

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL**No. 1** Session of
2015

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

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF
REPRESENTATIVES, AS AMENDED, JUNE 27, 2015

AN ACT

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

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

23 ARTICLE I

24 Section 101. (1) It is the intent of the General Assembly

1 to ensure the financial health of the Commonwealth and its
2 school districts by adopting reforms to provide for the
3 sustainability of our public retirement system.

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

13 (3) In order to fully fund State pensions systems,
14 economists estimate that contributions will continue to
15 require a significant portion of state revenues. In fiscal
16 year 2015-2016, pension expenditures are expected to exceed
17 \$4,800,000,000 and \$7,300,000,000 by 2025.

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

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

29 (6) The reforms of the retirement benefits of
30 Commonwealth and school district employees contained in this

1 act are prospective and will not impact benefits earned from
2 services rendered prior to the effective date of this act.

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

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

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

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

22 ARTICLE II

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

25 § 8102. Definitions.

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

29 "Accumulated deductions." The total of pickup contributions
30 [and], eligible roll-ins made under section 8507(1) (relating to

1 rights and duties of school employees, members and
2 participants), the contributions paid into the fund by the
3 member on account of current school service, previous school
4 service, or creditable nonschool service, excess interest
5 awarded under section 8523(d) (relating to members' savings
6 account and cash balance account) on member contributions, and
7 the statutory interest credited on all such contributions.

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

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

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

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

30 "Activated military service." Military service by a member

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

9 "Active member." A school employee for whom pickup
10 contributions are being made to the fund or for whom such
11 contributions otherwise required for current school service are
12 not being made solely by reason of any provision of this part
13 limiting compensation or relating to the limitations under
14 section 401(a) (17) or 415(b) of the Internal Revenue Code of
15 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17) or 415(b)).

16 "Active participant." A school employee for whom mandatory
17 pickup participant contributions are being made to the trust or
18 for whom such contributions otherwise required for current
19 school service are not being made solely by reason of any
20 provision of this part relating to the limitations under section
21 401(a) (17) or 415 of the Internal Revenue Code of 1986 (Public
22 Law 99-514, 26 U.S.C. § 401(a) (17) or 415) or any provision of
23 this part limiting compensation.

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

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

28 (1) a member of the American Academy of Actuaries;

29 (2) an individual who has demonstrated to the

30 satisfaction of the Insurance Commissioner of Pennsylvania

1 that he has the educational background necessary for the
2 practice of actuarial science and has had at least seven
3 years of actuarial experience; or

4 (3) a firm, partnership, or corporation of which at
5 least one member meets the requirements of paragraph (1) or
6 (2).

7 "Alternate payee." Any spouse, former spouse, child or
8 dependent of a member or participant who is recognized by a
9 domestic relations order as having a right to receive all or a
10 portion of the moneys payable to that member or participant
11 under this part.

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

15 "Alternative investment vehicle." A limited partnership,
16 limited liability company or any other legal vehicle for
17 authorized investments under section 8521(i) (relating to
18 management of fund and accounts) through which the system makes
19 an alternative investment.

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

22 "Approved domestic relations order." Any domestic relations
23 order which has been determined to be approved in accordance
24 with section 8533.1 (relating to approval of domestic relations
25 orders).

26 "Approved leave of absence." [A] As applied to all classes
27 of membership except Class T-I, a leave of absence for activated
28 military service or which has been approved by the employer for
29 sabbatical leave, service as an exchange teacher, service with a
30 collective bargaining organization or professional study. As

1 applied to Class T-I members, a leave of absence that has been
2 approved as a contributory leave by the employer for sabbatical
3 leave, service as an exchange teacher, service with a collective
4 bargaining organization or professional study.

5 "Basic contribution rate." For Class T-A, T-B and T-C
6 service, the rate of 6 1/4%. For Class T-D service, the rate of
7 7 1/2%. For all active members on the effective date of this
8 provision who are currently paying 5 1/4% and elect Class T-D
9 service, the rate of 6 1/2%. For Class T-E service, the rate of
10 7 1/2%. For Class T-F service, the rate of 10.30%. ~~For all~~ <--
11 ~~members on the effective date of this provision whose basic~~
12 ~~contribution rate is 6.5%, the Class T-G service rate is 9.5%~~
13 ~~and the Class T-H service rate is 5.25%. For all members on the~~
14 ~~effective date of this provision whose basic contribution rate~~
15 ~~is 7.5%, the Class T-G service rate is 10.5% and the Class T-H~~
16 ~~service rate is 6.25%. For Class T-I service, the rate of 3%.~~

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

24 "Board." The Public School Employees' Retirement Board or
25 the Public School Employees' Retirement Board.

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

30 "Cash balance member contributions." For members in a class

1 other than Class T-I, the amount voluntarily contributed by such
2 member and eligible amounts rolled in to the cash balance
3 account, as provided in this part.

4 "Class of service multiplier."

5	Class of service	Multiplier
6	T-A	.714
7	T-B	.625
8	T-C	1.000
9	T-D	1.000
10	T-E	1.000
11	T-F	1.000
12	T-G	1.000
13	T-H	1.000

<--

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

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

19 "Compensation." Pickup contributions and mandatory pickup
20 participant contributions plus any remuneration received as a
21 school employee excluding reimbursements for expenses incidental
22 to employment and excluding any bonus, severance payments, any
23 other remuneration or other emolument received by a school
24 employee during his school service which is not based on the
25 standard salary schedule under which he is rendering service,
26 payments for unused sick leave or vacation leave, bonuses or
27 other compensation for attending school seminars and
28 conventions, payments under health and welfare plans based on
29 hours of employment or any other payment or emolument which may
30 be provided for in a collective bargaining agreement which may

1 be determined by the Public School Employees' Retirement Board
2 to be for the purpose of enhancing compensation as a factor in
3 the determination of final average salary, and, for
4 participants, excluding payments for military leave and any
5 other payments made by an employer while on USERRA leave, leave
6 of absence granted under 51 Pa.C.S. § 4102 (relating to leaves
7 of absence for certain government employees), military leave of
8 absence granted under 51 Pa.C.S. § 7302 (relating to granting
9 military leaves of absence), leave granted under section 1178 of
10 the act of March 10, 1949 (P.L.30, No.14), known as the Public
11 School Code of 1949, or other types of military leave, including
12 other types of leave payments, stipends, differential wage
13 payments as defined in IRC § 414(u)(12) and any other payments,
14 provided, however, that the limitation under section 401(a)(17)
15 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
16 U.S.C. § 401(a)(17)) taken into account for the purpose of
17 member contributions, including regular or joint coverage member
18 contributions, regardless of class of service, shall apply to
19 each member who first became a member of the Public School
20 Employees' Retirement System on or after July 1, 1996, and who by
21 reason of such fact is a noneligible member subject to the
22 application of the provisions of section 8325.1 (relating to
23 annual compensation limit under IRC § 401(a)(17)) [.] and shall
24 apply to each participant. Notwithstanding the above, for Class
25 T-E and Class T-F service performed on or after July 1, 2016,
26 compensation for each fiscal year, for purposes of determining
27 final average salary and applying the basic contribution rate,
28 shall not exceed the Social Security taxable wage base in effect
29 at the beginning of the fiscal year. The limit shall be applied
30 separately to each employer of a member.

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

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

6 "Credited service." School or creditable nonschool service
7 for which the required contributions have been made to the fund,
8 or for which the contributions otherwise required for such
9 service were not made solely by reason of any provision of this
10 part limiting compensation or relating to the limitations under
11 section 401(a)(17) or 415(b) of the Internal Revenue Code of
12 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)), or
13 for which salary deductions to the system or lump sum payments
14 have been agreed upon in writing.

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

17 (1) the last [date] day of service for which pickup
18 contributions are made for an active member or[,] for which
19 the contributions otherwise required for such service were
20 not made solely by reason of any provision of this part
21 limiting compensation or relating to the limitations under
22 section 401(a)(17) or 415 of the Internal Revenue Code of
23 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415;

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

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

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

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

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

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

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

30 (2) In the case of a vestee who files an application for

1 an annuity within 90 days of his superannuation age, the
2 attainment of such age.

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

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

10 "Eligible annuitants." All current and prospective
11 annuitants with 24 1/2 or more eligibility points and all
12 current and prospective disability annuitants. Beginning January
13 1, 1995, "eligible annuitants" shall include members other than
14 Class T-I members with 15 or more eligibility points who
15 terminated or who terminate school service on or after attaining
16 superannuation retirement age and who are annuitants with an
17 effective date of retirement after superannuation age.

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

27 "Employer." Any governmental entity directly responsible for
28 the employment and payment of the school employee and charged
29 with the responsibility of providing public education within
30 this Commonwealth, including but not limited to: State-owned

1 colleges and universities, the Pennsylvania State University,
2 community colleges, area vocational-technical schools,
3 intermediate units, the State Board of Education, Scotland
4 School for Veterans' Children, Thaddeus Stevens College of
5 Technology, and the Western Pennsylvania School for the Deaf.

6 "Employer defined contributions." Contributions equal to
7 2.59% of an active participant's compensation that are made by
8 an employer for current service to the trust to be credited in
9 the active participant's individual investment account.

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

15 "Final average salary." The highest average compensation
16 received as an active member during any three nonoverlapping
17 periods of 12 consecutive months with the compensation for part-
18 time service being annualized on the basis of the fractional
19 portion of the school year for which credit is received; except,
20 if the employee was not a member for three such periods, the
21 total compensation received as an active member annualized in
22 the case of part-time service divided by the number of such
23 periods of membership; in the case of a member with multiple
24 service credit, the final average salary shall be determined by
25 reference to compensation received by him as a school employee
26 or a State employee or both; and, in the case of a noneligible
27 member, subject to the application of the provisions of section
28 8325.1 (relating to annual compensation limit under IRC § 401(a)
29 (17)). Final average salary shall be determined by including in
30 compensation, payments deemed to have been made to a member

1 reemployed from USERRA leave to the extent member contributions
2 have been made as provided in section 8302(d)(2) (relating to
3 credited school service) and payments made to a member on leave
4 of absence under 51 Pa.C.S. § 4102 (relating to leaves of
5 absence for certain government employees) as provided in section
6 8302(d)(6). Notwithstanding the above, for Class T-E and Class
7 T-F service performed on or after July 1, 2016, compensation to
8 be used for final average salary calculation shall not exceed
9 the Social Security taxable wage base in effect at the beginning
10 of the fiscal year.

11 "Full coverage member." Any member for whom regular member
12 pickup contributions are being picked up or who has paid or has
13 agreed to pay to the fund the actuarial equivalent of regular
14 member contributions due on account of service prior to January
15 1, 1983.

16 "Fund." The Public School Employees' Retirement Fund.

17 "Governmental entity." Board of school directors, board of
18 public education, intermediate unit board of directors, area
19 vocational-technical board, any governing board of any agency or
20 authority created by them, and the Commonwealth.

21 "Inactive member." A member for whom no pickup contributions
22 are being made to the fund, except in the case of an active
23 member for whom such contributions otherwise required for
24 current school service are not being made solely by reason of
25 any provision of this part relating to the limitations under
26 section 401(a)(17) or 415(b) of the Internal Revenue Code of
27 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)) or
28 because the member is on USERRA leave, who has accumulated
29 deductions standing to his credit in the fund and for whom
30 contributions have been made within the last two school years or

1 a multiple service member who is active in the State Employees'
2 Retirement System.

3 "Inactive participant." A participant for whom no mandatory
4 pickup participant contributions are being made to the trust,
5 except in the case of an active participant for whom such
6 contributions otherwise required for current school service are
7 not being made solely by reason of any provision of this part
8 relating to limitations under section 401(a)(17) or 415 of the
9 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
10 401(a)(17) or 415), who has vested accumulated total defined
11 contributions standing to his credit in the trust and who has
12 not filed an application for a distribution.

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

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

27 "IRC." The Internal Revenue Code of 1986, as designated and
28 referred to in section 2 of the Tax Reform Act of 1986 (Public
29 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to
30 "IRC § " shall be deemed to refer to the identically numbered

1 section and subsection or other subdivision of such section in
2 26 United States Code (relating to Internal Revenue Code).

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

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

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

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

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

22 "Leave for service with a collective bargaining
23 organization." Paid leave granted to an active member or active
24 participant by an employer for purposes of working full time for
25 or serving full time as an officer of a Statewide employee
26 organization or a local collective bargaining representative
27 under the act of July 23, 1970 (P.L.563, No.195), known as the
28 Public Employe Relations Act: Provided, That greater than one-
29 half of the members of the employee organization are active
30 members of the system or active participants of the plan; that

1 the employer shall fully compensate the member or active
2 participant, including, but not limited to, salary, wages,
3 pension and retirement contributions and benefits, other
4 benefits and seniority, as if he were in full-time active
5 service; and that the employee organization shall fully
6 reimburse the employer for such salary, wages, pension and
7 retirement contributions and benefits and other benefits and
8 seniority.

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

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

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

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

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

27 "Multiple service." Credited service of a member other than
28 a Class T-I member or Class TDB member in the State Employees'
29 Retirement System who has elected to combine his credited
30 service in both the Public School Employees' Retirement System

1 and the State Employees' Retirement System.

2 "Noneligible member." For the purposes of section 8325.1
3 (relating to annual compensation limit under IRC § 401(a)(17)),
4 a member who first became a member on or after July 1, 1996.

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

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

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

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

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

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

28 "Previous school service." Service [rendered] as a school
29 employee including service in any summer school conducted by a
30 school district of the Commonwealth, but excluding service

1 rendered during which the school employee was or could have been
2 a participant in the plan, prior to the member's most recent
3 entrance in the system.

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

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

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

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

28 "Required beginning date." The latest date by which
29 distributions of a participant's interest in his individual
30 investment account must commence under the Internal Revenue Code

1 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(9)).

2 "Reserve component of the armed forces." The United States
3 Army Reserve, United States Navy Reserve, United States Marine
4 Corps Reserve, United States Coast Guard Reserve, United States
5 Air Force Reserve, Pennsylvania Army National Guard and
6 Pennsylvania Air National Guard.

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

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

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

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

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

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

28 "Severance payments." Any payments for unused vacation or
29 sick leave and any additional compensation contingent upon
30 retirement including payments in excess of the scheduled or

1 customary salaries provided for members within the same
2 governmental entity with the same educational and experience
3 qualifications who are not terminating service.

4 "Shared-risk contribution rate." The [additional]
5 contribution rate that is [added] applied to the basic
6 contribution rate for Class T-D, T-E and T-F members, as <--
7 provided for in section 8321(b) and (c) (relating to regular
8 member contributions for current service) ~~+, and the~~ <--
9 ~~contribution rate that is applied to the basic contribution rate~~
10 ~~for Class T-G members, as provided for in section 8321(d)~~
11 ~~(relating to regular member contributions and cash balance~~
12 ~~member contributions for current service).~~

13 "Standard single life annuity." For Class T-A, T-B ~~and~~ T- <--
14 C ~~and T-H~~ credited service of a member, an annuity equal to 2% <--
15 of the final average salary, multiplied by the total number of
16 years and fractional part of a year of credited service of a
17 member in that class. For Class T-D ~~and Class T-G~~ credited <--
18 service of a member, an annuity equal to 2.5% of the final
19 average salary, multiplied by the total number of years and
20 fractional part of a year of credited service in that class. For
21 Class T-E credited service of a member, an annuity equal to 2%
22 of the final average salary, multiplied by the total number of
23 years and fractional part of a year of credited service of a
24 member. For Class T-F credited service of a member, an annuity
25 equal to 2.5% of the final average salary, multiplied by the
26 total number of years and fractional part of a year of credited
27 service of a member. For Class T-I members, and for monies in
28 the cash balance account of members of other classes, an annuity
29 that is actuarially equivalent to the balance of the member's
30 savings account or the cash balance account, as applicable,

1 calculated using 120% of the mid-term Treasury note rate in
2 effect on the effective date of retirement of the member.

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

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

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

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

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

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

22 "Superannuation or normal retirement age."

23	Class of service	Age	
24	T-A	62 or any age upon accrual of	
25		35 eligibility points	
26	T-B	62	
27	T-C and T-D, T-G	62 or age 60 provided the	<--
28	and T-H T-D	member has at least 30	<--
29		eligibility points or any	
30		age upon accrual of 35	

1 eligibility points
2 T-E and T-F 65 with accrual of at least
3 three eligibility points
4 or a combination of age
5 and eligibility points
6 totaling 92, provided the
7 member has accrued at
8 least 35 eligibility
9 points

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

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

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

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

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

29 "USERRA leave." Any period of time for service in the
30 uniformed services as defined in 38 U.S.C. Ch. 43 (relating to

1 employment and reemployment rights of members of the uniformed
2 services) by a school employee or former school employee or
3 participant who terminated school service to perform the service
4 in the uniformed services, if the current or former school
5 employee or participant is entitled to reemployment rights under
6 38 U.S.C. Ch. 43 with respect to the uniformed service.

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

10 "Vestee." A member with five or more eligibility points in a
11 class of service other than Class T-E, Class T-F or Class T-I
12 who has terminated school service, has left his accumulated
13 deductions in the fund and is deferring filing of an application
14 for receipt of an annuity. For Class T-E and Class T-F members,
15 a member with ten or more eligibility points who has terminated
16 school service, has left his accumulated deductions in the fund
17 and is deferring filing of an application for receipt of an
18 annuity. For Class T-I members, a member who has terminated
19 school service, has left his accumulated deductions in the fund
20 and is deferring filing of an application for receipt of
21 annuity.

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

30 Section 202. Section 8103 of Title 24 is amended by adding

1 subsections to read:

2 § 8103. Construction of part.

3 * * *

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

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

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

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

21 (e) References to certain Federal statutes.--References in
22 this part to the IRC or the Uniformed Services Employment and
23 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
24 3149), including administrative regulations promulgated under
25 the IRC or the Uniformed Services Employment and Reemployment
26 Rights Act of 1994, are intended to include laws and regulations
27 in effect on the effective date of this section and amended,
28 supplemented or supplanted on and after the effective date of
29 this section.

30 (f) Construction.--

1 (1) This part may not be construed to mean that the
2 limitations on benefits or other requirements under IRC §
3 401(a) or other applicable provisions of the IRC that are
4 applicable to participants in the plan do not apply to the
5 participants or to the members of the system and the benefits
6 payable under Part IV.

7 (2) This part may not be construed to mean that an
8 interpretation or application of the provisions of Part IV or
9 benefits available to members of the Public School Employees'
10 Retirement System was not in accordance with the provisions
11 of Part IV or other applicable law, including the IRC and the
12 Uniformed Services Employment and Reemployment Rights Act of
13 1994 before the effective date of this section.

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

19 ~~(g) Applicability. The following shall apply:~~ <--

20 ~~(1) The amendment of Part IV regarding the establishment~~
21 ~~of Class T-G shall apply to current and former members of the~~
22 ~~system who have returned to school service on or after July~~
23 ~~1, 2016, after a termination of school service,~~
24 ~~notwithstanding the following:~~

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

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

30 ~~(2) A terminated school employee who returns to school~~

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

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

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

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

~~(iii) a request for the record, material or data was made or is pending final response under the former act of June 21, 1957 (P.L.390, No. 212), referred to as the~~

(G) APPLICABILITY.--THIS PART SHALL APPLY TO A RECORD, MATERIAL OR DATA UNDER SECTION 8502 (E) (2) NOTWITHSTANDING WHETHER:

<--

(1) THE RECORD, MATERIAL OR DATA WAS CREATED, GENERATED OR STORED BEFORE THE EFFECTIVE DATE OF THIS SECTION;

(2) THE RECORD, MATERIAL OR DATA WAS PREVIOUSLY RELEASED OR MADE PUBLIC; OR

(3) A REQUEST FOR THE RECORD, MATERIAL OR DATA WAS MADE OR IS PENDING FINAL RESPONSE UNDER THE FORMER ACT OF JUNE 21, 1957 (P.L.390, NO.212), REFERRED TO AS THE Right-to-Know Law, or the act of February 14, 2008 (P.L.6, No. 3), known as the Right-to-Know Law.

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

10 Section 203. Title 24 is amended by adding sections to read:

11 § 8103.1. Reference to Public School Employees' Retirement
12 System.

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

20 § 8103.2. Notice to members and participants.

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

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

1 § 8301. Mandatory and optional membership.

2 (a) Mandatory membership.--Membership in the system shall be
3 mandatory as of the effective date of employment for all school
4 employees except the following:

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

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

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

24 (4) Any part-time school employee, other than a school
25 employee eligible for Class T-I membership, who has an
26 individual retirement account pursuant to the Federal act of
27 September 2, 1974 (Public Law 93-406, 88 Stat. 829), known as
28 the Employee Retirement Income Security Act of 1974.

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

1 membership in the system.

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

8 (d) Mandatory participation in the plan.--A school employee
9 who is a mandatory member of Class T-I shall also be a mandatory
10 participant in the plan as of the effective date of membership
11 in the system.

12 (e) Optional participation in the plan.--Class T-E and Class
13 T-F members may participate in the plan on or after July 1,
14 2016, to the extent that the compensation of the participant
15 exceeds the Social Security taxable wage base in effect at the
16 beginning of the fiscal year, as provided in section 8404(b)
17 (relating to participant contributions).

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

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

1 plan.

2 § 8302. Credited school service.

3 (a) Computation of credited service.--In computing credited
4 school service of a member for the determination of benefits, a
5 full-time salaried school employee shall receive one year of
6 credit for each school year or the corresponding fraction
7 thereof, in accordance with the proportion of the full school
8 year for which the required regular member contributions have
9 been made to the fund, or for which such contributions otherwise
10 required for such service were not made to the fund solely by
11 reason of any provision of this part relating to the limitations
12 under IRC § 401(a)(17) or 415(b) or another provision of this
13 part limiting compensation. A per diem or hourly school employee
14 shall receive one year of credited service for each
15 nonoverlapping period of 12 consecutive months in which he is
16 employed and for which contributions are made to the fund, or
17 would have been made to the fund but for such limitations under
18 the IRC, or another provision of this part limiting compensation
19 for at least 180 full-day sessions or 1,100 hours of employment.
20 If such member was employed and contributions were made to the
21 fund for less than 180 full-day sessions or 1,100 hours, he
22 shall be credited with a fractional portion of a year determined
23 by the ratio of the number of full-day sessions or hours of
24 service actually rendered and for which contributions are made
25 to the fund to 180 full-day sessions or 1,100 hours, as the case
26 may be. A part-time salaried employee shall be credited with the
27 fractional portion of the year which corresponds to the service
28 actually rendered and for which contributions are or would have
29 been made to the fund in relation to the service required as a
30 comparable full-time salaried employee. In no case shall a

1 member receive more than one year of credited service for any 12
2 consecutive months or a member who has elected multiple service
3 receive an aggregate in the two systems of more than one year of
4 credited service for any 12 consecutive months.

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

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

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

20 * * *

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

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

27 (1) For purposes of determining whether a member is
28 eligible to receive credited service in the system for a
29 period of active military service, other than active duty
30 service to meet periodic training requirements, rendered

1 after August 5, 1991, and that began before the effective
2 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
3 (relating to military leave of absence) shall apply to all
4 individuals who were active members of the system when the
5 period of military service began, notwithstanding if the
6 member is not defined as an employee under 51 Pa.C.S. § 7301
7 (relating to definitions). School employees may not receive
8 service credit or exercise the options under 51 Pa.C.S. §
9 7306(a), (b) and (c) (relating to retirement rights) for
10 military leaves that begin on or after the effective date of
11 this subsection, except otherwise provided under this
12 subsection.

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

15 (i) A school employee who is reemployed from USERRA
16 leave as an active member of the system shall be treated
17 as not having incurred a break in school service by
18 reason of the USERRA leave and shall be granted
19 eligibility points as if the school employee had not been
20 on the USERRA leave. If a school employee who is
21 reemployed from USERRA leave as an active member of the
22 system subsequently makes regular member contributions,
23 shared-risk member contributions and any other member
24 contributions in the amounts and in the time periods
25 required by 38 U.S.C. Ch. 43 (relating to employment and
26 reemployment rights of members of the uniformed services)
27 and IRC § 414(u) as if the school employee had continued
28 in his school office or employment and performed school
29 service and been compensated during the period of USERRA
30 leave, then the school employee shall be granted school

1 service credit for the period of USERRA leave. The
2 employee shall have his benefits, rights and obligations
3 determined under this part as if he was an active member
4 who performed creditable school service during the USERRA
5 leave in the job position that he would have held had he
6 not been on USERRA leave and received the compensation on
7 which the member contributions to receive school service
8 credit for the USERRA leave were determined.

9 (ii) For purposes of determining whether a school
10 employee has made the required employee contributions for
11 school service credit for USERRA leave, if an employee
12 who is reemployed from USERRA leave as an active member
13 terminates school service or dies in school service
14 before the expiration of the allowed payment period,
15 school service credit for the USERRA leave shall be
16 granted as if the required member contributions were paid
17 the day before termination or death. The amount of the
18 required member contributions shall be treated as an
19 incomplete payment subject to the provisions of section
20 8325 (relating to incomplete payments). Upon a subsequent
21 return to school service or to State service as a
22 multiple service member, the required member
23 contributions treated as incomplete payments shall be
24 treated as member contributions that were either
25 withdrawn in a lump sum at termination or paid as a lump
26 sum under section 8345(a)(4) (relating to member's
27 options). For this purpose, the exclusion of Class T-E
28 and Class T-F members from electing a form of payment
29 under section 8345(a)(4)(iii) shall be ignored.

30 (iii) A school employee who is reemployed from

1 USERRA leave as an active member of the system and who
2 does not make the required member contributions or makes
3 only part of the required member contributions within the
4 allowed payment period shall not be:

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

8 (B) Eligible to subsequently make contributions.

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

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

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

1 the employee return to school service as an active member of
2 the system and is otherwise eligible to purchase the service
3 as nonintervening military service.

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

11 (6) A school employee who is on a leave of absence from
12 his duties as a school employee and for which 51 Pa.C.S. §
13 4102 provides that he is not to suffer a loss of pay, time or
14 efficiency shall not be an active member, receive service
15 credit or make member contributions for the leave of absence
16 except as provided for in this part. Notwithstanding this
17 paragraph, any pay the member receives under section 1178 of
18 the Public School Code or 51 Pa.C.S. § 4102 shall be included
19 in the determination of final average salary and other
20 calculations in the system utilizing compensation as if the
21 payments were compensation under this part.

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

25 (1) A participant who is reemployed from USERRA leave
26 shall be treated as not having incurred a break in school
27 service by reason of the USERRA leave and shall be granted
28 vesting credit as if the participant had not been on USERRA
29 leave. If a participant who is reemployed from USERRA leave
30 subsequently makes mandatory pickup participant contributions

1 in the amounts and in the time periods required by 38 U.S.C.
2 Ch. 43 (relating to employment and reemployment rights of
3 members of the uniformed services) and IRC § 414(u) as if the
4 participant had continued in his school employment and
5 performed school service and been compensated during the
6 period of USERRA leave, then the participant's employer shall
7 make the corresponding employer defined contributions. Such
8 an employee shall have his contributions, benefits, rights
9 and obligations determined under this part as if he was an
10 active participant who performed school service during the
11 USERRA leave in the job position that he would have held had
12 he not been on USERRA leave and received the compensation on
13 which the mandatory pickup participant contributions to
14 receive school service credit for the USERRA leave were
15 determined, including the right to make voluntary
16 contributions on such compensation as permitted by law.

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

25 (3) A participant who performs USERRA leave from which
26 the employee could have been reemployed from USERRA leave had
27 the school employee returned to school service in the time
28 frames required by 38 U.S.C. Ch. 43 for reemployment rights,
29 but did not do so, shall not be eligible to make mandatory
30 pickup participant contributions or voluntary contributions

1 for the period of USERRA leave should the employee later
2 return to school service and be a participant in the plan.

3 (4) An active participant or inactive participant who,
4 on or after the effective date of this subsection, is granted
5 a leave of absence under 51 Pa.C.S. § 4102 (relating to
6 leaves of absence for certain government employees) or a
7 military leave under 51 Pa.C.S. Ch. 73 (relating to military
8 leave of absence) that is not USERRA leave shall not be
9 eligible to make mandatory pickup participant contributions
10 or voluntary contributions during or for the leave of absence
11 or military leave, and shall not have employer defined
12 contributions made during such leave, without regard to
13 whether or not the participant received salary, wages,
14 stipends, differential wage payments or other payments from
15 his employer during the leave, notwithstanding any provision
16 to the contrary in 51 Pa.C.S. § 4102 or Ch. 73.

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

24 § 8303. Eligibility points for retention and reinstatement of
25 service credits.

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

30 (b) Future school service.--Every active member of the

1 system other than a Class T-I member shall accrue an eligibility
2 point for each year of school service rendered subsequent to the
3 effective date of this part. Class T-I members shall be deemed
4 to accrue one eligibility point for each fiscal year in which
5 contributions have been made to the fund.

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

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

16 (1) as a member of Class T-C, Class T-E ~~for~~ Class T-F ~~<--~~
17 ~~Class T-G or Class T-H~~ for previous creditable school service
18 or creditable nonschool service; or

19 (2) as a member of Class T-D for previous creditable
20 school service, provided the member elects to become a Class
21 T-D member pursuant to section 8305.1 (relating to election
22 to become a Class T-D member);
23 upon written agreement by the member and the board as to the
24 manner of payment of the amount due for credit for such service;
25 except, that any purchase for reinstatement of service credit
26 shall be for all service previously credited.

27 (d) Purchase of previous noncreditable service.--Class T-C
28 and Class T-D members who are active members on the effective
29 date of this subsection shall have three years from the
30 effective date of this subsection to file a written application

1 with the board to purchase any previous noncreditable school
2 service. Class T-C and Class T-D members who are not active
3 members on the effective date of this subsection but who become
4 active members after the effective date of this subsection and
5 Class T-E and class T-F members shall have 365 days from entry
6 into the system to file a written application with the board to
7 purchase any previous noncreditable school service. Class T-I
8 members shall not be eligible to purchase previous noncreditable
9 school service.

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

13 (1) USERRA leave; and

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

16 § 8303.1. Waiver of adjustments.

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

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

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

29 (3) the member or participant had no knowledge or notice
30 of the error before adjustment was made, and the member,

1 participant, beneficiary or survivor annuitant took action
2 with respect to their benefits based on erroneous information
3 provided by the system or plan; and

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

7 (b) Time period.--

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

16 (2) For any adjustments made prior to the effective date
17 of this subsection for which the member, participant,
18 beneficiary or survivor annuitant appealed to the board and
19 was denied, an appeal under this section must be filed within
20 90 days of the effective date of this subsection.

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

22 § 8304. Creditable nonschool service.

23 (a) Eligibility.--An active member, other than a Class T-I
24 member, or a multiple service member who is an active member of
25 the State Employees' Retirement System shall be eligible to
26 receive Class T-C, Class T-E ~~for~~, Class T-F, ~~Class T-G or Class~~ <--
27 T-H service credit for creditable nonschool service and Class T-
28 D, Class T-E ~~for~~, Class T-F, ~~Class T-G or Class T-H~~ service for <--
29 intervening military service, provided the member becomes a
30 Class T-D member pursuant to section 8305.1 (relating to

1 election to become a Class T-D member) or Class T-F member
2 pursuant to section 8305.2 (relating to election to become a
3 Class T-F member) ~~or Class T-H member pursuant to section 8305.3~~ <--
4 ~~(relating to election to become a Class T-H member)~~ or 8305
5 (relating to classes of service), as set forth in subsection (b)
6 provided that he is not entitled to receive, eligible to receive
7 now or in the future, or is receiving retirement benefits for
8 such service under a retirement system administered and wholly
9 or partially paid for by any other governmental agency or by any
10 private employer, or a retirement program approved by the
11 employer in accordance with section 8301(a)(1) (relating to
12 mandatory and optional membership), and further provided that
13 such service is certified by the previous employer and the
14 manner of payment of the amount due is agreed upon by the
15 member, the employer, and the board.

16 * * *

17 Section 205. Section 8305(b) of Title 24 is amended and the
18 section is amended by adding ~~subsections~~ A SUBSECTION to read: <--

19 § 8305. Classes of service.

20 * * *

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

1 * * *

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

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

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

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

27 § 8305.1. Election to become a Class T-D member.

28 * * *

29 (c) Effect of election.--An election to become a Class T-D
30 member shall remain in effect until the termination of

1 employment except as otherwise provided in this part. Those
2 members who, on the effective date of this section, contribute
3 at the rate of 5 1/4% shall be deemed to have accepted the basic
4 contribution rate of 6 1/2% for all Class T-D service performed
5 on or after January 1, 2002. Those members who, on the effective
6 date of this section, contribute at the rate of 6 1/4% shall be
7 deemed to have accepted the basic contribution rate of 7 1/2%
8 for all Class T-D service performed on or after January 1, 2002.
9 Upon termination and a subsequent reemployment that occurs
10 before July 1, 2016, the class of service of the school employee
11 shall be credited in the class of service otherwise provided for
12 in this part. If the reemployment occurs on or after July 1,
13 2016, the school employee's eligibility for membership in the
14 system or participation in the plan shall be as provided in this
15 part.

16 * * *

17 Section 207. ~~Title 24 is amended by adding a section to~~ <--
18 ~~read:~~

19 ~~§ 8305.3. Election to become a Class T-H member.~~

20 ~~(a) General rule. A person who is:~~

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

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

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

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

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

11 ~~(c) Effect of election. An election to become a Class T H~~
12 ~~member shall remain in effect until the termination of service.~~
13 ~~Those members who, on the effective date of this section, had a~~
14 ~~basic contribution rate of 6.5% shall be deemed to have accepted~~
15 ~~the basic contribution rate of 5.25% for all Class T H service~~
16 ~~performed on or after July 1, 2016. Those members who, on the~~
17 ~~effective date of this section, had a basic contribution rate of~~
18 ~~7.5% shall be deemed to have accepted the basic contribution~~
19 ~~rate of 6.25% for all Class T H service performed on or after~~
20 ~~July 1, 2016.~~

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

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

1 ~~Class T-H membership, shall not be eligible to elect Class T-H~~
2 ~~membership.~~ (RESERVED). <--

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

4 § 8306. Eligibility points.

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

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

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

26 (1) In determining whether a member, other than a
27 disability annuitant who returns to school service after June
28 30, 2001, upon termination of the disability annuity, who is
29 not a school employee or a State employee on June 30, 2001,
30 and July 1, 2001, and who has previous school service, has

1 the five eligibility points required by the definition of
2 "vestee" in sections 8102 (relating to definitions), 8307
3 (relating to eligibility for annuities), 8308 (relating to
4 eligibility for vesting) and 8345 (relating to member's
5 options), only eligibility points earned by performing
6 credited school service as an active member of the system,
7 USERRA leave or credited State service as an active member of
8 the State Employee's Retirement System after June 30, 2001,
9 shall be counted until such member earns one eligibility
10 point by performing credited school service or credited State
11 service after June 30, 2001, at which time all eligibility
12 points as determined under subsection (a) shall be counted.

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

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

20 § 8307. Eligibility for annuities.

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

29 (b) Withdrawal annuity.--A vestee in Class T-C or Class T-D
30 ~~or Class T-G or Class T-H~~ with five or more eligibility points <--

1 or an active or inactive Class T-C or Class T-D ~~or Class T-G or~~ <--
2 ~~Class T-H~~ member who terminates school service having five or
3 more eligibility points shall, upon filing a proper application,
4 be entitled to receive an early annuity. A vestee in Class T-E
5 or Class T-F with ten or more eligibility points or an active or
6 inactive Class T-E or Class T-F member who terminates school
7 service having ten or more eligibility points shall, upon filing
8 a proper application, be entitled to receive an early annuity.

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

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

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

30 Section 210. Sections 8308, 8310, 8321, 8322.1(a), 8323(a) ~~7~~ <--

1 ~~(c) and (d), 8324(a), (b) AND (D), 8324(B), (c) and (d), 8325,~~ <--
2 8325.1 and 8326(a) and (c) of Title 24 are amended to read:
3 § 8308. Eligibility for vesting.

4 (a) General rule.--Any Class T-C or Class T-D ~~or Class T-G~~ <--
5 ~~or Class T-H~~ member who terminates school service, or if a
6 multiple service member and an active member of the State
7 Employees Retirement System, terminates State service, with five
8 or more eligibility points shall be entitled to vest his
9 retirement benefits until attainment of superannuation age. Any
10 Class T-E or Class T-F member who terminates school service, or
11 if a multiple service member and an active member of the State
12 Employees Retirement System, terminates State service, with ten
13 or more eligibility points shall be entitled to vest his
14 retirement benefits until attainment of superannuation age. A
15 Class T-I member who terminates school service shall be entitled
16 to vest his retirement benefits until the member's required
17 beginning date, provided the balance of his members' savings
18 account and cash balance account exceeds the requirements of a
19 de minimis account under section 8349(d) (relating to payment of
20 benefits).

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

1 § 8310. Eligibility for refunds.

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

6 § 8321. Regular member contributions and cash balance member
7 contributions for current service.

8 (a) General.--Regular member contributions and cash balance
9 member contributions shall be made to the fund on behalf of each
10 active member for current service except for any period of
11 current service in which the making of such contributions has
12 ceased solely by reason of any provision of this part limiting
13 such contributions, or relating to the limitations under IRC §
14 401(a)(17) or 415(b).

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

16 (1) Commencing with the annual actuarial valuation
17 performed under section 8502(j) (relating to administrative
18 duties of board), for the period ending June 30, 2014, and
19 every three years thereafter, the board shall compare the
20 actual investment rate of return, net of fees, to the annual
21 interest rate adopted by the board for the calculation of the
22 normal contribution rate, based on the market value of
23 assets, for the prior ten-year period. If the actual
24 investment rate of return, net of fees, is less than the
25 annual interest rate adopted by the board by an amount of 1%
26 or more, the shared-risk contribution rate of Class T-D, T-E <--
27 and T-F members will increase by .5%. If the actual
28 investment rate of return, net of fees, is equal to or
29 exceeds the annual interest rate adopted by the board, the
30 shared-risk contributions rate of Class T-D, T-E and T-F <--

1 members will decrease by .5%[.], provided the total member
2 contribution rate on the date of the actuarial valuation is
3 above the member's total contribution rate in effect on the
4 effective date of this paragraph. If the actual investment
5 rate of return, net of fees, is more than the annual interest
6 rate adopted by the board by an amount of 1% or more, the
7 shared risk contribution rate of Class T-D, T-E and T-F <--
8 members will decrease by .5%. If the actual investment rate
9 of return, net of fees, is equal to or below the annual
10 interest rate adopted by the board, the shared risk
11 contribution rate of Class T-D, T-E and T-F members will <--
12 increase by .5%, provided the total member contribution rate
13 on the date of the actuarial valuation is below the member's
14 total contribution rate in effect on the effective date of
15 this paragraph. Class T-D, T-E and T-F members will <--
16 contribute at the total member contribution rate in effect
17 when they are hired. [The]

18 (2) Notwithstanding paragraph (1), the total member
19 contribution rate for Class T-D AND T-E members WHO ARE <--
20 CURRENTLY PAYING 7.5% ON THE EFFECTIVE DATE OF THIS PARAGRAPH
21 shall not be less than [7.5%] 5.5%, nor more than 9.5%. The
22 total member contribution rate for Class T-F members shall
23 not be less than [10.3%] 8.3%, nor more than 12.3%. THE TOTAL <--
24 MEMBER CONTRIBUTION RATE FOR CLASS T-D MEMBERS WHO ARE
25 CURRENTLY PAYING 6.5% ON THE EFFECTIVE DATE OF THIS PARAGRAPH
26 SHALL NOT BE LESS THAN 4.5%, NOR MORE THAN 8.5%.

27 (3) Notwithstanding this subsection, if the system's
28 actuarial funded status is 100% or more as of the date used
29 for the comparison required under this subsection, as
30 determined in the current annual actuarial valuation, and the

1 total contribution rate of the member is above the basic
2 contribution rate, the shared-risk contribution rate shall be
3 zero.

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

10 [(1)] (5) Until the system has a ten-year period of
11 investment rate of return experience following the effective
12 date of this subsection, the look-back period shall begin not
13 earlier than the effective date of this subsection.

14 [(2)] (6) For any fiscal year in which the employer
15 contribution rate is lower than the final contribution rate
16 under section 8328(h) (relating to actuarial cost method),
17 the total member contribution rate for Class T-D, T-E and T-F <--
18 members shall be prospectively reset to the basic
19 contribution rate.

20 [(3)] (7) There shall be no increase in the member
21 contribution rate if there has not been an equivalent
22 increase to the employer contribution rate over the previous
23 three-year period.

24 ~~(c) Class T-G shared risk contributions. Beginning with the <--~~
25 ~~annual actuarial valuation performed under section 8502(j)~~
26 ~~(relating to administrative duties of board), for the period~~
27 ~~ending June 30, 2020, and every three years thereafter, the~~
28 ~~board shall compare the actual investment rate of return, net of~~
29 ~~fees, to the annual interest rate adopted by the board for the~~
30 ~~calculation of the normal contribution rate, based on the market~~

1 ~~value of assets, for the prior ten year period. If the actual~~
2 ~~investment rate of return, net of fees, is less than the annual~~
3 ~~interest rate adopted by the board, then for each percentage~~
4 ~~point that the actual investment rate of return, net of fees, is~~
5 ~~less than the annual interest rate adopted by the board, the~~
6 ~~shared risk contribution rate of Class T G members will increase~~
7 ~~by .5%. If the actual investment rate of return, net of fees,~~
8 ~~exceeds the annual interest rate adopted by the board, then for~~
9 ~~each percentage point that the actual investment rate of return,~~
10 ~~net of fees, exceeds the annual interest rate adopted by the~~
11 ~~board, the shared risk contribution rate of Class T G members~~
12 ~~will decrease by .5%. Class T G members shall contribute at the~~
13 ~~total member contribution rate in effect when they are hired.~~
14 ~~The total member contribution rate for Class T G members whose~~
15 ~~basic contribution rate is 10.5% shall not be less than 4.5%,~~
16 ~~nor more than 10.5%. The total member contribution rate for~~
17 ~~Class T G members whose basic contribution rate is 9.5% shall~~
18 ~~not be less than 3.5%, nor more than 9.5%. In the event that the~~
19 ~~annual interest rate adopted by the board for the calculation of~~
20 ~~the normal contribution rate is changed during the period used~~
21 ~~to determine the shared risk contribution rate, the board, with~~
22 ~~the advice of the actuary, shall determine the applicable rate~~
23 ~~during the entire period, expressed as an annual rate in~~
24 ~~accordance with the following:~~

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

29 ~~(2) There shall be no increase in the member~~
30 ~~contribution rate if there has not been an equivalent~~

1 ~~increase to the employer contribution rate over the previous~~
2 ~~three year period.~~

3 § 8322.1. Pickup contributions.

4 (a) Treatment for purposes of IRC § 414(h).--All
5 contributions required to be made to the fund under sections
6 8321 (relating to regular member contributions for current
7 service) and 8322 (relating to joint coverage member
8 contributions), with respect to current school service rendered
9 by an active member on or after January 1, 1983, shall be picked
10 up by the employer and shall be treated as the employer's
11 contribution for purposes of IRC § 414(h).

