 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43
14 (relating to employment and reemployment rights of members of
15 the uniformed services), prior to the effective date of this
16 section.

17 Section 407. This act shall be construed and administered in
18 such a manner that the State Employees' Retirement System and
19 the State Employees' Defined Contribution Plan will satisfy the
20 requirements necessary to qualify as a qualified pension plan
21 under section 401(a) and other applicable provisions of the
22 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1
23 et seq.) and 38 U.S.C. Ch. 43 (relating to employment and
24 reemployment rights of members of the uniformed services). The
25 rules, regulations and procedures adopted and promulgated by the
26 State Employees' Retirement Board and the terms and conditions
27 of the plan document and trust declaration adopted by the State
28 Employees' Retirement Board may include those necessary to
29 accomplish the purpose of this section.

30 Section 408. The following apply:

1 (1) If the application of any provision of this act to
2 any person is held invalid, the invalidity shall not affect
3 the application of this act to any other person, but the
4 entire act shall be invalid as to the person to whom part of
5 it was invalid.

6 (2) In the event that a State employee's participation
7 in the State Employees' Defined Contribution Plan is declared
8 invalid, the affected State employee shall return to the
9 State Employees' Defined Contribution Trust any distributions
10 and shall be granted the status and service credit in the
11 State Employees' Retirement System and shall be required to
12 make all contributions to the State Employees' Retirement
13 Fund as if this act had not been enacted. The affected State
14 employee's accumulated mandatory participant contributions
15 and accumulated voluntary contributions shall be transferred
16 to the affected employee's member savings account to the
17 extent necessary to fund that account with the member
18 contributions and interest that would have been standing to
19 the member's account had this act not been enacted. Any
20 remaining balance shall be refunded to the State employee,
21 who shall be responsible for paying to the fund in a manner
22 and time determined by the State Employees' Retirement Board
23 any additional funds required if the accumulated mandatory
24 participant contributions and accumulated voluntary
25 contributions were not sufficient. The accumulated employer
26 defined contributions shall be transferred to the State
27 accumulation account and no further amount shall be due from
28 the employer or refund paid.

29 Section 409. Nothing in this act shall be construed or
30 deemed to imply that the release or making public of any record,

1 material or data described in 71 Pa.C.S. § 5902(e)(2) as not
2 being a public record is a violation of the State Employees'
3 Retirement Board's fiduciary duties.

4 Section 410. (a) Notwithstanding any other provision of
5 law, any change in accrued liability of the State Employees'
6 Retirement System created by this act as a result of changes in
7 benefits shall be funded in equal dollar installments over a
8 period of 20 years beginning July 1, 2017. Any change in accrued
9 liability as a result of the amendment of 71 Pa.C.S. §§ 5507 and
10 5508 or the addition of 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be
11 funded in equal dollar installments over a period of 30 years
12 beginning July 1, 2017. Payments required to fund any changes in
13 accrued liability resulting from the provisions of 71 Pa.C.S.
14 Pt. XXV shall be subject to any limits imposed by this act on
15 employer contributions to the State Employees' Retirement
16 System. For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508, any
17 such changes shall not be considered to be costs added by
18 legislation.

19 (b) For purposes of this section, the provisions of 71
20 Pa.C.S. §§ 5507.1(b)(3) and 5508.1(c)(2) and (d) shall apply.

21 Section 411. This act shall take effect immediately.