12 * * *

13 § 8323. Member contributions for creditable school service.

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

1 would have been made and during all periods of subsequent school
2 service as an active member or inactive member and State service
3 as an active member or inactive member on leave without pay up
4 to the date of purchase.

5 * * *

6 ~~(c) Approved leave of absence other than sabbatical leave <--~~
7 ~~and activated military service leave. The contributions to be~~
8 ~~paid by an active member for credit for an approved leave of~~
9 ~~absence, other than sabbatical leave and activated military~~
10 ~~service leave, shall be sufficient to transfer his membership to~~
11 ~~Class T C or to Class T D if the member is a Class T D member,~~
12 ~~to Class T E if the member is a Class T E member or to Class T F~~
13 ~~if the member is a Class T F member or to Class T G service if~~
14 ~~the member is a Class T G member, or to Class T H if the member~~
15 ~~is a Class T H member and further to provide an annuity as a~~
16 ~~Class T C member or Class T D member if the member is a Class T~~
17 ~~D member, to Class T E if the member is a Class T E member or to~~
18 ~~Class T F if the member is a Class T F member or to Class T G~~
19 ~~service if the member is a Class T G member, or to Class T H if~~
20 ~~the member is a Class T H member for such additional credited~~
21 ~~service. Such amount shall be the sum of the amount required in~~
22 ~~accordance with the provisions of subsection (b) and an amount~~
23 ~~determined as the sum of the member's basic contribution rate~~
24 ~~and the normal contribution rate as provided in section 8328~~
25 ~~(relating to actuarial cost method) during such period~~
26 ~~multiplied by the compensation which was received or which would~~
27 ~~have been received during such period and with statutory~~
28 ~~interest during all periods of subsequent school and State~~
29 ~~service up to the date of purchase.~~

30 * * *

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

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

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

29 § 8324. Contributions for purchase of credit for creditable
30 nonschool service and noncreditable school service.

1 State service or becoming a participant and a combined service
2 employee as the board in its sole discretion decides to allow.
3 The board may limit salary deduction amortization plans to such
4 terms as the board in its sole discretion determines. In the
5 case of an eligible State employee who is an active member of
6 the State Employees' Retirement System, the agreed upon salary
7 deductions shall be remitted to the State Employees' Retirement
8 Board, which shall certify and transfer to the board the amounts
9 paid. Application may be filed for all such military service
10 credit upon completion of three years of subsequent credited
11 school service and shall be credited as Class T-C service. In
12 the event that a Class T-E member makes a purchase of credit for
13 such military service, then such service shall be credited as
14 Class T-E service. In the event that a Class T-F member makes a
15 purchase of credit for such military service, then such service
16 shall be credited as Class T-F service. ~~In the event that a~~ <--
17 ~~Class T-G member makes a purchase of credit for such military~~
18 ~~service, then such service shall be credited as Class T-G~~
19 ~~service. In the event that a Class T-H member makes a purchase~~
20 ~~of credit for such military service, then such service shall be~~
21 ~~credited as Class T-H service.~~

22 (c) Intervening military service.--Contributions on account
23 of credit for intervening military service shall be determined
24 by the member's basic contribution rate and compensation at the
25 time of entry of the member into active military service,
26 together with statutory interest during all periods of
27 subsequent school service as an active member or inactive member
28 and State service as an active member or inactive member on
29 leave without pay to date of purchase. Upon application for such
30 credit the amount due shall be certified in the case of each

1 member by the board, in accordance with methods approved by the
2 actuary, and contributions may be made by one of the following
3 methods:

4 (1) Regular monthly payments during active military
5 service.

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

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

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

24 (1) Contributions on account of Class T-C credit for
25 creditable nonschool service other than military service
26 shall be determined by applying the member's basic
27 contribution rate plus the normal contribution rate as
28 provided in section 8328 at the time of the member's entry
29 into school service subsequent to such creditable nonschool
30 service to his total compensation received during the first

1 year of subsequent credited school service and multiplying
2 the product by the number of years and fractional part of a
3 year of creditable nonschool service being purchased together
4 with statutory interest during all periods of subsequent
5 school service as an active member or inactive member or
6 State service as an active member or inactive member on leave
7 without pay to the date of purchase, except that in the case
8 of purchase of credit for creditable nonschool service as set
9 forth in section 8304(b)(5) (relating to creditable nonschool
10 service) the member shall pay only the employee's share
11 unless otherwise provided by law. Upon certification of the
12 amount due, payment may be made in a lump sum within 90 days
13 or in the case of an active member or an eligible State
14 employee who is an active member of the State Employees'
15 Retirement System it may be amortized with statutory interest
16 through salary deductions to the system in amounts agreed
17 upon by the member and the board. The salary deduction
18 amortization plans agreed to by the members and the board may
19 include a deferral of payment amounts and statutory interest
20 until the termination of school service or State service or
21 becoming a participant and a combined service employee as the
22 board in its sole discretion decides to allow. The board may
23 limit salary deduction amortization plans to such terms as
24 the board in its sole discretion determines. In the case of
25 an eligible State employee who is an active member of the
26 State Employees' Retirement System, the agreed upon salary
27 deductions shall be remitted to the State Employees'
28 Retirement Board, which shall certify and transfer to the
29 board the amounts paid.

30 (2) Contributions on account of Class T-E or Class T-F

1 credit for creditable nonschool service other than military
2 service shall be the present value of the full actuarial cost
3 of the increase in the projected superannuation annuity
4 caused by the additional service credited on account of the
5 purchase. Upon certification of the amount due, payment may
6 be made in a lump sum within 90 days or, in the case of an
7 active member or an eligible State employee who is an active
8 member of the State Employees' Retirement System, it may be
9 amortized with statutory interest through salary deductions
10 to the system in amounts agreed upon by the member and the
11 board. The salary deduction amortization plans agreed to by
12 the members and the board may include a deferral of payment
13 amounts and statutory interest until the termination of
14 school service or State service or becoming a participant and
15 combined service employee as the board in its sole discretion
16 decides to allow. The board may limit salary deduction
17 amortization plans to the terms as the board in its sole
18 discretion determines. In the case of an eligible State
19 employee who is an active member of the State Employees'
20 Retirement System, the agreed upon salary deductions shall be
21 remitted to the State Employees' Retirement Board, which
22 shall certify and transfer to the board the amounts paid.

23 (3) Contributions on account of Class T-E or Class T-F
24 credit for noncreditable school service other than military
25 service shall be the present value of the full actuarial cost
26 of the increase in the projected superannuation annuity
27 caused by the additional service credited on account of the
28 purchase. Upon certification of the amount due, payment may
29 be made in a lump sum within 90 days or, in the case of an
30 active member or an eligible State employee who is an active

1 member of the State Employees' Retirement System, it may be
2 amortized with statutory interest through salary deductions
3 to the system in amounts agreed upon by the member and the
4 board. The salary deduction amortization plans agreed to by
5 the members and the board may include a deferral of payment
6 amounts and statutory interest until the termination of
7 school service or State service or becoming a participant and
8 combined service employee as the board in its sole discretion
9 decides to allow. The board may limit salary deduction
10 amortization plans to the terms as the board in its sole
11 discretion determines. In the case of an eligible State
12 employee who is an active member of the State Employees'
13 Retirement System, the agreed upon salary deductions shall be
14 remitted to the State Employees' Retirement Board, which
15 shall certify and transfer to the board the amounts paid. ~~In~~ <--
16 ~~the event that a Class T-G or Class T-H member makes a~~
17 ~~purchase of credit for such military service, then such~~
18 ~~service shall be credited as Class T-G or Class T-H service,~~
19 ~~as applicable.~~

20 * * *

21 § 8325. Incomplete payments.

22 (a) Right to pay balance due.--In the event that a member
23 terminates school service or becomes a participant or a multiple
24 service member who is an active member of the State Employees'
25 Retirement System terminates State service before any agreed
26 upon payments, including USERRA leave, or return of benefits on
27 account of returning to school service or entering State service
28 and electing multiple service have been completed, the member or
29 multiple service member who is an active member of the State
30 Employees' Retirement System shall have the right to pay within

1 30 days of termination of school service or State service or
2 becoming a participant the balance due, including interest, in a
3 lump sum, and the annuity shall be calculated including full
4 credit for the previous school service, creditable nonschool
5 service, or full-coverage membership.

6 (b) Effect of failure to pay balance due.--In the event a
7 member does not pay the balance due within 30 days of
8 termination of school service or becoming a participant or in
9 the event a member dies in school service or within 30 days of
10 termination of school service or in the case of a multiple
11 service member who is an active member of the State Employees'
12 Retirement System does not pay the balance due within 30 days of
13 termination of State service or dies in State service or within
14 30 days of termination of State service or becoming a
15 participant and before the agreed upon payments have been
16 completed, the present value of the benefit otherwise payable
17 shall be reduced by the balance due, including interest, and the
18 benefit payable shall be calculated as the actuarial equivalent
19 of such reduced present value.

20 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

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

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

11 * * *

12 § 8326. Contributions by the Commonwealth.

13 (a) Contributions on behalf of active members and
14 participants.--The Commonwealth shall make contributions into
15 the fund on behalf of all active members and participants,
16 including members and participants on activated military service
17 leave, in an amount equal to one-half the amount certified by
18 the board as necessary to provide, together with the members'
19 contributions, annuity reserves on account of prospective
20 annuities as provided in this part in accordance with section
21 8328 (relating to actuarial cost method). In case a school
22 employee has elected membership in a retirement program approved
23 by the employer, the Commonwealth shall contribute to such
24 program on account of his membership an amount no greater than
25 the amount it would have contributed had the employee been a
26 member of the Public School Employees' Retirement System.

27 * * *

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

29 (1) The Commonwealth shall make contributions into the
30 fund on behalf of all active members and participants,

1 including members on activated military service leave, for
2 service performed after June 30, 1995, in the following
3 manner:

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

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

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

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

18 (ii) For members and participants who are employees
19 of employers who are not school entities, the amount
20 computed under subsection (b).

21 * * *

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

25 § 8327. Payments by employers.

26 (a) General rule.--[Each]

27 (1) For payments before June 30, 2016, each employer,
28 including the Commonwealth as employer of employees of the
29 Department of Education, State-owned colleges and
30 universities, Thaddeus Stevens College of Technology, Western

1 Pennsylvania School for the Deaf, Scotland School for
2 Veterans' Children[,] and [the] The Pennsylvania State
3 University, shall make payments to the fund each quarter in
4 an amount equal to one-half the sum of the percentages, as
5 determined under section 8328 (relating to actuarial cost
6 method), applied to the total compensation during the pay
7 periods in the preceding quarter of all its employees who
8 were members of the system during such period, including
9 members on activated military service leave. In the event a
10 member on activated military service leave does not return to
11 service for the necessary time or receives an undesirable,
12 bad conduct or dishonorable discharge or does not elect to
13 receive credit for activated military service under section
14 8302(b.1)(3) (relating to credited school service), the
15 contributions made by the employer on behalf of such member
16 shall be returned with valuation interest upon application by
17 the employer.

18 (2) For payments after June 30, 2016, each employer,
19 including the Commonwealth as employer of employees of the
20 Department of Education, State-owned colleges and
21 universities, Thaddeus Stevens College of Technology, Western
22 Pennsylvania School for the Deaf, Scotland School for
23 Veterans' Children and The Pennsylvania State University,
24 shall make payments to the fund each quarter in an amount
25 equal to one-half the sum of the percentages, as determined
26 under section 8328, applied to the total compensation during
27 the pay periods in the preceding quarter of all its employees
28 who were members of the system during such period, including
29 members on activated military service leave or USERRA leave,
30 plus the accrued liability contribution rate applied to the

1 total compensation of all active participants in the plan. In
2 the event a member on activated military service leave or
3 USERRA leave does not return to service for the necessary
4 time or receives an undesirable, bad conduct or dishonorable
5 discharge or does not elect to receive credit for activated
6 military service under section 8302(b.1)(3), the
7 contributions made by the employer on behalf of such member
8 shall be returned with valuation interest upon application by
9 the employer.

10 (b) Deduction from appropriations.--

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

24 (2) To facilitate the payments of amounts due from any
25 charter school, as defined in Article XVII-A of the act of
26 March 10, 1949 (P.L.30, No.14), known as the Public School
27 Code of 1949, to the fund and the trust through the State
28 Treasurer and to permit the exchange of credits between the
29 State Treasurer and any employer, the Secretary of Education
30 and the State Treasurer shall cause to be deducted and paid

1 into the fund and the trust from any funds appropriated to
2 the Department of Education for basic education of the
3 chartering school district of a charter school and public
4 school employees' retirement contributions amounts equal to
5 the employer and pickup contributions which a charter school
6 is required to pay to the fund and the trust, as certified by
7 the board, and as remains unpaid on the date such
8 appropriations would otherwise be paid to the chartering
9 school district or charter school. Such amounts shall be
10 credited to the appropriate accounts in the fund and the
11 trust. Any reduction in payments to a chartering school
12 district made pursuant to this section shall be deducted from
13 the amount due to the charter school district pursuant to the
14 Public School Code of 1949.

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

24 (1) For an employer that is a school entity, the amount
25 shall be the sum of the percentages as determined under
26 section 8328 applied to the total compensation during the pay
27 periods in the preceding quarter of all employees who were
28 active members of the system or active participants of the
29 plan during such period, including members or active
30 participants on activated military service leave. In the

1 event a member on activated military service leave does not
2 return to service for the necessary time or receives an
3 undesirable, bad conduct or dishonorable discharge or does
4 not elect to receive credit for activated military service
5 under section 8302(b.1)(3), the contribution made by the
6 employer on behalf of such member shall be returned with
7 valuation interest upon application by the employer.

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

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

24 (d) Payments by employers after June 30, 2016.--After June
25 30, 2016, each employer, including the Commonwealth as employer
26 of employees of the Department of Education, State-owned
27 colleges and universities, Thaddeus Stevens College of
28 Technology, Western Pennsylvania School for the Deaf, Scotland
29 School for Veterans' Children and The Pennsylvania State
30 University, shall make payments to the fund and the trust each

1 quarter in an amount computed in the following manner:

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

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

20 (3) For any employer, whether or not a school entity, in
21 computing the amount of payment due each quarter, there shall
22 be excluded from the total compensation referred to in this
23 subsection and subsection (a) any amount of compensation of a
24 noneligible member or participant on the basis of which
25 member or participant contributions have not been made by
26 reason of the limitation under IRC § 401(a)(17). Any amount
27 of contribution to the fund paid by the employer on behalf of
28 a noneligible member or participant on the basis of
29 compensation which was subject to exclusion from total
30 compensation in accordance with the provisions of this

1 paragraph shall, upon the board's determination or upon
2 application by the employer, be returned to the employer with
3 valuation interest.

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

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

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

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

29 § 8328. Actuarial cost method.

30 (a) Employer contribution rate.--The amount of the total

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

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

16 (1) For the fiscal year ending on or before June 30,
17 2015, the normal contribution rate shall be determined after
18 each actuarial valuation. Until all accrued liability
19 contributions have been completed, the normal contribution
20 rate shall be determined, on the basis of an annual interest
21 rate and such mortality and other tables as shall be adopted
22 by the board in accordance with generally accepted actuarial
23 principles, as a level percentage of the compensation of the
24 average new active member, which percentage, if contributed
25 on the basis of his prospective compensation through the
26 entire period of active school service, would be sufficient
27 to fund the liability for any prospective benefit payable to
28 him, in excess of that portion funded by his prospective
29 member contributions, excluding the shared-risk
30 contributions.

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

15 (c) Accrued liability contribution rate.--

16 * * *

17 (4) For the fiscal year beginning July 1, 2011, the
18 accrued liability contribution rate shall be computed as the
19 rate of total compensation of all active members which shall
20 be certified by the actuary as sufficient to fund as a level
21 percentage of compensation over a period of 24 years from
22 July 1, 2011, the present value of the liabilities for all
23 prospective benefits calculated as of June 30, 2010,
24 including the supplemental benefits as provided in sections
25 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
26 8348.7, in excess of the actuarially calculated assets in the
27 fund (calculated recognizing all realized and unrealized
28 investment gains and losses each year in level annual
29 installments over a ten-year period). In the event that the
30 accrued liability is increased by legislation enacted

1 subsequent to June 30, 2010 as a result of an increase in
2 benefits determined on a total plan basis, such additional
3 liability shall be funded as a level percentage of
4 compensation over a period of ten years from the July 1
5 second succeeding the date such legislation is enacted.

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

11 * * *

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

13 (1) The collared contribution rate for each fiscal year
14 shall be determined by comparing the actuarially required
15 contribution rate, calculated without regard for the costs
16 added by legislation, to the prior year's final contribution
17 rate.

18 (2) If, for any of the fiscal years beginning July 1,
19 2011, July 1, 2012, and on or after July 1, 2013, the
20 actuarially required contribution rate, calculated without
21 regard for the costs added by legislation, is more than 3%,
22 3.5% and 4.5%, respectively, of the total compensation of all
23 active members greater than the prior year's final
24 contribution rate, then the collared contribution rate shall
25 be applied and be equal to the prior year's final
26 contribution rate increased by 3%, 3.5% and 4.5%,
27 respectively, of total compensation of all active members.
28 Otherwise, and for all other fiscal years, the collared
29 contribution rate shall not be applicable. In no case shall
30 the collared contribution rate be less than 4% of the total

1 compensation of all active members.

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

7 * * *

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

9 § 8330. Appropriations by the Commonwealth.

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

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

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

26 § 8331. Employer funding mandate protection.

27 (a) Limited expansion of contractual right to funding.--
28 Beginning on the July 1 after the actuarial valuation in which
29 the actuary certifies that final contribution rate is the
30 actuarially required contribution, each active member shall have

1 a contractual right to the timely payment of the annual
2 actuarially required contributions pursuant to section 8328
3 (relating to actuarial cost method) and section 8502 (k)
4 (relating to administrative duties of the board) by such
5 member's employer.

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

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

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

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

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

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

28 (c) Sovereign immunity waived.--Sovereign immunity is hereby
29 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
30 matters affecting government units) or lack of jurisdiction by

1 the Supreme Court shall not be raised as a defense against a
2 claim brought against an employer under this section.

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

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

14 (f) Employer contributions.--Nothing in this section shall
15 be construed to supersede or conflict with the rights and
16 obligations set forth in section 8330 (relating to
17 appropriations by the Commonwealth).

18 (g) Board action.--The board is authorized but not required
19 to bring an action under this section on behalf of itself or any
20 member; and if the board prevails, it may be awarded reasonable
21 attorney's fees.

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

24 § 8341. Return of accumulated deductions.

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

28 § 8342. Maximum single life annuity.

29 (a) General rule.--Upon termination of service, any full
30 coverage member who is eligible to receive an annuity pursuant

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

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

27 (2) A standard single life annuity multiplied by the
28 class of service multiplier and calculated on the basis of
29 the number of years of concurrent service other than service
30 credited as a member of Class T-I and multiplied by the ratio

1 of total compensation received in the school system other
2 than service credited as a member of Class T-I or State
3 service as a member of Class TBD during the period of
4 concurrent service to the total compensation received during
5 such period.

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

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

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

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

22 (c) Limitation regarding annual benefit under IRC §
23 415(b).--Notwithstanding any provision of this part to the
24 contrary, no benefit shall be payable to the extent that such
25 benefit exceeds any limitation under IRC § 415(b) in effect with
26 respect to governmental plans, as such term is defined in IRC §
27 414(d), on the date the benefit payment becomes effective.

28 (d) Coordination of benefits.--The determination and payment
29 of the maximum single life annuity under this section shall be
30 in addition to any payments a combined service employee may be

1 entitled to receive, has received or is receiving as a result of
2 being a participant in the plan.

3 Section 216. Section 8344(a), ~~(b) and (d)~~ AND (B) of Title <--
4 24 are amended and the section is amended by adding a subsection
5 to read:

6 § 8344. Disability annuities.

7 (a) Amount of annuity.--A member other than a member of
8 Class T-I who has made application for a disability annuity as
9 provided in section 8507(k) (relating to rights and duties of
10 school employees [and members], members and participants) and
11 has been found to be eligible in accordance with the provisions
12 of sections 8307(c) (relating to eligibility for annuities) and
13 8505(c)(1) (relating to duties of board regarding applications
14 and elections of members) shall receive a disability annuity
15 payable from the effective date of disability and continued
16 until a subsequent determination by the board that the annuitant
17 is no longer entitled to a disability annuity. The disability
18 annuity shall be a single life annuity that is equal to a sum of
19 the standard single life [annuity] annuities determined
20 separately for each class of service if the total number of
21 years of credited service is greater than 16.667, otherwise
22 [the] each standard single life annuity shall be multiplied by
23 the lesser of the following ratios:

24
$$Y^*/Y \text{ or } 16.667/Y$$

25 where Y = total number of years of credited service and Y* =
26 total years of credited service if the member were to continue
27 as a school employee until attaining superannuation age, or if
28 the member has attained superannuation age then the number of
29 years of credited service. In no event shall the disability
30 annuity plus any cost-of-living increases be less than \$100 for

1 each full year of credited service. The member shall be entitled
2 to the election of a joint and survivor annuity on that portion
3 of the disability annuity to which he is entitled under section
4 8342 (relating to maximum single life annuity).

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

15 * * *

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

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

22 * * *

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

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

1 read:

2 § 8345. Member's options.

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

25 * * *

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

30 * * *

1 (iii) A portion of the benefit may be payable as a
2 lump sum, except that such lump sum payment shall not
3 exceed an amount equal to the accumulated deductions
4 standing to the credit of the member. The balance of the
5 present value of the maximum single life annuity adjusted
6 in accordance with section 8342(b) shall be paid in the
7 form of an annuity with a guaranteed total payment, a
8 single life annuity, or a joint and survivor annuity or
9 any combination thereof but subject to the restrictions
10 of subparagraphs (i) and (ii) of this paragraph. This
11 subparagraph shall not apply to a Class T-E or Class T-F
12 member. For purposes of this subparagraph, the term
13 "actuarially equivalent," as applied to any lump sum
14 withdrawal attributable to contributions credited to the
15 member's savings account of Class T-C, ~~Class T-G, and~~ <--
16 ~~Class T-H~~ AND CLASS T-D members on or after July 1, 2016, <--
17 together with all interest thereon, shall mean equal
18 present values, computed on the basis of the interest
19 rate and such mortality and other tables as adopted by
20 the board pursuant to section 8328(b) (relating to
21 actuarial cost method) in effect on the effective date of
22 retirement of the member. Any partial lump sum withdrawal
23 shall be applied first to contributions and interest
24 credited to the member's savings account before July 1,
25 2016.

26 * * *

27 § 8346. Termination of annuities.

28 (a) General rule.--If an annuitant returns to school service
29 or enters or has entered State service and elects multiple
30 service membership, any annuity payable to him under this part

1 shall cease effective upon the date of his return to school
2 service or entering State service without regard to whether he
3 is a mandatory, optional or prohibited member of the system or
4 participant in the plan or, if a multiple service member,
5 whether he is a mandatory, optional or prohibited member or
6 participant of the State Employee's Retirement System or State
7 Employee's Defined Contribution Plan and in the case of an
8 annuity other than a disability annuity the present value of
9 such annuity, adjusted for full coverage in the case of a joint
10 coverage member who makes the appropriate back contributions for
11 full coverage, shall be frozen as of the date such annuity
12 ceases. An annuitant who is credited with an additional 10% of
13 membership service as provided in section 8302(b.2) (relating to
14 credited school service) and who returns to school service,
15 except as provided in subsection (b), shall forfeit such
16 credited service and shall have his frozen present value
17 adjusted as if his 10% retirement incentive had not been applied
18 to his account. In the event that the cost-of-living increase
19 enacted December 18, 1979, occurred during the period of such
20 State or school employment, the frozen present value shall be
21 increased, on or after the member attains superannuation age, by
22 the percent applicable had he not returned to service.

23 (a.1) Return of benefits.--In the event an annuitant whose
24 annuity from the system ceases pursuant to this section receives
25 any annuity payment, including a lump sum payment pursuant to
26 section 8345 (relating to member's options) on or after the date
27 of his return to school service or entering State service, the
28 annuitant shall return to the board the amount so received from
29 the system plus statutory interest. The amount payable shall be
30 certified in each case by the board in accordance with methods

1 approved by the actuary and shall be paid in a lump sum within
2 90 days or in the case of an active member or a State employee
3 who is an active member of the State Employees' Retirement
4 System may be amortized with statutory interest through salary
5 deductions to the system in amounts agreed upon by the member
6 and the board. The salary deduction amortization plans agreed to
7 by the member and the board may include a deferral of payment
8 amounts and statutory interest until the termination of school
9 service or State service as the board in its sole discretion
10 decides to allow. The board may limit salary deduction
11 amortization plans to such terms as the board in its sole
12 discretion determines. In the case of a State employee who is an
13 active member of the State Employees' Retirement System, the
14 agreed upon salary deductions shall be remitted to the State
15 Employees' Retirement Board, which shall certify and transfer to
16 the board the amounts paid.

17 * * *

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

1 school service or for participation in the plan, mandatory
2 pickup participant contributions or employer defined
3 contributions.

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

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

23 * * *

24 (c) Subsequent discontinuance of service.--Upon subsequent
25 discontinuance of service, such [member] terminating school
26 employee other than a former annuitant who had the effect of his
27 frozen present value eliminated in accordance with subsection
28 (d) or a former disability annuitant shall be entitled to an
29 annuity which is actuarially equivalent to [the sum of] the
30 present value as determined under subsection (a) [and] to which

1 shall be added, if the service after reemployment was as a
2 member of the system, the present value of a maximum single life
3 annuity based on years of service credited subsequent to reentry
4 in the system and his final average salary computed by reference
5 to his compensation as a member of the system or as a member of
6 the State Employees' Retirement System during his entire period
7 of school and State service.

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

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

16 (i) is a multiple service member; or

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

1 * * *

2 § 8347. Death benefits.

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

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

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

30 (d) Other annuitants.--In the event of the death of an

1 annuitant who has elected to receive the maximum single life
2 annuity from the system before he has received in total annuity
3 payments an amount equal to the full amount of the accumulated
4 deductions standing to his credit on the effective date of
5 retirement, the difference between the total payments made to
6 the date of death and the accumulated deductions shall be paid
7 to his designated beneficiary.

8 § 8349. Payment of benefits from the system.

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

12 (b) Death benefits.--If the amount of a death benefit
13 payable from the fund to a beneficiary of a member under section
14 8347 (relating to death benefits) or under the provisions of
15 Option 1 of section 8345(a)(1) (relating to member's options) is
16 \$10,000 or more, such beneficiary may elect to receive payment
17 according to one of the following options:

18 (1) A lump sum payment.

19 (2) An annuity actuarially equivalent to the amount
20 payable.

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

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

29 (d) De minimis accounts.--A member with only Class T-I
30 service credit as a member of the system who terminates school

1 service and whose balance in the members' savings account is
2 \$5,000 or less as of the date of termination of service (or such
3 other higher amount as may be permitted under IRC §411(a)(11) or
4 417(e)) shall receive such balance in one lump sum payment as
5 provided in IRC §401(a)(31). This balance shall not be eligible
6 for installment payments under section 8505.1 (relating to
7 installment payments of accumulated deductions), but shall be
8 considered a lump sum payment for purposes of section 8505.1(d).

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

11 CHAPTER 84

12 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

13 Sec.

14 8401. Establishment.

15 8402. Plan document.

16 8403. Individual investment accounts.

17 8404. Participant contributions.

18 8405. Mandatory pickup participant contributions.

19 8406. Employer defined contributions.

20 8407. Eligibility for benefits.

21 8408. Death benefits.

22 8409. Vesting.

23 8410. Termination of distributions.

24 8411. Agreements with financial institutions and other
25 organizations.

26 8411.1. Relation of administrators of School Employees' Defined
27 Contribution Plan to providers of 403(b) plans.

28 8412. Powers and duties of board.

29 8413. Responsibility for investment loss.

30 8414. Investments based on participants' investment allocation

1 choices.

2 8415. Expenses.

3 8416. Election by members to be participants.

4 8417. Tax qualification.

5 § 8401. Establishment.

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

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

27 (c) Assets held in trust.--All assets and income in the plan
28 that have been or shall be withheld or contributed by the
29 participants, the Commonwealth and employers in accordance with
30 this part shall be held in trust in any funding vehicle

1 permitted by the applicable provisions of the IRC for the
2 exclusive benefit of the plan's participants and their
3 beneficiaries until such time as the funds are distributed to
4 the participants or their beneficiaries in accordance with the
5 terms of the plan document. The assets of the plan held in trust
6 for the exclusive benefit of the participants and their
7 beneficiaries may be used for the payment of the fees, costs and
8 expenses related to the administration and investment of the
9 plan and the trust.

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

20 § 8402. Plan document.

21 The board shall set forth the terms and provisions of the
22 plan and trust in a document containing the terms and conditions
23 of the plan and in a trust declaration that shall be published
24 in the Pennsylvania Bulletin. The creation of the document
25 containing the terms and conditions of the plan and the trust
26 declaration and the establishment of the terms and provisions of
27 the plan and the trust need not be promulgated by regulation or
28 formal rulemaking and shall not be subject to the act of July
29 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
30 Documents Law. A reference in this part or other law to the plan

1 shall include the plan document unless the context clearly
2 indicates otherwise.

3 § 8403. Individual investment accounts.

4 The board:

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

18 (2) shall separately track participant contributions,
19 including investment gains and losses, and employer
20 contributions, including investment gains and losses, but all
21 interest, investment gains and losses and administrative
22 fees, costs and expenses shall be allocated proportionately;
23 and

24 (3) may contract with financial institutions, insurance
25 companies or other types of third-party providers and other
26 vendors to allow participants to deposit participant
27 contributions into the individual investment accounts in a
28 form and manner as provided by the contract.

29 § 8404. Participant contributions.

30 (a) Mandatory contributions.--A participant shall make

1 mandatory pickup participant contributions through payroll
2 deductions to the participant's individual investment account
3 equal to 3% of compensation for current school service. The
4 employer shall cause such contributions for current service to
5 be made and deducted from each payroll or on such schedule as
6 established by the board.

7 (b) Voluntary contributions.--

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

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

16 (iii) The employer shall cause the contributions
17 made under this section to be made and deducted from each
18 payroll or on such schedule as established by the board.

19 (iv) Voluntary contributions made under this section
20 shall not be picked up.

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

28 § 8405. Mandatory pickup participant contributions.

29 (a) Treatment for purposes of IRC § 414(h).--The
30 contributions to the trust required to be made under section

1 8404(a) (relating to participant contributions) with respect to
2 current school service rendered by an active participant shall
3 be picked up by the employer and shall be treated as the
4 employer's contribution for purposes of IRC § 414(h). An
5 employer employing a participant in the plan shall pick up the
6 required mandatory participant contributions by a reduction in
7 the compensation of the participant.

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

14 § 8406. Employer defined contributions.

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

21 (b) Contributions resulting from participants reemployed
22 from USERRA leave.--When a school employee reemployed from
23 USERRA leave makes the mandatory pickup participant
24 contributions permitted to be made for the USERRA leave, the
25 employer by whom the school employee is employed at the time the
26 participant contributions are made shall make whatever employer
27 defined contributions would have been made under this section
28 had the employee making the participant contributions after
29 being reemployed from USERRA leave continued to be employed in
30 the employee's school position instead of performing USERRA

1 leave. Such employer defined contributions shall be placed in
2 the participant's individual investment account as otherwise
3 provided by this part.

4 (c) Limitations on contributions.--No contributions shall be
5 allowed that 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 employer defined
9 contributions in excess of the limitations and investment
10 earnings thereon shall be refunded to the employer by the board.
11 § 8407. Eligibility for benefits.

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

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

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

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

9 (e) Small individual investment accounts.--

10 (1) A participant who terminates school service and
11 whose vested accumulated total defined contributions are
12 below the threshold established by law as of the date of
13 termination of service may be paid the vested accumulated
14 total defined contributions in a lump sum as provided in IRC
15 § 401(a)(31).

16 (2) The board may also provide in the plan document
17 that, notwithstanding subsection (f), a participant whose
18 vested accumulated employer defined contributions are below
19 the thresholds established by the board may receive the
20 distributions of vested accumulated employer defined
21 contributions without the obligation to purchase an annuity.
22 The threshold may be established as a dollar amount, an
23 annuity amount, in some other form individually or in
24 combination as the board determines.

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

1 that the board is authorized to make the distribution directly
2 to the annuity provider.

3 § 8408. Death benefits.

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

10 (b) Death of participant receiving distributions.--In the
11 event of the death of a participant receiving distributions, the
12 board shall pay to the participant's beneficiary the vested
13 balance in the participant's individual investment account in a
14 lump sum or in such other manner as the board may establish in
15 the plan document or, if the board has established alternative
16 methods of distribution in the plan document under which the
17 participant was receiving distributions, to the participant's
18 beneficiary or successor payee as provided in the plan document.

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

24 § 8409. Vesting.

25 (a) Participant and voluntary contributions.--Subject to the
26 forfeiture and attachment provisions of section 8533 (relating
27 to taxation, attachment and assignment of funds) or otherwise as
28 provided by law, a participant shall be immediately vested with
29 respect to all mandatory pickup participant contributions and
30 voluntary contributions paid by or on behalf of the participant

1 to the trust plus interest and investment earnings on the
2 participant contributions but minus investment fees and
3 administrative charges.

4 (b) Employer defined contributions.--

5 (1) Subject to the forfeiture and attachment provisions
6 of section 8533 or otherwise as provided by law, a
7 participant shall be vested with respect to employer defined
8 contributions paid to the participant's individual investment
9 account plus interest and investment earnings by or on behalf
10 of the participant to the trust according to the following
11 schedule:

12 (i) At and after the first year of school service as
13 a participant in the plan, 25%.

14 (ii) At and after the second year of school service
15 as a participant in the plan, 50%.

16 (iii) At and after the third year of school service
17 as a participant in the plan, 75%.

18 (iv) At and after the fourth year of school service
19 as a participant in the plan, 100%.

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

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

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

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

6 § 8410. Termination of distributions.

7 (a) Return to school service.--

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

15 (2) This subsection shall not apply to a distribution of
16 accumulated employer defined contributions or other
17 distributions that the participant has received and used to
18 purchase an annuity from a provider contracted by the board.

19 (b) Return of benefits paid during USERRA leave.--

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

25 (2) The amount payable shall be certified in each case
26 by the board in accordance with methods approved by the
27 actuary and shall be paid in a lump sum within 30 days or, in
28 the case of an active participant, may be amortized with
29 interest as provided in the plan document through salary
30 deductions to the trust in amounts agreed upon by the active

1 participant and the board, but not longer than a period that
2 starts with the date of reemployment and continuing for up to
3 three times the length of the active participant's immediate
4 past period of USERRA leave. The repayment period shall not
5 exceed five years.

6 § 8411. Agreements with financial institutions and other
7 organizations.

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

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

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

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

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

24 § 8411.1. Relation of administrators of School Employees'
25 Defined Contribution Plan to providers of 403(b)
26 plans.

27 (a) General rule.--A financial institution or pension
28 management organization entering into a written agreement
29 pursuant to section 8411 (relating to agreements with financial
30 institutions and other organizations) may offer or provide

1 services to any plan established or maintained by a school
2 district under IRC § 403(b) or 457 if the written agreement for
3 the administration of the School Employees' Defined Contribution
4 Plan is not combined with any other written agreement for the
5 administration of a school district's 403(b) plan or 457 plan.
6 Each school district that provides a 403(b) plan shall make
7 available, in the manner provided by subsection (c), to
8 participants, multiple financial institutions or pension
9 management organizations that have not entered into a written
10 agreement pursuant to section 8411 and which provide services to
11 the school district's 403(b) plan or 457 plan.

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

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

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

28 (c) Provider selection.--A school district that establishes
29 or maintains a plan under IRC § 403(b) or 457 shall select a
30 minimum of four financial institutions or pension management

1 organizations, in addition to the financial institution or
2 pension management organization that entered into an agreement
3 pursuant to section 8411, to provide services to the 403(b) plan
4 or 457 plan. If fewer than four such additional financial
5 institutions or pension management organizations are determined
6 to be available or able to meet the requirements established in
7 this section, then the school district shall select the number
8 of available providers able to meet the school district's
9 requirements. A financial institution or pension management
10 organization shall be designated a 403(b) plan or 457 plan
11 provider if the financial institution or pension management
12 organization enters into an agreement in accordance with
13 subsection (b).

14 § 8412. Powers and duties of board.

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

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

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

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

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

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

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

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

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

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

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

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

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

29 (i) Procedures by which eligible participants may
30 change voluntary contribution amounts or their investment

1 choices on a periodic basis or make other elections
2 regarding their participation in the plan.

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

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

9 (iv) Standards and criteria for providing not less
10 than ten options in accordance with three or more
11 providers of investment options to eligible individuals
12 regarding investment of amounts deferred under the plan.

13 The standards and criteria shall provide for a variety of
14 investment options and shall be reviewed in accordance
15 with criteria established by the board. One of the
16 available options shall serve as the default option for
17 participants who do not make a timely election and, to
18 the extent commercially available, one option shall have
19 an annuity.

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

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

30 (14) The board may waive any reporting or information

1 requirement contained in this part if the board determines
2 that the information is not needed for the administration of
3 the plan.

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

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

12 ~~(17) The provisions and restrictions of the act of July~~ <--
13 ~~2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's~~
14 ~~Investments Act, shall not apply to the plan or trust or the~~
15 ~~investments thereof, but the board may offer to the plan~~
16 ~~participants investment vehicles that would be allowed under~~
17 ~~the Protecting Pennsylvania's Investments Act.~~

18 ~~(18) (17) The board shall ensure that participants are~~ <--
19 ~~provided with educational materials about investment options~~
20 ~~and choices.~~

21 § 8413. Responsibility for investment loss.

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

28 § 8414. Investments based on participant investment allocation
29 choices.

30 (a) Investment by participant.--All contributions, interest

1 and investment earnings shall be invested based on a
2 participant's investment allocation choices. All investment
3 allocation choices shall be credited proportionately between
4 contributions from the participant and employer defined
5 contributions. Each participant shall be credited individually
6 with the amount of contributions, interest and investment
7 earnings.

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

22 § 8415. Expenses.

23 All expenses, fees and costs of administering the plan and
24 the trust and investing the assets of the trust shall be borne
25 by the participants and paid from assessments against the
26 balances of the individual investment accounts as established by
27 the board, except that for fiscal years ending before July 1,
28 2016, the expenses, fees and costs of establishing and
29 administering the plan and trust shall be paid by the
30 Commonwealth through annual appropriations from the General

1 Fund, made on the basis of estimates from the board.

2 § 8416. Election by Class T-E and Class T-F members to be
3 participants.

4 (a) General rule.--Any Class T-E or Class T-F member who is
5 an active member or inactive member on or after July 1, 2016,
6 who is employed in a position that would otherwise be eligible
7 for participation in the plan may elect to become a participant
8 in the plan to the extent that such member's compensation
9 exceeds the Social Security taxable wage base in effect at the
10 beginning of the fiscal year.

11 (b) Time for making election.--An eligible Class T-E or
12 Class T-F member may elect to become a participant and a
13 combined service employee at any time before termination of
14 school service by filing a written election with the board, as
15 provided in the plan document.

16 (c) Effect of election.--The following apply:

17 (1) An election to become a participant shall continue
18 until the termination of service. Contributions from
19 compensation that exceeds the Social Security taxable wage
20 base in effect at the beginning of the fiscal year shall be
21 deducted as soon as administratively feasible after receipt
22 of a properly filed election and shall be deducted thereafter
23 in accordance with section 8412 (relating to powers and
24 duties of board) and 8506 (relating to duties of employers).

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

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

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

4 § 8417. Tax qualification.

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

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

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

16 (ii) An increase in a limitation under IRC § 415
17 shall apply to the participants on or after the effective
18 date of this section.

19 (iii) For the purposes of this paragraph, the term
20 "government plans" shall have the same meaning as in IRC
21 § 414(d).

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

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

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

8 § 8501. Public School Employees' Retirement Board.

9 (a) Status and membership.--The board shall be an
10 independent administrative board and shall consist of [15] 16
11 members: the Secretary of Education, ex officio; the State
12 Treasurer, ex officio; the Secretary of Banking and Securities,
13 ex officio; two Senators; two members of the House of
14 Representatives; the executive secretary of the Pennsylvania
15 School Boards Association, ex officio; two to be appointed by
16 the Governor, at least one of whom shall not be a school
17 employee or an officer or employee of the State; three to be
18 elected by the active professional members of the system and
19 active professional participants of the plan from among their
20 number; one to be elected by annuitants or participants of the
21 plan who have terminated school service and are receiving or are
22 eligible to receive distributions from among their number; one
23 to be elected by the active nonprofessional members of the
24 system or active nonprofessional participants of the plan from
25 among their number; and one to be elected by members of
26 Pennsylvania public school boards from among their number. The
27 appointments made by the Governor shall be confirmed by the
28 Senate and each election shall be conducted in a manner approved
29 by the board. The terms of the appointed and nonlegislative
30 elected members shall be three years. The members from the

1 Senate shall be appointed by the President pro tempore of the
2 Senate and shall consist of one member from the majority and one
3 member from the minority. The members from the House of
4 Representatives shall be appointed by the Speaker of the House
5 of Representatives and shall consist of one member from the
6 majority and one member from the minority. The legislative
7 members shall serve on the board for the duration of their
8 legislative terms and shall continue to serve until 30 days
9 after the convening of the next regular session of the General
10 Assembly after the expiration of their respective legislative
11 terms or until a successor is appointed for the new term,
12 whichever occurs first. The chairman of the board shall be
13 elected by the board members. No member of the board who
14 represents active members or annuitants or is a current member
15 of the General Assembly can serve as chairman. Each ex officio
16 member of the board and each legislative member of the board may
17 appoint a duly authorized designee to act in his stead. In the
18 event that a board member, who is designated as an active
19 participant or as the participant in the plan who is receiving
20 or is eligible to receive distributions, receives a total
21 distribution of the board member's interest in the plan, that
22 board member may continue to serve on the board for the
23 remainder of his term.

24 * * *

25 (c) Oath of office.--Each member of the board shall take an
26 oath of office that he will, so far as it devolves upon him,
27 diligently and honestly administer the affairs of said board,
28 the system and the plan and that he will not knowingly violate
29 or willfully permit to be violated any of the provisions of law
30 applicable to this part. Such oath shall be subscribed by the

1 member making it and certified by the officer before whom it is
2 taken and shall be immediately filed in the office of the
3 Secretary of the Commonwealth.

4 (d) Compensation and expenses.--The members of the board who
5 are members of the system or participants in the plan shall
6 serve without compensation. Members of the board who are members
7 of the system or participants in the plan and who are employed
8 by a governmental entity shall not suffer loss of salary or
9 wages through serving on the board. The board, on request of the
10 employer of any member of the board who is an active
11 professional or nonprofessional member of the system or active
12 professional or nonprofessional participant in the plan, may
13 reimburse such employer for the salary or wages of the member or
14 participant, or for the cost of employing a substitute for such
15 member or participant, while the member or participant is
16 necessarily absent from employment to execute the duties of the
17 board. The members of the board who are not members of either
18 the school system or the State Employees' Retirement System may
19 be paid \$100 per day when attending meetings and all board
20 members shall be reimbursed for any necessary expenses. However,
21 when the duties of the board as mandated are not executed, no
22 compensation or reimbursement for expenses of board members
23 shall be paid or payable during the period in which such duties
24 are not executed.

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

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

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

8 § 8502. Administrative duties of board.

9 (a) Employees.--

10 (1) Effective 30 days after the effective date of this
11 paragraph, the positions of secretary, assistant secretary
12 and investment professional shall be placed under the
13 unclassified service provisions of the act of August 5, 1941
14 (P.L.752, No.286), known as the Civil Service Act, as those
15 positions are vacated. All other positions of the board shall
16 be placed in either the classified or unclassified service
17 according to the definition of the terms under the Civil
18 Service Act.

19 (2) Notwithstanding any other provision of law, the
20 compensation of investment professionals shall be established
21 by the board. The compensation of all other officers and
22 employees of the board who are not covered by a collective
23 bargaining agreement shall be established by the board
24 consistent with the standards of compensation established by
25 the Executive Board of the Commonwealth.

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

1 (b) Professional personnel.--

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

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

11 (c) Expenses.--

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

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

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

30 (4) Concurrently with its administrative budget, the

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

10 * * *

11 (e) Records.--

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

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

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

30 (ii) cause substantial competitive harm to the

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

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

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

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

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

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

1 record subject to public [inspection] access under the
2 Right-to-Know Law once:

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

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

10 whichever is later.

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

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

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

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

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

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

30 (v) The dollar amount of cash distributions received

1 by the system or plan from the alternative investment
2 vehicle since inception.

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

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

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

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

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

5 (ii) The investment option selections of any
6 participant.

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

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

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

14 (7) The following shall apply:

15 (i) Nothing in this part shall be construed to mean
16 that the release or publicizing of a record, material, or
17 data that would not constitute a public record under this
18 subsection shall be a violation of the board's fiduciary
19 duties.

20 (ii) This subsection shall apply to a record,
21 material or data under this subsection notwithstanding
22 whether:

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

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

28 (C) a request for the record, material or data
29 was made or is pending final response under the
30 former act of June 21, 1957 (P.L.390, No.212),

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

4 * * *

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

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

30 (j) Actuarial investigation and valuation.--The board shall

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

26 (k) Certification of employer contributions to the fund.--
27 The board shall, each year in addition to the itemized budget
28 required under section 8330 (relating to appropriations by the
29 Commonwealth), certify to the employers and the Commonwealth the
30 employer contribution rate expressed as a percentage of members'

1 payroll necessary for the funding of prospective annuities for
2 active members and the annuities of annuitants, and certify the
3 rates and amounts of the normal contributions as determined
4 pursuant to section 8328(b) (relating to actuarial cost method),
5 accrued liability contributions as determined pursuant to
6 section 8328(c), supplemental annuities contribution rate as
7 determined pursuant to section 8328(d), the experience
8 adjustment factor as determined pursuant to section 8328(e),
9 premium assistance contributions as determined pursuant to
10 section 8328(f), the costs added by legislation as determined
11 pursuant to section 8328(i), the actuarial required contribution
12 rate as determined pursuant to section 8328(i), the collared
13 contribution rate as determined pursuant to section 8328(g), the
14 final contribution rate as determined pursuant to section
15 8328(h) and the shared-risk contribution rate as determined
16 under section 8321(b) (relating to regular member contributions
17 for current service), which shall be paid to the fund and
18 credited to the appropriate accounts. These certifications shall
19 be regarded as final and not subject to modification by the
20 Secretary of the Budget.

21 * * *

22 (m) Member contributions and interest.--The board shall
23 cause each member's contributions, including payroll deductions,
24 pickup contributions, shared-risk contributions and all other
25 payments, including, but not limited to, amounts collected by
26 the State Employees' Retirement System for the reinstatement of
27 previous school service or creditable nonschool service and
28 amounts paid to return benefits paid after the date of return to
29 school service or entering State service representing lump sum
30 payments made pursuant to section 8345(a)(4)(iii) (relating to

1 member's options) and member's annuity payments, but not
2 including other benefits returned pursuant to section 8346(a.1)
3 and (a.2) (relating to termination of annuities), to be credited
4 to the account of such member and shall pay all such amounts
5 into the fund. Such contributions shall be credited with
6 statutory interest until date of termination of service, except
7 in the case of a vestee, who shall have such interest credited
8 until the effective date of retirement or until the return of
9 his accumulated deductions, if he so elects; and in the case of
10 a multiple service member who shall have such interest credited
11 until termination of service in both the school and the State
12 systems.

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

23 (n) Annual financial statement.--The board shall prepare and
24 have published, on or before January 1 of each year, [a
25 financial statement] financial statements as of the fiscal year
26 ending June 30 of the previous year showing the condition of the
27 fund, the trust and the various accounts, including, but not
28 limited to, the board's accrual and expenditure of directed
29 commissions, and setting forth such other facts, recommendations
30 and data as may be of use in the advancement of knowledge

1 concerning annuities and other benefits provided by this part.
2 The board shall submit said financial [statement] statements to
3 the Governor and shall make copies available to the employers
4 for the use of the school employees and the public.

5 (o) Independent [audit] audits.--The board shall provide for
6 [an annual audit] annual audits of the system and the plan by an
7 independent certified public accounting firm, which [audit]
8 audits shall include the board's accrual and expenditure of
9 directed commissions. The board may use the same independent
10 certified public accounting firm for the audits of both the
11 system and the plan.

12 * * *

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

25 (r) Excess interest.--

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

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

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

6 § 8502.2. Health insurance.

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

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

16 (2) Determination of the benefits structure.

17 (3) Determination of enrollment procedures.

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

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

23 * * *

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

27 § 8503. Duties of board to advise and report to employers

28 [and], members and participants.

29 (a) Manual of regulations.--The board shall, with the advice
30 of the Attorney General and the actuary, prepare, within 90 days

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

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

23 (b.1) Participant status statements.--The board shall have
24 furnished annually to each participant on or before December 31,
25 and more frequently as the board may agree or as required by
26 law, a statement showing the accumulated total defined
27 contributions credited to the participant's individual
28 investment account, the nature and type of investments and the
29 investment allocation of future contributions as of June 30 of
30 the current year and requesting the participant to make any

1 necessary correction or revision regarding his designated
2 beneficiary.

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

10 * * *

11 Section 223. Section 8504(c) of Title 24 is amended to read:

12 § 8504. Duties of board to report to State Employees'

13 Retirement Board.

14 * * *

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

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

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

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

30 (2) Transfer to the State Employees' Retirement Fund the

1 accumulated deductions standing to such member's credit and
2 the actuarial reserve required on account of the member's
3 years of credited service in the school system and his final
4 average salary determined on the basis of his compensation as
5 a member in both systems.

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

10 § 8505. Duties of board regarding applications and elections of
11 members and participants.

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

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

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

24 (i) Discontinue payments, transfer the present value
25 of the member's annuity at the time of entering State
26 service, plus the amount withdrawn in a lump sum payment,
27 on or after the date of entering State service, pursuant
28 to section 8345 (relating to member's options), with
29 statutory interest to date of transfer, minus the amount
30 to be returned to the board on account of return to

1 service that the board has determined is to be credited
2 in the members' savings account, from the annuity reserve
3 account to the members' savings account and resume
4 crediting of statutory interest on the amount restored to
5 his credit.

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

12 (iii) Certify to the member the amount of lump sum
13 and annuity payments with statutory interest the member
14 is to return to the board and, of those amounts, which
15 amount shall be credited to the members' savings account
16 and credited with statutory interest as such payments are
17 returned and which amount shall be credited to the State
18 accumulation account.

19 (2) In case of a member who is not receiving an annuity
20 from the system and who has not withdrawn his accumulated
21 deductions, continue or resume the crediting of statutory
22 interest on his accumulated deductions.

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

1 date of repayment. Such amount shall be restored by him and
2 shall be credited with statutory interest as such payments
3 are restored.

4 * * *

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

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

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

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

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

28 (f) Notification to vestees approaching superannuation
29 age.--The board shall notify each vestee in writing 90 days
30 prior to his attainment of superannuation age that he shall

1 apply for his annuity within 90 days of attainment of
2 superannuation age; that, if he does so apply, his effective
3 date of retirement will be the date of attainment of
4 superannuation age; that, if he does not so apply but defers his
5 application to a later date, his effective date of retirement
6 will be the date of filing the application or the date specified
7 on the application, whichever is later; and that, if he does not
8 file an application within seven years after attaining
9 superannuation age, he shall be deemed to have elected to
10 receive his accumulated deductions upon attainment of
11 superannuation age.

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

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

29 (1) The accumulated deductions standing to his credit
30 showing separately the amount contributed by the member, the

1 pickup contribution, the shared-risk contributions and the
2 interest credited to the date of termination of service.

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

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

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

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

16 (h) Death benefits.--Upon receipt of notification of the
17 death of a member, an active participant, an inactive
18 participant or former member or participant on USERRA leave, the
19 board shall notify the designated beneficiary or survivor
20 annuitant of the benefits to which he is entitled and shall make
21 the first payment to the beneficiary under the plan elected by
22 the beneficiary within 60 days of receipt of certification of
23 death and other necessary data. If no beneficiary designation is
24 in effect at the date of the member's or participant's death or
25 no notice has been filed with the board to pay the amount of
26 such benefits to the member's or participant's estate, the board
27 is authorized to pay such benefits to the executor,
28 administrator, surviving spouse or next-of-kin of the deceased
29 member or participant, and payment pursuant hereto shall fully
30 discharge the fund or plan from any further liability to make

1 payment of such benefits to any other person. If the surviving
2 spouse or next-of-kin of the deceased member or participant
3 cannot be found for the purpose of paying such benefits for a
4 period of seven years from the date of death of the member or
5 participant, then such benefits shall be escheated to the
6 Commonwealth for the benefit of the fund[.] or plan. If no
7 beneficiary designation is in effect at the date of a
8 participant's death or no notice has been filed with the board
9 to pay the amount of the benefits to the participant's estate,
10 the board may pay the benefits to the surviving spouse,
11 executor, administrator or next-of-kin of the deceased
12 participant, and payment pursuant hereto shall fully discharge
13 the fund from any further liability to make payment of such
14 benefits to any other person.

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

1 * * *

2 § 8506. Duties of employers.

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

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

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

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

22 * * *

23 (c.1) Participant and employer defined contributions.--The
24 employer shall cause the mandatory pickup participant
25 contributions on behalf of a participant to be made and shall
26 cause to be deducted any voluntary contributions authorized by a
27 participant. The employer shall also cause the employer defined
28 contributions on behalf of a participant to be made. The
29 employer shall notify the board at times and in a manner
30 prescribed by the board of the compensation of any participant

1 to whom the limitation under IRC § 401(a)(17) either applies or
2 is expected to apply and shall cause the participant's
3 contributions to be deducted from payroll to cease at the
4 limitation under IRC § 401(a)(17) on the payroll date if and
5 when such limit shall be reached. The employer shall certify to
6 the board the amounts picked up and deducted and the employer
7 defined contributions being made and shall send the total amount
8 picked up, deducted and contributed together with a duplicate of
9 such voucher to the secretary of the board every pay period or
10 on such schedule as established by the board.

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

23 (d.1) Cash balance account contributions.--The employer
24 shall cause the voluntary contributions to the cash balance
25 account on behalf of a Class T-C, CLASS T-D, Class T-E, OR Class <--
26 T-F, Class T-G, or Class T-H member to be made and deducted as <--
27 authorized by the member. The employer shall certify to the
28 board the amounts deducted and the employer contributions being
29 made and shall send the total amount deducted and contributed
30 together with a duplicate of such voucher to the secretary of

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

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

17 * * *

18 (g) Former State employee contributors.--

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

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

5 (h) Former State employee annuitants.--

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

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

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

30 (1) An application for the return of accumulated

1 deductions.

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

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

12 * * *

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

16 (1) Any school employee who:

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

19 (ii) is granted a leave of absence under 51 Pa.C.S.
20 § 4102 (relating to leaves of absence for certain
21 government employees) or a military leave of absence
22 under 51 Pa.C.S. § 7302 (relating to granting military
23 leaves of absence).

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

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

29 (4) Any other information the board may require.

30 (1) Differential wage payments and military leave of absence

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

9 § 8507. Rights and duties of school employees [and], members
10 and participants.

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

1 * * *

2 (b.1) Application for participation.--On or after July 1,
3 2016, in the case of a new employee who is not currently a
4 participant in the plan and whose participation is mandatory, or
5 in the case of a new employee whose participation is not
6 mandatory but is permitted and who desires to become a
7 participant in the plan, the new employee shall execute an
8 application for participation and a nomination of a beneficiary.

9 * * *

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

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

28 (d.4) Voluntary contributions to cash balance account by
29 member.--Any member who desires to make voluntary contributions
30 to be credited to his cash balance account shall notify the

1 board and, upon compliance with the requirements, procedures and
2 limitations established by the board, may do so subject to the
3 limitations under IRC §§ 401(a) and 415 and as otherwise
4 provided in this part.

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

13 (e.1) Beneficiary for death benefits from plan.--Every
14 participant shall nominate a beneficiary by written designation
15 filed with the board as provided in section 8506 (relating to
16 duties of employers) to receive the death benefit payable under
17 section 8408 (relating to death benefits). A participant may
18 also nominate a contingent beneficiary or beneficiaries to
19 receive the death benefit provided under section 8408 (relating
20 to death benefits). Such nomination may be changed at any time
21 by the participant by written designation filed with the board.

22 (e.2) Beneficiary for combined service employee.--A combined
23 service employee may designate or nominate different persons to
24 be beneficiaries, survivor annuitants and successor payees for
25 his benefits from the system and the plan.

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

1 to do one of the following:

2 (1) Withdraw his accumulated deductions.

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

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

11 * * *

12 (g.1) Deferral of distribution by participant.--If a
13 participant terminates school service and does not commence
14 receiving a distribution, he shall nominate a beneficiary by
15 written designation filed with the board, and he may anytime
16 thereafter, but no later than his required beginning date,
17 withdraw the vested accumulated total defined contributions
18 standing to his credit or apply for another form of distribution
19 required by law or authorized by the board.

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

29 * * *

30 (i) Failure to apply for annuity.--If a member is eligible

1 to receive an annuity from the system and does not file a proper
2 application within 90 days of termination of service, he shall
3 be deemed to have elected to vest, and his annuity will become
4 effective as of the date an application is filed with the board
5 or the date designated on the application whichever is later.

6 * * *

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

14 Section 225. Sections 8521(b), 8522, 8523, 8524, 8525 and
15 8531 of Title 24 are amended to read:

16 § 8521. Management of fund and accounts.

17 * * *

18 (b) Crediting of interest.--The board annually shall allow
19 statutory interest, excluding the individual investment
20 accounts, to the credit of the members' savings account on the
21 mean amount of the accumulated deductions of all members for
22 whom interest is payable for the preceding year and valuation
23 interest on the mean amount of the annuity reserve account for
24 the preceding year to the credit of that account. The board
25 annually shall allow valuation interest calculated on the mean
26 amount for the preceding year of the balance in the State
27 accumulation account excluding any earnings of the fund credited
28 to the account during that year. In the event the total earnings
29 for the year do not exceed 5 1/2% of the mean amount for the
30 preceding year of the total assets of the fund less earnings

1 credited to the fund during that year plus the administrative
2 expenses of the board, the difference required to be
3 appropriated from the General Fund shall be credited to the
4 State accumulation account.

5 * * *

6 § 8522. Public School Employees' Retirement Fund.

7 (a) General rule.--The fund shall consist of all moneys in
8 the several separate funds in the State Treasury set apart to be
9 used under the direction of the board for the benefit of members
10 of the system; and the Treasury Department shall credit to the
11 fund all moneys received from the Department of Revenue arising
12 from the contributions relating to or on behalf of the members
13 of the system required under the provisions of Chapter 83
14 (relating to membership, contributions and benefits) and all
15 earnings from investments or moneys of said fund. There shall be
16 established and maintained by the board the several ledger
17 accounts specified in sections 8523 (relating to members'
18 savings account), 8524 (relating to State accumulation account),
19 8525 (relating to annuity reserve account) and 8526 (relating to
20 health insurance account).

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

29 § 8523. Members' savings account and cash balance account.

30 (a) Credits to members' savings account.--The members'

1 savings account shall be the ledger account to which shall be
2 credited the amounts of the pickup contributions made by the
3 employer and contributions or lump sum payments made by active
4 members in accordance with the provisions of Chapter 83
5 (relating to membership, contributions and benefits).

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

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

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

25 (d) Excess Interest.--

26 (1) As part of the annual actuarial valuation performed
27 under subsection 8502(j) (relating to administrative duties
28 of board) for fiscal year 2017, and for each subsequent
29 fiscal year, the board shall determine the amount potentially
30 available from that year for distribution as excess interest.

1 That amount shall be one half of the investment gains and
2 losses, net of investment and administrative fees and costs,
3 above or below the actuarially assumed investment return of
4 the total assets in the fund multiplied by the ratio of the
5 total amount credited in the members' savings account of
6 Class T-I members and the cash balance savings account of
7 members who have elected to contribute to the cash balance
8 account, to the sum of the total amount credited in the
9 members' savings account plus the accrued actuarial liability
10 of all benefits derived from all the service of all members
11 in all classes of service other than Class T-I. This product
12 shall be available in equal annual installments over five
13 years.

14 (2) After the actuarial valuation made for fiscal year
15 2019 and after the actuarial valuations for each subsequent
16 fiscal year, the board shall determine if excess interest is
17 to be awarded to those members who have Class T-I service
18 credit, or those members who have contributions in the cash
19 balance savings account, on the date of the applicable
20 actuarial valuation.

21 (3) For each determination period, excess interest shall
22 be granted if the sum of the amounts determined under
23 paragraph (1) for all the years of the determination period
24 is positive. If so, then the percentage rate of excess
25 interest shall be determined by dividing this sum by the
26 total amount credited in the members savings account
27 attributable to Class T-I service credit and those members
28 who have contributions in the cash balance savings account,
29 on the last day of the determination period. Each Class T-I
30 member who has monies in the members' savings account, and

1 each member who has monies in the cash balance savings
2 account, on the last day of the determination period and who
3 has monies in such accounts on the next following June 30,
4 shall have excess interest at this rate credited to his total
5 members' savings account balance cash balance savings
6 account, as applicable.

7 (4) The determination period for the period ending with
8 the actuarial valuation for fiscal year 2019 shall be fiscal
9 years 2016, 2017 and 2018. The determination period for the
10 period ending with the actuarial valuation for fiscal year
11 2020 shall be fiscal years 2016, 2017, 2018, and 2019. The
12 determination period for the periods ending with fiscal year
13 2021 and subsequent years shall be the ending fiscal year and
14 the four immediately previous fiscal years.

15 § 8524. State accumulation account.

16 The State accumulation account shall be the ledger account to
17 which shall be credited all contributions of the Commonwealth
18 and other employers as well as the earnings of the fund, except
19 the premium assistance contributions and earnings thereon in the
20 health insurance account. Valuation interest shall be allowed on
21 the total amount of such account less any earnings of the fund
22 credited during the year. The reserves necessary for the payment
23 of annuities and death benefits resulting from membership in the
24 system as approved by the board and as provided in Chapter 83
25 (relating to membership, contributions and benefits) shall be
26 transferred from the State accumulation account to the annuity
27 reserve account. At the end of each year the required interest
28 shall be transferred from the State accumulation account to the
29 credit of the members' savings account and the annuity reserve
30 account. The administrative expenses of the board shall be

1 charged to the State accumulation account. Employer defined
2 contributions, mandatory pickup contributions and a
3 participant's voluntary contributions, together with any income
4 or interest earned thereon, may be temporarily placed into the
5 State accumulation account pending allocation or distribution to
6 the participant's individual investment account.

7 § 8525. Annuity reserve account.

8 (a) Credits and charges to account.--The annuity reserve
9 account shall be the ledger account to which shall be credited
10 the reserves held for the payment of annuities and death
11 benefits resulting from membership in the system on account of
12 all annuitants and the contributions from the Commonwealth and
13 other employers as determined in accordance with section 8328
14 (relating to actuarial cost method) for the payment of the
15 supplemental annuities provided in sections 8348 (relating to
16 supplemental annuities), 8348.1 (relating to additional
17 supplemental annuities), 8348.2 (relating to further additional
18 supplemental annuities), 8348.3 (relating to supplemental
19 annuities commencing 1994), 8348.4 (relating to special
20 supplemental postretirement adjustment), 8348.5 (relating to
21 supplemental annuities commencing 1998), 8348.6 (relating to
22 supplemental annuities commencing 2002) and 8348.7 (relating to
23 supplemental annuities commencing 2003). The annuity reserve
24 account shall be credited with valuation interest. After the
25 transfers provided in sections 8523 (relating to members'
26 savings account) and 8524 (relating to State accumulation
27 account), all annuity and death benefit payments shall be
28 charged to the annuity reserve account and paid from the fund.

29 (b) Transfers from account.--Should an annuitant be
30 subsequently restored to active service, either as a member of

1 the system or participant in the plan, the present value of his
2 member's annuity at the time of reentry into school service
3 shall be transferred from the annuity reserve account and placed
4 to his individual credit in the members' savings account. In
5 addition, the actuarial reserve for his annuity less the amount
6 transferred to the members' savings account shall be transferred
7 from the annuity reserve account to the State accumulation
8 account.

9 § 8531. State guarantee regarding the system.

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

19 Section 226. Section 8533(a), (b) and (d) of Title 24 are
20 amended to read:

21 § 8533. Taxation, attachment and assignment of funds.

22 (a) General rule.--Except as provided in subsections (b),
23 (c) and (d), the right of a person to a member's annuity, a
24 State annuity, or retirement allowance, to the return of
25 contributions, any benefit or right accrued or accruing to any
26 person under the provisions of this part, and the moneys in the
27 fund and the trust are hereby exempt from any State or municipal
28 tax, and exempt from levy and sale, garnishment, attachment, the
29 provisions of Article XIII.1 of the act of April 9, 1929
30 (P.L.343, No.176), known as The Fiscal Code, or any other

1 process whatsoever, and shall be unassignable.

2 (a.1) Individual investment accounts and distributions.--No
3 participant or beneficiary, successor payee, spouse or alternate
4 payee of a participant shall have the ability to commute, sell,
5 assign, alienate, anticipate, mortgage, pledge, hypothecate,
6 commutate or otherwise transfer or convey any benefit or
7 interest in an individual investment account or rights to
8 receive or direct distributions under this part or under
9 agreements entered into under this part except as otherwise
10 provided in this part and in the case of either a member or a
11 participant.

12 (b) Forfeiture.--

13 (1) Rights under this part shall be subject to
14 forfeiture as provided by the act of July 8, 1978 (P.L.752,
15 No.140), known as the Public Employee Pension Forfeiture Act.
16 Forfeitures under this subsection or under any other
17 provision of law may not be applied to increase the benefits
18 that any member would otherwise receive under this part.

19 (2) In accordance with section 16(b) of Article V of the
20 Constitution of Pennsylvania and notwithstanding paragraph
21 (1), the act of July 8, 1978 (P.L.752, No.140), known as the
22 Public Employee Pension Forfeiture Act, or 42 Pa.C.S. § 3352
23 (relating to pension rights), the accumulated mandatory
24 participant contributions and accumulated voluntary
25 contributions standing to the credit of a participant shall
26 not be forfeited but shall be available for payment of fines
27 and restitution as provided by law. In accordance with
28 section 16(b) of Article V of the Constitution of
29 Pennsylvania, amounts in the trust that have been ordered to
30 be distributed to an alternate payee as the result of an

1 equitable distribution of marital property as part of an
2 approved domestic relations order entered before the date of
3 the order or action in a court or other tribunal resulting in
4 a forfeiture of a participant's interest in the trust shall
5 not be subject to the Public Employee Pension Forfeiture Act,
6 section 16(b) of the Article V of the Constitution of
7 Pennsylvania or 42 Pa.C.S. § 3352. Any accumulated employer
8 defined contributions forfeited as a result of this
9 subsection or other law shall be retained by the board and
10 used for the payment of expenses of the plan.

11 * * *

12 (d) Direct rollover.--Effective with distributions made on
13 or after January 1, 1993, and notwithstanding any other
14 provision of this part to the contrary, a distributee may elect,
15 at the time and in the manner prescribed by the board, to have
16 any portion of an eligible rollover distribution paid directly
17 to an eligible retirement plan by way of a direct rollover. For
18 purposes of this subsection, a "distributee" includes a member
19 [and], a participant, a spouse, a member's surviving spouse
20 [and], a participant's surviving spouse, a member's former
21 spouse who is an alternate payee under an approved domestic
22 relations order and a participant's former spouse who is an
23 alternate payee under an approved domestic relations order and
24 anyone else authorized under IRC and the plan terms approved by
25 the board to have an eligible rollover distribution paid
26 directly to an eligible retirement plan by way of a direct
27 rollover. For purposes of this subsection, the term "eligible
28 rollover distribution" has the meaning given such term by IRC §
29 402(f) (2) (A) and "eligible retirement plan" has the meaning
30 given such term by IRC § 402(c) (8) (B), except that a qualified

1 trust shall be considered an eligible retirement plan only if it
2 accepts the distributee's eligible rollover distribution;
3 however, in the case of an eligible rollover distribution to a
4 surviving spouse, an eligible retirement plan is an "individual
5 retirement account" or an "individual retirement annuity" as
6 those terms are defined in IRC § 408(a) and (b).

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

9 § 8533.1. Approval of domestic relations orders.

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

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

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

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

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

1 retirement.

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

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

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

14 (a.1) Certification regarding participants.--A domestic
15 relations order pertaining to a participant shall be certified
16 as 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) Does not require the plan to provide any type or
20 form of benefit or any option applicable to members of the
21 system or participants in the plan.

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

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

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

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

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

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

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

25 (9) Requires the participant to execute an authorization
26 allowing each alternate payee to monitor the participant's
27 compliance with the terms of the domestic relations order
28 through access to information concerning the participant
29 maintained by the plan. Any authorization granted under this
30 section shall be construed only as an authorization for the

1 alternate payee to receive information concerning the
2 participant which relates to the administration, calculation
3 and payment of the alternate payee's share of the
4 participant's account and not as an authorization to exercise
5 the rights afforded to participants or obtain information
6 that is not related to the administration, calculation and
7 payment of the alternate payee's share of the participant's
8 individual investment account, notwithstanding any other
9 provision of this part or the plan that would require a
10 distribution of accumulated employer defined contributions in
11 the form of an annuity or to require the purchase of an
12 annuity.

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

26 (11) In the case of a participant who is currently
27 receiving distributions from the trust as of the date the
28 domestic relations order is approved by the secretary of the
29 board or his designated representative, the domestic
30 relations order may not order the board to pay the alternate

1 payee more than the balance available in the participant's
2 individual investment account as of the date the order is
3 approved or require that distributions continue to the
4 alternate payee after the death of the participant and final
5 settlement of the participant's individual investment
6 account.

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

21 (c) Other orders.--The requirements for approval identified
22 in [subsection (a)] subsections (a) and (a.1) shall not apply to
23 any domestic relations order which is an order for support as
24 that term is defined in 23 Pa.C.S. § 4302 (relating to
25 definitions) or an order for the enforcement of arrearages as
26 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
27 arrearages). These orders shall be approved to the extent that
28 they do not attach moneys in excess of the limits on attachments
29 as established by the laws of this Commonwealth and the United
30 States[.], require distributions of benefits in a manner that

1 would violate the laws of the United States, any other state or
2 this Commonwealth or require the distribution of funds for
3 support or enforcement of arrearages against any participant who
4 is not receiving distributions from the plan at the time such
5 order is entered. These orders may be approved notwithstanding
6 any other provision of this part or the plan that would
7 otherwise require a distribution of accumulated employer defined
8 contributions in the form of an annuity or to require the
9 purchase of an annuity.

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 plan with respect to such approval
18 or disapproval shall be discharged.

19 § 8533.2. Irrevocable beneficiary.

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

1 nomination, in which case the irrevocable beneficiary so ordered
2 by the court cannot be changed by the member or participant
3 without approval by the court.

4 § 8533.3. Irrevocable survivor annuitant.

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

20 § 8533.4. Amendment of approved domestic relations orders.

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

27 * * *

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

30 § 8533.5. Irrevocable successor payee.

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

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

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

19 (d) Ineligibility.--A person ineligible to be designated as
20 a successor payee may not be designated as an irrevocable
21 successor payee. A court may 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 229. Sections 8534 and 8535 of Title 24 are amended
26 to read:

27 § 8534. 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 affects 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 affects contributions to or payments
15 from the plan, the board shall take such action as shall be
16 provided for in the plan document.

17 § 8535. Payments to school entities by Commonwealth.

18 For each school year beginning with the 1995-1996 school year
19 and ending with the 2015-2016 school year, each school entity
20 shall be paid by the Commonwealth for contributions based upon
21 school service of active members of the system after June 30,
22 1995, as follows:

23 (1) The Commonwealth shall pay each school entity for
24 contributions made to the Public School Employees' Retirement
25 Fund based upon school service of all active members,
26 including members on activated military service leave, whose
27 effective dates of employment with their school entities are
28 after June 30, 1994, and who also had not previously been
29 employed by any school entity within this Commonwealth an
30 amount equal to the amount certified by the Public School

1 Employees' Retirement Board as necessary to provide, together
2 with the members' contributions, reserves on account of
3 prospective annuities, supplemental annuities and the premium
4 assistance program as provided in this part in accordance
5 with section 8328 (relating to actuarial cost method),
6 multiplied by the market value/income aid ratio of the school
7 entity. For no school year shall any school entity receive
8 less than the amount that would result if the market
9 value/income aid ratio as defined in section 2501(14.1) of
10 the Public School Code of 1949 was 0.50.

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

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

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

2 § 8535.1. Payments to school entities by Commonwealth

3 commencing with the 2016-2017 school year.

4 (a) General rule.--For each school year, beginning with the
5 2016-2017 school year, each school entity shall be paid by the
6 Commonwealth for contributions based upon school service of
7 active members of the system and active participants of the plan
8 after June 30, 2016, as follows:

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

28 (2) The Commonwealth shall pay each school entity for
29 contributions made to the fund or the trust based upon school
30 service of all active members or active participants,

1 including members or participants on activated military
2 service leave and USERRA leave, and active participants of
3 the plan who are not described in paragraph (1) one-half of
4 the amount certified by the board as necessary to provide,
5 together with the members' and participants' contributions,
6 reserves on account of prospective annuities, supplemental
7 annuities and the premium assistance program as provided in
8 this part in accordance with section 8328.

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

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

24 § 8537. Public Pension Management and Asset Investment Review
25 Commission.

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

29 (1) Speaker of the House;

30 (2) President Pro tempore of the Senate; and

1 (3) Governor.

2 The appointees shall be investment professionals and
3 retirement advisors and shall be appointed within 90 days of
4 the effective date of this section.

5 (b) Duties.--The duties of the Public Pension Management and
6 Asset Investment Review Commission are as follows:

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

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

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

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

21 (i) assets;

22 (ii) returns;

23 (iii) financial managers;

24 (iv) consultants;

25 (v) requests for Proposals; and

26 (vi) investment performance measured against
27 benchmarks.

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

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

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

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

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

12 (3) The act of October 4, 1978 (P.L.883, No.170), known
13 as the Public Official and Employee Ethics Act.

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

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

20 (f) Transparency and ethics.--The Public Pension Management
21 and Asset Investment Review Commission may conduct hearings and
22 otherwise gather pertinent information and analysis that it
23 considers appropriate.

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

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

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

5 Section 231. The definition of "eligible person" in section
6 8702(a) of Title 24 is amended to read:

7 § 8702. Definitions.

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

14 "Eligible person." An individual who is:

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

17 (2) a participant receiving distributions or a successor
18 payee, or the spouse or dependent of a participant receiving
19 distributions or successor payee.

20 * * *

21 ARTICLE III

22 Section 301. Section 7306(a) introductory paragraph of Title
23 51 is amended and the section is amended by adding a subsection
24 to read:

25 § 7306. Retirement rights.

26 (a) Options available to employees.--Any employee who is a
27 member of a retirement system other than an active member or
28 inactive member on leave without pay of the State Employees'
29 Retirement System, an active or inactive participant of the
30 School Employees' Defined Contribution Plan, an active

1 participant or inactive participant on leave without pay of the
2 State Employees' Defined Contribution Plan or an active or
3 inactive member of the Public School Employees' Retirement
4 System at the time he is granted a military leave of absence
5 shall be entitled to exercise any one of the following options
6 in regard thereto:

7 * * *

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

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

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

23 ARTICLE IV

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

26 § 4104. Duties of office.

27 (a) Mandatory.--The office shall:

28 * * *

29 (7) Study and analyze the impact of shared-risk
30 contributions under 24 Pa.C.S. § 8321(b) (relating to regular

1 member contributions for current service) and section 5501.1
2 (relating to shared-risk member contributions and shared-gain
3 adjustments for regular member contributions for Class A-3
4 and Class A-4 service).

5 * * *

6 § 5102. Definitions.

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

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

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

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

27 "Accumulated total defined contributions." The total of the
28 accumulated mandatory participant contributions, accumulated
29 employer defined contributions and accumulated voluntary
30 contributions, reduced by any distributions, standing to the

1 credit of a participant in an individual investment account in
2 the trust.

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

9 "Active member." A State employee, or a member on leave
10 without pay, for whom pickup contributions or cash balance
11 member contributions are being made to the fund or for whom such
12 contributions otherwise required for current State service are
13 not being made solely by reason of section 5502.1 (relating to
14 waiver of regular member contributions and Social Security
15 integration member contributions) or any provision of this part
16 relating to the limitations under section 401(a)(17) or section
17 [415(b)] 415 of the Internal Revenue Code of 1986 (Public Law
18 99-514, 26 U.S.C. § 401(a)(17) or [415(b)].] 415) or limitations
19 on contributions to the system applicable to a Class A-3 member
20 or Class A-4 member who has exceeded the Class A-3 and Class A-4
21 compensation limit.

22 "Active participant." A State employee for whom mandatory
23 participant contributions are being made to the trust or for
24 whom such contributions otherwise required for current State
25 service are not being made solely by reason of any provision of
26 this part relating to the limitations under section 401(a)(17)
27 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
28 26 U.S.C. § 401(a)(17) or § 415).

29 "Actuarial increase factor." A factor calculated at the
30 member's birthday by dividing the cost of a dollar annuity based

1 on the age of the member on the member's immediately previous
2 birthday by the cost of a one-year deferred dollar annuity
3 calculated at that same age. Unless the member terminates State
4 or school service on the member's birthday, the actuarial
5 increase factor for the year of termination shall be adjusted
6 by:

7 (1) subtracting one from the calculated factor; then

8 (2) dividing the difference by twelve; then

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

12 (4) adding one to the resulting product.

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

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

25 (1) a member of the American Academy of Actuaries; or

26 (2) an individual who has demonstrated to the
27 satisfaction of the Insurance Commissioner of Pennsylvania
28 that he has the educational background necessary for the
29 practice of actuarial science and has had at least seven
30 years of actuarial experience; or

1 (3) a firm, partnership, or corporation of which at
2 least one member meets the requirements of (1) or (2).

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

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

15 "Alternative investment vehicle." A limited partnership,
16 limited liability company or any other legal vehicle for
17 authorized investments under section 5931(i) (relating to
18 management of fund and accounts) through which the system makes
19 an alternative investment.

20 "Alternate payee." Any spouse, former spouse, child or
21 dependent of a member or participant who is recognized by a
22 domestic relations order as having a right to receive all or a
23 portion of the moneys payable to that member or participant
24 under this part.

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

27 "Applicable Federal rate." Interest at a rate equal to the
28 applicable Federal rate prescribed by the Internal Revenue
29 Service and published by revenue ruling under IRC § 7520 and
30 that is in effect on the operative date of the calculation for

1 which such rate is being used, compounded annually.

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

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

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

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

26 "Board." The State Employees' Retirement Board or the State
27 Employees' Retirement Board.

28 "Cash balance member accumulated deductions." The total of
29 the cash balance member contributions paid into the fund on
30 account of a member's service as a member of Class CB together

1 with treasury bond interest and excess interest thereon until
2 the date of termination of service. In the case of a vestee,
3 treasury bond interest and excess interest shall be credited
4 until the effective date of retirement.

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

8 "Class A-3 and Class A-4 compensation limit." For a Class A-
9 3 or Class A-4 member for each calendar year starting on or
10 after January 1, 2016, the amount of compensation as an active
11 member which would not have been subject to Social Security
12 integration member contributions under section 5502 had the
13 member been eligible to elect to earn Social Security
14 integration credits under section 5305 and did so, without
15 regard to the calendar year starting after March 1, 1974.

16 "Class of service multiplier."

17	Class of Service		Multiplier
18	A		1
19	AA	for all purposes	
20		prior to January	
21		1, 2016, except	
22		calculating	
23		regular member	
24		contributions on	
25		compensation	
26		paid prior to	
27		January 1, 2002	1.25
28	AA	for purposes of	
29		calculating	
30		regular member	

<--

1 contributions
 2 on compensation
 3 paid prior to
 4 January 1, 2002 1
 5 ~~AA for all purposes~~ <--
 6 ~~after December as provided in~~
 7 ~~31, 2015 section 5501.4~~
 8 A-3 for all purposes
 9 except the
 10 calculation of
 11 regular member
 12 contributions
 13 and
 14 contributions
 15 for creditable
 16 nonstate service 1
 17 A-3 for purposes of
 18 calculating
 19 regular member
 20 contributions
 21 and
 22 contributions
 23 for creditable
 24 nonstate service 1.25
 25 A-4 for all purposes
 26 except the
 27 calculation of
 28 regular member
 29 contributions 1.25
 30 A-4 for purposes of

1		calculating	
2		regular member	
3		contributions	1.86
4	B		.625
5	C		1
6	<u>CB</u>	<u>for all purposes</u>	
7		<u>except</u>	
8		<u>calculating cash</u>	
9		<u>balance member</u>	
10		<u>contributions</u>	<u>1</u>
11	<u>CB</u>		<u>0.6 unless a</u>
12		<u>for purposes of</u>	<u>lower</u>
13		<u>calculating cash</u>	<u>multiplier is</u>
14		<u>balance member</u>	<u>elected under</u>
15		<u>contributions</u>	<u>section 5306.5</u>
16	D		1.25
17	D-1	prior to January	
18		1, 1973	1.875
19	D-1	on and	
20		subsequent to	
21		January 1, 1973	1.731
22	D-2	prior to January	
23		1, 1973	2.5
24	D-2	on and	
25		subsequent to	
26		January 1, 1973	1.731
27	D-3	prior to January	
28		1, 1973	3.75
29	D-3	on and	
30		subsequent to	

1 January 1, 1973 1.731 except prior
2 to December 1,
3 1974
4 as applied to
5 any additional
6 legislative
7 compensation
8 as an officer
9 of the General
10 Assembly

11 3.75

12 D-4 for all purposes
13 ~~prior to January~~
14 ~~1, 2016,~~ except
15 calculating
16 regular member
17 contributions
18 on compensation
19 paid prior to

20 July 1, 2001 1.5

21 D-4 for purposes of
22 calculating
23 regular member
24 contributions on
25 compensation
26 paid prior to

27 July 1, 2001 1

28 ~~D-4~~ ~~for all purposes~~
29 ~~after December~~
30 ~~31, 2015~~

~~as provided in~~
~~section 5501.4~~

<--

<--

1	E, E-1	prior to January		
2		1, 1973	2	for each of
3				the first ten
4				years of
5				judicial
6				service, and
7			1.5	for each
8				subsequent
9				year of
10				judicial
11				service
12	E, E-1	on and		
13		subsequent to		
14		January 1, 1973	1.50	for each of
15				the first ten
16				years of
17				judicial
18				service and
19			1.125	for each
20				subsequent
21				year of
22				judicial
23				service
24	E-2	prior to		
25		September 1,		
26		1973	1.5	
27	E-2	on and		
28		subsequent to		
29		September 1,		
30		1973	1.125	

1	G	0.417
2	H	0.500
3	I	0.625
4	J	0.714
5	K	0.834
6	L	1.000
7	M	1.100
8	N	1.250
9	T-C (Public School	1
10	Employees'	
11	Retirement Code)	
12	T-E (Public School	1
13	Employees'	
14	Retirement Code)	
15	T-F (Public School	1
16	Employees'	
17	Retirement Code)	
18	T-G (Public School	1
19	Employees'	
20	Retirement Code)	

<--

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

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

26 "Compensation." Pickup contributions plus remuneration
27 actually received as a State employee excluding refunds for
28 expenses, contingency and accountable expense allowances;
29 excluding any severance payments or payments for unused vacation
30 or sick leave; and excluding payments for military leave and any

1 other payments made by an employer while on USERRA leave, leave
2 of absence granted under 51 Pa.C.S. § 4102 (relating to leaves
3 of absence for certain government employees), military leave of
4 absence granted under 51 Pa.C.S. § 7302 (relating to granting
5 military leaves of absence) or other types of military leave,
6 including other types of leave payments, stipends, differential
7 wage payments as defined in IRC § 414(u)(12) and any other
8 payments: Provided, however, That compensation received prior to
9 January 1, 1973, shall be subject to the limitations for
10 retirement purposes in effect December 31, 1972, if any:
11 Provided further, That the limitation under section 401(a)(17)
12 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
13 U.S.C. § 401(a)(17)) taken into account for the purpose of
14 member contributions, including any additional member
15 contributions in addition to regular or joint coverage member
16 contributions and Social Security integration contributions,
17 regardless of class of service, shall apply to each member who
18 first became a member of the State Employees' Retirement System
19 on or after January 1, 1996, and who by reason of such fact is a
20 noneligible member subject to the application of the provisions
21 of section 5506.1(a) (relating to annual compensation limit
22 under IRC § 401(a)(17)) and shall apply to each participant.

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

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

1 unit of a youth development center operated by the Department of
2 Corrections or by the Department of Public Welfare.

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

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

- 14 (1) service as a State employee;
- 15 (2) service converted to State service pursuant to
16 section 5303.1 (relating to election to convert county
17 service to State service); or
- 18 (3) school service converted to State service pursuant
19 to section 5303.2 (relating to election to convert school
20 service to State service) [for which an active member may
21 obtain credit].

22 "Credited service." State or creditable nonstate service for
23 which the required contributions have been made to the fund or
24 for which the contributions otherwise required for such service
25 were not made solely by reason of section 5502.1 (relating to
26 waiver of regular member contributions and Social Security
27 integration member contributions) or any provision of this part
28 relating to the limitations under section 401(a)(17) or [415(b)]
29 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
30 U.S.C. § 401(a)(17) or [415(b)],] 415), or limitations on

1 contributions to the system applicable to a Class A-3 member or
2 Class A-4 member or for which salary deductions or lump sum
3 payments to the system have been agreed upon in writing.

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

6 (1) the last day of service for which pickup
7 contributions are made for an active member or for which the
8 contributions otherwise required for such service were not
9 made solely by reason of section 5502.1 (relating to waiver
10 of regular member contributions and social security
11 integration member contributions) or any provision of this
12 part relating to the limitations under section 401(a) (17) or
13 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
14 26 U.S.C. § 401(a) (17) or 415) or limitations on
15 contributions to the system applicable to a Class A-3 member
16 or Class A-4 member;

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

19 (3) in the case of an inactive member on leave without
20 pay or an inactive participant on leave without pay, the date
21 of his resignation or the date his employment is formally
22 discontinued by his employer[.]; or

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

25 "DC PLAN EXEMPT EMPLOYEE." ANY OF THE FOLLOWING:

<--

26 (1) A SWORN POLICE OFFICER.

27 (2) AN ENFORCEMENT OFFICER.

28 (3) A WILDLIFE CONSERVATION OFFICER OR OTHER
29 COMMISSIONED LAW ENFORCEMENT PERSONNEL EMPLOYED BY THE
30 PENNSYLVANIA GAME COMMISSION WHO HAS AND EXERCISES THE SAME

1 LAW ENFORCEMENT POWERS AS A WILDLIFE CONSERVATION OFFICER.
2 THE TERM SHALL NOT INCLUDE A DEPUTY WILDLIFE CONSERVATION
3 OFFICER.

4 (4) A DELAWARE RIVER PORT AUTHORITY POLICEMAN.

5 (5) A PARK RANGER.

6 (6) A CAPITOL POLICE OFFICER.

7 (7) A CAMPUS POLICE OFFICER EMPLOYED BY A STATE-OWNED
8 EDUCATIONAL INSTITUTION, COMMUNITY COLLEGE OR THE
9 PENNSYLVANIA STATE UNIVERSITY.

10 (8) A POLICE OFFICER EMPLOYED BY FORT INDIANTOWN GAP OR
11 OTHER DESIGNATED COMMONWEALTH MILITARY INSTALLATION OR
12 FACILITY.

13 (9) A CORRECTION OFFICER.

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

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

22 "Domestic relations order." Any judgment, decree or order,
23 including approval of a property settlement agreement, entered
24 on or after the effective date of this definition by a court of
25 competent jurisdiction pursuant to a domestic relations law
26 which relates to the marital property rights of the spouse or
27 former spouse of a member or participant, including the right to
28 receive all or a portion of the moneys payable to that member or
29 participant under this part in furtherance of the equitable
30 distribution of marital assets. The term includes orders of

1 support as that term is defined by 23 Pa.C.S. § 4302 (relating
2 to definitions) and orders for the enforcement of arrearages as
3 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
4 arrearages).

5 "Effective date of retirement." The first day following the
6 date of termination of service of a member if he has properly
7 filed an application for an annuity within 90 days of such date;
8 in the case of a vestee or a member who does not apply for an
9 annuity within 90 days after termination of service, the date of
10 filing an application for an annuity or the date specified on
11 the application, whichever is later. In the case of a finding of
12 disability, the date certified by the board as the effective
13 date of disability.

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

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

24 "Employer defined contributions."

25 (1) Unless paragraph (2) applies, contributions equal to
26 4% of an active participant's compensation which are made by
27 the Commonwealth or other employer for current service to the
28 trust to be credited in the active participant's individual
29 investment account.

30 (2) (i) For an enforcement officer, psychiatric <--

~~security aide, Delaware River Port Authority policeman,
park ranger or Capitol Police officer, contributions~~

~~(2) FOR A PSYCHIATRIC SECURITY AIDE, CONTRIBUTIONS equal <--
to 5.5% of an active participant's compensation which are
made by the Commonwealth or other employer for current
service to the trust to be credited in the active
participant's individual investment account.~~

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

"Enforcement officer."

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

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

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

1 Parole.

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

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

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

25 (2) For members with an effective date of retirement on
26 or after January 1, 2016, for purposes of calculating
27 standard single life annuities resulting from post-January
28 2016 service, the larger of:

29 (i) the highest average total compensation received
30 as a member of any class of service during any five

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

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

26 (3) For all members and for the calculation of all
27 standard single life annuities without regard to class of
28 membership and credited service, in the case of a member with
29 multiple service, the final average salary shall be
30 determined on the basis of the compensation received by him

1 as a [State employee] member of the system or as a school
2 employee, other than as a participant in the School
3 Employees' Defined Contribution Plan, or both; in the case of
4 a member with Class A-3 or Class A-4 service and service in
5 one or more other classes of service, the final average
6 salary shall be determined on the basis of the compensation
7 received by him in all classes of State service credited in
8 the system other than as a member of Class CB; and, in the
9 case of a member who first became a member on or after
10 January 1, 1996, the final average salary shall be determined
11 as hereinabove provided but subject to the application of the
12 provisions of section 5506.1(a) (relating to annual
13 compensation limit under IRC § 401(a)(17)). Final average
14 salary shall be determined by including in compensation
15 payments deemed to have been made to a member reemployed from
16 USERRA leave to the extent member contributions have been
17 made as provided in section 5302(f)(2) (relating to credited
18 State service) and payments made to a member on leave of
19 absence under 51 Pa.C.S. § 4102 (relating to leaves of
20 absence for certain government employees) as provided in
21 section 5302(f)(6).

22 "Full coverage member." Any member for whom member pickup
23 contributions are being picked up or who has paid or has agreed
24 to pay to the fund the actuarial equivalent of regular member
25 contributions due on account of service prior to January 1,
26 1982.

27 "Fund." The State Employees' Retirement Fund.

28 "Head of department." The chief administrative officer of
29 the department, the chairman or executive director of the
30 agency, authority, or independent board or commission, the Court

1 Administrator of Pennsylvania, and the Chief Clerk of the
2 Senate, or the Chief Clerk of the House of Representatives.

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

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

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

1 contributions standing to his credit in the trust and who has
2 not filed an application for an annuity.

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

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

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

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

27 "Irrevocable beneficiary." The person or persons permanently
28 designated by a member or participant in writing to the State
29 Employees' Retirement Board pursuant to an approved domestic
30 relations order to receive all or a portion of the accumulated

1 deductions, vested accumulated total defined contributions or
2 lump sum benefit payable upon the death of such member or
3 participant.

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

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

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

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

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

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

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

27 "Member's annuity." The single life annuity which is
28 actuarially equivalent, at the effective date of retirement, to
29 the sum of the regular accumulated deductions, shared-risk
30 accumulated deductions, the additional accumulated deductions,

1 cash balance member accumulated deductions and the social
2 security integration accumulated deductions standing to the
3 member's credit in the members' savings account.

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

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

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

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

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

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

27 "Pickup contributions." Regular or joint coverage member
28 contributions, shared risk member contributions, social security
29 integration contributions and additional member contributions
30 which are made by the Commonwealth or other employer for active

1 members for current service on and after January 1, 1982.

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

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

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

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

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

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

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

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

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

1 "Required beginning date." The latest date by which
2 distributions of a member's interest in the system or a
3 participant's interest in his individual investment account must
4 commence under section 401(a)(9) of the Internal Revenue Code of
5 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(9)).

6 "Retirement counselor." The State Employees' Retirement
7 [System] Board employee whose duty it shall be to advise each
8 employee of his rights and duties as a member of the system or
9 as a participant of the plan.

10 "Salary deductions." The amounts certified by the board,
11 deducted from the compensation of an active member or active
12 participant, or the school service compensation of a multiple
13 service member who is an active member of the Public School
14 Employees' Retirement System, and paid into the fund.

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

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

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

28 "Shared-risk accumulated deductions." The total of the
29 shared-risk member contributions paid into the fund on account
30 of current service or previous State service or creditable

1 nonstate service, together with the statutory interest credited
2 on the contributions until the date of termination of service.
3 In the case of a vestee, statutory interest shall be credited
4 until the effective date of retirement. A member's account shall
5 not be credited with statutory interest for more than two years
6 during a leave without pay.

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

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

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

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

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

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

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

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

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 5507 (relating to
7 contributions by the Commonwealth and other employers).

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

27 (3) Any separate independent public corporation created
28 by statute, not including any municipal or quasi-municipal
29 corporation, so long as he remains an officer or employee of
30 such public corporation, and provided that such officer or

1 employee of such public corporation was an employee of the
2 Commonwealth immediately prior to his employment by such
3 corporation, and further provided such public corporation
4 shall agree to contribute and contributes to the fund or
5 trust, from time to time, the moneys required to build up the
6 reserves necessary for the payment of the annuities or other
7 benefits of such officers and employees without any liability
8 on the part of the Commonwealth to make appropriations for
9 such purposes.

10 "State police officer." Any officer or member of the
11 Pennsylvania State Police who, on or after July 1, 1989, shall
12 have been subject to the terms of a collective bargaining
13 agreement or binding interest arbitration award established
14 pursuant to the act of June 24, 1968 (P.L.237, No.111) ,
15 referred to as the Policemen and Firemen Collective Bargaining
16 Act.

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

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

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

29 "Superannuation age." For classes of service in the system
30 other than Class A-3 [and], Class A-4 and Class CB, any age upon

1 accrual of 35 eligibility points or age 60, except for a member
2 of the General Assembly, an enforcement officer, a correction
3 officer, a psychiatric security aide, a Delaware River Port
4 Authority policeman or an officer of the Pennsylvania State
5 Police, age 50, and, except for a member with Class G, Class H,
6 Class I, Class J, Class K, Class L, Class M or Class N service,
7 age 55 upon accrual of 20 eligibility points. For Class A-3 and
8 Class A-4 service, any age upon attainment of a superannuation
9 score of 92 , provided the member has accrued 35 eligibility
10 points , or age 65, or for park rangers or capitol police
11 officers, age 55 with 20 years of service as a park ranger or
12 capitol police officer, except for a member of the General
13 Assembly, an enforcement officer, a correction officer, a
14 psychiatric security aide, a Delaware River Port Authority
15 policeman or an officer of the Pennsylvania State Police, age
16 55. A vestee with Class A-3 or Class A-4 service credit attains
17 superannuation age on the birthday the vestee attains the age
18 resulting in a superannuation score of 92, provided that the
19 vestee has at least 35 eligibility points, or attains another
20 applicable superannuation age, whichever occurs first.

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

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

30 "Survivor annuitant." The person or persons last designated

1 by a member under a joint and survivor annuity option to receive
2 an annuity upon the death of such member.

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

6 "System." The State Employees' Retirement System of
7 Pennsylvania as established by the act of June 27, 1923
8 (P.L.858, No.331), and codified by the act of June 1, 1959
9 (P.L.392, No.78) and the provisions of this part.

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

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

1 retirement.

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

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

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

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

29 "Vestee." A member with five or more eligibility points in a
30 class of service other than Class A-3 or Class A-4 or Class T-E

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

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

15 § 5103. Notice to members and participants.

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

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

28 § 5104. Reference to State Employees' Retirement System.

29 (a) Construction.--As of the effective date of this section,
30 unless the context clearly indicates otherwise, any reference to

1 the State Employees' Retirement System in a statutory provision
2 other than this part and 24 Pa.C.S. Pt. IV (relating to
3 retirement for school employees) shall include a reference to
4 the State Employees' Defined Contribution Plan and any reference
5 to the State Employees' Retirement Fund shall include a
6 reference to the State Employees' Defined Contribution Trust.

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

13 Section 403. Section 5301(a), (b), (c) and (d) of Title 71
14 are amended and the section is amended by adding subsections to
15 read:

16 § 5301. Mandatory and optional membership in the system and
17 participation in the plan.

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

- 23 (1) Governor.
- 24 (2) Lieutenant Governor.
- 25 (3) Members of the General Assembly.
- 26 (4) Heads or deputy heads of administrative departments.
- 27 (5) Members of any independent administrative board or
28 commission.
- 29 (6) Members of any departmental board or commission.
- 30 (7) Members of any advisory board or commission.

1 (8) Secretary to the Governor.

2 (9) Budget Secretary.

3 (10) Legislative employees.

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

6 (12) School employees who have elected membership in an
7 independent retirement program approved by the employer,
8 provided that in no case, except as hereinafter provided,
9 shall the employer contribute on account of such elected
10 membership at a rate greater than the employer normal
11 contribution rate as determined in section 5508(b) (relating
12 to actuarial cost method). For the fiscal year 1986-1987 an
13 employer may contribute on account of such elected membership
14 at a rate which is the greater of 7% or the employer normal
15 contribution rate as determined in section 5508(b) and for
16 the fiscal year 1992-1993 and all fiscal years after that at
17 a rate of 9.29%.

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

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

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

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

9 (17) State employees who ARE NOT DC PLAN EXEMPT <--
10 EMPLOYEES AND WHO were not previously a member of the system
11 and whose most recent period of State service starts on or
12 after January 1, 2016.

13 (18) Elected officers.

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

15 (1) State employees listed in subsection (a)(17) who are
16 not listed in subsection (a)(1) through (13) shall be
17 mandatory participants as of the most recent effective date
18 of State service EXCEPT FOR SERVICE PERFORMED AS A DC PLAN <--
19 EXEMPT EMPLOYEE.

20 (2) (Reserved).

21 (3) An elected officer who is a member of the system or
22 a participant in the plan, shall be a mandatory participant
23 for his or her service as an elected officer as of the start
24 of the first term of office beginning after December 31,
25 2015, notwithstanding that either immediately or at any time
26 prior to the start of that term he or she was an active
27 member of the system or an inactive member on leave without
28 pay.

29 (4) A State employee who is a mandatory participant in
30 the plan shall be a participant for all State service until

1 the termination of State service.

2 (b) Optional membership in the system.--

3 (1) The State employees listed in subsection (a) (1)
4 through [(11)] (10) shall have the right to elect membership
5 in the system before January 1, 2016; once such election is
6 exercised, membership shall be effective from the effective
7 date of employment and shall continue until the termination
8 of State service[.] or the State employee is required to be a
9 participant in the plan as an elected officer.

10 (2) The State employees listed under subsection (a) (11)
11 shall have the right to elect membership in the system
12 instead of membership in the Public School Employees'
13 Retirement System. Once the election to be in the system is
14 exercised, membership shall continue until the termination of
15 State service.

16 (3) This subsection shall be applied without regard to
17 current or former membership in Class CB or eligibility for
18 future active membership in Class CB and shall not authorize
19 an election of membership in only Class CB.

20 (b.1) Optional participation in the plan.--

21 (1) Individuals who become elected officers who are not
22 mandatory participants in the plan, State employees listed in
23 subsection (b) (1) WHO ARE NOT DC PLAN EXEMPT EMPLOYEES AND <--
24 who do not elect membership in the system before January 1,
25 2016, and State employees listed in subsection (a) (17) who
26 also are listed in subsection (a) (1) through (10) AND WHO ARE <--
27 NOT DC PLAN EXEMPT EMPLOYEES or who also are employees of the
28 Pennsylvania State University, the State system of Higher
29 Education, State-owned educational institutions or community
30 collects COLLEGES and who are not members of the system in a <--

1 class of service other than Class CB or participants in the
2 plan AND WHO ARE NOT DC PLAN EXEMPT EMPLOYEES shall have the <--
3 right to elect participation in the plan; once such election
4 is exercised, participation shall be effective as of the date
5 of election for all State service EXCEPT FOR SERVICE <--
6 PERFORMED AS A DC PLAN EXEMPT EMPLOYEE and shall continue
7 until the termination of State service.

8 (2) Active members of Class A-3 or Class A-4 whose
9 compensation in a calendar year exceeds Class A-3 and Class
10 A-4 compensation limits may be active participants in the
11 plan as provided in section 5416 (relating to participation
12 in the plan by members of Class A-3 or Class A-4).

13 (c) Prohibited membership in the system.--The State
14 employees listed in subsection (a) (12), (13), (14) [and], (15),
15 (17) and (18) shall not have the right to elect membership in
16 the system. Elected officers who are members of the system prior
17 to January 1, 2016, shall have any active membership in the
18 system other than membership in Class CB terminated and shall
19 not be eligible for active membership in a class of service
20 other than Class CB after December 31, 2016, for service as an
21 elected officer. Upon cessation of service as an elected
22 officer, an individual who remains or becomes a State employee
23 shall be a mandatory, optional or prohibited member of the
24 system and participant in the plan as provided in this part.

25 (c.1) Prohibited participation in the plan.--The State
26 employees listed in subsection (a) (17) who also are listed in
27 subsection (a) (13) and (15) shall not be eligible to participate
28 in the plan. An active member of the system in a class of
29 service other than Class CB, and other than an active member of
30 Class A-3 or Class A-4 who has exceeded the Class A-3 and Class

1 A-4 compensation limit, shall not be eligible to be an active
2 participant in the plan. A DC PLAN EXEMPT EMPLOYEE SHALL NOT BE <--
3 ELIGIBLE TO PARTICIPATE IN THE PLAN FOR SERVICE PERFORMED AS A
4 DC PLAN EXEMPT EMPLOYEE.

5 (c.2) Class CB membership.--

6 (1) An active participant in the plan shall also be an
7 active member of Class CB, effective with the effective date
8 of active participation.

9 (2) An active member of the system in a class of service
10 other than Class CB may elect to be an active member of Class
11 CB as provided in section 5306.5 (relating to election to
12 become a member of Class CB).

13 (3) A State employee cannot be an active member of Class
14 CB without also concurrently being an active member of a
15 Class of service other than Class CB or an active participant
16 in the plan.

17 (d) Return to service.--

18 (1) An annuitant who first became a member of the system
19 in a class of service before January 1, 2016, returns to
20 service as a State employee other than as an elected officer,
21 OR AN ANNUITANT WHO RETURNS TO STATE SERVICE AS A DC PLAN <--
22 EXEMPT EMPLOYEE AFTER DECEMBER 31, 2015, shall resume active
23 membership in the system as of the effective date of
24 employment, except as otherwise provided in section 5706(a)
25 (relating to termination of annuities), regardless of the
26 optional membership category of the position.

27 (2) An annuitant who never had service other than Class
28 CB credited in the system, an inactive participant or a
29 participant receiving distributions who returns to service as
30 a State employee on or after January 1, 2016, OTHER THAN AS A <--

1 DC PLAN EXEMPT EMPLOYEE shall be an active participant in the
2 plan as of the effective date of employment, except as
3 otherwise provided in section 5706(a), regardless of the
4 optional participation category of the position.

5 * * *

6 Section 404. Section 5302(a), (b), (e) and (f) of Title 71
7 are amended to read:

8 § 5302. Credited State service.

9 (a) Computation of credited service.--In computing credited
10 State service of a member for the determination of benefits, a
11 full-time salaried State employee, including any member of the
12 General Assembly, shall receive credit for service in each
13 period for which contributions as required are made to the fund,
14 or for which contributions otherwise required for such service
15 were not made to the fund solely by reason of section 5502.1
16 (relating to waiver of regular member contributions and Social
17 Security integration member contributions) or any provision of
18 this part relating to the limitations under IRC § 401(a)(17) or
19 415(b), or limitations on contributions applicable to a Class A-
20 3 member or Class A-4 member but in no case shall he receive
21 more than one year's credit for any 12 consecutive months or 26
22 consecutive biweekly pay periods. A per diem or hourly State
23 employee shall receive one year of credited service for each
24 nonoverlapping period of 12 consecutive months or 26 consecutive
25 biweekly pay periods in which he is employed and for which
26 contributions are made to the fund or would have been made to
27 the fund but for such waiver under section 5502.1 or limitations
28 under the IRC or limitations on contributions applicable to a
29 Class A-3 member or Class A-4 member for at least 220 days or
30 1,650 hours of employment. If the member was employed and

1 contributions were made to the fund for less than 220 days or
2 1,650 hours, he shall be credited with a fractional portion of a
3 year determined by the ratio of the number of days or hours of
4 service actually rendered to 220 days or 1,650 hours, as the
5 case may be. A part-time salaried employee shall be credited
6 with the fractional portion of the year which corresponds to the
7 number of hours or days of service actually rendered and for
8 which contributions are or would have been made to the fund
9 except for the waiver under section 5502.1 or limitations under
10 the IRC or limitations on contributions applicable to a Class A-
11 3 member or Class A-4 member in relation to 1,650 hours or 220
12 days, as the case may be. In no case shall a member who has
13 elected multiple service receive an aggregate in the two systems
14 of more than one year of credited service for any 12 consecutive
15 months.

16 (b) Creditable leaves of absence.--

17 (1) A member on leave without pay who is studying under
18 a Federal grant approved by the head of his department or who
19 is engaged up to a maximum of two years of temporary service
20 with the United States Government, another state or a local
21 government under the Intergovernmental Personnel Act of 1970
22 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
23 be eligible for credit for such service: Provided, That
24 contributions are made in accordance with sections 5501
25 (relating to regular member contributions and cash balance
26 member contributions for current service), 5501.1 (relating
27 to shared-risk member contributions [for Class A-3 and Class
28 A-4 service] and shared-gain adjustments to regular member
29 contributions for Class A-3 and Class A-4 service), 5505.1
30 (relating to additional member contributions) and 5507

1 (relating to contributions to the system by the Commonwealth
2 and other employers), the member returns from leave without
3 pay to active State service as a member of the system for a
4 period of at least one year, and he is not entitled to
5 retirement benefits for such service under a retirement
6 system administered by any other governmental agency.

7 (2) An active member or active participant on paid leave
8 granted by an employer for purposes of serving as an elected
9 full-time officer for a Statewide employee organization which
10 is a collective bargaining representative under the act of
11 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
12 and Firemen Collective Bargaining Act, or the act of July 23,
13 1970 (P.L.563, No.195), known as the Public Employe Relations
14 Act, and up to 14 full-time business agents appointed by an
15 employee organization that represents correction officers
16 employed at State correctional institutions: Provided, That
17 for elected full-time officers such leave shall not be for
18 more than three consecutive terms of the same office and for
19 up to 14 full-time business agents appointed by an employee
20 organization that represents correction officers employed at
21 State correctional institutions no more than three
22 consecutive terms of the same office; that the employer shall
23 fully compensate the member or active participant, including,
24 but not limited to, salary, wages, pension and retirement
25 contributions and benefits, other benefits and seniority, as
26 if he were in full-time active service; and that the
27 Statewide employee organization shall fully reimburse the
28 employer for all expenses and costs of such paid leave,
29 including, but not limited to, contributions and payment in
30 accordance with sections 5404 (relating to participant

1 contributions), 5501, 5501.1, 5505.1 and 5507, if the
2 employee organization either directly pays, or reimburses the
3 Commonwealth or other employer for, contributions made in
4 accordance with [section] sections 5404, 5406 and 5507.

5 * * *

6 (e) Cancellation of credited service.--

7 (1) All credited service in the system shall be
8 cancelled if a member withdraws his total accumulated
9 deductions and cash balance member accumulated deductions,
10 except that:

11 (i) a member with Class A-3 or Class A-4 service
12 credit and one or more other classes of service credit
13 shall not have his service credit as a member of any
14 classes of service other than as a member of Class A-3 or
15 Class A-4 cancelled when the member receives a lump sum
16 payment of accumulated deductions resulting from Class A-
17 3 or Class A-4 service pursuant to section [5705.1]
18 5705.1(a) (relating to payment of accumulated deductions
19 resulting from [Class A-3 and Class A-4] more than one
20 class of service) [.];

21 (ii) a member with Class CB service credit and one
22 or more other classes of service credit shall not have
23 his service credit as a member of Class CB canceled when
24 the member receives a lump sum payment of total
25 accumulated deductions resulting from the other classes
26 of service pursuant to section 5705.1(b) (relating to
27 payment of accumulated deductions resulting from more
28 than one class of service).

29 (2) A partial or total distribution of accumulated total
30 defined contributions to a participant who is a combined

1 service member shall not cancel service credited in the
2 system.

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

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

17 (1.1) State employees may not receive service credit in
18 the system or exercise the options under 51 Pa.C.S. § 7306
19 (relating to retirement rights) for military leaves that
20 begin on or after the effective date of this subsection,
21 except as otherwise provided by this subsection.

22 (1.2) State employees may not participate in the plan or
23 exercise the options under 51 Pa.C.S. § 7306 (relating to
24 retirement rights) for military leaves that begin on or after
25 the effective date of this paragraph, except as otherwise
26 provided by this subsection.

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

30 (i) A State employee who is reemployed from USERRA

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

27 (ii) For purposes of determining whether a State
28 employee has made the required employee contributions for
29 State service credit for USERRA leave, if an employee who
30 is reemployed from USERRA leave as an active member of

1 the system terminates State service or dies in State
2 service before the expiration of the allowed payment
3 period, then State service credit for the USERRA leave
4 will be granted as if the required member contributions
5 were paid the day before termination or death. The amount
6 of the required member contributions will be treated as
7 an incomplete payment subject to the provisions of
8 section 5506 (relating to incomplete payments). Upon a
9 subsequent return to State service or to school service
10 as a multiple service member, the required member
11 contributions treated as incomplete payments shall be
12 treated as member contributions that were either
13 withdrawn in a lump sum at termination or paid as a lump
14 sum pursuant to section 5705(a)(4) or (a.1) (relating to
15 member's options), as the case may be.

16 (iii) A State employee who is reemployed from USERRA
17 leave as an active member of the system who does not make
18 the required member contributions or makes only part of
19 the required member contributions within the allowed
20 payment period shall not be granted credited service for
21 the period of USERRA leave for which the required member
22 contributions were not timely made, shall not be eligible
23 to subsequently make contributions and shall not be
24 granted either State service credit or nonstate service
25 credit for the period of USERRA leave for which the
26 required member contributions were not timely made.

27 (2.1) (i) A participant who is reemployed from USERRA
28 leave shall be treated as not having incurred a break in
29 State service by reason of the USERRA leave and shall be
30 granted eligibility points as if the participant had not

1 been on USERRA leave. If a participant who is reemployed
2 from USERRA leave subsequently makes mandatory
3 participant contributions in the amounts and in the time
4 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
5 if the participant had continued in his State office or
6 employment and performed State service and been
7 compensated during the period of USERRA leave, the
8 participant's employer shall make the corresponding
9 employer defined contributions. The employee shall have
10 his contributions, benefits, rights and obligations
11 determined under this part as if he were an active
12 participant who performed State service during the USERRA
13 leave in the job position that he would have held had he
14 not been on USERRA leave and received the compensation on
15 which the mandatory participant contributions to receive
16 State service credit for the USERRA leave were
17 determined.

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

26 (3) A State employee who is a member of the system and
27 performs USERRA leave from which the employee could have been
28 reemployed from USERRA leave had the State employee returned
29 to State service in the time frames required by 38 U.S.C. Ch.
30 43 for reemployment rights, but did not do so, shall be able

1 to receive creditable nonstate service as nonintervening
2 military service for the period of USERRA leave should the
3 employee later return to State service as an active member of
4 the system and is otherwise eligible to purchase the service
5 as nonintervening military service.

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

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

25 (4.1) An active participant or inactive participant on
26 leave without pay who on or after the effective date of this
27 paragraph is granted a leave of absence under 51 Pa.C.S. §
28 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
29 USERRA leave shall not be able to make mandatory participant
30 contributions or voluntary contributions during or for the

1 leave of absence or military leave and shall not have
2 employer defined contributions made during such leave,
3 without regard to whether or not the State employee received
4 salary, wages, stipends, differential wage payments or other
5 payments from his employer during the leave, notwithstanding
6 any provision to the contrary under 51 Pa.C.S. § 4102 or 51
7 Pa.C.S. Ch. 73.

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

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

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

1 utilizing compensation as if the payments were compensation
2 under this part.

3 Section 405. Section 5303(b), (d) and (e) of Title 71 is
4 amended and the section is amended by adding a subsection to
5 read:

6 § 5303. Retention and reinstatement of service credits.

7 * * *

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

9 (1) [Every] Subject to the limitations in subsection
10 (i), an active member of the system or a multiple service
11 member who is a school employee and a member of the Public
12 School Employees' Retirement System on or after the effective
13 date of this part shall receive eligibility points in
14 accordance with section 5307 for current State service,
15 previous State service, or creditable nonstate service upon
16 compliance with sections 5501 (relating to regular member
17 contributions and cash balance member contributions for
18 current service), 5501.1 (relating to shared-risk
19 contributions [for Class A-3 and Class A-4] and shared-gain
20 adjustments to regular member contributions for Class A-3 and
21 Class A-4 service), 5504 (relating to member contributions
22 for the purchase of credit for previous State service or to
23 become a full coverage member), 5505 (relating to
24 contributions for the purchase of credit for creditable
25 nonstate service), 5505.1 (relating to additional member
26 contributions) or 5506 (relating to incomplete payments).
27 Subject to the limitations in subsection (i) and sections
28 5306.1 (relating to election to become a Class AA member) and
29 5306.2 (relating to elections by members of the General
30 Assembly), the class or classes of service in which the

1 member may be credited for previous State service prior to
2 the effective date of this part shall be the class or classes
3 in which he was or could have at any time elected to be
4 credited for such service, except that a State employee who
5 first becomes a member of the system on or after January 1,
6 2011, or on or after December 1, 2010, as a member of the
7 General Assembly and:

8 (i) is credited with Class A-3 service for such
9 membership, shall be credited only with Class A-3 service
10 for previous State service performed before January 1,
11 2011, that was not previously credited in the system; or

12 (ii) is credited with Class A-4 service for such
13 membership, shall be credited only with Class A-4 service
14 for previous State service performed before January 1,
15 2011, that was not previously credited in the system.

16 The class of service in which a member shall be credited for
17 service subsequent to the effective date of this part shall
18 be determined in accordance with subsection (i) and section
19 5306 (relating to classes of service).

20 (1.1) Every active member of the system who elects to
21 convert county service to State service pursuant to section
22 5303.1 (relating to election to convert county service to
23 State service) shall receive eligibility points in accordance
24 with section 5307 for converted county service upon
25 compliance with section 5303.1(b). The class or classes of
26 service in which the member may be credited for converted
27 county service shall be determined in accordance with section
28 5306(c).

29 (1.2) Every member of the system who elects to convert
30 school service to State service pursuant to section 5303.2

1 (relating to election to convert school service to State
2 service) shall receive eligibility points in accordance with
3 section 5307 for converted school service. The class or
4 classes of service in which the member may be credited for
5 converted school service shall be determined in accordance
6 with section 5306(d).

7 (1.3) A member of the system who is reemployed from
8 USERRA leave or who dies while performing USERRA leave shall
9 receive eligibility points in accordance with section 5307
10 for the State service that would have been performed had the
11 member not performed USERRA leave.

12 (2) A special vestee or person otherwise eligible to be
13 a special vestee who returns to State service or withdraws
14 his accumulated deductions pursuant to section 5311 (relating
15 to eligibility for refunds) or 5701 (relating to return of
16 total accumulated deductions and cash balance member
17 accumulated deductions) shall receive or retain eligibility
18 points in accordance with paragraph (1) but upon subsequent
19 termination of State service shall only be eligible to be an
20 annuitant vestee or inactive member without regard to
21 previous status as a special vestee and without regard to the
22 provisions of this part providing for special vestees.

23 (3) A special vestee or person otherwise eligible to be
24 a special vestee who becomes an active member of the Public
25 School Employees' Retirement System and elects multiple
26 service shall receive or retain eligibility points as
27 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
28 (relating to retirement for school employees) but upon
29 subsequent termination of school service shall only be
30 eligible to be an annuitant, vestee or inactive member as

1 otherwise eligible as a multiple service member without
2 regard to previous status as a special vestee and without
3 regard to the provisions of this part providing for special
4 vestees.

5 * * *

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

7 (1) Any person who was an employee of any county in this
8 Commonwealth on the personal staff of an appellate court
9 judge prior to September 9, 1985, and who had that employment
10 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
11 (relating to local chamber facilities) shall be a member of
12 the system for all service rendered as an employee of the
13 Commonwealth on the personal staff of an appellate court
14 judge subsequent to the date of the transfer unless
15 specifically prohibited pursuant to section 5301(c) (relating
16 to mandatory and optional membership in the system and
17 participation in the plan). The employee shall be entitled to
18 have any prior service credit in that county or other
19 municipal pension plan or retirement system transferred to
20 the system and deemed to be State service for all purposes
21 under this part. However, for those employees who were in
22 continuous county employment which commenced prior to July
23 22, 1983, section 5505.1 shall not apply. The transfer of
24 prior service credit to the system shall occur upon the
25 transfer, by the member, county or other municipal pension
26 plan or retirement system, to the system of the amount of
27 accumulated member contributions, pick-up contributions and
28 credited interest standing in the employee's county or
29 municipal pension plan or retirement system account as of the
30 date that these funds are transferred to the system. In the

1 event that these funds have been refunded to the member, the
2 transfer of service credit shall occur when the member
3 transfers an amount equal to either the refund which the
4 member received from the county or municipal pension plan or
5 retirement system or the amount due under section 5504, if
6 less. In the case of a transfer by the member, the transfer
7 shall occur by December 31, 1987, in order for the member to
8 receive credit for the prior service. In the case of a
9 transfer by the county or other municipal pension plan or
10 retirement system, the transfer shall also occur by December
11 31, 1987. If the amount transferred to the system by the
12 member of a county or municipal pension plan or retirement
13 system is greater than the amount that would have accumulated
14 in the member's account if the employee had been a member of
15 the system, all excess funds shall be returned to the
16 employee within 90 days of the date on which such funds are
17 credited to the member's account in the system. Within 60
18 days of receipt of written notice that an employee has
19 elected to transfer credits under the provisions of this
20 subsection, the county or other municipal pension plans or
21 retirement systems shall be required to transfer to the
22 system an amount, excluding contributions due under section
23 5504(a), equal to the liability of the prior service in
24 accordance with county or other municipal pension plan or
25 retirement system benefit provisions, multiplied by the ratio
26 of system actuarial value of assets for active members to the
27 system actuarial accrued liability for active members. The
28 Public Employee Retirement Study Commission shall determine
29 the appropriate amount of employer contributions to be
30 transferred to the system by the county or other municipal

1 pension plans or retirement systems.

2 (2) If the member died prior to the effective date of
3 this subsection, the personal representative for the estate
4 of the member may make any transfer or request that the
5 county or other municipal pension or retirement system make
6 any transfer necessary to receive credit for the prior
7 service authorized in paragraph (1). In order to receive
8 credit for the prior service, the transfer must be made by
9 December 31, 1987. If the member dies on or after the
10 effective date of this subsection and before January 1, 1988,
11 without making the transfer or requesting the transfer
12 necessary to receive credit for the prior service authorized
13 in paragraph (1), the personal representative for the estate
14 of the member may make any transfer or request that the
15 county or other municipal pension or retirement system make
16 any transfer necessary to receive credit for the prior
17 service. In order to receive credit for the prior service,
18 the transfer must be made by March 31, 1988. If the member
19 dies after December 31, 1987, without making the transfer or
20 requesting the transfer necessary to receive credit for the
21 prior service authorized in paragraph (1), neither the member
22 or his estate shall receive credit for the prior service.

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

25 (1) Any employee of the Philadelphia Regional Port
26 Authority who becomes a State employee, as defined in section
27 5102 (relating to definitions), and an active member of the
28 system in a class of service other than Class CB shall be
29 eligible to obtain retirement credit for prior uncredited
30 service with the Philadelphia Port Corporation, a

1 Pennsylvania not-for-profit corporation ("predecessor
2 corporation"), provided that the Commonwealth does not incur
3 any liability for the funding of the annuities attributable
4 to the prior, uncredited "predecessor corporation" service,
5 the cost of which shall be determined according to paragraph
6 (2).

7 (2) The employee shall be entitled to have any prior
8 service in the "predecessor corporation" transferred to the
9 system and deemed to be State service for all purposes under
10 this part. However, for those employees who were in
11 continuous employment which commenced prior to July 22, 1983,
12 the provisions of section 5505.1 shall not apply. The
13 transfer of prior service credit to the system shall occur
14 upon the transfer by the member or the "predecessor
15 corporation" to the system of the amount of accumulated
16 member contributions, pick-up contributions and credited
17 interest standing in the employee's pension plan or
18 retirement system account as of the date that these funds are
19 transferred to the system. In the event that these funds have
20 been refunded to the member, the transfer of service credit
21 shall occur when the member transfers an amount equal to
22 either the refund which the member received from the member's
23 pension plan or retirement system or the amount due under
24 section 5504, if less. In the case of a transfer by the
25 member, the transfer shall occur by June 30, 1992, in order
26 for the member to receive credit for the prior service. In
27 the case of a transfer by the "predecessor corporation"
28 pension plan or retirement system, the transfer shall also
29 occur by June 30, 1992. Notwithstanding the provisions of
30 section 5504, the Philadelphia Regional Port Authority shall

1 pay as pick-up contributions the difference between the
2 amount credited to the member's account and the amount
3 otherwise due under section 5504. Such additional
4 contributions paid by the Philadelphia Regional Port
5 Authority shall not be considered compensation for the
6 purposes of this part. If the amount transferred to the
7 system by the member is greater than the amount that would
8 have accumulated in the member's account if the employee had
9 been a member of the system, all excess funds shall be
10 returned to the employee within 90 days of the date on which
11 such funds are credited to the member's account in the
12 system. Within 60 days of receipt of written notice that an
13 employee has elected to transfer credits under the provisions
14 of this subsection, the pension plan or retirement system in
15 which the employee was enrolled prior to the creation of the
16 Philadelphia Regional Port Authority shall be required to
17 transfer to the system an amount, excluding contributions due
18 under section 5504(a), equal to the liability of the prior
19 service multiplied by the ratio of system actuarial value of
20 assets for active members to the system actuarial accrued
21 liability for active members so long as the amount to be
22 transferred is equal to or less than the total employer
23 contributions made on behalf of the employee. In the event
24 that the amount required to be transferred is greater than
25 the total employer contributions made on behalf of the
26 employee, the total employer contributions made on behalf of
27 the employee shall be transferred to the system, and the
28 Philadelphia Regional Port Authority shall be required to
29 transfer to the system the additional funds needed to satisfy
30 the requirements of the calculation in this paragraph. If the

1 amount required to be transferred is less than the total
2 employer contributions made on behalf of the employee, the
3 pension plan or retirement system in which the employee was
4 enrolled prior to the creation of the Philadelphia Regional
5 Port Authority may retain the amount not needed for transfer.

6 (3) If the member dies on or after the effective date of
7 this subsection and before July 1, 1992, without making the
8 transfer or requesting the transfer necessary to receive
9 credit for the prior service authorized in paragraph (2), the
10 personal representative for the estate of the member may make
11 any transfer or may request that the Philadelphia Regional
12 Port Authority make any transfer necessary to receive credit
13 for the prior service. In order to receive credit for the
14 prior service, the transfer must be made by September 30,
15 1992. If the member dies after June 30, 1992, without making
16 the transfer or without requesting the transfer necessary to
17 receive credit for the prior service authorized in paragraph
18 (2), neither the member nor his estate shall receive credit
19 for the prior service.

20 (4) Any person who became employed by the Philadelphia
21 Regional Port Authority between July 10, 1989, and passage of
22 this act and who becomes a State employee, as defined in
23 section 5102, and an active member of the system in a class
24 of service other than Class CB, shall be eligible to obtain
25 retirement credit for service from the date of employment
26 with the Philadelphia Regional Port Authority, provided that
27 the contributions are made in accordance with sections 5501,
28 5504, 5505.1 and 5506.

29 * * *

30 (i) Ineligibility to purchase previous State service

1 credit.--A State employee who is active member only of Class CB
2 or a multiple service member who is an active member only of
3 Class T-I in the Public School Employees' Retirement System
4 shall not be eligible to purchase service credit for previous
5 State service, except to the extent that any other provision of
6 law requires or allows the crediting of any period of leave to
7 be purchased as State service after the member returns from the
8 leave to State service as an active member, and shall not be
9 eligible to purchase creditable nonstate service. An active
10 member of Class CB who concurrently is performing service in a
11 class of service other than Class CB may purchase State service
12 previously credited in a class of service other than Class CB,
13 previously uncredited State service if it is eligible to be
14 credited in a class of service other than Class CB and
15 creditable nonstate service as otherwise provided in this part.

16 Section 406. Sections 5303.2(a) and 5304(a) and (b) of Title
17 71 are amended to read:

18 § 5303.2. Election to convert school service to State service.

19 (a) Eligibility.--An active member or inactive member on
20 leave without pay who was an employee transferred from the
21 Department of Education to the Department of Corrections
22 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
23 No.175), known as The Administrative Code of 1929, and who on
24 the effective date of that transfer did not participate in an
25 independent retirement program approved by the Department of
26 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
27 and optional membership) or section 5301(a)(12) (relating to
28 mandatory and optional membership in the system and
29 participation in the plan), notwithstanding any other provision
30 of law or any collective bargaining agreement, arbitration

1 award, contract or term or conditions of any retirement system
2 or pension plan, may make a one-time election to convert all
3 service credited in the Public School Employees' Retirement
4 System as of June 30, 1999, and transfer to the system all
5 accumulated member contributions and statutory interest credited
6 in the members' savings account in the Public School Employees'
7 Retirement System as of June 30, 1999, plus statutory interest
8 on that amount credited by the Public School Employees'
9 Retirement System from July 1, 1999, to the date of transfer to
10 the system.

11 * * *

12 § 5304. Creditable nonstate service.

13 (a) Eligibility.--

14 (1) An active member who first becomes an active member
15 before January 1, 2011, or before December 1, 2010, as a
16 member of the General Assembly and who is an active member of
17 a class of service other than Class CB, or a multiple service
18 member who first becomes an active member before January 1,
19 2011, or before December 1, 2010, as a member of the General
20 Assembly, and who is a school employee and an active member
21 of the Public School Employees' Retirement System in a class
22 of service other than Class T-I shall be eligible for Class A
23 service credit for creditable nonstate service as set forth
24 in subsections (b) and (c) except that intervening military
25 service shall be credited in the class of service for which
26 the member was eligible at the time of entering into military
27 service and for which he makes the required contributions to
28 the fund and except that a multiple service member who is a
29 school employee and an active member of the Public School
30 Employees' Retirement System shall not be eligible to

1 purchase service credit for creditable nonstate service set
2 forth in subsection (c) (5).

3 (2) An active member who first becomes an active member
4 on or after January 1, 2011, and is an active member of a
5 class of service other than Class CB, or on or after December
6 1, 2010, as a member of the General Assembly and is an active
7 member of a class of service other than Class CB, or a
8 multiple service member who first becomes an active member on
9 or after January 1, 2011, or on or after December 1, 2010, as
10 a member of the General Assembly, and who is a school
11 employee and an active member of the Public School Employees'
12 Retirement System in a class of service other than Class T-I
13 shall be eligible for Class A-3 service credit for creditable
14 nonstate service as set forth in subsections (b) and (c)
15 except that intervening military service shall be credited in
16 the class of service for which the member was eligible at the
17 time of entering into military service and for which he makes
18 the required contributions and except that a multiple service
19 member who is a school employee and an active member of the
20 Public School Employees' Retirement System shall not be
21 eligible to purchase service credit for creditable nonstate
22 service set forth in subsection (c) (5).

23 (3) Notwithstanding paragraph (2) and subsection (b), an
24 active member of a class of service other than Class CB who
25 has service credited in Class CB, shall be eligible for
26 credit for nonstate service as provided in this part to the
27 extent that the member would be otherwise eligible based
28 solely on the member's service in classes other than Class
29 CB.

30 * * *

1 (b) Limitations on eligibility.--An active member who is an
2 active member of a class of service other than Class CB or a
3 multiple service member who is a school employee and an active
4 member of the Public School Employees' Retirement System and is
5 an active member of a class of service other than Class T-I
6 shall be eligible as provided under subsection (a) to receive
7 credit for nonstate service provided that he does not have
8 credit for such service in the system or in the [school system]
9 Public School Employees' Retirement System and is not entitled
10 to receive, eligible to receive now or in the future, or is
11 receiving retirement benefits for such service in the system or
12 under a retirement system administered and wholly or partially
13 paid for by any other governmental agency or by any private
14 employer, or a retirement program approved by the employer in
15 accordance with section 5301(a)(12) (relating to mandatory and
16 optional membership in the system and participation in the
17 plan), and further provided, that such service is certified by
18 the previous employer and contributions are agreed upon and made
19 in accordance with section 5505 (relating to contributions for
20 the purchase of credit for creditable nonstate service).

21 * * *

22 Section 407. Section 5305(b) of Title 71 is amended and the
23 section is amended by adding a subsection to read:

24 § 5305. Social security integration credits.

25 * * *

26 (b) Accrual of subsequent credits.--Any active member who
27 has social security integration accumulated deductions to his
28 credit or is receiving a benefit on account of social security
29 integration credits may accrue one social security integration
30 credit for each year of service as a State employee on or

1 subsequent to March 1, 1974 and a fractional credit for a
2 corresponding fractional year of service provided that
3 contributions are made to the fund, or would have been made to
4 the fund but for section 5502.1 (relating to waiver of regular
5 member contributions and Social Security integration member
6 contributions) or the limitations under IRC § 401(a)(17) or
7 415(b) or limitations on contributions to the system applicable
8 to a Class A-3 member or Class A-4 member, in accordance with
9 section 5502 (relating to Social Security integration member
10 contributions), and he:

11 (1) continues subsequent to March 1, 1974 as an active
12 member in either the [State or school system;] system in a
13 class of service other than Class CB or, if a multiple
14 service member, as an active member in the Public School
15 Employees' Retirement System in a class of service other than
16 Class T-I;

17 (2) terminates such continuous service in the [State or
18 school] system or the Public School Employees' Retirement
19 System and returns to active membership in the [State] system
20 in a class of service other than Class CB within six months;
21 or

22 (3) terminates his status as a vestee or an annuitant
23 and returns to State service as an active member of the
24 system in a class of service other than Class CB.

25 * * *

26 (e) Class CB service ineligible for credit.--No social
27 security integration credits shall accrue for any service
28 performed or credited in the system solely as Class CB service.

29 Section 408. Section 5305.1 of Title 71 is amended to read:
30 § 5305.1. Eligibility for actuarial increase factor.

1 A person who has credit for a class of service other than
2 Class CB and is:

- 3 (1) an active member;
4 (2) an inactive member on leave without pay; [or]
5 (3) a multiple service member who is a school employee
6 and an active member of the Public School Employees'
7 Retirement System; or

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

10 who terminates State service or school service, as the case may
11 be, after attaining age 70 and who applies for a superannuation
12 annuity with an effective date of retirement the day after the
13 date of termination of State service or school service shall
14 have that person's maximum single life annuity calculated
15 pursuant to section 5702(a.1) (relating to maximum single life
16 annuity).

17 Section 409. Section 5306(a), (a.1), (a.2), (a.3) and (b) of
18 Title 71 are amended and the section is amended by adding
19 subsections to read:

20 § 5306. Classes of service.

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

22 (1) A State employee who is a member of Class A on the
23 effective date of this part or who first becomes a member of
24 the system subsequent to the effective date of this part and
25 before January 1, 2011, or before December 1, 2010, as a
26 member of the General Assembly, shall be classified as a
27 Class A member and receive credit for Class A service upon
28 payment of regular and additional member contributions for
29 Class A service, provided that the State employee does not
30 become a member of Class AA pursuant to subsection (a.1) or a

1 member of Class D-4 pursuant to subsection (a.2)[.] or a
2 participant in the plan. A State employee who is a member of
3 Class A on December 31, 2015, shall not be eligible to later
4 become a member of Class AA or Class D-4.

5 (2) A State employee who first becomes a member of the
6 system other than as a member of Class CB on or after January
7 1, 2011, or on or after December 1, 2010, as a member of the
8 General Assembly, and, UNLESS A DC PLAN EXEMPT EMPLOYEE, <--
9 before January 1, 2016, shall be classified as a Class A-3
10 member and receive credit for Class A-3 service upon payment
11 of regular member contributions and shared-risk member
12 contributions for Class A-3 service provided that the State
13 employee does not become a member of Class A-4 pursuant to
14 subsection (a.3), except that a member of the judiciary shall
15 be classified as a member of such other class of service for
16 which the member of the judiciary is eligible, shall elect
17 and make regular member contributions[.] and further provided
18 that the State employee does not become a participant in the
19 plan or is not eligible to be an optional participant of the
20 plan under section 5301 (relating to mandatory and optional
21 membership in the system and participation in the plan).

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

23 (1) A person who becomes a State employee and an active
24 member of the system after June 30, 2001, and who first
25 became an active member before January 1, 2011, or before
26 December 1, 2010, as a member of the General Assembly, and
27 who is not a State police officer and not employed in a
28 position for which a class of service other than Class A or
29 Class CB is credited or could be elected shall be classified
30 as a Class AA member and receive credit for Class AA State

1 service upon payment of regular member contributions for
2 Class AA service and, subject to the limitations contained in
3 paragraph (7) and section 5303(i) (relating to retention and
4 reinstatement of service credits), if previously a member of
5 Class A or previously employed in a position for which Class
6 A service could have been earned, shall have all Class A
7 State service (other than State service performed as a State
8 police officer or for which a class of service other than
9 Class A was earned or could have been elected) classified as
10 Class AA service.

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 in the system and participation in the plan) and
16 who first becomes an active member after June 30, 2001, and
17 before January 1, 2011, or before December 1, 2010, as a
18 member of the General Assembly, and who is not a State police
19 officer and not employed in a position for which a class of
20 service other than Class A or Class CB is credited or could
21 be elected shall be classified as a Class AA member and
22 receive credit for Class AA State service upon payment of
23 regular member contributions for Class AA service and,
24 subject to the limitations contained in paragraph (7) and
25 section 5303(i), if previously a member of Class A or
26 previously employed in a position for which Class A service
27 could have been earned, shall have all Class A State service
28 (other than State service performed as a State Police officer
29 or for which a class of service other than Class A was earned
30 or could have been elected) classified as Class AA service.

1 (3) Provided that an election to become a Class AA
2 member is made pursuant to section 5306.1 (relating to
3 election to become a Class AA member), a State employee,
4 other than a State employee who is a State police officer on
5 or after July 1, 1989, who on June 30, 2001, and July 1,
6 2001, is:

7 (i) a member of Class A, other than a member of
8 Class A who could have elected membership in a Class C,
9 Class D-3, Class E-1 or Class E-2; or

10 (ii) an inactive member on a leave without pay from
11 a position in which the State employee would be a Class A
12 active member if the employee was not on leave without
13 pay, other than a position in which the State employee
14 could elect membership in Class C, Class D-3, Class E-1
15 or Class E-2;

16 shall be classified as a Class AA member and receive credit
17 for Class AA State service performed after June 30, 2001,
18 upon payment of regular member contributions for Class AA
19 service and, subject to the limitations contained in
20 paragraph (7) and section 5303(i), shall receive Class AA
21 service credit for all Class A State service, other than
22 State service performed as a State police officer or as a
23 State employee in a position for which the member could have
24 elected membership in Class C, Class D-3, Class E-1 or Class
25 E-2, performed before July 1, 2001.

26 (4) Provided that an election to become a Class AA
27 member is made pursuant to section 5306.1, a former State
28 employee, other than a former State employee who was a State
29 police officer on or after July 1, 1989, who on June 30,
30 2001, and July 1, 2001, is a multiple service member and a

1 school employee and a member of the Public School Employees'
2 Retirement System, subject to the limitations contained in
3 paragraph (7) and section 5303(i), shall receive Class AA
4 service credit for all Class A State service, other than
5 State service performed as a State police officer or as a
6 State employee in a position in which the former State
7 employee could have elected a class of service other than
8 Class A, performed before July 1, 2001.

9 (5) A former State employee who first becomes a member
10 before January 1, 2011, or before December 1, 2010, as a
11 member of the General Assembly, other than a former State
12 employee who was a State police officer on or after July 1,
13 1989, who is a school employee and who on or after July 1,
14 2001, becomes a multiple service member, subject to the
15 limitations contained in paragraph (7) and section 5303(i),
16 shall receive Class AA service credit for all Class A State
17 service other than State service performed as a State
18 employee in a position in which the former State employee
19 could have elected a class of service other than Class A.

20 (6) A State employee who after June 30, 2001, becomes a
21 State police officer or who is employed in a position in
22 which the member could elect membership in the system in a
23 class of service other than Class CB, Class AA or Class D-4
24 shall retain any Class AA service credited prior to becoming
25 a State police officer or being so employed but shall be
26 ineligible to receive Class AA credit thereafter and instead
27 shall receive Class A credit for service as a member of the
28 judiciary if such judicial service begins before January 1,
29 2016, or if he first became a member before January 1, 2011,
30 or December 1, 2010, as a member of the General Assembly, or

1 Class A-3 credit for service other than as a member of the
2 judiciary if the nonjudicial service IS AS A DC PLAN EXEMPT <--
3 EMPLOYEE OR begins before January 1, 2016, and is not service
4 as an elected officer, and he first became a member on or
5 after January 1, 2011, or December 1, 2010, as a member of
6 the General Assembly, unless a class of membership other than
7 Class A is elected.

8 (7) (i) State service performed as Class A service
9 before July 1, 2001, and State service for which Class A
10 service could have been credited but was not credited
11 because membership in the system was optional or
12 prohibited pursuant to section 5301 shall be credited as
13 Class AA service only upon the completion of all acts
14 necessary for the State service to be credited as Class A
15 service had this subsection not been enacted and upon
16 payment of required Class AA member contributions as
17 provided in section 5504 (relating to member
18 contributions for the purchase of credit for previous
19 State service or to become a full coverage member).

20 (ii) A person who is not a State employee or a
21 school employee on June 30, 2001, and July 1, 2001, and
22 who has previous State service (except a disability
23 annuitant who returns to State service after June 30,
24 2001, upon termination of the disability annuity) shall
25 not receive Class AA service credit for State service
26 performed before July 1, 2001, until and unless such
27 person becomes an active member, or an active member of
28 the Public School Employees' Retirement System and a
29 multiple service member, before January 1, 2016, and
30 earns three eligibility points by performing credited

1 State service in a class of service other than Class CB
2 or credited school service in a class of service other
3 than Class T-I after June 30, 2001.

4 (iii) Nothing in this paragraph shall be construed
5 to authorize a member of Class CB or a multiple service
6 member who is a member of Class T-I in the Public School
7 Employees' Retirement System to reinstate or purchase
8 credit for previously credited or uncredited State
9 service other than as allowed under section 5303(i).

10 (a.2) Class of membership for members of the General
11 Assembly.--

12 (1) A person who:

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

16 (ii) is a member of the General Assembly on July 1,
17 2001, but is not an active member of the system because
18 membership in the system is optional pursuant to section
19 5301 and who becomes an active member after June 30,
20 2001, and before December 1, 2010;

21 and who was not a State police officer on or after July 1,
22 1989, shall be classified as a Class D-4 member and unless he
23 later becomes a participant in the plan and a member of Class
24 CB receive credit as a Class D-4 member for all State service
25 as a member of the system performed as a member of the
26 General Assembly upon payment of regular member contributions
27 for Class D-4 service and, subject to the limitations
28 contained in subsection (a.1)(7) and section 5303(i), if
29 previously a member of Class A or employed in a position for
30 which Class A service could have been earned, shall receive

1 Class AA service credit for all Class A State service, other
2 than State service performed as a State police officer or for
3 which a class of service other than Class A or Class D-4 was
4 or could have been elected or credited.

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

23 (3) A member of the General Assembly who after June 30,
24 2001, becomes a State police officer shall retain any Class
25 AA service or Class D-4 service credited prior to becoming a
26 State police officer or being so employed but shall be
27 ineligible to receive Class AA or Class D-4 credit thereafter
28 and instead shall receive Class A credit or Class A-3 credit
29 if he first becomes a member of the system on or after
30 January 1, 2011, and before January 1, 2016, OR AS A DC PLAN <--

1 EXEMPT EMPLOYEE.

2 (4) Notwithstanding the provisions of this subsection,
3 no service as a member of the General Assembly performed
4 before December 1, 2010, that is not credited as Class D-4
5 service on November 30, 2010, shall be credited as Class D-4
6 service, unless such service was previously credited in the
7 system as Class D-4 service and the member withdrew his total
8 accumulated deductions as provided in section 5311 (relating
9 to eligibility for refunds) or 5701 (relating to return of
10 total accumulated deductions and cash balance member
11 accumulated deductions). No service as a member of the
12 General Assembly performed on or after December 1, 2010,
13 shall be credited as Class D-4 service unless the member
14 previously was credited with Class D-4 service credits.

15 (a.3) Class A-4 membership.--Provided that an election to
16 become a Class A-4 member is made pursuant to section 5306.3
17 (relating to election to become a Class A-4 member), a State
18 employee who first becomes a member before January 1, 2016, OR <--
19 IS A DC PLAN EXEMPT EMPLOYEE who otherwise would be a member of
20 Class A-3 shall be classified as a Class A-4 member and unless
21 he later becomes a participant in the plan and a member of Class
22 CB receive Class A-4 credit for all creditable State service
23 performed as a member of the system after the effective date of
24 membership in the system, except as a member of the judiciary,
25 upon payment of regular member contributions and shared-risk
26 member contributions for Class A-4 service.

27 (a.4) Class CB membership.--

28 (1) A State employee who is an active participant in the
29 plan shall be an active member of Class CB concurrently and
30 shall receive credit for Class CB service upon payment of

1 cash balance member contributions for Class CB service.

2 (2) A State employee who is an active member of a class
3 of service other than Class CB who elects under section
4 5306.5 to be an active member of Class CB concurrently shall
5 receive credit for Class CB service upon payment of cash
6 balance member contributions concurrently with service in
7 other classes other than service as a member of Class A-3 or
8 Class A-4 where Class A-3 or Class A-4 contributions are not
9 being made due to or any provision of this part relating to
10 the limitations on contributions to the system applicable to
11 a Class A-3 member or Class A-4 member who have exceeded the
12 Class A-3 and Class A-4 compensation limit.

13 (b) Other class membership.--

14 (1) A State employee who is a member of a class of
15 service other than Class A on the effective date of this part
16 shall retain his membership in that class until such service
17 is discontinued or until the member becomes a participant in
18 the plan; any service as a member of the system thereafter
19 shall be credited as Class A service, Class AA service [or],
20 Class D-4 service or Class CB service as provided for in this
21 section.

22 (2) Notwithstanding any other provision of this section,
23 a State employee who is appointed [bail commissioner]
24 arraignment court magistrate of the Philadelphia Municipal
25 Court under 42 Pa.C.S. § 1123(a)(5) (relating to jurisdiction
26 and venue) before January 1, 2016, may, within 30 days of the
27 effective date of this sentence or within 30 days of his
28 initial appointment as [a bail commissioner] an arraignment
29 court magistrate, whichever is later, elect Class E-2 service
30 credit for service performed as [a bail commissioner] an

1 arraignment court magistrate. This class of service
2 multiplier for E-2 service as [a bail commissioner] an
3 arraignment court magistrate shall be 1.5.

4 * * *

5 (e) Ineligibility for active membership and classes of
6 service.--An individual who is an elected officer or who is a
7 State employee on January 1, 2016, but is not a member of the
8 system or who first becomes a State employee on or after January
9 1, 2016, shall be ineligible for active membership in the system
10 other than as a member of Class CB if a participant in the plan,
11 or the several classes of State service OTHER THAN FOR SERVICE <--
12 PERFORMED AS A DC PLAN EXEMPT EMPLOYEE as otherwise provided for
13 under this section. Any such State employee, if eligible, may be
14 a participant in the plan and a member of Class CB as a result
15 of such State service.

16 Section 410. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
17 (d) of Title 71 are amended to read:

18 § 5306.1. Election to become a Class AA member.

19 * * *

20 (c) Effect of election.--An election to become a Class AA
21 member shall become effective the later of July 1, 2001, or the
22 date when the election is filed with the board and shall remain
23 in effect until the termination of employment or becoming a
24 participant in the plan. Upon termination and a subsequent
25 reemployment that occurs before January 1, 2016, the member's
26 class of service shall be credited in the class of service
27 otherwise provided for in this part. If the reemployment occurs
28 on or after January 1, 2016, the State employee's eligibility
29 for membership in the system or participation in the plan shall
30 be as provided in this part.

1 * * *

2 § 5306.2. Elections by members of the General Assembly.

3 * * *

4 (b) Effect of election.--Membership as a Class D-4 member
5 shall become effective on July 1, 2001, and shall remain in
6 effect until the termination of service as a member of the
7 General Assembly or becoming a participant in the plan. Upon
8 termination and a subsequent reemployment that occurs before
9 January 1, 2016, the member's class of service shall be credited
10 in the class of service otherwise provided for in this part. If
11 the reemployment occurs on or after January 1, 2016, the State
12 employee's eligibility for membership in the system or
13 participation in the plan shall be as provided in this part.

14 * * *

15 § 5306.3. Election to become a Class A-4 member.

16 * * *

17 (c) Effect of election.--An election to become a Class A-4
18 member shall be irrevocable and shall become effective on the
19 effective date of membership in the system and shall remain in
20 effect for all future [creditable] State service creditable in
21 the system, other than service performed as a member of the
22 judiciary, but shall not apply to service performed after
23 December 31, 2015, as an elected officer. Payment of regular
24 member contributions for Class A-4 State service performed prior
25 to the election of Class A-4 membership shall be made in a form,
26 manner and time determined by the board. Upon termination of
27 State service and a subsequent reemployment, a member who
28 elected Class A-4 membership shall be credited as a Class A-4
29 member for creditable State service performed after reemployment
30 unless the reemployment is as an elected officer and, except as

1 a member of the judiciary, regardless of termination of
2 employment, termination of membership by withdrawal of
3 accumulated deductions or status as an annuitant, vestee or
4 inactive member after the termination of service.

5 (d) Effect of failure to make election.--Failure to elect to
6 become a Class A-4 member within the election period set forth
7 in subsection (b) shall result in all of the member's State
8 service, other than service performed as a member of the
9 judiciary, being credited as Class A-3 service, unless the State
10 employee is required to be a participant in the plan, and not
11 subject to further election or crediting as Class A-4 service.
12 Upon termination and subsequent employment, a member who failed
13 to elect to become a Class A-4 member shall not be eligible to
14 make another election to become a Class A-4 member for either
15 past or future State service.

16 Section 411. Title 71 is amended by adding sections to read:
17 ~~§ 5306.4. Election of an alternate class of service multiplier.~~ <--

18 ~~(a) General rule. An active member or a member on leave~~
19 ~~without pay of Class AA or Class D 4 on the effective date of~~
20 ~~this section may elect an alternate class of service multiplier.~~

21 ~~(b) Time for making election. The election of an alternate~~
22 ~~class of service multiplier must be made by the member filing~~
23 ~~written notice with the board in a form and manner determined by~~
24 ~~the board no later than 180 days after the effective date of~~
25 ~~this section. A State employee who is eligible to make an~~
26 ~~election who is on or begins USERRA leave during the election~~
27 ~~period without having made the election may make the election~~
28 ~~within 180 days after being reemployed from USERRA leave.~~

29 ~~(c) Effect of election. An election under this section~~
30 ~~shall be a one time election, shall be irrevocable and shall be~~

1 ~~effective for all post January 2016 service as a member of Class~~
2 ~~AA or Class D 4. The election shall remain in effect until the~~
3 ~~termination of State service. Upon termination and subsequent~~
4 ~~reemployment as a State employee, a member who made an election~~
5 ~~under this section shall have creditable State service first~~
6 ~~credited after reemployment credited with the class of service~~
7 ~~multiplier then in effect as if the election had not been made.~~

8 ~~(d) Effect of ineligibility or failure to make election.~~
9 ~~Ineligibility to make an election under this section or failure~~
10 ~~to make an election within the election period set forth in~~
11 ~~subsection (b) shall result in all of the member's post January~~
12 ~~2016 service as a member of Class AA or Class D 4 being credited~~
13 ~~at the standard class of service multiplier for Class AA or~~
14 ~~Class D 4, as the case may be. Upon termination and subsequent~~
15 ~~reemployment as a State employee, a member who failed to make an~~
16 ~~election under this section shall not be eligible to make~~
17 ~~another election under this section.~~

18 ~~(e) Construction. For purposes of section 5501.3 (relating~~
19 ~~to contribution savings program for members of Class AA and~~
20 ~~Class D 4 who have not made the election under section 5706.4),~~
21 ~~a member who has not made the election under this section shall~~
22 ~~include a member who made the election and then terminated State~~
23 ~~service and has subsequent reemployment for periods after his~~
24 ~~reemployment where his class of service multiple is in effect as~~
25 ~~if the election had not been made. For purposes of sections~~
26 ~~5504(a)(3) (relating to member contributions for the purchase of~~
27 ~~credit for previous State service or to become a full coverage~~
28 ~~member) and 5505(j) (relating to contributions for the purchase~~
29 ~~of credit for creditable nonstate service), a member who has~~
30 ~~made the election under this section shall not include a member~~

1 ~~who made the election and then terminated State service and has~~
2 ~~subsequent reemployment for periods after his reemployment where~~
3 ~~his class of service multiple is in effect as if the election~~
4 ~~had not been made.~~

5 § 5306.4. (RESERVED).

<--

6 § 5306.5. Election to become a member of Class CB.

7 (a) General rule.--An active member or an inactive member on
8 leave without pay in any class of service other than solely a
9 member of Class CB may elect to become a member of Class CB in
10 addition to being a member of their current class of service.

11 (b) Time for making election.--The election to become a
12 member of Class CB must be made by the member filing written
13 notice with the board in a form and manner determined by the
14 board during periodic enrollment periods established by the
15 board after the effective date of this section.

16 (c) Effect of election.--An election under this section
17 shall be revocable by the member during periodic enrollment
18 periods established by the board after the effective date of
19 this section. The Class CB class of service multiplier to
20 determine cash balance member contributions for a State employee
21 who makes an election under this section shall be 0.6 unless a
22 lower class of service multiplier is elected by the member for
23 their Class CB service. An election to become a Class CB member
24 and the class of service multiplier elected shall be effective
25 for all service as an active member after the effective date of
26 such election and shall remain effective until the election is
27 revoked or modified by the member during any subsequent
28 enrollment period.

29 Section 412. Sections 5307, 5308, 5308.1 introductory
30 paragraph and (1), 5309, 5309.1 and 5311 of Title 71 are amended

1 to read:

2 § 5307. Eligibility points.

3 (a) General rule.--An active member of the system shall
4 accrue one eligibility point for each year of credited service
5 as a member of the [State or] system and if a multiple service
6 member as a member of the Public School Employees' Retirement
7 System. A member shall accrue an additional two-thirds of an
8 eligibility point for each year of Class D-3 credited service.
9 In the case of a fractional part of a year of credited service,
10 a member shall accrue the corresponding fractional portion of
11 eligibility points to which the class of service entitles him.

12 (a.1) USERRA leave.--A member of the system or participant
13 in the plan who is reemployed from USERRA leave or who dies
14 while performing USERRA leave shall be granted the eligibility
15 points that he would have accrued had he continued in his State
16 office or employment instead of performing USERRA leave. In the
17 event that a State employee who is reemployed from USERRA leave
18 makes the member contributions or mandatory participant
19 contributions to be granted State service credit for the USERRA
20 leave, no additional eligibility points will be granted.

21 (b) Transitional rule.--

22 (1) In determining whether a member who is not a State
23 employee or school employee on June 30, 2001, and July 1,
24 2001, and who has previous State service (except a disability
25 annuitant who returns to State service after June 30, 2001,
26 upon termination of the disability annuity) has the five
27 eligibility points required by sections 5102 (relating to
28 definitions), 5308(b) (relating to eligibility for
29 annuities), 5309 (relating to eligibility for vesting),
30 5704(b) (relating to disability annuities) and 5705(a)

1 (relating to member's options), only eligibility points
2 earned by performing credited State service as an active
3 member of the system, USERRA leave or credited school service
4 as an active member of the Public School Employees'
5 Retirement System after June 30, 2001, shall be counted until
6 such member earns one eligibility point by performing
7 credited State service or credited school service after June
8 30, 2001, at which time all eligibility points as determined
9 pursuant to subsection (a) shall be counted.

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

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

15 (ii) has Class G, Class H, Class I, Class J, Class
16 L, Class M or Class N service and has eight or more
17 eligibility points as determined pursuant to subsection
18 (a).

19 (c) Class CB concurrent service.--An active member who is
20 earning Class CB service concurrently with service in another
21 class of service shall receive service credit and eligibility
22 points only for the other class of service. No additional
23 service credit or eligibility points will be earned for the
24 concurrent Class CB service.

25 § 5308. Eligibility for annuities.

26 (a) Superannuation annuity.--Attainment of superannuation
27 age by an active member [or], an inactive member on leave
28 without pay or combined service employee who is an active
29 participant or inactive participant on leave without pay with
30 three or more eligibility points other than eligibility points

1 resulting from nonstate service or nonschool service shall
2 entitle him to receive a superannuation annuity upon termination
3 of State service and compliance with section 5907(f) (relating
4 to rights and duties of State employees [and], members and
5 participants).

6 (b) Withdrawal annuity.--

7 (1) Any vestee or any active member [or], inactive
8 member on leave without pay or combined service employee who
9 is an active participant or inactive participant on leave
10 without pay who terminates State service having five or more
11 eligibility points and who does not have Class A-3 or Class
12 A-4 service credit or, if a multiple service member, Class T-
13 E or Class T-F service credit in the Public School Employees'
14 Retirement System, or who has Class G, Class H, Class I,
15 Class J, Class K, Class L, Class M or Class N service and
16 terminates State service having five or more eligibility
17 points, upon compliance with section 5907(f), (g) or (h)
18 shall be entitled to receive an annuity.

19 (2) Any vestee, active member [or], inactive member on
20 leave without pay or combined service employee who is an
21 active participant or inactive participant on leave without
22 pay who has Class A-3 or Class A-4 service credit or, if a
23 multiple service member, Class T-E or Class T-F service
24 credit in the Public School Employees' Retirement System who
25 terminates State service having ten or more eligibility
26 points, upon compliance with section 5907(f), (g) or (h),
27 shall be entitled to receive an annuity.

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

1 pay who has either Class A-3 or Class A-4 service credit or,
2 if a multiple service member, Class T-E or Class T-F service
3 credit in the Public School Employees' Retirement System and
4 also has service credited in the system in one or more other
5 classes of service who has five or more, but fewer than ten,
6 eligibility points, upon compliance with section 5907(f), (g)
7 or (h), shall be eligible to receive an annuity calculated on
8 his service credited in classes of service other than Class
9 A-3 or Class A-4, provided that the member has five or more
10 eligibility points resulting from service in classes other
11 than Class A-3 or Class A-4 or Class T-E or Class T-F service
12 in the Public School Employees' Retirement System.

13 (c) Disability annuity.--An active member or inactive member
14 on leave without pay who has five or more eligibility points
15 other than eligibility points resulting from membership in the
16 Public School Employees' Retirement System or any active member
17 or inactive member on leave without pay who is an officer of the
18 Pennsylvania State Police or an enforcement officer shall, upon
19 compliance with section 5907(k), be entitled to a disability
20 annuity if he becomes mentally or physically incapable of
21 continuing to perform the duties for which he is employed and
22 qualifies in accordance with the provisions of section 5905(c)
23 (1) (relating to duties of the board regarding applications and
24 elections of members and participants)]; provided, that no
25 disability annuity shall be paid to a combined service employee
26 who is an active participant.

27 (d) Eligibility of employees with Class CB service for
28 annuities and benefits.--Subject to the limitation on
29 eligibility points for a member who is performing concurrent
30 service in Class CB and in another class of service under

1 section 5307 (relating to eligibility points), eligibility
2 points earned as a result of credited service in Class CB shall
3 be included in determining if a member who has Class CB service
4 credit and service credit in one or more other classes of
5 service is eligible for an annuity under this section or
6 eligibility for other rights and benefits under this part,
7 unless provided otherwise. Eligibility points earned by a
8 multiple service member as a result of Class T-I credited
9 service in the Public School Employees' Retirement System
10 similarly shall be included if eligibility points for school
11 service in the Public School Employees 'Retirement System are
12 used to determine eligibility. Nothing in this subsection amends
13 or waives any other requirement to be eligible for an annuity or
14 other benefit. Upon termination of State service and compliance
15 with section 5907(f) a member with Class CB service credit is
16 eligible for an annuity as calculated under section 5702(a)(7)
17 (relating to maximum single life annuity).

18 (e) Required beginning date.--Members eligible for an
19 annuity must commence receiving the annuity by the member's
20 required beginning date.

21 § 5308.1. Eligibility for special early retirement.

22 Notwithstanding any provisions of this title to the contrary,
23 the following special early retirement provisions shall be
24 applicable to specified eligible members [as follows]:

25 (1) During the period of July 1, 1985, to September 30,
26 1991, an active member who has attained the age of at least
27 53 years and has accrued at least 30 eligibility points shall
28 be entitled, upon termination of State service and compliance
29 with section 5907(f) (relating to rights and duties of State
30 employees [and], members and participants), to receive a

1 maximum single life annuity calculated under section 5702
2 (relating to maximum single life annuity) without a reduction
3 by virtue of an effective date of retirement which is under
4 the superannuation age.

5 * * *

6 § 5309. Eligibility for vesting.

7 Any member who:

8 (1) Does not have Class A-3 [or], Class A-4 or Class CB
9 service credit or, if a multiple service member, Class T-E or
10 Class T-F service credit in the Public School Employees'
11 Retirement System and terminates State service, or if a
12 multiple service member and an active member of the Public
13 School Employees' Retirement System terminates school
14 service, with five or more eligibility points, or any member
15 with Class G, Class H, Class I, Class J, Class K, Class L,
16 Class M or Class N service with five or more eligibility
17 points, shall be eligible until [attainment of superannuation
18 age] required beginning date to vest his retirement benefits.

19 (2) Has only Class A-3 or Class A-4 service credit [or]
20 and, if a multiple service member, only Class T-E or Class T-
21 F service credit in the Public School Employees' Retirement
22 System and terminates State service, or if a multiple service
23 member and an active member of the Public School Employees'
24 Retirement System terminates school service, with ten or more
25 eligibility points shall be eligible until [attainment of
26 superannuation age] his required beginning date to vest his
27 retirement benefits.

28 (3) Has either Class A-3 or Class A-4 service credit
29 [or] and, if a multiple service member, Class T-E or Class T-
30 F service credit in the Public School Employees' Retirement

1 System, also has service credited in the system in one or
2 more other classes of service other than Class CB and has
3 five or more, but fewer than ten, eligibility points and
4 terminates State service, or if a multiple service member and
5 an active member of the Public School Employees' Retirement
6 System terminates school service, shall be eligible until
7 [the attainment of superannuation age] his required beginning
8 date to vest his retirement benefits calculated on his
9 service credited in classes of service other than Class A-3
10 or Class A-4 and to be credited with statutory interest on
11 total accumulated deductions, regardless of whether or not
12 any part of his accumulated deductions are a result of Class
13 A-3 or Class A-4 service credit.

14 (4) Has only Class CB service credit and terminates
15 State service shall be eligible to vest his retirement
16 benefits based on Class CB service except that a member who
17 has a small cash balance account subject to distribution as
18 provided in section 5709(d) (relating to payment of benefits)
19 shall not be permitted to vest until his required beginning
20 date unless otherwise required under the IRC.

21 (5) Has Class CB service credit and service credited in
22 one or more other classes or service and terminates State
23 service, or if a multiple service member and an active member
24 of the Public School Employees' Retirement System terminates
25 school service, shall be eligible to vest his retirement
26 benefits based on Class CB service and, if he has five or
27 more eligibility points, to vest his retirement benefits on
28 all other classes of service other than Class A-3 or Class A-
29 4 until the attainment of the applicable superannuation age
30 and if he has 10 or more eligibility points to vest his

1 retirement benefits on all classes of service until
2 superannuation age. Any such member shall be credited with
3 statutory interest on his total accumulated deductions and
4 treasury bond interest, but not excess interest on his total
5 cash balance accumulated deductions until the effective date
6 of retirement.

7 (6) A member with more than one class of credited
8 service who vests his retirement benefits in any class of
9 service may not receive distributions from other classes of
10 service until his effective date of retirement, regardless of
11 whether his benefits resulting from such other classes of
12 service are vested or he is eligible to receive an annuity. A
13 member with service credited in more than one class of
14 service may not separately vest those benefits and receive
15 annuities from different classes of service with different
16 effective dates.

17 § 5309.1. Eligibility for special vesting.

18 Any employee of The Pennsylvania State University who is a
19 member of the system with five or more but less than ten
20 eligibility points and who has a date of termination of service
21 from The Pennsylvania State University of June 30, 1997, because
22 of the transfer of his job position or duties to a controlled
23 organization of the Penn State Geisinger Health System or
24 because of the elimination of his job position or duties due to
25 the transfer of other job positions or duties to a controlled
26 organization of the Penn State Geisinger Health System shall be
27 eligible until the attainment of superannuation age or his
28 required beginning date to vest his retirement benefits
29 according to the terms and conditions of this part.

30 § 5311. Eligibility for refunds.

1 (a) Total accumulated deductions.--Any active member,
2 regardless of eligibility for benefits, may elect to receive his
3 total accumulated deductions and his cash balance member
4 accumulated deductions by the required beginning date upon
5 termination of service in lieu of any benefit from the system to
6 which he is entitled.

7 (b) Social security integration accumulated deductions.--Any
8 active member at any time may elect to receive his social
9 security integration accumulated deductions and thereby to have
10 all his social security integration credits and benefits
11 therefor cancelled, and shall not be entitled to accrue any
12 further social security integration credits or benefits; except
13 that a disability annuitant who returns to State service in a
14 class of service other than Class CB shall have the right to
15 reinstate his social security integration accumulated deductions
16 and credits therefor.

17 Section 413. Title 71 is amended by adding a chapter to
18 read:

19 CHAPTER 54

20 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

21 Sec.

22 5401. Establishment.

23 5402. Plan document.

24 5403. Individual investment accounts.

25 5404. Participant contributions.

26 5405. ~~(Reserved)~~. MANDATORY PICKUP PARTICIPANT CONTRIBUTIONS. <--

27 5406. Employer defined contributions.

28 5407. Eligibility for benefits.

29 5408. Death benefits.

30 5409. Vesting.

1 5410. Termination of distributions.

2 5411. Agreements with financial institutions and other
3 organizations.

4 5412. Powers and duties of board.

5 5413. Responsibility for investment loss.

6 5414. Investments based on participants' investment allocation
7 choices.

8 5415. Expenses.

9 5416. Participation in the plan by members of Class A-3 or
10 Class A-4.

11 5417. Tax qualification.

12 § 5401. Establishment.

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

22 (b) State Employees' Defined Contribution Trust.--The State
23 Employees' Defined Contribution Trust is established as part of
24 the plan. The trust shall be comprised of the individual
25 investment accounts and all assets and money in those accounts.
26 The members of the board shall be the trustees of the trust,
27 which shall be administered exclusively for the benefit of those
28 State employees who participate in the plan and their
29 beneficiaries within the meaning of and in conformity with IRC §
30 401(a). The board shall determine the terms and provisions of

1 the trust not inconsistent with this part, IRC or other
2 applicable law and shall provide for the investment and
3 administration of the trust.

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

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

26 § 5402. Plan document.

27 The board shall set forth the terms and provisions of the
28 plan and trust in a document containing the terms and conditions
29 of the plan and in a trust declaration that shall be published
30 in the Pennsylvania Bulletin. The creation of the document

1 containing the terms and conditions of the plan and the trust
2 declaration and the establishment of the terms and provisions of
3 the plan and the trust need not be promulgated by regulation or
4 formal rulemaking and shall not be subject to the act of July
5 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
6 Documents Law. A reference in this part or other law to the plan
7 shall include the plan document unless the context clearly
8 indicates otherwise.

9 § 5403. Individual investment accounts.

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

22 § 5404. Participant contributions.

23 (a) Mandatory contributions.--A participant shall make
24 mandatory participant contributions through payroll deductions
25 to the participant's individual investment account equal to
26 3.00% of compensation for current State service. The employer
27 shall cause those contributions for current service to be made
28 and deducted from each payroll or on such schedule as
29 established by the board.

30 (b) Voluntary contributions.--A participant may make

1 voluntary contributions through payroll deductions or through
2 direct trustee-to-trustee transfers or through transfers of
3 money received in an eligible rollover into the trust to the
4 extent allowed by IRC § 402. The rollovers shall be made in a
5 form and manner as determined by the board, shall be credited to
6 the participant's individual investment account and shall be
7 separately accounted for by the board.

8 (c) Prohibited contributions.--No contributions may be
9 allowed that would cause a violation of the limitations related
10 to contributions applicable to governmental plans contained in
11 IRC § 415 or in other provisions of law. In the event that any
12 disallowed contributions are made, any participant contributions
13 in excess of the limitations and investment earnings on those
14 contributions shall be refunded to the participant by the board.
15 § 5405. ~~(Reserved)~~. MANDATORY PICKUP PARTICIPANT CONTRIBUTIONS. <--

16 (A) TREATMENT FOR PURPOSES OF IRC § 414(H).--THE
17 CONTRIBUTIONS TO THE TRUST REQUIRED TO BE MADE UNDER SECTION
18 5404 (RELATING TO PARTICIPANT CONTRIBUTIONS) WITH RESPECT TO
19 CURRENT STATE SERVICE RENDERED BY AN ACTIVE PARTICIPANT SHALL BE
20 PICKED UP BY THE EMPLOYER AND SHALL BE TREATED AS THE EMPLOYER'S
21 CONTRIBUTION FOR PURPOSES OF IRC § 414(H). AN EMPLOYER EMPLOYING
22 A PARTICIPANT IN THE PLAN SHALL PICK UP THE REQUIRED MANDATORY
23 PARTICIPANT CONTRIBUTIONS BY A REDUCTION IN THE COMPENSATION OF
24 THE PARTICIPANT.

25 (B) TREATMENT FOR OTHER PURPOSES.--FOR ALL OTHER PURPOSES
26 UNDER THIS PART AND OTHERWISE, SUCH MANDATORY PICKUP PARTICIPANT
27 CONTRIBUTIONS SHALL BE TREATED AS CONTRIBUTIONS MADE BY A
28 PARTICIPANT IN THE SAME MANNER AND TO THE SAME EXTENT AS IF THE
29 CONTRIBUTIONS WERE MADE DIRECTLY BY THE PARTICIPANT AND NOT
30 PICKED UP.

1 § 5406. Employer defined contributions.

2 (a) Contributions for current service.--The Commonwealth or
3 other employer of an active participant shall make employer
4 defined contributions for current service of an active
5 participant that shall be credited to the active participant's
6 individual investment account. Employer defined contributions
7 shall be recorded and accounted for separately from participant
8 contributions.

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

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

29 § 5407. Eligibility for benefits.

30 (a) Termination of service.--A participant who terminates

1 State service shall be eligible to withdraw the vested
2 accumulated total defined contributions standing to the
3 participant's credit in the participant's individual investment
4 account or a lesser amount as the participant may request.
5 Payment shall be made in a lump sum unless the board has
6 established other forms of distribution in the plan document,
7 subject to the provisions of subsection (g). A participant who
8 withdraws his vested accumulated total defined contributions
9 shall no longer be a participant in the plan, notwithstanding
10 that the former State employee may continue to be a member of
11 the system or may have contracted to receive an annuity or other
12 form of payment from a provider retained by the board for such
13 purposes.

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

20 (c) (Reserved).

21 (d) Prohibited distributions.--A State employee must be
22 terminated from all positions that result in either membership
23 in the system or participation in the plan to be eligible to
24 receive a distribution.

25 (e) Loans.--Loans or other distributions, including hardship
26 or unforeseeable emergency distributions, from the plan to State
27 employees who have not terminated State service are not
28 permitted, except as required by law.

29 (f) Small individual investment accounts.--

30 (1) A participant who terminates State service and whose

1 vested accumulated total defined contributions are below the
2 threshold established by law as of the date of termination of
3 service may be paid the vested accumulated total defined
4 contributions in a lump sum as provided in IRC § 401(a)(31).

5 (2) The board may also provide in the plan document
6 that, notwithstanding subsection (g), a participant whose
7 vested accumulated employer defined contributions are below
8 the thresholds established by the board may receive those
9 distributions without the obligation to purchase an annuity.
10 The threshold may be established as a dollar amount, an
11 annuity amount, in some other form individually or in
12 combination as the board determines.

13 (g) Requirement to purchase annuity.--Except as prohibited
14 by the IRC or as otherwise provided in this part, a participant
15 who is eligible and elects to receive a distribution of vested
16 accumulated employer defined contributions shall be required to
17 purchase an annuity with that distribution from an annuity
18 provider contracted by the board under section 5409(c) (relating
19 to death benefits) and under such conditions as provided in the
20 plan document. The conditions may include that the board is
21 authorized to make the distribution directly to the annuity
22 provider.

23 § 5408. Death benefits.

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

30 (b) Death of participant receiving distributions.--In the

1 event of the death of a participant receiving distributions, the
2 board shall pay to the participant's beneficiary the vested
3 balance in the participant's individual investment account in a
4 lump sum or in such other manner as the board may establish in
5 the plan document or, if the board has established alternative
6 methods of distribution in the plan document under which the
7 participant was receiving distributions, to the participant's
8 beneficiary or successor payee, as the case may be, as provided
9 in the plan document.

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

15 § 5409. Vesting.

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

25 (b) Employer defined contributions.--

26 (1) Subject to the forfeiture and attachment provisions
27 of section 5953 or otherwise as provided by law, a
28 participant shall be vested with respect to all employer
29 defined contributions paid to the participant's individual
30 investment account in the trust in addition to interest and

1 investment gains and losses on the employer defined
2 contributions but not including investment fees and
3 administrative charges according to the following schedule:

4 (i) Until such time as a participant has earned two
5 eligibility points as a member of the system, 0%;

6 (ii) Upon the attainment of two eligibility points
7 as a member of the system, 50%;

8 (iii) Upon the attainment of three eligibility
9 points as a member of the system, 75%;

10 (iv) At and after the attainment of four eligibility
11 points as a member of the system, 100%.

12 (2) For purposes of this subsection, all eligibility
13 points credited to a member of the system in any class of
14 service shall be used for determining vested status in the
15 plan even if the employee was not a participant in the plan
16 at the time the eligibility points were earned.

17 (3) Nonvested employer defined contributions and the
18 interest and investment gains and losses on the nonvested
19 employer defined contributions that are forfeited when a
20 participant terminates State service before accruing four
21 eligibility points are credited to the participant's most
22 recent employer's future obligation assessed under section
23 5509 (relating to appropriations and assessments by the
24 Commonwealth).

25 (c) USERRA leave and eligibility points.--A participant in
26 the plan who is reemployed from USERRA leave or who dies while
27 performing USERRA leave shall receive eligibility points under
28 this section for the State service that would have been
29 performed had the member not performed USERRA leave.

30 § 5410. Termination of distributions.

1 (a) Return to State service.--

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

9 (2) This subsection shall not apply to a distribution of
10 accumulated employer defined contributions or other
11 distributions that the participant has received and used to
12 purchase an annuity from a provider contracted by the board.

13 (b) Return of benefits paid during USERRA leave.--

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

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

30 § 5411. Agreements with financial institutions and other

1 organizations.

2 (a) Written agreement.--To establish and administer the
3 plan, the board shall enter into a written agreement with one or
4 more financial institutions or other organizations to administer
5 the plan and the investment of funds held under the plan. The
6 administrator shall be selected in accordance with the
7 following:

8 (1) The board shall solicit proposals from financial
9 institutions and other organizations.

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

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

16 (b) Rebid.--A contract to administer the plan under
17 subsection (a) shall be rebid at least once every ten years.
18 § 5412. Powers and duties of board.

19 The board shall have the following powers and duties to
20 establish the plan and trust and administer the provisions of
21 this chapter and part:

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

24 (2) The board shall pay all administrative fees, costs
25 and expenses of managing, investing and administering the
26 plan, the trust and the individual investment accounts from
27 the balance of such individual investment accounts except as
28 otherwise provided in this part or as the General Assembly
29 otherwise provides by appropriations from the General Fund.

30 (3) The board may establish investment guidelines and

1 limits on the types of investments that participants may
2 make, consistent with the board's fiduciary obligations.

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

6 (5) The board may establish a process for election to
7 participate in the plan by those State employees eligible to
8 do so for whom participation is not mandatory.

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

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

17 (8) The board may allow an inactive participant to
18 maintain the participant's individual investment account
19 within the plan.

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

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

25 (11) The board shall determine what constitutes a
26 termination of State service.

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

30 (13) The board may establish procedures in the plan

1 document or to promulgate rules and regulations as it deems
2 necessary for the administration and management of the plan,
3 including, but not limited to, establishing:

4 (i) Procedures for eligible participants to change
5 voluntary contribution amounts or their investment
6 choices on a periodic basis or make other elections
7 regarding their participation in the plan.

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

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

14 (iv) Standards and criteria for providing not less
15 than 10 options in accordance with three or more
16 providers of investment options to eligible individuals
17 regarding investments of amounts deferred under the plan.
18 The standards and criteria must provide for a variety of
19 investment options and shall be reviewed in accordance
20 with criteria established by the board. One of the
21 available options must serve as the default option for
22 participants who do not make a timely election and, to
23 the extent commercially available, one option must have
24 an annuity.

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

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

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

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

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

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

24 ~~(18)~~ (17) The board shall ensure that participants are <--
25 provided with educational materials about investment options
26 and choices.

27 § 5413. Responsibility for investment loss.

28 The board, the Commonwealth, an employer or other political
29 subdivision shall not be responsible for any investment loss
30 incurred under the plan or for the failure of any investment to

1 earn any specific or expected return or to earn as much as any
2 other investment opportunity, whether or not the other
3 opportunity was offered to participants in the plan.

4 § 5414. Investments based on participant's investment
5 allocation choices.

6 (a) Investment by participant.--All contributions, interest
7 and investment earnings shall be invested based on a
8 participant's investment allocation choices. All investment
9 allocation choices shall be credited proportionally between
10 participant contributions and employer-defined contributions.
11 Each participant shall be credited individually with the amount
12 of contributions, interest and investment earnings.

13 (b) Investment of contributions made by entities other than
14 the Commonwealth.--Investment of contributions by any
15 corporation, institution, insurance company, custodial bank or
16 other entity that the board has approved shall not be
17 unreasonably delayed and in no case may the investment of
18 contributions be delayed more than 30 days from the date of
19 payroll deduction or the date voluntary contributions are made
20 to the date that funds are invested. Any interest earned on the
21 funds pending investment shall be allocated to the Commonwealth
22 and credited to the individual investment accounts of
23 participants who re then participating in the plan unless
24 notwithstanding sections 5412(2) (relating to powers and duties
25 of board), 5415 (relating to expenses) and 5902(c) (relating to
26 administrative duties of the board), the interest is used to
27 defray administrative costs and fees that would otherwise be
28 required to be borne by participants who are then participating
29 in the plan.

30 § 5415. Expenses.

1 All fees, costs and expenses of administering the plan and
2 the trust and investing the assets of the trust shall be borne
3 by the participants and paid from assessments against the
4 balances of the individual investment accounts as established by
5 the board, except that for fiscal years ending before July 1,
6 2016, the fees, costs and expenses of establishing and
7 administering the plan and the trust shall be paid by the
8 Commonwealth through annual appropriations from the General
9 Fund, made on the basis of estimates from the board.

10 § 5416. Participation in the plan by members of Class A-3 or
11 Class A-4.

12 (a) General rule.--For any calendar year in which the
13 compensation of a member of Class A-3 or Class A-4 exceeds the
14 Class A-3 and Class A-4 compensation limit, the member shall
15 cease making contributions to the fund and, unless the plan
16 provides otherwise, shall become an active participant of the
17 plan and a member of Class CB unless the member elects not to be
18 a participant in the plan and a member of Class CB.

19 (b) Time for making the election.--An eligible member of
20 Class a-3 or Class A-4 may elect not to become a participant in
21 the plan and a member of Class CB by filing a written notice
22 with the board in a form and manner determined by the board
23 during periodic election periods established by the board or the
24 plan after the effective date of this section.

25 (c) Effect of election.--An election not to become a
26 participant and a member of Class CB shall be effective until
27 the end of the calendar year for which the election is made,
28 unless the plan provides otherwise. The effective date of active
29 participation in the plan shall be as established in the plan. A
30 state employee who does not elect out of participation in the

1 plan and membership in Class CB shall make mandatory participant
2 contributions to the plan, and unless the State employee elects
3 otherwise, will make voluntary contributions of 3.25%, if a
4 Class A-3 member, or voluntary contributions of 6.3%, if a Class
5 A-4 member. The Class CB class of service multiplier to
6 determine cash balance member contributions for a member of
7 Class CB who elects to be a participant in the plan shall be 0.6
8 while an active participant of the plan. A State employee cannot
9 elect to not be an active participant and remain an active
10 member of Class CB and cannot elect to not be an active member
11 of Class CB while remaining an active participant in the plan.
12 § 5417. Tax qualification.

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

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

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

24 (ii) An increase in a limitation under IRC § 415
25 shall apply to all participants on and after the
26 effective date of this section.

27 (iii) For the purposes of this paragraph, the term
28 "government plans" shall have the same meaning as the
29 term has in IRC § 414(d).

30 (2) (i) Except as provided under subparagraph (ii), an

1 amendment of this part on or after the effective date of
2 this section that increases contributions or benefits for
3 active participants, inactive participants or
4 participants receiving distributions shall not be deemed
5 to provide for a contribution or benefit in excess of any
6 limitation, adjusted on or after the effective date of
7 this section, under IRC § 415 unless specifically
8 provided by legislation.

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

13 Section 414. Sections 5501 and 5501.1 of Title 71 are
14 amended to read:

15 § 5501. Regular member contributions and cash balance member
16 contributions for current service.

17 Regular member contributions or cash balance member
18 contributions shall be made to the fund on behalf of each active
19 member for current service except for any period of current
20 service in which the making of such contributions has ceased
21 solely by reason of section 5502.1 (relating to waiver of
22 regular member contributions and Social Security integration
23 member contributions) or any provision of this part relating to
24 the limitations under IRC § 401(a)(17) or [415(b)] 415 or
25 limitations on contributions to the system applicable to a Class
26 A-3 member or Class A-4 member.

27 § 5501.1. Shared-risk member contributions [for Class A-3 and
28 Class A-4 service] and shared-gain adjustments to
29 regular member contributions for Class A-3 and Class
30 A-4 service.

1 (a) General.--Shared-risk member contributions shall be made
2 to the fund on behalf of each member of Class A-3 or Class A-4
3 for current service credited as Class A-3 or Class A-4 as
4 provided under this section, except for any period of current
5 service in which the making of the contributions has ceased
6 solely by reason of any provision of this part relating to the
7 limitations under IRC § 401(a)(17) or 415. Shared-risk member
8 contributions shall be credited to the members' savings account.
9 A shared-gain adjustment to regular member contributions for
10 Class A-3 and Class A-4 service shall be made as provided under
11 this section.

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

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

16 * * *

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

26 * * *

27 (c) Determination of shared-gain adjustment to regular
28 member contributions for Class A-3 or Class A-4 service.--The
29 regular member contributions for Class A-3 or Class A-4 service
30 shall be determined as follows:

1 (1) For the period from the effective date of this
2 section until June 30, 2017, the regular member contributions
3 for Class A-3 or Class A-4 service shall be determined as
4 otherwise provided in this part.

5 (2) For the period from July 1, 2017, to June 30, 2020,
6 if the shared-risk contribution rate is zero and annual
7 interest rate adopted by the board for use during the period
8 from January 1, 2011, to December 31, 2016, for the
9 calculation of the normal contribution rate is more than 1%
10 lower than the actual rate of return, net of fees, of the
11 investments of the fund based on market value over the
12 period, then the regular member contribution rate of each
13 member for Class A-3 or Class A-4 service shall be reduced by
14 0.5%. In all other situations, the regular member
15 contributions shall be determined as otherwise provided in
16 this part.

17 (3) For each subsequent three-year period, the regular
18 member contribution rate shall be decreased by 0.5% if the
19 annual interest rate adopted by the board for use during the
20 previous ten-year period for the calculation of the normal
21 contribution rate is more than 1% lower than the actual rate
22 of return, net of fees, of the investments of the fund based
23 on market value over the period. The regular member
24 contribution rate shall be increased by 0.5% if the annual
25 interest rate adopted by the board for use during the
26 previous ten-year period for the calculation of the normal
27 contribution rate is equal to or greater than the actual rate
28 of return, net of fees, of the investments of the fund based
29 on market value over that period.

30 (4) Notwithstanding paragraphs (2) and (3), the regular

1 member contribution rate may not be greater than the product
2 of the basic contribution rate and the class of service
3 multiplier; and the amount of the adjustment to a lower
4 regular member contribution rate may not be greater than the
5 reduction in the actuarially required contribution rate by
6 the experience adjustment factor resulting from investment
7 gains or losses in effect on the first day when the new rate
8 would be applied, expressed as a percentage of member
9 compensation. In no event may the adjustment to the regular
10 member contribution rate be more than 2%. For the
11 determination of the regular member contribution rate to be
12 effective July 1, 2020, the determination period shall be
13 January 1, 2011, through December 31, 2019.

14 (5) The shared-gain adjustment to the regular member
15 contribution rate and the factors entering into its
16 calculation must be certified by the actuary as part of the
17 annual valuations and the actuarial investigation and
18 evaluation of the system conducted every five years under
19 section 5902(j) (relating to administrative duties of the
20 board).

21 (6) If the annual interest rate adopted by the board for
22 the calculation is changed during the period used to
23 determine the shared-gain adjustment to the regular member
24 contribution rate, the board, with the advice of the actuary,
25 shall determine the applicable rate during the entire period,
26 expressed as an annual rate.

27 (d) Calculation of regular member contribution rate.--For
28 purposes of this subsection, the regular member contribution
29 rate for each member is the product of the basic contribution
30 rate and the class of service multiplier used to determine the

1 regular member contributions for each member.

2 Section 415. Title 71 is amended by adding sections to read:

3 § 5501.3. Contribution savings program for members of Class AA

4 and Class D-4 ~~who have not made the election under~~ <--

5 ~~section 5306.4.~~

6 The regular member contributions for Class AA and Class D-4

7 service of members ~~who have not made the election under section~~ <--

8 ~~5306.4 (relating to election of an alternate class of service~~

9 ~~multiplier)~~ shall be determined as follows:

10 (1) For the period from the effective date of this

11 section until June 30, 2019, the regular member contributions

12 for Class AA and Class D-4 service of members ~~who have not~~ <--

13 ~~made the election under section 5306.4 (relating to election~~

14 ~~of an alternate class of service multiplier)~~ shall be

15 determined as otherwise provided in this part.

16 (2) For the period from July 1, 2019, to June 30, 2022,

17 if the annual interest rate adopted by the board for use

18 during the period from January 1, 2016, to December 31, 2019,

19 for the calculation of the normal contribution rate is 1% or

20 more lower than the actual rate of return, net of fees, of

21 the investments of the fund based on market value over the

22 period, then the regular member contribution rate for Class

23 AA and Class D-4 service of members ~~who have not made the~~ <--

24 ~~election under section 5306.4~~ shall be reduced by 0.5% for

25 each percentage point that the annual interest rate is lower

26 than the actual rate of return. For the three fiscal years

27 starting July 1, 2022, and each subsequent period of three

28 fiscal years, the following apply:

29 (i) Except as set forth in subparagraph (ii), the

30 regular member contribution rate shall be as otherwise

1 provided in this part.

2 (ii) If the annual interest rate adopted by the
3 board for use during the prior three calendar years for
4 the calculation of the normal contribution rate is 1% or
5 more lower than the actual rate of return, net of fees,
6 of the investments of the fund based on market value over
7 the three calendar year period, then the regular member
8 contribution rate for Class AA and Class D-4 service of
9 members who have not made the election under section <--
10 5603.4 shall be reduced by 0.5% for each percentage point
11 that the annual interest rate is lower than the actual
12 rate of return.

13 (3) Notwithstanding paragraph (2), the regular member
14 contribution rate may not be greater than the product of the
15 basic contribution rate and the class of service multiplier;
16 and in no event may the amount of the adjustment to the
17 regular member contribution rate be more than 5%.

18 (4) The contribution savings program adjustment to the
19 regular member contribution rate and the factors entering
20 into its calculation must be certified by the actuary as part
21 of the annual valuations and the actuarial investigation and
22 evaluation of the system conducted every five years under
23 section 5902(j) (relating to administrative duties of the
24 board).

25 (5) If the annual interest rate adopted by the board for
26 the calculation is changed during the period used to
27 determine the contribution savings program adjustment to the
28 regular member contribution rate, the board, with the advice
29 of the actuary, shall determine the applicable rate during
30 the entire period, expressed as an annual rate.

1 ~~§ 5501.4. Class of service multiplier for Class AA and Class D~~ <--

2 ~~4.~~

3 ~~(a) Multiplier before January 2016. For Class AA service~~
4 ~~and Class D 4 service that is not post January 2016 service, the~~
5 ~~class of service multipliers for Class AA and Class D 4 are as~~
6 ~~defined in section 5102 (relating to definitions).~~

7 ~~(b) Class AA multiplier on or after January 2016. For Class~~
8 ~~AA service that is post January 2016 service, the class of~~
9 ~~service multiplier is as follows:~~

10 ~~(1) For all purposes except calculating regular member~~
11 ~~contributions, the standard class of service multiplier shall~~
12 ~~be 1.25.~~

13 ~~(2) For purposes of calculating regular member~~
14 ~~contributions, the standard class of service multiplier shall~~
15 ~~be 1.75.~~

16 ~~(3) The alternate class of service multiplier for all~~
17 ~~purposes shall be 1.~~

18 ~~(c) Class D 4 multiplier on or after January 2016. For~~
19 ~~Class D 4 service that is post January 2016 service, the class~~
20 ~~of service multiplier is as follows:~~

21 ~~(1) For all purposes except calculating regular member~~
22 ~~contributions, the standard class of service multiplier shall~~
23 ~~be 1.5.~~

24 ~~(2) For purposes of calculating regular member~~
25 ~~contributions, the standard class of service multiplier shall~~
26 ~~be 2.~~

27 ~~(3) The alternate class of service multiplier for all~~
28 ~~purposes shall be 1.~~

29 Section 416. Sections 5502.1, 5503.1(a) and 5504 of Title 71
30 are amended to read:

1 § 5502.1. Waiver of regular member contributions and Social
2 Security integration member contributions.

3 (a) General rule.--Notwithstanding the provisions of
4 sections 5501 (relating to regular member contributions and cash
5 balance member contributions for current service) and 5502
6 (relating to Social Security integration member contributions),
7 no regular member contributions or Social Security integration
8 member contributions shall be made by an active member for the
9 period from July 1 to the following June 30 if the maximum
10 single life annuity to which the member would have been entitled
11 to receive had the member retired with an effective date of
12 retirement on the preceding January 1 is greater than 110% of
13 the highest calendar year compensation of the member, provided
14 the member files a written election as prescribed by the board.

15 (b) Applicability.--This section shall not apply to any
16 member who has Class A-3 [or], Class A-4 or Class CB service
17 credit.

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 and cash balance member contributions), 5501.1 (relating
23 to shared-risk member contributions [for Class A-3 and Class A-4
24 service] and shared-gain adjustments to regular member
25 contributions for Class A-3 and Class A-4 service), 5502
26 (relating to Social Security integration member contributions),
27 5503 (relating to joint coverage member contributions) and
28 section 5505.1 (relating to additional member contributions), <--
29 other than cash balance member contributions, with respect to
30 current State service rendered by an active member on or after

1 January 1, 1982, shall be picked up by the Commonwealth or other
2 employer and shall be treated as the employer's contribution for
3 purposes of IRC § 414(h).

4 * * *

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

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

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

1 State service is credited shall elect which position or
2 office is used for the determination of required
3 contributions and crediting and classification of the
4 previously uncredited service.

5 (2) Notwithstanding paragraph (1), active members [with]
6 who perform State service credited as Class A-3 [State]
7 service shall make contributions and receive credit for
8 previously uncredited State service as if the previous State
9 service was Class A-3 service, and active members [with] who
10 perform State service credited as Class A-4 [State] service
11 shall make contributions and receive credit as if the
12 previous State service was Class A-4 service, even if it
13 would have been credited as a different class of service had
14 the State employee been a member of the system at the time
15 the service was performed unless it was mandatory that the
16 State employee be an active member of the system and the
17 previous State service is being credited as the result of a
18 mandatory active membership requirement.

19 ~~(3) Notwithstanding paragraph (1), if a member who is~~ <--
20 ~~purchasing credit for previous State service has made an~~
21 ~~election under section 5306.4 (relating to election of an~~
22 ~~alternate class of service multiplier), the regular member~~
23 ~~contributions for all previously uncredited Class AA or Class~~
24 ~~D-4 State service that is first credited on or after January~~
25 ~~1, 2016, shall be calculated using the alternate class of~~
26 ~~service multiplier as provided by the election.~~

27 (3) (RESERVED). <--

28 (4) Notwithstanding paragraph (1), if a member is
29 purchasing credit for previously uncredited State service
30 that is first credited after December 31, 2015, the regular

1 member contributions shall be calculated without regard to
2 any adjustments that would have been applicable under
3 sections 5501.1(c) (relating to shared-risk member
4 contributions and shared-gain adjustments to regular member
5 contributions for Class A-3 and Class A-4 service) or 5501.3
6 (relating to contribution savings program for members of
7 Class AA and Class D-4 who have not made the election under <--
8 section 5306.4) had regular member contributions been made
9 during such period of previous service.

10 (a.1) Converted county service.--No contributions shall be
11 required to restore credit for previously credited State service
12 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
13 and Class N. Such service shall be restored upon the
14 commencement of payment of the contributions by an active member
15 of a class of service other than Class CB required to restore
16 credit in the system for all other previous State service other
17 than Class CB service.

18 (b) Certification and method of payment.--The amount payable
19 shall be certified in each case by the board in accordance with
20 methods approved by the actuary and shall be paid in a lump sum
21 within 30 days or in the case of an active member or eligible
22 school employee who is an active member of the Public School
23 Employees' Retirement System may be amortized with statutory
24 interest through salary deductions to the system in amounts
25 agreed upon by the member and the board. The salary deduction
26 amortization plans agreed to by members and the board may
27 include a deferral of payment amounts and statutory interest
28 until the termination of school service or State service or
29 beginning service as a participant without concurrently being an
30 active member or inactive member on leave without pay as the

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

9 Section 417. Section 5505(b), (c), (d) and (i)(4) of Title
10 71 are amended and the section is amended by adding subsections
11 to read:

12 § 5505. Contributions for the purchase of credit for creditable
13 nonstate service.

14 * * *

15 (b) Nonintervening military service.--

16 (1) The amount due for the purchase of credit for
17 military service other than intervening military service
18 shall be determined by applying the member's basic
19 contribution rate, the additional contribution rate plus the
20 Commonwealth normal contribution rate for active members at
21 the time of entry, subsequent to such military service, of
22 the member into State service to his average annual rate of
23 compensation over the first three years of such subsequent
24 State service, excluding any compensation for Class A-3
25 service or Class A-4 service in excess of the Class A-3 and
26 Class A-4 compensation limit, and multiplying the result by
27 the number of years and fractional part of a year of
28 creditable nonintervening military service being purchased
29 together with statutory interest during all periods of
30 subsequent State service as an active member or inactive

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

27 (2) Applicants may purchase credit as follows:

28 (i) one purchase of the total amount of creditable
29 nonintervening military service; or

30 (ii) one purchase per 12-month period of a portion

1 of creditable nonintervening military service.

2 The amount of each purchase shall be not less than one year
3 of creditable nonintervening military service.

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

22 (1) regular monthly payments during active military
23 service; or

24 (2) a lump sum payment within 30 days of certification;
25 or

26 (3) salary deductions to the system in amounts agreed
27 upon by the member or eligible school employee who is an
28 active member of the Public School Employees' Retirement
29 System and the board.

30 The salary deduction amortization plans agreed to by members and

1 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 without
4 concurrently being an active member or inactive member on leave
5 without pay as the board in its sole discretion decides to
6 allow. The board may limit salary deduction amortization plans
7 to such terms as the board in its sole discretion determines. In
8 the case of an eligible school employee who is an active member
9 of the Public School Employees' Retirement System, the agreed
10 upon salary deductions shall be remitted to the Public School
11 Employees' Retirement Board, which shall certify and transfer to
12 the board the amounts paid.

13 (d) Nonmilitary and nonmagisterial service.--Contributions
14 on account of credit for creditable nonstate service other than
15 military and magisterial service by State employees who first
16 become members of the system before January 1, 2011, or before
17 December 1, 2010, as a member of the General Assembly shall be
18 determined by applying the member's basic contribution rate, the
19 additional contribution rate plus the Commonwealth normal
20 contribution rate for active members at the time of entry
21 subsequent to such creditable nonstate service of the member
22 into State service to his compensation at the time of entry into
23 State service as a member of the system and excluding any
24 compensation for Class A-3 service or Class A-4 service in
25 excess of the Class A-3 and Class A-4 compensation limit and
26 multiplying the result by the number of years and fractional
27 part of a year of creditable nonstate service being purchased
28 together with statutory interest during all periods of
29 subsequent State service as an active member or inactive member
30 on leave without pay and school service as an active member or

1 inactive member on leave without pay of the Public School
2 Employees' Retirement System to the date of purchase. Upon
3 application for credit for such service payment shall be made in
4 a lump sum within 30 days or in the case of an active member or
5 eligible school employee who is an active member of the Public
6 School Employees' Retirement System it may be amortized with
7 statutory interest through salary deductions to the system in
8 amounts agreed upon by the member and the board. The salary
9 deduction amortization plans agreed to by members and the board
10 may include a deferral of payment amounts and statutory interest
11 until the termination of school service or State service or
12 beginning service as a participant without concurrently being an
13 active member or inactive member on leave without pay as the
14 board in its sole discretion decides to allow. The board may
15 limit salary deduction amortization plans to such terms as the
16 board in its sole discretion determines. In the case of an
17 eligible school employee who is an active member of the Public
18 School Employees' Retirement System, the agreed upon salary
19 deduction shall be remitted to the Public School Employees'
20 Retirement Board, which shall certify and transfer to the board
21 the amounts paid.

22 * * *

23 (i) Purchases of nonstate service credit by State employees
24 who first became members of the system on or after December 1,
25 2010.--

26 * * *

27 (4) The payment for credit purchased under this
28 subsection shall be certified in each case by the board in
29 accordance with methods approved by the actuary and shall be
30 paid in a lump sum within 30 days or in the case of an active

1 member or eligible school employee who is an active member of
2 the Public School Employees' Retirement System may be
3 amortized with statutory interest through salary deductions
4 to the system in amounts agreed upon by the member and the
5 board. The salary deduction amortization plans agreed to by
6 members and the board may include a deferral of payment
7 amounts and interest until the termination of school service
8 or State service or beginning service as a participant
9 without concurrently being an active member or inactive
10 member on leave without pay as the board in its sole
11 discretion decides to allow. The board may limit the salary
12 deduction amortization plans to such terms as the board in
13 its sole discretion determines. In the case of an eligible
14 school employee who is an active member of the Public School
15 Employees' Retirement System, the agreed upon salary
16 deductions shall be remitted to the Public School Employees'
17 Retirement Board, which shall certify and transfer to the
18 board the amounts paid.

19 ~~(j) Inapplicability of election and adjustments.~~ <--

20 ~~(1) Notwithstanding paragraph (1), if a member who is~~
21 ~~purchasing creditable nonstate service has made an election~~
22 ~~under section 5306.4 (relating to election of an alternate~~
23 ~~class of service multiplier), the contributions for all Class~~
24 ~~AA or Class D 4 nonstate service that is first credited on or~~
25 ~~after January 1, 2016, shall be determined using the~~
26 ~~alternate class of service multiplier as provided by the~~
27 ~~election.~~

28 ~~(2) Notwithstanding paragraph (1), if a member is~~

29 ~~(J) INAPPLICABILITY OF ADJUSTMENTS.--IF A MEMBER IS~~ <--

30 ~~purchasing creditable nonstate service that is first credited on~~

1 or after January 1, 2016, the regular member contributions
2 necessary to purchase such credit shall be determined without
3 regard to any adjustments applicable under sections 5501.1(c)
4 (relating to shared-risk member contributions and shared-gain
5 adjustments to regular member contributions for Class A-3 and
6 Class A-4 service) or 5501.3 (relating to contribution savings
7 program for members of Class AA and Class D-4 who have not made <--
8 the election under section 5306.4).

9 (k) Calculation of employee contributions after December 31,
10 2015.--If employee contributions for the payment of creditable
11 nonstate service purchased under this subsection are determined
12 all or in part by the Commonwealth normal contribution rate
13 after December 31, 2015, the Commonwealth normal contribution
14 for that purpose shall be the higher of the applicable actual
15 employer normal contribution rate determined under section
16 5508(b) (relating to actuarial cost method), or the employer
17 normal contribution rated determined as part of the actuarial
18 valuation for December 31, 2014.

19 Section 418. Sections 5506 and 5506.1(a) of Title 71 are
20 amended to read:

21 § 5506. Incomplete payments.

22 In the event that a member terminates State service or begins
23 service as a participant without concurrently being an active
24 member or inactive member on leave without pay or a multiple
25 service member who is an active member of the Public School
26 Employees' Retirement System terminates school service before
27 the agreed upon payments for credit for previous State service,
28 USERRA leave, creditable nonstate service, social security
29 integration, full coverage membership or return of benefits on
30 account of returning to State service or entering school service

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

23 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

24 (a) General rule.--In addition to other applicable
25 limitations set forth in this part, and notwithstanding any
26 provision of this part to the contrary, the annual compensation
27 of each noneligible member and each participant taken into
28 account for benefit purposes under this part shall not exceed
29 the limitation under IRC § 401(a)(17). On and after January 1,
30 1996, any reference in this part to the limitation under IRC §

1 401(a) (17) shall mean the Omnibus Budget Reconciliation Act of
2 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
3 compensation limit set forth in this subsection. The OBRA '93
4 annual compensation limit is \$150,000, as adjusted by the
5 commissioner for increases in the cost of living in accordance
6 with IRC § 401(a) (17) (B). The cost-of-living adjustment in
7 effect for a calendar year applies to any determination period
8 which is a period, not exceeding 12 months, over which
9 compensation is determined, beginning in such calendar year. If
10 a determination period consists of fewer than 12 months, the
11 OBRA '93 compensation limit will be multiplied by a fraction,
12 the numerator of which is the number of months in the
13 determination period and the denominator of which is 12.

14 * * *

15 Section 419. Title 71 is amended by adding a section to
16 read:

17 § 5506.2. Application of Class A-3 and Class A-4 compensation
18 limit.

19 (a) General rule.--The Class A-3 and Class A-4 compensation
20 limit shall be applied to the total compensation received each
21 calendar year for service as a member of Class A-3 or Class A-4
22 and, if a multiple service member, for service in Class T-E and
23 Class T-F in the Public School Employees' Retirement System.

24 (b) Final average salary adjustment required.--For purposes
25 of calculating final average salary for the determination of
26 standard single life annuities and other benefits resulting from
27 post-January 2016 service as a member of Class A-3 or Class A-4,
28 the total compensation received, and the compensation received
29 excluding remuneration received for any overtime service as a
30 member of the system, each calendar year for Class A-3 service

1 and Class A-4 service and, if a multiple service member, as a
2 school employee for service as a Class T-E member and Class T-F
3 member of the Public School Employees' Retirement System, shall
4 be adjusted first by annualizing the compensation received for
5 any part-time service or for any partial year of credit on the
6 basis of the fractional portion of the year for which credit is
7 received. After annualization, the amount of compensation in any
8 calendar year resulting from Class A-3 service or Class A-4
9 service shall be further adjusted downward so as to not exceed
10 the Class A-3 and Class A-4 compensation limit for that year.

11 (c) Member contribution limits.--For purposes of determining
12 regular member contributions and shared-risk member
13 contributions resulting from post-January 2016 service as a
14 member of Class A-3 or Class A-4 service, the compensation each
15 year is limited to the Class A-3 and Class A-4 compensation
16 limit for that year.

17 Section 420. Sections 5507 heading and (a) and (b), 5508(a),
18 (b), (c), (f), (h) and (i) and 5509 of Title 71 are amended to
19 read:

20 § 5507. Contributions to the system by the Commonwealth and
21 other employers.

22 (a) Contributions on behalf of active members.--The
23 Commonwealth and other employers whose employees are members of
24 the system shall make contributions to the fund on behalf of all
25 active members in such amounts as shall be certified by the
26 board as necessary to provide, together with the members' total
27 accumulated deductions and cash balance member accumulated
28 deductions, annuity reserves on account of prospective annuities
29 other than those provided in sections 5708 (relating to
30 supplemental annuities), 5708.1 (relating to additional

1 supplemental annuities), 5708.2 (relating to further additional
2 supplemental annuities), 5708.3 (relating to supplemental
3 annuities commencing 1994), 5708.4 (relating to special
4 supplemental postretirement adjustment), 5708.5 (relating to
5 supplemental annuities commencing 1998), 5708.6 (relating to
6 supplemental annuities commencing 2002), 5708.7 (relating to
7 supplemental annuities commencing 2003) and 5708.8 (relating to
8 special supplemental postretirement adjustment of 2002), in
9 accordance with the actuarial cost method provided in section
10 5508(a), (b), (c), (d) and (f) (relating to actuarial cost
11 method).

12 (b) Contributions on behalf of annuitants.--The Commonwealth
13 and other employers whose employees are members of the system
14 shall make contributions on behalf of annuitants in such amounts
15 as shall be certified by the board as necessary to fund the
16 liabilities for supplemental annuities in accordance with the
17 actuarial cost method provided in section 5508(e) [(relating to
18 actuarial cost method)].

19 * * *

20 § 5508. Actuarial cost method.

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

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

4 (b) Employer normal contribution rate.--The employer normal
5 contribution rate shall be determined after each actuarial
6 valuation on the basis of an annual interest rate and such
7 mortality and other tables as shall be adopted by the board in
8 accordance with generally accepted actuarial principles. The
9 employer normal contribution rate shall be determined as a level
10 percentage of the compensation of the average new active member,
11 which percentage, if contributed on the basis of his prospective
12 compensation through his entire period of active State service,
13 would be sufficient to fund the liability for any prospective
14 benefit payable to him in excess of that portion funded by his
15 prospective member contributions, excluding shared-risk member
16 contributions. In no case shall the employer normal contribution
17 rate be less than zero.

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 by the
14 Commonwealth and other employers). The amount of each annual
15 accrued liability contribution shall be equal to the amount
16 of such contribution for the fiscal year beginning July 1,
17 2002, except that, if the accrued liability is increased by
18 legislation enacted subsequent to June 30, 2002, but before
19 July 1, 2003, such additional liability shall be funded over
20 a period of ten years from the first day of July, coincident
21 with or next following the effective date of the increase.
22 The amount of each annual accrued liability contribution for
23 such additional legislative liabilities shall be equal to the
24 amount of such contribution for the first annual payment.

25 (2) Notwithstanding any other provision of law,
26 beginning July 1, 2004, and ending June 30, 2010, the
27 outstanding balance of the increase in accrued liability due
28 to the change in benefits enacted in 2001 shall be amortized
29 in equal dollar annual contributions over a period that ends
30 30 years after July 1, 2002, and the outstanding balance of

1 the net actuarial loss incurred in calendar year 2002 shall
2 be amortized in equal dollar annual contributions over a
3 period that ends 30 years after July 1, 2003. For fiscal
4 years beginning on or after July 1, 2004, and ending June 30,
5 2010, if the accrued liability is increased by legislation
6 enacted subsequent to June 30, 2003, but before January 1,
7 2009, such additional liability shall be funded in equal
8 dollar annual contributions over a period of ten years from
9 the first day of July coincident with or next following the
10 effective date of the increase.

11 (3) For the fiscal ~~[year] years~~ beginning July 1, 2010, <--
12 ~~and ending June 30, 2016,~~ the accrued liability contribution <--
13 rate shall be computed as the rate of total compensation of
14 all active members which shall be certified by the actuary as
15 sufficient to fund in equal dollar installments over a period
16 of 30 years from July 1, 2010, the present value of the
17 liabilities for all prospective benefits calculated as of the
18 immediately prior valuation date, including the supplemental
19 benefits as provided in sections 5708, 5708.1, 5708.2,
20 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but
21 excluding the benefits payable from the retirement benefit
22 plan established pursuant to section 5941 (relating to
23 benefits completion plan), in excess of the actuarially
24 calculated assets in the fund (calculated recognizing all
25 realized and unrealized investment gains and losses each year
26 in level annual installments over five years), including the
27 balance in the supplemental annuity account, and the present
28 value of employer normal contributions and of member
29 contributions payable with respect to all active members,
30 inactive members on leave without pay, vestees and special

1 vestees on December 31, 2009. If the accrued liability is
2 changed by legislation enacted subsequent to December 31,
3 2009, ~~and before January 1, 2015,~~ such change in liability <--
4 shall be funded in equal dollar installments as a percentage
5 of compensation of all active members over a period of ten
6 years from the first day of July following the valuation date
7 coincident with or next following the date such legislation
8 is enacted.

9 ~~(4) (i) For the fiscal year beginning July 1, 2016, the <--~~
10 ~~accrued liability contribution rate shall be computed as~~
11 ~~the rate of total compensation of all active members that~~
12 ~~shall be determined by the actuary as sufficient to fund~~
13 ~~in equal dollar installments as a percentage of~~
14 ~~compensation of all active members over a period of 30~~
15 ~~years from July 1, 2016, the present value of the~~
16 ~~liabilities for all prospective benefits of members of~~
17 ~~the system calculated as of the immediately prior~~
18 ~~valuation date, including the supplemental benefits as~~
19 ~~provided in sections 5708, 5708.1, 5708.2, 5708.3,~~
20 ~~5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but excluding~~
21 ~~the benefits payable from the retirement benefit plan~~
22 ~~established under section 5941 (relating to benefits~~
23 ~~completion plan) in excess of the actuarially calculated~~
24 ~~assets in the fund calculated recognizing the realized~~
25 ~~and unrealized investment gains and losses each year in~~
26 ~~level annual installments over five years, including the~~
27 ~~balance in the supplemental annuity account and the~~
28 ~~present value of employer normal contributions and of~~
29 ~~member contributions payable with respect to all active~~
30 ~~members, inactive members on leave without pay, vestees~~

1 ~~and special vestees on December 31, 2015.~~

2 ~~(ii) If the accrued liability is changed by~~
3 ~~legislation enacted subsequent to December 31, 2015, the~~
4 ~~change in liability shall be funded in equal dollar~~
5 ~~installments as a percentage of compensation of all~~
6 ~~active members over a period of ten years from the first~~
7 ~~day of July following the valuation date coincident with~~
8 ~~or next following the date such legislation is enacted.~~

9 * * *

10 (f) Experience adjustment factor.--

11 (1) For each fiscal year after the establishment of the
12 accrued liability contribution rate and the supplemental
13 annuity contribution rate for the fiscal year beginning July
14 1, 2010, any increase or decrease in the unfunded accrued
15 liability and any increase or decrease in the liabilities and
16 funding for supplemental annuities, due to actual experience
17 differing from assumed experience (recognizing all realized
18 and unrealized investment gains and losses over a five-year
19 period), changes in contributions caused by the final
20 contribution rate being different from the actuarially
21 required contribution rate, State employees making shared-
22 risk member contributions, adjustments to the regular member
23 contributions under sections 5501.1 (relating to shared-risk
24 member contributions and shared-gain adjustments to regular
25 member contributions for Class A-3 and Class A-4 service) and
26 5501.3 (relating to contribution savings program for members
27 of Class AA and Class D-4 who have not made the election <--
28 under section 5306.4), changes in actuarial assumptions or
29 changes in the terms and conditions of the benefits provided
30 by the system by judicial, administrative or other processes

1 other than legislation, including, but not limited to,
2 reinterpretation of the provisions of this part, shall be
3 amortized in equal dollar annual contributions as a
4 percentage of compensation of all active members over a
5 period of 30 years beginning with the July 1 succeeding the
6 actuarial valuation determining said increases or decreases.

7 (2) The actuarially required contribution rate shall be
8 the sum of the normal contribution rate, the accrued
9 liability contribution rate and the supplemental annuity
10 contribution rate, modified by the experience adjustment
11 factor as calculated in paragraph (1).

12 * * *

13 (h) Temporary application of collared contribution rate.--
14 The collared contribution rate for each fiscal year shall be
15 determined by comparing the actuarially required contribution
16 rate calculated without regard for costs added by legislation to
17 the prior year's final contribution rate. If, for any of the
18 fiscal years beginning July 1, 2011, July 1, 2012, and on or
19 after July 1, 2013, the actuarially required contribution rate
20 calculated without regard for costs added by legislation is more
21 than 3%, 3.5% and 4.5%, respectively, of the total compensation
22 of all active members greater than the prior year's final
23 contribution rate, then the collared contribution rate shall be
24 applied and be equal to the prior year's final contribution rate
25 increased by the respective percentage above of total
26 compensation of all active members. Otherwise, and for all
27 subsequent fiscal years, the collared contribution rate shall
28 not [be applicable] apply. In no case shall the collared
29 contribution rate be less than 4% of total compensation of all
30 active members.

1 (i) Final contribution rate.--For the fiscal year beginning
2 July 1, 2010, the final contribution rate shall be 5% of total
3 compensation of all active members. For each subsequent fiscal
4 year for which the collared contribution rate is applicable, the
5 final contribution rate shall be the collared contribution rate
6 plus the costs added by legislation. For all other fiscal years,
7 the final contribution rate shall be the actuarially required
8 contribution rate, provided that the final contribution rate
9 shall not be less than the ~~higher of~~ employer normal <--
10 contribution rate, as defined in subsection (b), ~~or 4%~~. <--

11 § 5509. Appropriations and assessments by the Commonwealth.

12 (a) Annual submission of budget.--The board shall prepare
13 and submit annually an itemized budget consisting of the amounts
14 necessary to be appropriated by the Commonwealth out of the
15 General Fund and special operating funds and the amounts to be
16 assessed the other employers required to meet the separate
17 obligations to the fund and the trust accruing during the fiscal
18 period beginning the first day of July of the following year.

19 (b) Appropriation and payment.--The General Assembly shall
20 make an appropriation sufficient to provide for the separate
21 obligations of the Commonwealth to the fund and the trust. Such
22 amount shall be paid by the State Treasurer through the
23 Department of Revenue into the fund or trust, as the case may
24 be, in accordance with requisitions presented by the board. The
25 contributions to the system by the Commonwealth on behalf of
26 active members who are officers of the Pennsylvania State Police
27 shall be charged to the General Fund and to the Motor License
28 Fund in the same ratios as used to apportion the appropriations
29 for salaries of members of the Pennsylvania State Police. The
30 contributions to the system by the Commonwealth on behalf of

1 active members who are enforcement officers and investigators of
2 the Pennsylvania Liquor Control Board shall be charged to the
3 General Fund and to the State Stores Fund.

4 (c) Contributions from funds other than General Fund.--The
5 amounts assessed other employers who are required to make the
6 necessary separate contributions to the fund and the trust out
7 of funds other than the General Fund shall be paid by such
8 employers into the fund or trust, as the case may be, in
9 accordance with requisitions presented by the board. The General
10 Fund of the Commonwealth shall not be held liable to appropriate
11 the moneys required to build up the reserves in the fund
12 necessary for the payment of benefits from the system to
13 employees or to make the employer defined contributions for
14 employees of such other employers. In case any such other
15 employer shall fail to provide to the fund the moneys necessary
16 for such purpose, then the service of such members of the system
17 for such period for which money is not so provided shall be
18 credited and pickup contributions and cash balance member
19 contributions with respect to such members shall continue to be
20 credited to the members' savings account and the cash balance
21 savings account. The annuity to which such member is entitled
22 shall be determined as actuarially equivalent to the present
23 value of the maximum single life annuity of each such member
24 reduced by the amount of employer contributions to the system
25 payable on account and attributable to his compensation during
26 such service, except that no reduction shall be made as a result
27 of the failure of an employer to make contributions required for
28 a period of USERRA leave.

29 Section 421. Title 71 is amended by adding a section to
30 read:

1 § 5510. Employer funding mandate protection.

2 (a) Limited expansion of contractual right to funding.--
3 Commencing on the July 1 following the actuarial valuation in
4 which the actuary certifies that the final contribution rate is
5 the actuarially required contribution, each active member of
6 shall have a contractual right to the timely payment of the
7 annual actuarially required contributions pursuant to section
8 5508 (relating to actuarial cost method) and section 5902(k)
9 (relating to administrative duties of the board) by such
10 member's employer. The following apply:

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

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

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

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

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

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

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

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

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

19 (f) Employer contributions.--Nothing in this section shall
20 be deemed to supersede or conflict with the rights and
21 obligations set forth in section 5509 (relating to
22 appropriations and assessments by the Commonwealth).

23 (g) Board action.--The board is authorized but not required
24 to bring an action under this section on behalf of itself or any
25 member, and, if the board prevails, it may be awarded reasonable
26 attorney fees.

27 Section 422. Sections 5701 and 5701.1 of Title 71 are
28 amended to read:

29 § 5701. Return of total accumulated deductions and cash balance
30 member accumulated deductions.

1 Any member upon termination of service may, in lieu of all
2 benefits payable from the system under this chapter to which he
3 may be entitled, elect to receive his total accumulated
4 deductions and his cash balance member accumulated deductions by
5 his required beginning date.

6 § 5701.1. Transfer of accumulated deductions.

7 When an employee of the Juvenile Court Judges' Commission
8 elects membership in an independent retirement program pursuant
9 to section 5301(f) (relating to mandatory and optional
10 membership in the system and participation in the plan), the
11 board shall transfer directly to the trustee or administrator of
12 the independent retirement program all accumulated deductions
13 resulting from service credited while an employee of the
14 Juvenile Court Judges' Commission.

15 Section 423. Sections 5702(a), (a.1) and (b) and 5704(a),
16 (c), (e) and (f) of Title 71 are amended and the sections are
17 amended by adding subsections to read:

18 § 5702. Maximum single life annuity.

19 (a) General rule.--Any full coverage member who is eligible
20 to receive an annuity pursuant to the provisions of section
21 5308(a) or (b) (relating to eligibility for annuities) who
22 terminates State service, or if a multiple service member who is
23 a school employee who is an active member of the Public School
24 Employees' Retirement System who terminates school service,
25 before attaining age 70 shall be entitled to receive a maximum
26 single life annuity attributable to his credited service and
27 equal to the sum of the following single life annuities
28 beginning at the effective date of retirement:

29 (1) A single life annuity that is the sum of the
30 standard single life [annuity multiplied by the sum of the

1 products,] annuities determined separately for each class of
2 service, [obtained by multiplying] multiplied by the
3 appropriate class of service multiplier [by the ratio of
4 years of service credited in that class to the total credited
5 service] applicable to each standard single life annuity. In
6 case the member on the effective date of retirement is under
7 superannuation age for any service, a reduction factor
8 calculated to provide benefits actuarially equivalent to an
9 annuity starting at superannuation age shall be applied to
10 the product determined for that service. The class of service
11 multiplier for any period of concurrent service determined
12 without regard to service in Class CB shall be multiplied by
13 the proportion of total State and school compensation during
14 such period attributable to State service as a member of the
15 system. In the event a member has two multipliers for one
16 class of service [the class of service multiplier to be used
17 for calculating benefits for that class shall be the average
18 of the two multipliers weighted by the proportion of
19 compensation attributable to each multiplier during the three
20 years of highest annual compensation in that class of
21 service: Provided, That in the case of a member of Class E-1,
22 a portion but not all of whose three years of highest annual
23 judicial compensation is prior to January 1, 1973, two class
24 of service multipliers shall be calculated on the basis of
25 his entire judicial service, the one applying the judicial
26 class of service multipliers effective prior to January 1,
27 1973 and the second applying the class of service multipliers
28 effective subsequent to January 1, 1973. The average class of
29 service multiplier to be used for calculating benefits for
30 his judicial service shall be the average of the two

1 calculated multipliers weighted by the proportion of
2 compensation attributable to each of the calculated
3 multipliers during the three years of highest annual
4 compensation in that class of service.], separate standard
5 single life annuities shall be calculated for the portion of
6 service in such class applicable to each class of service
7 multiplier.

8 (2) If eligible, a single life annuity of 2% of his
9 average noncovered salary for each year of social security
10 integration credit as provided for in section 5305 (relating
11 to social security integration credits) multiplied, if on the
12 effective date of retirement the member is under
13 superannuation age for any service, by the actuarially
14 determined reduction factor for that service.

15 (3) If eligible, a single life annuity which is
16 actuarially equivalent to the regular and additional
17 accumulated deductions attributable to contributions as a
18 member of Class C, but not less than such annuity determined
19 as if the member were age 60 on the effective date of
20 retirement, actuarially reduced in the event the member is
21 under superannuation age on the effective date of retirement.

22 (4) If eligible, a single life annuity which is
23 actuarially equivalent to the amount by which his regular and
24 additional accumulated deductions attributable to any
25 credited service other than as a member of Class C are
26 greater than one-half of the actuarially equivalent value on
27 the effective date of retirement of the annuity as provided
28 in paragraph (1) attributable to service other than Class C
29 for which regular or joint coverage member contributions were
30 made. This paragraph shall not apply to any member with State

1 service credited as Class A-3 or Class A-4.

2 (5) If eligible, a single life annuity which is
3 actuarially equivalent to the amount by which his social
4 security integration accumulated deductions are greater than
5 one-half of the actuarially equivalent value on the effective
6 date of retirement of the annuity provided for under
7 paragraph (2).

8 (6) If eligible, a single life annuity sufficient
9 together with the annuity provided for in paragraph (1) as a
10 Class A, Class AA, Class A-3 and Class A-4 member and the
11 highest annuity provided for in paragraph (2) to which he is
12 entitled, or at his option could have been entitled, to
13 produce that percentage of [a] the sums of the standard
14 single life [annuity] annuities adjusted by the application
15 of the class of service multiplier for Class A, Class AA,
16 Class A-3 or Class A-4 as set forth in paragraph (1) in the
17 case where any service is credited as a member of Class A,
18 Class AA, Class A-3 or Class A-4 on the effective date of
19 retirement as determined by his total years of credited
20 service as a member of Class A, Class AA, Class A-3 and Class
21 A-4 and by the following table:

22 Total Years of 23 Credited Service 24 as a Member of	25 Percentage of <u>Sums of</u> 26 Standard 27 Single Life
28 Class A, 29 Class AA, Class A-3 30 and Class A-4	[Annuity] <u>Annunities</u> Adjusted for Class A, Class AA, Class A-3 and Class A-4
	Class of Service Multipliers
35-40	100%

1	41	102%
2	42	104%
3	43	106%
4	44	108%
5	45 or more	110%

6 (7) If eligible, a single life annuity which is
7 actuarially equivalent to the total cash balance accumulated
8 deductions credited to the member's individual cash balance
9 savings account.

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

11 (1) Any full coverage member who is eligible to receive
12 an annuity pursuant to the provisions of section 5308(a) who
13 terminates State service, or if a multiple service member who
14 is a school employee and an active member of the Public
15 School Employees' Retirement System who terminates school
16 service, on or after attaining age 70 and who applies for a
17 superannuation annuity to be effective the day after the
18 termination of State service or school service, as the case
19 may be, shall be entitled to receive a maximum single life
20 annuity as of a determination date that is equal to the
21 greater of subparagraph (i) or (ii), plus any annuity the
22 member may be eligible to receive under subsection (a)(7):

23 (i) the sum of the annuities provided in subsection
24 (a)(1) through (6) calculated as of the determination
25 date; and

26 (ii) the greater of [clause (A) or (B)]:

27 (A) the sum of the annuities provided in
28 subsection (a)(1), (3), (4) and (6) as of the
29 preceding determination date adjusted by the
30 actuarial increase factor, plus the annuities

1 provided in subsection (a) (2) and (5) as of the
2 determination date; [and] or

3 (B) the maximum single life annuity calculated
4 without including any annuity payable under
5 subsection (a) (7) as of the preceding determination
6 date adjusted by the actuarial increase factor.

7 The maximum single life annuity calculated without including
8 any annuity payable under subsection (a) (7) shall be
9 calculated for each determination date.

10 (2) For purposes of this subsection, the determination
11 date shall be:

12 (i) the member's birthday, provided that as of such
13 date the member qualifies for a maximum single life
14 annuity under this subsection, determined excluding
15 eligibility for annuity payable under subsection (a) (7);
16 or

17 (ii) if the member's maximum single life annuity is
18 being determined as of the member's effective date of
19 retirement, then the determination date shall be the
20 member's effective date of retirement.

21 (3) In the event an active member, an inactive member on
22 leave without pay or a multiple service member who is a
23 school employee and an active member of the Public School
24 Employees' Retirement System has attained age 70 before the
25 effective date of this subsection, or enters State service or
26 school service, as the case may be, after attaining age 70,
27 then section 5305.1 (relating to eligibility for actuarial
28 increase factor) and subsections (a) and (a.1) shall be
29 effective prospectively with respect to such member at the
30 member's next birthday after the effective date of this

1 subsection, entry into State service, or school service.
2 Nothing in this subsection shall be construed to provide an
3 actuarial increase factor for any period of service prior to the
4 effective date of this subsection.

5 (b) Present value of annuity.--The present value of the
6 maximum single life annuity as calculated in accordance with
7 subsection (a) of this section shall be the sum of the products
8 determined by:

9 (1) multiplying the maximum single life annuity
10 calculated without including any annuity payable under
11 subsection (a) (7) by the cost of a dollar annuity applicable
12 to subsection (a) (1), (2), (3), (4), (5) and (6) on the
13 effective date of retirement[.]; and

14 (2) multiplying the annuity, if any, payable under
15 section (a) (7) by the cost of a dollar annuity applicable to
16 subsection (a) (7).

17 Such present value shall be decreased only as required under the
18 provisions of section 5506 (relating to incomplete payments),
19 5509(c) (relating to appropriations and assessments by the
20 Commonwealth) or 5703 (relating to reduction of annuities on
21 account of social security old-age insurance benefits).

22 * * *

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

28 § 5704. Disability annuities.

29 (a) Amount of annuity.--

30 (1) A member who has credit in one or more classes of

1 service other than Class CB and who has made application for
2 a disability annuity and has been found to be eligible in
3 accordance with the provisions of section 5905(c) (1)
4 (relating to duties of the board regarding applications and
5 elections of members) shall receive a disability annuity
6 payable from the effective date of disability as determined
7 by the board and continued until a subsequent determination
8 by the board that the annuitant is no longer entitled to a
9 disability annuity. The disability annuity shall be a single
10 life annuity that is equal to [a] the sum of the standard
11 single life [annuity] annuities determined separately for
12 each class of service other than Class CB multiplied by the
13 appropriate class of service multiplier applicable to the
14 class of service at the time of disability if the [product
15 of] sums of the products of each such class of service
16 multiplier and the [total] number of years and fractional
17 part of a year of credited service in each class, plus the
18 number of years and fractional part of a year of service
19 credited in Class CB, if any, is greater than 16.667[,];
20 otherwise [the] each standard single life annuity shall be
21 multiplied by the lesser of the following ratios:

22
$$MY^*/Y \text{ or } 16.667/Y$$

23 [where] Where Y = total number of years of credited service[,];
24 Y* = total years of credited service if the member were to
25 continue as a State employee until attaining superannuation age
26 for each class of service other than Class CB as applicable at
27 the time of disability, or if the member has attained
28 superannuation age for a class of service other than Class CB,
29 as applicable at the time of disability, then the number of
30 years of credited service; and M = the class of service

1 multiplier as applicable to that class of service at the
2 effective date of disability. A member of Class C shall receive,
3 in addition, any annuity to which he may be eligible under
4 section 5702(a)(3) (relating to maximum single life annuity).
5 [The member shall be entitled to the election of a joint and
6 survivor annuity on that portion of the disability annuity to
7 which he is entitled under section 5702.]

8 (2) In addition to the amount of disability annuity
9 payable under paragraph (1), a member who has Class CB
10 service credit shall be entitled to a separate annuity
11 calculated under section 5702(a)(7) on the effective date of
12 disability.

13 (3) The member shall be entitled to the election of a
14 joint and survivor annuity on that portion of the disability
15 annuity to which he is entitled under section 5702.

16 * * *

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

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

27 [(ii)] (2) the ratio of the current monthly payment to
28 the monthly payment at the effective date of disability;

29 Provided, That the annuitant shall not receive less than his
30 member's annuity or the amount to which he may be entitled under

1 section 5702 whichever is greater.

2 * * *

3 (e) Termination of State service.--Upon termination of
4 disability annuity payments in excess of an annuity calculated
5 in accordance with section 5702, a disability annuitant who:

6 (1) does not have Class A-3 or Class A-4 service credit;
7 or

8 (2) has Class A-3 or Class A-4 service credit and fewer
9 than ten eligibility points;

10 and who does not return to State service may file an application
11 with the board for an amount equal to the excess, if any, of the
12 sum of the shared-risk accumulated deductions plus the regular
13 and additional accumulated deductions and cash balance member
14 accumulated deductions standing to his credit at the effective
15 date of disability over one-third of the total disability
16 annuity payments received. If the annuitant on the date of
17 termination of service was eligible for an annuity as provided
18 in section 5308(a) or (b) (relating to eligibility for
19 annuities), he may file an application with the board for an
20 election of an optional modification of his annuity.

21 (f) Supplement for service connected disability.--

22 (1) If a member has been found to be eligible for a
23 disability annuity and if the disability has been found to be
24 a service connected disability and if the member is receiving
25 workers' compensation payments for other than medical
26 benefits, such member shall receive a supplement equal to
27 [70% of his final average salary] the amount determined under
28 paragraph (2) less the sum of the annuity as determined under
29 subsection (a) and any payments paid or payable on account of
30 such disability under the act of June 2, 1915 (P.L.736,

1 No.338), known as the Workers' Compensation Act, the act of
2 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
3 Occupational Disease Act, and the Social Security Act (49
4 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
5 continue as long as he is determined to be disabled and is
6 receiving workers' compensation payments for other than
7 medical benefits on account of his service connected
8 disability in accordance with the Workers' Compensation Act
9 or The Pennsylvania Occupational Disease Act. If the member
10 has received a lump sum workers' compensation payment in lieu
11 of future weekly compensation payments, the length in weeks
12 and calculation of the service connected disability
13 supplement shall be determined by dividing the lump sum
14 payment by the average weekly wage as determined by the
15 Workers' Compensation Board.

16 (2) For a member who does not have post-January 2016
17 service, the amount to be used to determine eligibility for
18 the supplement under paragraph (1) shall be 70% of the
19 member's final average salary. For a member who has post-
20 January 2016 service, the amount to be used to determine
21 eligibility for the supplement under paragraph (1) shall be
22 calculated according to the following formula:

$$23 \quad A = .7 \left[\frac{YW \text{ MULTIPLIED BY FASW}}{YT} + \frac{YXYZ \text{ MULTIPLIED BY FASXYZ}}{YT} \right]$$

24
25 (3) The following apply to the formula in paragraph (2):

26 (i) A equals the amount used to determine the
27 supplement;

28 (ii) YT equals total years of credited service;

29 (iii) YW equals years of credited service that are
30 not post-January 2016 service;

1 (iv) FAS^W equals final average salary calculated for
2 credited service other than post-January 2016 service;
3 (v) XYZ equals years of service credited as post-
4 January 2016 service; and
5 (vi) FAS^{XYZ} equals final average salary calculated
6 for service credited as post-January 2016 service.

7 * * *

8 (h) Coordination of benefits.--The determination and payment
9 of a disability annuity under this section is in addition to any
10 payments a combined service employee, as a result of being a
11 participant in the plan, may be entitled to receive, has
12 received or is receiving. A disability annuity may not be paid
13 to a combined service employee who is an active participant.

14 Section 424. Sections 5705, 5705.1, 5706(a), (a.1), (a.2),
15 (b) and (c) and 5707 of Title 71 are amended to read:

16 § 5705. Member's options.

17 (a) General rule.--Any special vestee [who has attained
18 superannuation age, any vestee who does not have Class A-3 or
19 Class A-4 service credit having five or more eligibility points
20 for service other than Class T-E or Class T-F service in the
21 Public School Employees' Retirement System, or vestee who has
22 Class A-3 or Class A-4 service credit having ten or more
23 eligibility points, any member with Class G, Class H, Class I,
24 Class J, Class K, Class L, Class M or Class N service having
25 five or more eligibility points or any other eligible member
26 upon termination of State service who has not withdrawn his
27 total accumulated deductions as provided in section 5701
28 (relating to return of total accumulated deductions)], vestee or
29 other member upon termination of State service who is eligible
30 to receive an annuity as provided in section 5308(a) or (b)

1 (relating to eligibility for annuities) may apply for and elect
2 to receive either a maximum single life annuity, as calculated
3 in accordance with the provisions of section 5702 (relating to
4 maximum single life annuity), or a reduced annuity certified by
5 the actuary to be actuarially equivalent to the maximum single
6 life annuity payable after reduction under subsection (a.1) and
7 in accordance with one of the following options; except that no
8 member shall elect an annuity payable to one or more survivor
9 annuitants other than his spouse or alternate payee of such a
10 magnitude that the present value of the annuity payable to him
11 for life plus any lump sum payment under this subsection and
12 subsection (a.1) he may have elected to receive is less than 50%
13 of the present value of his maximum single life annuity[:]; and
14 no member may elect a payment option that would provide benefits
15 that do not satisfy the minimum distribution requirements or
16 would violate the incidental death benefit rules of IRC 401(a)
17 (9):

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

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

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

1 annuitant, if living at his death.

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

6 (i) any annuity shall be payable without reduction
7 during the lifetime of the member;

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

12 (iii) a portion of the benefit may be payable as a
13 lump sum, except that such lump sum payment shall not
14 exceed an amount equal to the total accumulated
15 deductions standing to the credit of the member that are
16 not the result of contributions and statutory interest
17 made or credited as a result of Class A-3 or Class A-4
18 service. The balance of the present value of the maximum
19 single life annuity adjusted in accordance with section
20 5702(b) shall be paid in the form of an annuity with a
21 guaranteed total payment, a single life annuity, or a
22 joint and survivor annuity or any combination thereof but
23 subject to the restrictions of subparagraphs (i) and (ii)
24 under this option. If a member's effective date of
25 retirement is on or after January 1, 2016, then the
26 portion of the benefit payable under this subparagraph
27 shall be further limited to the total accumulated
28 deductions standing to the credit of the member on
29 December 31, 2015, that are not the result of
30 contributions and statutory interest made or credited as

1 a result of Class A-3 or Class A-4 service, plus any
2 statutory interest credited on those accumulated
3 deductions before the effective date of retirement.

4 (a.1) Additional lump sum withdrawal.--The following shall
5 apply:

6 (1) After December 31, 2015, if a member has elected to
7 have the full amount allowed under subsection (a)(4)(iii)
8 paid in lump sum, then the member may elect to receive an
9 additional amount payable in a lump sum at the same time as
10 the payment elected under subsection (a)(4)(iii).

11 (2) The additional amount payable in a lump sum may not
12 exceed the sum of:

13 (i) an amount equal to the excess of the total
14 accumulated deductions standing to the credit of the
15 member on the effective date of retirement that are not
16 the result of contributions and statutory interest made
17 or credited as a result of Class A-3 or Class A-4 service
18 over the amount payable under subsection (a)(4)(iii); and

19 (ii) an amount equal to the cash balance member
20 accumulated deductions standing to the credit of the
21 member.

22 (3) If a member elects to be paid an additional lump sum
23 amount under this subsection, then the maximum single life
24 annuity calculated under section 5702 and payable under
25 subsection (a) shall be reduced by the additional amount
26 withdrawn divided by the cost of a dollar annuity on the
27 effective date of retirement computed on the basis of the
28 annual interest rate adopted for that fiscal year by the
29 board for the calculation of the employer normal contribution
30 rate under section 5508(b) (relating to actuarial cost

1 method) and the mortality tables adopted by the board for the
2 determination of actuarially equivalent benefits under this
3 part. The reduction in the maximum single life annuity under
4 this paragraph shall apply before the election and
5 calculation of any reduced annuities payable under subsection
6 (a).

7 (b) Present value of joint coverage annuity.--In calculating
8 an annuity payable to a member of the joint coverage group, the
9 present value of such adjusted annuity shall be determined by
10 taking into account prospectively the reduction applicable upon
11 the attainment of the age at which full social security benefits
12 are payable.

13 § 5705.1. Payment of accumulated deductions resulting from
14 [Class A-3 and Class A-4] more than one class of
15 service.

16 (a) Payment of accumulated deduction resulting from Class A-
17 3 and Class A-4 service.--Any superannuation or withdrawal
18 annuitant who:

19 (1) has Class A-3 or Class A-4 service credit;

20 (2) has service credited in one or more classes of
21 service; and

22 (3) because he has five or more, but fewer than ten,
23 eligibility points is not eligible to receive an annuity on
24 his Class A-3 or Class A-4 service

25 shall receive in a lump sum at the time of his retirement, in
26 addition to any other annuity or lump sum payment which he may
27 elect, his accumulated deductions resulting from his Class A-3
28 or Class A-4 service credit. Payment of these accumulated
29 deductions resulting from Class A-3 or Class A-4 service credit
30 shall not be eligible for installment payments pursuant to

1 section 5905.1 (relating to installment payments of accumulated
2 deductions) but shall be considered a lump sum payment for
3 purposes of section 5905.1(d).

4 (b) Payment of cash balance member accumulated deductions
5 resulting from Class CB service.--Any annuitant who is a member
6 with Class CB service credit and one or more other classes of
7 service credit and who is receiving an annuity based on his
8 Class CB service but is not eligible to receive an annuity based
9 on his service credited in one or more of his other classes of
10 service shall receive in a lump sum at the time of his
11 retirement, in addition to any other annuity which he may elect
12 for his Class CB service, his accumulated deductions resulting
13 from his service credit in classes of service other than Class
14 CB for which he is not eligible to receive an annuity. Payment
15 of these accumulated deductions resulting from service credit in
16 classes of service other than Class CB shall not be eligible for
17 installment payments under section 5905.1, but shall be
18 considered a lump sum payment for purposes of section 5905.1(d).

19 § 5706. Termination of annuities.

20 (a) General rule.--If the annuitant returns to State service
21 or enters or has entered school service and elects multiple
22 service membership, any annuity payable to him under this part
23 shall cease effective upon the date of his return to State
24 service or entering school service, without regard to whether he
25 is a mandatory, optional or prohibited member of the system or
26 participant in the plan or, if a multiple service member,
27 without regard to whether he is a mandatory, optional or
28 prohibited member or participant of the Public School Employees'
29 Retirement System or School Employees' Defined Contribution
30 Plan; and, in the case of an annuity other than a disability

1 annuity the present value of such annuity, other than the
2 portion of the annuity that is being paid under section 5702(a)
3 (7) (relating to maximum single life annuity), adjusted for full
4 coverage in the case of a joint coverage member who makes the
5 appropriate back contributions for full coverage, shall be
6 frozen as of the date such annuity ceases[.] and the present
7 value of the portion of the annuity that is being paid under
8 section 5702(a) (7) shall be placed in the member's individual
9 cash balance saving account. An annuitant who is credited with
10 an additional 10% of Class A and Class C service as provided in
11 section 5302(c) (relating to credited State service) and who
12 returns to State service shall forfeit such credited service and
13 shall have his frozen present value adjusted as if his 10%
14 retirement incentive had not been applied to his account. In the
15 event that the cost-of-living increase enacted December 18, 1979
16 occurred during the period of such State or school employment,
17 the frozen present value shall be increased, on or after the
18 member attains superannuation age, by the percent applicable had
19 he not returned to service. This subsection shall not apply in
20 the case of any annuitant who may render services to the
21 Commonwealth in the capacity of an independent contractor or as
22 a member of an independent board or commission or as a member of
23 a departmental administrative or advisory board or commission
24 when such members of independent or departmental boards or
25 commissions are compensated on a per diem basis for not more
26 than 150 days per calendar year or as a member of an independent
27 board or commission requiring appointment by the Governor, with
28 advice and consent of the Senate, where the annual salary
29 payable to the member does not exceed \$35,000 and where the
30 member has been an annuitant for at least six months immediately

1 preceding the appointment. Such service shall not be subject to
2 member contributions [or]; not, result in additions, interest or
3 excess interest to the member's individual cash balance saving
4 account; and not be eligible for qualification as creditable
5 State service or for participation in the plan, mandatory
6 participant contributions or employer defined contributions.

7 (a.1) Return to State service during emergency.--When, in
8 the judgment of the employer, an emergency creates an increase
9 in the work load such that there is serious impairment of
10 service to the public, an annuitant may be returned to State
11 service for a period not to exceed 95 days in any calendar year
12 without loss of his annuity. In computing the number of days an
13 annuitant has returned to State service, any amount of time less
14 than one-half of a day shall be counted as one-half of a day.
15 For agencies, boards and commissions under the Governor's
16 jurisdiction, the approval of the Governor that an emergency
17 exists shall be required before an annuitant may be returned to
18 State service. This service shall not be subject to member
19 contributions; not result in additions, interest or excess
20 interest to the member's individual cash balance savings
21 account; and not be eligible for qualification as creditable
22 State service or for participation in the plan, mandatory
23 participant contributions or employer defined contributions.

24 (a.2) Return of benefits.--In the event an annuitant whose
25 annuity from the system ceases pursuant to this section receives
26 any annuity payment, including a lump sum payment pursuant to
27 section 5705 (relating to member's options) on or after the date
28 of his return to State service or entering school service, the
29 annuitant shall return to the board the amount so received from
30 the system plus statutory interest. The amount payable shall be

1 certified in each case by the board in accordance with methods
2 approved by the actuary and shall be paid in a lump sum within
3 30 days or in the case of an active member or school employee
4 who is an active member of the Public School Employees'
5 Retirement System may be amortized with statutory interest
6 through salary deductions to the system in amounts agreed upon
7 by the member and the board. The salary deduction amortization
8 plans agreed to by the member and the board may include a
9 deferral of payment amounts and statutory interest until the
10 termination of school service or State service or beginning of
11 service as a participant without concurrently being an active
12 member or inactive member on leave without pay as the board in
13 its sole discretion decides to allow. The board may limit salary
14 deduction amortization plans to such terms as the board in its
15 sole discretion determines. In the case of a school employee who
16 is an active member of the Public School Employees' Retirement
17 System, the agreed upon salary deductions shall be remitted to
18 the Public School Employees' Retirement Board, which shall
19 certify and transfer to the board the amounts paid.

20 * * *

21 (b) Subsequent discontinuance of service.--Upon subsequent
22 discontinuance of service, such [member] terminating State
23 employee other than a former annuitant who had the effect of his
24 frozen present value eliminated in accordance with subsection
25 (c) or a former disability annuitant shall be entitled to an
26 annuity which is actuarially equivalent to the sum of:

27 (1) the frozen present value as determined under
28 subsection (a) [and];

29 (2) if the service after reemployment was a member of
30 the system, the present value of a maximum single life

1 annuity, calculated excluding any annuity payable under
2 section 5702(a)(7), based on years of service credited
3 subsequent to reentry in the system and his final average
4 salary computed by reference to his compensation as a member
5 of the system or as a member of the Public School Employees'
6 Retirement System during his entire period of State and
7 school service[.], including only compensation received for
8 service performed as a member of a class of service other
9 than Class CB or Class T-I in the Public School Employees'
10 Retirement System; and

11 (3) if eligible, an annuity payable under section
12 5702(a)(7) based on the total cash balance accumulated
13 deductions credited to the former annuitant in the cash
14 balance savings account.

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

16 (1) An annuitant who returns to State service as an
17 active member of the system in a class of service other than
18 Class CB and earns three eligibility points by performing
19 credited State service following the most recent period of
20 receipt of an annuity under this part, or an annuitant who
21 enters school service other than as a participant in the
22 School Employees' Defined Contribution Plan or as member of
23 Class T-I and:

24 (i) is a multiple service member; or

25 (ii) who elects multiple service membership, and
26 earns three eligibility points in classes of service other
27 than Class CB or Class T-I by performing credited State
28 service or credited school service following the most recent
29 period of receipt of an annuity under this part, and who had
30 the present value of his annuity frozen in accordance with

1 subsection (a), shall qualify to have the effect of the
2 frozen present value resulting from all previous periods of
3 retirement eliminated, provided that all lump sum payments
4 under Option 4 or under section 5705(a.1) and annuity
5 payments, except those made under section 5702(a)(7), payable
6 during previous periods of retirement plus interest as set
7 forth in paragraph (3) shall be returned to the fund in the
8 form of an actuarial adjustment to his subsequent benefits or
9 in such form as the board may otherwise direct.

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

15 (i) an annuity (prior to optional modification)
16 calculated as if the freezing of the former annuitant's
17 account pursuant to subsection (a) had not occurred,
18 adjusted by crediting Class A State service as Class AA
19 service as provided for in section 5306(a.1) (relating to
20 classes of service) and further adjusted according to
21 paragraph (3), provided that a former annuitant of the
22 system or a former annuitant of the Public School
23 Employees' Retirement System who retired under a
24 provision of law granting additional service credit if
25 termination of State or school service or retirement
26 occurred during a specific period of time shall not be
27 permitted to retain the additional service credit under
28 the prior law when the annuity is computed for his most
29 recent retirement; or

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

1 calculated as if the former annuitant did not qualify to
2 have the effect of the frozen present value eliminated,
3 unless the former annuitant notifies the board in writing
4 by the later of the date the application for annuity is filed
5 or the effective date of retirement that the former annuitant
6 wishes to receive the lower annuity.

7 (3) In addition to any other adjustment to the present
8 value of the maximum single life annuity that a member may be
9 entitled to receive that occurs as a result of any other
10 provision of law, the present value of the maximum single
11 life annuity shall be reduced by all amounts paid or payable
12 to him during all previous periods of retirement, except
13 those made under section 5702(a)(7), plus interest on these
14 amounts until the date of subsequent retirement. The interest
15 for each year shall be calculated based upon the annual
16 interest rate adopted for that fiscal year by the board for
17 the calculation of the normal contribution rate pursuant to
18 section 5508(b) (relating to actuarial cost method).

19 § 5707. Death benefits.

20 (a) Members without Class CB service eligible for
21 annuities.--Any active member, inactive member on leave without
22 pay, combined service employee who is an active participant or
23 inactive participant on leave without pay, vestee or current or
24 former State employee performing USERRA leave who dies and does
25 not have Class CB service credit and was eligible for an annuity
26 in accordance with section 5308(a) or (b) (relating to
27 eligibility for annuities) or special vestee who has attained
28 superannuation age and dies before applying for a superannuation
29 annuity shall be considered as having applied for an annuity to
30 become effective the day before his death and in the event he

1 has not elected an option or such election has not been approved
2 prior to his death, it shall be assumed that he elected Option
3 1.

4 (b) Members without Class CB service ineligible for
5 annuities.--In the event of the death of a special vestee, an
6 active member, an inactive member on leave without pay, a
7 combined service employee who is an active participant or an
8 inactive participant on leave without pay or a current or former
9 State employee performing USERRA leave who does not have Class
10 CB service credit and who is not entitled to a death benefit as
11 provided in subsection (a), his designated beneficiary shall be
12 paid the full amount of his total accumulated deductions.

13 (c) Disability annuitants eligible for withdrawal annuity.--
14 In the event of the death of a disability annuitant who has
15 elected to receive a maximum disability annuity before he has
16 received in annuity payments, excluding any disability annuity
17 payments under section 5704(a)(2) (relating to disability
18 annuities), an amount equal to the present value, on the
19 effective date of disability, of the benefits to which he would
20 have been entitled under subsection (a) had he died while in
21 State service, the balance of such amount shall be paid to his
22 designated beneficiary. In addition, if the disability annuitant
23 was receiving disability annuity payments under section 5704(a)
24 (2), he may receive, if eligible, the total cash balance
25 accumulated deductions credited to his individual cash balance
26 savings account on the effective date of disability over one-
27 third of the disability payments received under section 5704(a)
28 (2). For purposes of this subsection, the determination of
29 benefits to which the disability annuitant would have been
30 entitled under subsection (a) shall be made even though the

1 disability annuitant may have Class CB service.

2 (d) Disability annuitants ineligible for withdrawal
3 annuity.--In the event of the death of a disability annuitant
4 who was not entitled to receive benefits under subsection (a),
5 except for the reason of having Class CB service credit, his
6 beneficiary shall be paid the excess of the sum of the regular
7 and additional accumulated deductions standing to his credit on
8 the effective date of disability over one-third of the total
9 disability payments received[.], excluding any disability
10 annuity payments under section 5704(a)(2). In addition, if he
11 was receiving disability annuity payments under section 5704(a)
12 (2), he may receive, if eligible, the total cash balance
13 accumulated deductions credited to his individual cash balance
14 savings account on the effective date of disability over one-
15 third of the disability payments received under section 5704(a)
16 (2).

17 (e) Annuitants electing maximum single life annuity.--In the
18 event of the death of an annuitant who has elected to receive
19 the maximum single life annuity before he has received in
20 annuity payments the full amount of the total accumulated
21 deductions and, if he was eligible for an annuity under section
22 5702(a)(7) (relating to maximum single life annuity), the total
23 cash balance accumulated deductions standing to his credit on
24 the effective date of retirement, the balance shall be paid to
25 his designated beneficiary.

26 (f) Members subject to limitations under section 5702(c).--
27 Subject to the limitations contained in section 401(a)(9) of the
28 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
29 401(a)(9)), the present value of any annuity in excess of that
30 payable under section 5702 [(relating to maximum single life

1 annuity)] that is not subject to the limitations under section
2 415(b) of the Internal Revenue Code of 1986 shall be paid in a
3 lump sum to the beneficiary designated by the member after the
4 death of the member. A beneficiary receiving a benefit under
5 this subsection shall not be able to elect a payment method
6 otherwise allowed under section 5709(b) (2) and (3) (relating to
7 payment of benefits from the system).

8 (g) Members with Class CB service.--An active member,
9 inactive member on leave without pay or vestee who has Class CB
10 service credit who dies shall be paid the total cash balance
11 accumulated deductions credited to him in addition to any other
12 payments he would be eligible to receive under subsection (a) or
13 (b) calculated without regard to any annuity payable under
14 section 5702(a) (7).

15 (h) Required distributions.--All payments under this section
16 shall start and be made in compliance with the minimum
17 distribution requirements and incidental death benefit rules of
18 IRC § 401(a) (9).

19 Section 425. Section 5709(a) and (b) of Title 71 are amended
20 and the section is amended by adding subsections to read:

21 § 5709. Payment of benefits from the system.

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

25 (b) Death benefits.--If the amount of a death benefit
26 payable from the fund to a beneficiary of a member under section
27 5707 (relating to death benefits) or under the provisions of
28 Option 1 of section 5705(a) (1) (relating to member's options) is
29 \$10,000 or more, such beneficiary may elect to receive payment
30 according to one of the following options:

- 1 (1) a lump sum payment;
- 2 (2) an annuity actuarially equivalent to the amount
- 3 payable; or
- 4 (3) a lump sum payment and an annuity such that the
- 5 annuity is actuarially equivalent to the amount payable less
- 6 the lump sum payment specified by the beneficiary.

7 * * *

8 (d) Small cash balance accounts.--A member with only Class

9 CB service who terminates State service and whose total cash

10 balance accumulated deductions are equal to or less than the

11 amount established under IRC §401(a)(31) as of the date of

12 termination of service shall be paid his accumulated deductions

13 in a lump sum as provided in IRC § 401(a)(31) and have all Class

14 CB service credit canceled. This payment of total cash balance

15 accumulated deductions shall not be eligible for installment

16 payments under section 5905.1 (relating to installment payments

17 of accumulated deductions) but shall be considered a lump sum

18 payment for purposes of section 5905.1(d).

19 (e) Required distributions.--All payments under this section

20 shall start and be made in compliance with the required

21 beginning date, minimum distribution requirements and incidental

22 death benefit rules of IRC § 401(a)(9).

23 Section 426. Section 5901(a), (c), (d) and (e) of Title 71

24 are amended and the section is amended by adding a subsection to

25 read:

26 § 5901. The State Employees' Retirement Board.

27 (a) Status and membership.--The board shall be an

28 independent administrative board and consist of [11] 12 members:

29 the State Treasurer, ex officio, the Secretary of Banking and

30 Securities, ex officio, two Senators, two members of the House

1 of Representatives and six members appointed by the Governor,
2 one of whom shall be an annuitant of the system or a participant
3 in the plan who has terminated State service and is receiving or
4 is eligible to receive distributions, for terms of four years,
5 subject to confirmation by the Senate. At least five board
6 members shall be active members of the system or active
7 participants in the plan, and at least two shall have ten or
8 more years of credited State service[.] or shall have been
9 active participants in the plan for ten calendar years or have a
10 combination of years of credited State service in the system and
11 calendar years as active participants in the plan equal to ten
12 or more years. The chairman of the board shall be designated by
13 the Governor from among the members of the board. No member of
14 the board who represents active members or annuitants or is a
15 current member of the General Assembly can serve as chairman.
16 Each member of the board who is a member of the General Assembly
17 may appoint a duly authorized designee to act in his stead. In
18 the event that a board member, who is designated as an active
19 participant or as a participant in the plan who is receiving or
20 is eligible to receive distributions, receives a total
21 distribution of his interest in the plan, that board member may
22 continue to serve on the board for the remainder of his term.

23 * * *

24 (c) Oath of office.--Each member of the board shall take an
25 oath of office that he will, so far as it devolves upon him,
26 diligently and honestly, administer the affairs of said board,
27 the system and the plan and that he will not knowingly violate
28 or willfully permit to be violated any of the provisions of law
29 applicable to this part. Such oath shall be subscribed by the
30 member taking it and certified by the officer before whom it is

1 taken and shall be immediately filed in the Office of the
2 Secretary of the Commonwealth.

3 (d) Compensation and expenses.--The members of the board who
4 are members of the system or participants in the plan shall
5 serve without compensation but shall not suffer loss of salary
6 or wages through serving on the board. The members of the board
7 who are not members of the system or participants in the plan
8 shall receive \$100 per day when attending meetings and all board
9 members shall be reimbursed for any necessary expenses. However,
10 when the duties of the board as mandated are not executed, no
11 compensation or reimbursement for expenses of board members
12 shall be paid or payable during the period in which such duties
13 are not executed.

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

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

24 Section 427. Section 5902(a.1), (b), (c), (e), (h), (i),
25 (j), (k), (l), (m) and (n) of Title 71 are amended and the
26 section is amended by adding subsections to read:

27 § 5902. Administrative duties of the board.

28 * * *

29 (a.1) Secretary.--The secretary shall act as chief
30 administrative officer for the board with respect to both the

1 system and the plan. In addition to other powers and duties
2 conferred upon and delegated to the secretary by the board, the
3 secretary shall:

4 (1) Serve as the administrative agent of the board.

5 (2) Serve as liaison between the board and applicable
6 legislative committees, the Treasury Department, the
7 Department of the Auditor General, and between the board and
8 the investment counsel and the mortgage supervisor in
9 arranging for investments to secure maximum returns to the
10 fund.

11 (3) Review and analyze proposed legislation and
12 legislative developments affecting the system or the plan and
13 present findings to the board, legislative committees, and
14 other interested groups or individuals.

15 (4) Direct the maintenance of files and records and
16 preparation of periodic reports required for actuarial
17 evaluation studies.

18 (5) Receive inquiries and requests for information
19 concerning the system or the plan from the press,
20 Commonwealth officials, State employees, the general public,
21 research organizations, and officials and organizations from
22 other states, and provide information as authorized by the
23 board.

24 (6) Supervise a staff of administrative, technical, and
25 clerical employees engaged in record-keeping and clerical
26 processing activities for both the system and the plan in
27 maintaining files of members and participants, accounting for
28 contributions, processing payments to annuitants and
29 terminated participants, preparing required reports, and
30 retirement counseling. The board may utilize the staff of

1 employees provided for under this paragraph for both the
2 system and the plan but shall allocate the fees, costs and
3 expenses incurred under this paragraph between the system and
4 the plan as appropriate.

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

14 (c) Expenses.--

15 (1) The board shall, through the Governor, submit to the
16 General Assembly annually a budget covering the
17 administrative expenses of [this part.] the system and a
18 separate budget covering the administrative expenses of the
19 plan. Budgets under this paragraph shall include those
20 expenses necessary to establish the plan and trust.

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

24 (3) For fiscal years ending before July 1, 2016, such
25 expenses of the plan as approved by the General Assembly in
26 an appropriation bill shall be paid from the General Fund.
27 For fiscal years beginning after June 30, 2016, such expenses
28 of the plan as approved by the General Assembly shall be paid
29 from interest, under section 5414(b) (relating to investments
30 based on participants' investment allocation choices),

1 assessments on the balances of the participants' individual
2 investment accounts or as otherwise provided in this part.

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

12 * * *

13 (e) Records.--

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

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

26 (i) in the case of an alternative investment or
27 alternative investment vehicle, involve the release of
28 sensitive investment or financial information relating to
29 the alternative investment or alternative investment
30 vehicle which the fund or trust was able to obtain only

1 upon agreeing to maintain its confidentiality;

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

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

10 (3) The following apply:

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

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

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

27 (B) the entity in which the investment was made
28 is liquidated;
29 whichever is later.

30 (iii) The sensitive investment or financial

1 information excluded from [inspection] access under
2 paragraph (2)(iii), to the extent not otherwise excluded
3 from [inspection] access, shall constitute a public
4 record subject to public [inspection] access under the
5 Right-to-Know Law once:

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

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

13 whichever is later.

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

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

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

1 (ii) The investment options selections of any
2 participant.

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

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

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

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

16 (7) The following apply:

17 (i) Nothing in this part shall be construed to mean
18 that the release or publicizing of a record, material or
19 data which would not constitute a public record under
20 this subsection shall be a violation of the board's
21 fiduciary duties.

22 (ii) This subsection shall apply to a record,
23 material or data under this subsection, notwithstanding
24 any of the following:

25 (A) Whether the record, material or data was
26 created, generated or stored before the effective
27 date of this paragraph.

28 (B) Whether the record, material or data was
29 previously released or made public.

30 (C) Whether a request for the record, material

1 or data was made or is pending final response under
2 the Right-to-Know Law.

3 * * *

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

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

24 (j) Actuarial investigation and valuation.--The board shall
25 have the actuary make an annual valuation of the various
26 accounts of the fund within six months of the close of each
27 calendar year. In the year 1975 and in every fifth year
28 thereafter the board shall have the actuary conduct an actuarial
29 investigation and evaluation of the system based on data
30 including the mortality, service, and compensation experience

1 provided by the board annually during the preceding five years
2 concerning the members and beneficiaries of the system. The
3 board shall by resolution adopt such tables as are necessary for
4 the actuarial valuation of the fund and calculation of
5 contributions, annuities and other benefits based on the reports
6 and recommendations of the actuary. Within 30 days of their
7 adoption, the secretary of the board shall cause those tables
8 which relate to the calculation of annuities and other benefits
9 to be published in the Pennsylvania Bulletin in accordance with
10 the provisions of 45 Pa.C.S. § 725(a) (relating to additional
11 contents of Pennsylvania Bulletin) and, unless the board
12 specifies therein a later effective date, such tables shall
13 become effective on such publication. The board shall include a
14 report on the significant facts, recommendations and data
15 developed in each five-year actuarial investigation and
16 evaluation of the system in the annual financial statement
17 published pursuant to the requirements of subsection (m) for the
18 fiscal year in which such investigation and evaluation were
19 concluded.

20 (k) Certification of employer contributions to the fund.--
21 The board shall, each year in addition to the itemized budget
22 required under section 5509 (relating to appropriations and
23 assessments by the Commonwealth), certify, as a percentage of
24 the members' payroll, the shared-risk contribution rate, the
25 employers' contributions as determined pursuant to section 5508
26 (relating to actuarial cost method) necessary for the funding of
27 prospective annuities for active members and the annuities of
28 annuitants and certify the rates and amounts of the employers'
29 normal contributions as determined pursuant to section 5508(b),
30 accrued liability contributions as determined pursuant to

1 section 5508(c), supplemental annuities contribution rate as
2 determined pursuant to section 5508(e), the experience
3 adjustment factor as determined pursuant to section 5508(f), the
4 collared contribution rate pursuant to section 5508(h) and the
5 final contribution rate pursuant to section 5508(i), which shall
6 be paid to the fund and credited to the appropriate accounts.
7 The board may allocate the final contribution rate and certify
8 various employer contribution rates and amounts based upon the
9 different benefit eligibility, class of service multiplier,
10 superannuation age, final average salary calculation,
11 compensation limits and other benefit differences resulting from
12 State service credited for individual members even though such
13 allocated employer contribution rate on behalf of any given
14 member may be more or less than 5% of the member's compensation
15 for the period from July 1, 2010, to June 30, 2011, or may
16 differ from the prior year's contribution for that member by
17 more or less than the percentages used to calculate the collared
18 contribution rate for that year and may be below any minimum
19 contribution rate established for the collared contribution rate
20 or final contribution rate. These certifications shall be
21 regarded as final and not subject to modification by the
22 Secretary of the Budget.

23 (1) Member contributions.--The board shall cause all pickup
24 contributions and cash balance member contributions made on
25 behalf of a member to be credited to the account of the member
26 and credit to his account any other payment made by such member,
27 including, but not limited to, amounts collected by the Public
28 School Employees' Retirement System for the reinstatement of
29 previous State service or creditable nonstate service and
30 amounts paid to return benefits paid after the date of return to

1 State service or entering school service representing lump sum
2 payments made pursuant to section 5705(a)(4)(iii) or (a.1)
3 (relating to member's options) and member's annuity payments,
4 but not including other benefits returned pursuant to section
5 5706(a.2) or (a.3) (relating to termination of annuities), and
6 shall pay all such amounts into the fund.

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

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

27 * * *

28 (p) Additional amounts credited to the members' cash balance
29 savings accounts.--In addition to cash balance member
30 contributions and treasury bond interest on the contributions,

1 the board shall credit to the individual members' cash balance
2 savings accounts 0% of their compensation. The credited amounts
3 shall be credited with treasury bond interest. The board shall
4 further credit to the members' individual savings accounts
5 excess interest, if any is determined to be creditable, as
6 determined under subsection (q), allocated proportionally
7 between the cash balance member accumulated deductions and the
8 percentages of compensation credited under this section, plus
9 past treasury bond interest and excess interest.

10 (g) Determination of excess interest.--

11 (1) As part of the actuarial valuation made under
12 subsection (j) for calendar year 2016, and for each
13 subsequent calendar year, the board shall determine the
14 amount potentially available from that year for distribution
15 as excess interest as follows:

16 (i) The amount shall be the product of:

17 (A) one-half of the investment gains and losses,
18 net of investment and administrative fees and costs,
19 above or below a rate of return of the annual
20 interest rate adopted by the board for the
21 calculation of the normal contribution rate of the
22 total assets in the fund; and

23 (B) the ratio of:

24 (I) the total amount credited in the cash
25 balance savings account; to

26 (II) the sum of:

27 (a) the total amount credited in the
28 cash balance savings account; and

29 (b) the accrued actuarial liability of
30 all benefits derived from all the service of

1 all members in all classes of service other
2 than Class CB.

3 (ii) The product under subparagraph (i) shall be
4 available in equal annual installments over five years.

5 (2) After the actuarial valuation made for calendar year
6 2018 and after the actuarial valuations for each subsequent
7 calendar year, the board shall determine if excess interest
8 is to be awarded to those active members, inactive members on
9 leave without pay, and vestees who have Class CB service
10 credit on the date of the applicable actuarial valuation.

11 (3) For each determination period, excess interest shall
12 be granted if the sum of the amounts determined under
13 paragraph (1) for all the years of the determination period
14 is positive. If the sum is positive, then the percentage rate
15 of excess interest shall be determined by dividing this sum
16 by the total amount credited in the cash balance savings
17 account on the last day of the determination period. Each
18 member or inactive member on leave without pay who is not a
19 Class CB exempt employee and who has Class CB cash balance
20 member accumulated deductions on the last day of the
21 determination period and who is an active member, inactive
22 member on leave without pay or vestee on the next following
23 December 31 shall have excess interest at this rate credited
24 to his total cash balance accumulated deductions, which shall
25 be credited proportionally between the cash balance member
26 accumulated deductions and other amounts credited to his
27 individual cash balance savings account.

28 (4) The determination period for the period ending with
29 the actuarial valuation for calendar year 2018 shall be
30 calendar years 2016, 2017 and 2018. The determination period

1 for the period ending with the actuarial valuation for
2 calendar year 2019 shall be calendar years 2016, 2017, 2018
3 and 2019. The determination period for the periods ending
4 with calendar year 2020 and subsequent years shall be the
5 ending year and the four immediately previous calendar years.

6 (r) Participant and employer contributions to the trust.--

7 The board shall, each year in addition to any fees and itemized
8 budget required under section 5509, certify, as a percentage of
9 each participant's compensation, the employer defined
10 contributions, which shall be paid to the trust and credited to
11 each participant's individual investment account. Certifications
12 under this subsection shall be regarded as final and not subject
13 to modification by the Secretary of the Budget. The board shall
14 cause all mandatory participant contributions made on behalf of
15 a participant and all voluntary contributions made by a
16 participant to be credited to the participant's individual
17 investment account.

18 Section 428. Section 5903(a) and (b) of Title 71 are amended
19 and the section is amended by adding a subsection to read:

20 § 5903. Duties of the board to advise and report to heads of
21 departments [and], members and participants.

22 (a) Manual of regulations.--The board shall, with the advice
23 of the Attorney General and the actuary, prepare and provide,
24 within 90 days of the effective date of this part, a manual
25 incorporating rules and regulations consistent with the
26 provisions of this part to the heads of departments who shall
27 make the information contained therein available to the general
28 membership. The board shall thereafter advise the heads of
29 departments within 90 days of any changes in such rules and
30 regulations due to changes in the law or due to changes in

1 administrative policies. As soon as practicable after the
2 commissioner's announcement with respect thereto, the board
3 shall also advise the heads of departments as to any cost-of-
4 living adjustment for the succeeding calendar year in the amount
5 of the limitation under IRC § 401(a)(17) and the dollar amounts
6 of the limitations under IRC § [415(b)] 415. As soon as
7 practicable after January 1 of each year, the board shall also
8 advise the heads of departments of the employees for whom,
9 pursuant to section 5502.1 (relating to waiver of regular member
10 contributions and Social Security integration member
11 contributions), pickup contributions are not to be made.

12 (b) Member status statements and certifications.--The board
13 shall furnish annually to the head of each department on or
14 before April 1, a statement for each member employed in such
15 department showing the total accumulated deductions and total
16 cash balance accumulated deductions standing to his credit as of
17 December 31 of the previous year and requesting the member to
18 make any necessary corrections or revisions regarding his
19 designated beneficiary. In addition, for each member employed in
20 any department and for whom the department has furnished the
21 necessary information, the board shall certify the number of
22 years and fractional part of a year of credited service
23 attributable to each class of service, the number of years and
24 fractional part of a year attributable to social security
25 integration credits in each class of service and, in the case of
26 a member eligible to receive an annuity, the benefit to which he
27 is entitled upon the attainment of superannuation age.

28 (b.1) Participant status statements.--The board shall
29 furnish annually to each participant, by April 1 and more
30 frequently as the board may agree or as required by law, a

1 statement for each participant in the plan showing the
2 accumulated total defined contributions credited to the
3 participant's individual investment account, the nature and type
4 of investments and the investment allocation of future
5 contributions as of December 31 of the previous year and shall
6 request the participant to make any necessary correction or
7 revision regarding the designated beneficiary.

8 * * *

9 Section 429. Section 5904(c) of Title 71 is amended to read:

10 § 5904. Duties of the board to report to the Public School
11 Employees' Retirement Board.

12 * * *

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

20 (1) certify to the Public School Employees' Retirement
21 Board;

22 (i) the salary history as a member of the State
23 Employees' Retirement System and the final average salary
24 as calculated on the basis of the compensation received
25 as a State and school employee; and

26 (ii) the annuity or benefit to which the member or
27 his beneficiary is entitled as modified according to the
28 option selected; and

29 (2) transfer to the Public School Employees' Retirement
30 Fund the total accumulated deductions and cash balance member

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

9 * * *

10 Section 430. Section 5905(b), (c.1), (e), (e.1), (f) and (g)
11 of Title 71 are amended and the section is amended by adding
12 subsections to read:

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

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 (1) in case of a member receiving an annuity from the
23 system:

24 (i) discontinue payments, transfer the present value
25 of the member's annuity other than any portion of the
26 member's annuity derived from cash balance member
27 accumulated deductions at the time of entering school
28 service, plus the amount withdrawn in a lump sum payment,
29 on or after the date of entering school service, pursuant
30 to section 5705 (relating to member's options), with

1 statutory interest to date of transfer, minus the amount
2 to be returned to the board on account of return to
3 service, that the board has determined is to be credited
4 in the members' savings account, from the annuity reserve
5 account to the members' savings account and resume
6 crediting of statutory interest on the amount restored to
7 his credit[;] and make a similar transfer of the present
8 value of any portion of the member's annuity derived from
9 cash balance member accumulated deductions from the
10 annuity reserve account to the cash balance savings
11 account and resume crediting of treasury bond interest on
12 the amount so restored;

13 (ii) transfer the balance of the present value of
14 the total annuity, minus the amount to be returned to the
15 board on account of return to service that the board has
16 determined is to be credited in the State accumulation
17 account and the cash balance savings account, from the
18 annuity reserve account to the State accumulation
19 account; and

20 (iii) certify to the member the amount of lump sum
21 and annuity payments with statutory interest the member
22 is to return to the board and, of those amounts, which
23 amount shall be credited to the members' savings account
24 or the cash balance savings account and credited with
25 statutory interest or treasury bond interest as such
26 payments are returned and which amount shall be credited
27 to the State accumulation account; or

28 (2) in case of a member who is not receiving an annuity
29 and has not withdrawn his total accumulated deductions and
30 cash balance member accumulated deductions, continue or

1 resume the crediting of statutory interest on his total
2 accumulated deductions and treasury bond interest on his
3 total cash balance accumulated deductions during the period
4 his total accumulated deductions and cash balance member
5 accumulated deductions remain in the fund; or

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

17 * * *

18 (c.1) Termination of service by a member.--In the case of
19 any member terminating State service who is entitled to an
20 annuity and who is not then a disability annuitant, the board
21 shall advise such member in writing of any benefits from the
22 system to which he may be entitled under the provisions of this
23 part and shall have the member prepare, on or before the date of
24 termination of State service, one of the following three forms,
25 a copy of which shall be given to the member and the original of
26 which shall be filed with the board:

27 (1) an application for the return of total accumulated
28 deductions and cash balance member accumulated deductions;

29 (2) if eligible, an election to vest his retirement
30 rights and, if he is a joint coverage member and so desires,

1 elect to become a full coverage member and agree to pay
2 within 30 days of the date of termination of service the lump
3 sum required; or

4 (3) if eligible, an application for an immediate annuity
5 and, if he desires:

6 (i) an election to convert his medical, major
7 medical and hospitalization insurance coverage to the
8 plan for State annuitants; and

9 (ii) if he is a joint coverage member, an election
10 to become a full coverage member and an agreement to pay
11 within 30 days of date of termination of service the lump
12 sum required.

13 (c.2) Termination of service by a participant.--In the case
14 of a participant terminating State service, the board shall
15 advise the participant in writing, of the vested accumulated
16 total defined contributions credited to the participant's
17 individual investment account as of the date stated in the
18 writing, any notices regarding rollover or other matters
19 required by IRC or other law, the obligation of the participant
20 to commence distributions from the plan by the participant's
21 required beginning date and the ability to receive all or part
22 of the vested balance in the participant's individual investment
23 account in a lump sum or in such other form as the board may
24 authorize or as required by law.

25 (e) Certification to vestees and special vestees terminating
26 service.--The board shall certify to a vestee or to a special
27 vestee within one year of termination of State service of such
28 member:

29 (1) the total accumulated deductions and total cash
30 balance accumulated deductions standing to his credit at the

1 date of termination of service;

2 (2) the number of years and fractional part of a year of
3 credit in each class of service; and

4 (3) the maximum single life annuity to which the vestee
5 or special vestee shall become entitled upon the attainment
6 of superannuation age and the filing of an application for
7 such annuity.

8 (4) the obligation of the member to commence
9 distribution by the member's required beginning date.

10 (e.1) Notification to vestees and special vestees
11 approaching superannuation age.--The board shall notify each
12 vestee and special vestee who is not an active participant or
13 inactive participant on leave without pay in writing 90 days
14 prior to his attainment of superannuation age that he shall
15 apply for his annuity within 90 days of attainment of
16 superannuation age; that, if he does so apply, his effective
17 date of retirement will be the date of attainment of
18 superannuation age; that, if he does not so apply but defers his
19 application to a later date, then he has an obligation to apply
20 by his required beginning date and that his effective date of
21 retirement will be the later of the date of filing such
22 application or the date specified on the application[, whichever
23 is later; and that, if he does not file an application within
24 seven years after attaining superannuation age, he shall be
25 deemed to have elected to receive his total accumulated
26 deductions upon attainment of superannuation age.] which shall
27 not be later than his required beginning date.

28 (e.2) Notification to inactive participants approaching
29 required beginning date.--The board shall notify in writing each
30 inactive participant who has terminated State service and has

1 not commenced distribution by 90 days before the participant's
2 required beginning date, that the inactive participant has an
3 obligation to commence distributions by the required beginning
4 date in a form and manner required by IRC § 401(a)(9) and other
5 applicable provisions of the IRC.

6 (f) Initial annuity payment and certification.--The board
7 shall make the first monthly payment to a member who is eligible
8 for an annuity within 60 days of the filing of his application
9 for an annuity or, in the case of a vestee or special vestee who
10 has deferred the filing of his application to a date later than
11 90 days following attainment of superannuation age, within 60
12 days of the effective date of retirement, and receipt of the
13 required data from the head of the department and, if the member
14 has Class G, Class H, Class I, Class J, Class K, Class L, Class
15 M or Class N service, any data required from the county
16 retirement system or pension plan to which the member was a
17 contributor before being a State employee. Concurrently, the
18 board shall certify to such member:

19 (1) the total accumulated deductions and total cash
20 balance accumulated deductions standing to his credit showing
21 separately the amount contributed by the member, the pickup
22 contribution and the interest credited to the date of
23 termination of service;

24 (2) the number of years and fractional part of a year
25 credited in each class of service;

26 (3) the final average salary on which his annuity is
27 based as well as any applicable reduction factors due to age
28 and/or election of an option; and

29 (4) the total annuity payable under the option elected
30 and the amount and effective date of any future reduction

1 under section 5703 (relating to reduction of annuities on
2 account of social security old-age insurance benefits).

3 (f.1) Initial payment to participants.--The board shall make
4 the initial payment to a participant who has applied for a
5 distribution within 60 days of the receipt of all information
6 necessary to process the application for a distribution.

7 (g) Death benefits.--Upon receipt of notification from the
8 head of a department of the death of an active member, a member
9 performing USERRA leave [or], a member on leave without pay, an
10 active participant, an inactive participant on leave without pay
11 or a former participant performing USERRA leave, the board shall
12 advise the designated beneficiary of the benefits to which he is
13 entitled, and shall make the first payment to the beneficiary
14 within 60 days of receipt of certification of death and other
15 necessary data. If no beneficiary designation is in effect at
16 the date of the member's death or no notice has been filed with
17 the board to pay the amount of the benefits to the member's
18 estate, the board is authorized to pay the benefits to the
19 executor, administrator, surviving spouse or next of kin of the
20 deceased member, and payment pursuant hereto shall fully
21 discharge the fund from any further liability to make payment of
22 such benefits to any other person. If the surviving spouse or
23 next of kin of the deceased member cannot be found for the
24 purpose of paying the benefits for a period of seven years from
25 the date of death of the member, then the benefits shall be
26 escheated to the Commonwealth for the benefit of the fund. If no
27 beneficiary designation is in effect at the date of a
28 participant's death or no notice has been filed with the board
29 to pay the amount of the benefits to the participant's estate,
30 the board may pay the benefits to the surviving spouse,

1 executor, administrator or next of kin of the deceased
2 participant and payment pursuant hereto shall fully discharge
3 the fund from any further liability to make payment of such
4 benefits to any other person.

5 * * *

6 Section 431. Section 5905.1(a), (b) and (d) of Title 71 are
7 amended to read:

8 § 5905.1. Installment payments of accumulated deductions.

9 (a) General rule.--Notwithstanding any other provision of
10 this part, whenever a member elects to withdraw his total
11 accumulated deductions and cash balance member accumulated
12 deductions pursuant to section 5311(a) (relating to eligibility
13 for refunds) or 5701 (relating to return of total accumulated
14 deductions and cash balance member accumulated deductions) or
15 elects to receive a portion of his benefit payable as a lump sum
16 pursuant to section 5705(a)(4)(iii) or (a.1) (relating to
17 member's options), the member may elect to receive the amount in
18 not more than four installments.

19 (b) Payment of first installment.--The payment of the first
20 installment shall be made in the amount and within seven days of
21 the date specified by the member, except as follows:

22 (1) Upon receipt of a member's application to withdraw
23 his total accumulated deductions and cash balance member
24 accumulated deductions as provided in section 5311(a) or 5701
25 and upon receipt of all required data from the head of the
26 department and, if the member has Class G, Class H, Class I,
27 Class J, Class K, Class L, Class M or Class N service, any
28 data required from the county retirement system or pension
29 plan to which the member was a contributor before being
30 transferred to State employment, the board shall not be

1 required to pay the first installment prior to 45 days after
2 the filing of the application and the receipt of the data or
3 the date of termination of service, whichever is later.

4 (2) In the case of an election as provided in section
5 5705(a)(4)(iii) or (a.1) by a member terminating service
6 within 60 days prior to the end of a calendar year and upon
7 receipt of all required data from the head of the department
8 and, if the member has Class G, Class H, Class I, Class J,
9 Class K, Class L, Class M or Class N service, any data
10 required from the county retirement system or pension plan to
11 which the member was a contributor before being transferred
12 to State employment, the board shall not be required to pay
13 the first installment prior to 21 days after the later of the
14 filing of the application and the receipt of the data or the
15 date of termination of service, but, unless otherwise
16 directed by the member, the payment shall be made no later
17 than 45 days after the filing of the application and the
18 receipt of the data or the date of termination of service,
19 whichever is later.

20 (3) In the case of an election as provided in section
21 5705(a)(4)(iii) or (a.1) by a member who is not terminating
22 service within 60 days prior to the end of a calendar year
23 and upon receipt of all required data from the head of the
24 department and, if the member has Class G, Class H, Class I,
25 Class J, Class K, Class L, Class M or Class N service, any
26 data required from the county retirement system or pension
27 plan to which the member was a contributor before being
28 transferred to State employment, the board shall not be
29 required to pay the first installment prior to 45 days after
30 the filing of the application and the receipt of the data or

1 the date of termination of service, whichever is later.

2 * * *

3 (d) [Statutory interest] Interest.--Any lump sum, including
4 a lump sum payable pursuant to section 5705.1 (relating to
5 payment of accumulated deductions resulting from [Class A-3 and
6 Class A-4] more than one class of service), or installment
7 payable shall include statutory interest credited to the date of
8 payment on all amounts other than payment of cash balance member
9 accumulated deductions which shall include treasury bond
10 interest credited to the date of payment, except in the case of
11 a member, other than a vestee or special vestee, who has not
12 filed his application prior to 90 days following his termination
13 of service.

14 Section 432. Sections 5906(a), (b), (c), (d), (e), (g), (h),
15 (i), (j) and (l) and 5907(a), (c), (d), (e), (f), (g), (h) and
16 (i) of Title 71 are amended and the sections are amended by
17 adding subsections to read:

18 § 5906. Duties of heads of departments.

19 (a) Status of members and participants.--The head of
20 department shall, at the end of each pay period, notify the
21 board in a manner prescribed by the board of salary changes
22 effective during that period for any members and participants of
23 the department, the date of all removals from the payroll, and
24 the type of leave of any members and participants of the
25 department who have been removed from the payroll for any time
26 during that period, and:

27 * * *

28 (i) in the case of death of the member or
29 participant the head of the department shall so notify
30 the board;

1 (ii) in the case of a service connected disability
2 of a member the head of department shall, to the best of
3 his ability, investigate the circumstances surrounding
4 the disablement of the member and submit in writing to
5 the board information which shall include but not
6 necessarily be limited to the following: date, place and
7 time of disablement to the extent ascertainable; nature
8 of duties being performed at such time; and whether or
9 not the duties being performed were authorized and
10 included among the member's regular duties. In addition,
11 the head of department shall furnish in writing to the
12 board all such other information as may be related to the
13 member's disablement;

14 * * *

15 (b) Records and information.--At any time at the request of
16 the board and at termination of service of a member or a
17 participant, the head of department shall furnish service and
18 compensation records and such other information as the board may
19 require and shall maintain and preserve such records as the
20 board may direct for the expeditious discharge of its duties.

21 (c) Member contributions.--The head of department shall
22 cause the required pickup contributions and cash balance member
23 contributions for current service to be made and shall cause to
24 be deducted any other required member contributions, including,
25 but not limited to, contributions owed by an active member with
26 multiple service membership for school service and creditable
27 nonschool service in the Public School Employees' Retirement
28 System and amounts certified by the Public School Employees'
29 Retirement Board as due and owing on account of termination of
30 annuities, from each payroll. The head of department shall

1 notify the board at times and in a manner prescribed by the
2 board of the compensation of any noneligible member to whom the
3 limitation under IRC § 401(a)(17) either applies or is expected
4 to apply and shall cause such member's contributions deducted
5 from payroll to cease at the limitation under IRC § 401(a)(17)
6 on the payroll date if and when such limit shall be reached. The
7 head of department shall certify to the State Treasurer the
8 amounts picked up and deducted amounts of cash balance member
9 contributions deducted and shall send the total amount picked up
10 [and] or deducted together with a duplicate of such voucher to
11 the secretary of the board every pay period. The head of
12 department shall pay pickup contributions and cash balance
13 member contributions from the same source of funds which is used
14 to pay other compensation to the employee. On or before January
15 31, 1997, and on or before January 31 of each year thereafter,
16 the head of department shall, at the time when the income and
17 withholding information required by law is furnished to each
18 member, also furnish the amount of pickup contributions and cash
19 balance member contributions made on his behalf and notify the
20 board, if it has not been previously notified, of any
21 noneligible member whose compensation in the preceding year
22 exceeded the annual compensation limit under IRC § 401(a)(17).
23 If the board shall determine that the member's savings account
24 or cash balance savings account shall have been credited with
25 pickup contributions or cash balance member contributions for a
26 noneligible member in the preceding year which are attributable
27 to compensation in excess of the limitation under IRC § 401(a)
28 (17), or with total member contributions including contributions
29 as a result of Class CB service for such member which would
30 cause such member's contributions or benefits to exceed any

1 applicable limitation under IRC § 401(a)(17) or 415(b), the
2 board shall as soon as practicable refund to the member from his
3 individual member account such amount, together with the
4 statutory interest or treasury bond interest thereon, as will
5 cause the member's total member contributions including
6 contributions as a result of Class CB service in the preceding
7 year not to exceed the applicable limit. The payment of any such
8 refund to the member shall be charged to the member's savings
9 account or the member's individual cash balance savings account,
10 as the case may be.

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

13 (1) Cause the mandatory participant contributions on
14 behalf of a participant to be made and cause to be deducted
15 any voluntary contributions authorized by a participant.

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

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

25 (4) Certify to the State Treasurer the amounts deducted
26 and the employer defined contributions being made and send
27 the total amount picked up, deducted and contributed together
28 with a duplicate of the voucher to the secretary of the board
29 every pay period or on such schedule as established by the
30 board.

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

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

21 * * *

22 (g) Former school employee contributors.--

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

1 School Employees' Retirement System. The head of the
2 department shall advise the board of such election.

3 (2) Paragraph (1) shall not apply to a State employee
4 who has only Class CB service credit in the system or who has
5 only Class T-I credit in the Public School Employees'
6 Retirement System.

7 (h) Former school employee annuitants.--

8 (1) The head of department shall, upon the employment of
9 an annuitant of the Public School Employees' Retirement
10 System who applies for membership in the system, advise such
11 employee that he may elect multiple service membership within
12 365 days of entry into the system and if he so elects his
13 public school employee's annuity will be discontinued
14 effective upon the date of his return to State service and,
15 upon termination of State service and application for an
16 annuity, the annuity will be adjusted in accordance with
17 section 5706 (relating to termination of annuities). The head
18 of department shall advise the board of such election.

19 (2) Paragraph (1) shall not apply to a State employee
20 who has only Class CB service credit in the system or who has
21 only Class T-I credit in the Public School Employees'
22 Retirement System.

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

28 (j) Termination of service.--The head of department shall,
29 in the case of any member who does not have Class CB service,
30 who is terminating State service and who is ineligible for an

1 annuity before attainment of superannuation age, advise such
2 member in writing of any benefits to which he may be entitled
3 under the provisions of this part and shall have the member
4 prepare, on or before the date of termination of State service,
5 an application for the return of total accumulated deductions
6 or, on or before September 30, 1997, an application to be vested
7 as a special vestee, if eligible.

8 * * *

9 (1) State employees performing USERRA or military-related
10 leave of absence.--The head of department shall report to the
11 board any State employee who ceases to be an active member or
12 active participant to perform USERRA service, or who is granted
13 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
14 of absence for certain government employees) or a military leave
15 of absence under 51 Pa.C.S. § 7302 (relating to granting
16 military leaves of absence), the date on which the USERRA
17 service, leave of absence or military leave of absence began,
18 the date on which the State employee is reemployed from USERRA
19 leave or returns after the leave of absence or military leave of
20 absence, if the event occurs, and any other information the
21 board may require or direct.

22 * * *

23 § 5907. Rights and duties of State employees and members.

24 (a) Information on new employees.--Upon his assumption of
25 duties or becoming a participant each new State employee or
26 participant shall furnish the head of department with a complete
27 record of his previous State service, his school service or
28 creditable nonstate service, and proof of his date of birth and
29 current status in the system and the plan and in the Public
30 School Employees' Retirement System and the School Employees'

1 Defined Contribution Plan. Willful failure to provide the
2 information required by this subsection to the extent available
3 upon entrance into the system shall result in the forfeiture of
4 the right of the member to subsequently assert any right to
5 benefits based on any of the required information which he
6 failed to provide. In any case in which the board finds that a
7 member is receiving an annuity based on false information, the
8 total amount received predicated on such false information
9 together with statutory interest doubled and compounded shall be
10 deducted from the present value of any remaining benefits to
11 which the member is legally entitled.

12 * * *

13 (b.1) Application for participation.--On or after January 1,
14 2016, in the case of an employee who is not currently a
15 participant in the plan and whose participation is mandatory, or
16 in the case of an employee whose participation is not mandatory
17 but is permitted and who desires to become a participant in the
18 plan, the employee shall execute an application for
19 participation and a nomination of a beneficiary.

20 (c) Multiple service membership.--[Any active member] Any
21 State employee who is an active member in a class of service
22 other than Class CB and who was formerly an active member in the
23 Public School Employees' Retirement System in a class of service
24 other than Class T-I may elect to become a multiple service
25 member. Such election shall occur no later than 365 days after
26 becoming an active member in this system. A State employee who
27 is eligible to elect to become a multiple service member who
28 begins USERRA leave during the election period without having
29 elected multiple service membership may make the election within
30 365 days after being reemployed from USERRA leave.

1 (d) Credit for previous service or change in membership
2 status.--Any active member or eligible school employee who
3 desires to receive credit for the portion of his total previous
4 State service or creditable nonstate service to which he is
5 entitled, or a joint coverage member who desires to become a
6 full coverage member, shall so notify the board and upon written
7 agreement by the member and the board as to the manner of
8 payment of the amount due, the member shall receive credit for
9 such service as of the date of such agreement.

10 * * *

11 (d.2) Contributions for USERRA leave.--Any active
12 participant or inactive participant on leave without pay or
13 former participant who was reemployed from USERRA leave who
14 desires to make mandatory participant contributions and
15 voluntary contributions for his USERRA leave shall so notify the
16 board within the time period required under 38 U.S.C. Ch. 43
17 (relating to employment and reemployment rights of members of
18 the uniformed services) and IRC § 414(u) of his desire to make
19 such contributions. Upon making the permitted mandatory
20 participant contributions within the allowed time period, the
21 head of the department shall make the corresponding employer
22 defined contributions at the same time.

23 (d.3) Voluntary contributions by a participant.--Any
24 participant who desires to make voluntary contributions to be
25 credited to his individual investment account shall notify the
26 board and, upon compliance with the requirements, procedures and
27 limitations established by the board in the plan document, may
28 do so subject to the limitations under IRC §§ 401(a) and 415 and
29 other applicable law.

30 (e) Beneficiary for death benefits from system.--Every

1 member shall nominate a beneficiary by written designation filed
2 with the board as provided in section 5906(d) or (e) (relating
3 to duties of heads of departments) to receive the death benefit
4 payable under section 5707 (relating to death benefits) or the
5 benefit payable under the provisions of Option 1 of section
6 5705(a)(1) (relating to member's options). Such nomination may
7 be changed at any time by the member by written designation
8 filed with the board. A member may also nominate a contingent
9 beneficiary or beneficiaries to receive the death benefit
10 provided under section 5707 or the benefit payable under the
11 provisions of Option 1 of section 5705(a)(1).

12 (e.1) Beneficiary for death benefits from the plan.--Every
13 participant shall nominate a beneficiary by written designation
14 filed with the board as provided in section 5906(d) or (e) to
15 receive the death benefit payable under section 5408 (relating
16 to death benefits). A participant may also nominate a contingent
17 beneficiary or beneficiaries to receive the death benefit
18 provided under section 5408. Such nomination may be changed at
19 any time by the participant by written designation filed with
20 the board.

21 (e.2) Beneficiary for combined service employee.--A combined
22 service employee may designate or nominate different persons to
23 be beneficiaries, survivor annuitants and successor payees for
24 his benefits from the system and the plan.

25 (f) Termination of service by members.--Each member who
26 terminates State service and who is not then a disability
27 annuitant shall execute on or before the date of termination of
28 service the appropriate application, duly attested by the member
29 or his legally constituted representative, electing to:

30 (1) withdraw his total accumulated deductions and cash

1 balance member accumulated deductions; or

2 * * *

3 (g) Vesting of retirement rights.--If a member elects to
4 vest his retirement rights he shall nominate a beneficiary by
5 written designation filed with the board and, if the member is
6 not an active participant or inactive participant on leave
7 without pay, he may anytime thereafter but no later than his
8 required beginning date, withdraw the total accumulated
9 deductions and cash balance member accumulated deductions
10 standing to his credit or apply for an annuity.

11 (g.1) Deferral of retirement rights.--If a participant
12 terminates State service and does not commence receiving a
13 distribution, he shall nominate a beneficiary, and he may
14 anytime thereafter, but no later than his required beginning
15 date, withdraw the vested accumulated total defined
16 contributions standing to his credit or apply for another form
17 of distribution required by law or authorized by the board.

18 (h) Vestees and special vestees attaining superannuation
19 age.--Upon attainment of superannuation age a vestee or special
20 vestee who is not an active participant or inactive participant
21 on leave without pay shall execute and file an application for
22 an annuity. Any such application filed within 90 days after
23 attaining superannuation age shall be effective as of the date
24 of attainment of superannuation age. Any application filed after
25 such period shall be filed by the member's required beginning
26 date and shall be effective as of the date it is filed with the
27 board, subject to the provisions of section 5905(f) (relating to
28 duties of the board regarding applications and elections of
29 members and participants). If a vestee or special vestee who is
30 not an active participant or inactive participant on leave

1 without pay does not file an application within seven years
2 after attaining superannuation age, he shall be deemed to have
3 elected to receive his total accumulated deductions upon
4 attainment of superannuation age.

5 (i) Failure to apply for annuity.--If a member is eligible
6 to receive an annuity and does not file a proper application
7 within 90 days of termination of service, his annuity will
8 become effective as of the later of the date the application is
9 filed with the board or the date designated on the application
10 [whichever is later] which shall not be later than his required
11 beginning date.

12 * * *

13 Section 433. Sections 5931(b), 5932, 5933(a), 5934, 5935,
14 5936, 5937, 5938 and 5939 of Title 71 are amended to read:
15 § 5931. Management of fund and accounts.

16 * * *

17 (b) Crediting of interest.--The board, annually, shall allow
18 the required interest on the mean amount for the preceding year
19 to the credit of each of the accounts other than the individual
20 investment accounts and except excess interest credited to the
21 cash balance savings account. The amount so allowed shall be
22 credited thereto by the board and transferred from the interest
23 reserve account. Excess interest, if any, shall be credited to
24 the cash balance savings account as set forth in section 5902(q)
25 (relating to administrative duties of the board).

26 * * *

27 § 5932. State Employees' Retirement Fund.

28 (a) General rule.--The fund shall consist of all balances in
29 the several separate accounts set apart to be used under the
30 direction of the board for the benefit of members of the system;

1 and the Treasury Department shall credit to the fund all moneys
2 received from the Department of Revenue arising from the
3 contributions relating to or on behalf of members of the system
4 required under the provisions of Chapter 55 (relating to
5 contributions), and any income earned by the investments or
6 moneys of said fund. There shall be established and maintained
7 by the board the several ledger accounts specified in sections
8 5933 (relating to members' savings account), 5934 (relating to
9 State accumulation account), 5935 (relating to annuity reserve
10 account), 5936 (relating to State Police benefit account), 5937
11 (relating to enforcement officers' benefit account), 5938
12 (relating to supplemental annuity account) and 5939 (relating to
13 interest reserve account) and 5942 (relating to cash balance
14 savings account).

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

23 § 5933. Members' savings account.

24 (a) Credits to account.--The members' savings account shall
25 be the ledger account to which shall be credited the amounts of
26 the pickup contributions made by the Commonwealth or other
27 employer and contributions or lump sum payments made by active
28 members, other than for Class CB service, in accordance with the
29 provisions of sections 5501 (relating to regular member
30 contributions and cash balance member contributions for current

1 service), 5501.1 (relating to shared-risk member contributions
2 [for Class A-3 and Class A-4 service] and shared-gain
3 adjustments to regular member contributions for Class A-3 and
4 Class A-4 service), 5502 (relating to social security
5 integration member contributions), 5503 (relating to joint
6 coverage member contributions), 5504 (relating to member
7 contributions for the purchase of credit for previous State
8 service or to become a full coverage member), 5505.1 (relating
9 to additional member contributions) and 5505 (relating to
10 contributions for the purchase of credit for creditable nonstate
11 service) and transferred from the members' savings account of
12 the Public School Employees' Retirement System in accordance
13 with the provisions of section 5303.2 (relating to election to
14 convert school service to State service).

15 * * *

16 § 5934. State accumulation account.

17 The State accumulation account shall be the ledger account to
18 which shall be credited all contributions of the Commonwealth or
19 other employers whose employees are members of the system and
20 made in accordance with the provisions of section 5507(a) or (d)
21 (relating to contributions to the system by the Commonwealth and
22 other employers) except that the amounts received under the
23 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
24 amounts received under the provisions of the Liquor Code, act of
25 April 12, 1951 (P.L.90, No.21), shall be credited to the State
26 Police benefit account or the enforcement officers' benefit
27 account as the case may be. All amounts transferred to the fund
28 by county retirement systems or pension plans in accordance with
29 the provisions of section 5507(c) also shall be credited to the
30 State accumulation account. All amounts transferred to the fund

1 by the Public School Employees' Retirement System in accordance
2 with section 5303.2(e) (relating to election to convert school
3 service to State service), except amounts credited to the
4 members' savings account, and all amounts paid by the Department
5 of Corrections in accordance with section 5303.2(f) also shall
6 be credited to the State accumulation account. The State
7 accumulation account shall be credited with valuation interest.
8 The reserves necessary for the payment of annuities and death
9 benefits resulting from membership in the system as approved by
10 the board and as provided in Chapter 57 (relating to benefits),
11 other than annuities and benefits resulting from Class CB
12 service, shall be transferred from the State accumulation
13 account to the annuity reserve account provided for in section
14 5935 (relating to annuity reserve account), except that the
15 reserves necessary on account of a member who is an officer of
16 the Pennsylvania State Police or an enforcement officer shall be
17 transferred from the State accumulation account to the State
18 Police benefit account provided for in section 5936 (relating to
19 State Police benefit account) or to the enforcement officers'
20 benefit account as provided for in section 5937 (relating to
21 enforcement officers' benefit account) as the case may be. The
22 reserves necessary for the payment of supplemental annuities in
23 excess of those reserves credited to the supplemental annuity
24 account on June 30, 2010, shall be transferred from the State
25 accumulation account to the supplemental annuity account. In the
26 event that supplemental annuities are increased by legislation
27 enacted after December 31, 2009, the necessary reserves shall be
28 transferred from the State accumulation account to the
29 supplemental annuity account. The amounts credited to the
30 members' individual cash balance savings accounts as provided

1 for in section 5902(p) shall be transferred from the State
2 accumulation account.

3 § 5935. Annuity reserve account.

4 (a) Credits and charges to account.--The annuity reserve
5 account shall be the ledger account to which shall be credited
6 the reserves held for payment of annuities and death benefits on
7 account of all annuitants except in the case of members who are
8 officers of the Pennsylvania State Police or enforcement
9 officers. The annuity reserve account shall be credited with
10 valuation interest. After the transfers provided in sections
11 5933 (relating to members' savings account), 5934 (relating to
12 State accumulation account) [and], 5938 (relating to
13 supplemental annuity account) and 5942 (relating to cash balance
14 savings account), all annuity and death benefit payments
15 resulting from membership in the system except those payable to
16 any member who retires as an officer of the Pennsylvania State
17 Police or an enforcement officer shall be charged to the annuity
18 reserve account and paid from the fund.

19 (b) Transfers from account.--Should an annuitant other than
20 a member who was retired as an officer of the Pennsylvania State
21 Police or an enforcement officer be subsequently restored to
22 active service as a member of the system or as a participant in
23 the plan, the present value of his member's annuity at the time
24 of reentry into State service shall be transferred from the
25 annuity reserve account and placed to his individual credit in
26 the members' savings account or individual cash balance savings
27 account, as appropriate. In addition, the actuarial reserve for
28 his annuity based on all classes of credited service other than
29 Class CB less the amount transferred to the members' savings
30 account shall be transferred from the annuity reserve account to

1 the State accumulation account. The present value of the annuity
2 provided by section 5702(a) (7) (relating to maximum single life
3 annuity) at the time of reentry in State service shall be
4 transferred from the annuity reserve account and placed to the
5 member's individual credit in the cash balance savings account.
6 § 5936. State Police benefit account.

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

27 (b) Transfers from account.--Should the said annuitant be
28 subsequently restored to active service as a member of the
29 system or as a participant in the plan, the present value of the
30 member's annuity at the time of reentry into State service shall

1 be transferred from the State Police benefit account and placed
2 to his individual credit in the members' savings account or
3 individual cash balance savings account, as appropriate. In
4 addition, the actuarial reserve for his annuity, based on all
5 classes of credited service other than Class CB, calculated as
6 if he had been a member of Class A if he has Class A or Class C
7 service credited; as if he had been a member of Class A-3 if the
8 annuitant has Class A-3 State service credited; or as if he had
9 been a member of Class A-4 if the annuitant has Class A-4
10 service credited, less the amount transferred to the members'
11 savings account shall be transferred from the State Police
12 benefit account to the State accumulation account. The present
13 value of the annuity provided by section 5702(a)(7) (relating to
14 maximum single life annuity) at the time of reentry into State
15 service shall be transferred from the State Police benefit
16 account and placed to his individual credit in the cash balance
17 savings account. Upon subsequent retirement other than as an
18 officer of the Pennsylvania State Police the actuarial reserve
19 remaining in the State Police benefit account shall be
20 transferred to the appropriate reserve account.

21 § 5937. Enforcement officers' benefit account.

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

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

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

1 from the enforcement officers' benefit account to the State
2 accumulation account. The present value of the annuity provided
3 by section 5702(a)(7) (relating to maximum single life annuity)
4 at the time of reentry into State service shall be transferred
5 from the enforcement officers' benefit account and placed to his
6 individual credit in the cash balance savings account. Upon
7 subsequent retirement other than as an enforcement officer the
8 actuarial reserve remaining in the enforcement officers' benefit
9 account shall be transferred to the appropriate reserve account.
10 § 5938. Supplemental annuity account.

11 The supplemental annuity account shall be the ledger account
12 to which shall be credited all contributions from the
13 Commonwealth and other employers in accordance with section
14 5507(b) (relating to contributions to the system by the
15 Commonwealth and other employers) for the payment of the
16 supplemental annuities provided in sections 5708 (relating to
17 supplemental annuities), 5708.1 (relating to additional
18 supplemental annuities), 5708.2 (relating to further additional
19 supplemental annuities), 5708.3 (relating to supplemental
20 annuities commencing 1994), 5708.4 (relating to special
21 supplemental postretirement adjustment), 5708.5 (relating to
22 supplemental annuities commencing 1998), 5708.6 (relating to
23 supplemental annuities commencing 2002), 5708.7 (relating to
24 supplemental annuities commencing 2003) and 5708.8 (relating to
25 special supplemental postretirement adjustment of 2002) made
26 before July 1, 2010, the amount transferred from the State
27 accumulation account to provide all additional reserves
28 necessary as of June 30, 2010, to pay such supplemental
29 annuities and adjustments, and the amounts transferred from the
30 State accumulation account to provide all additional reserves

1 necessary as a result of supplemental annuities enacted after
2 December 31, 2009. The supplemental annuity account shall be
3 credited with valuation interest. The reserves necessary for the
4 payment of such supplemental annuities shall be transferred from
5 the supplemental annuity account to the annuity reserve account
6 as provided in section 5935 (relating to annuity reserve
7 account).

8 § 5939. Interest reserve account.

9 The interest reserve account shall be the ledger account to
10 which shall be credited all income earned by the fund and to
11 which shall be charged all administrative and investment
12 expenses incurred by the fund. At the end of each year the
13 required interest shall be transferred from the interest reserve
14 account to the credit of each of the accounts of the fund in
15 accordance with the provisions of this subchapter. In addition,
16 at the end of each accounting period, the interest reserve
17 account shall be credited or charged with all recognized changes
18 in the market valuation of the investments of the fund. The
19 administrative and investment expenses of the board relating to
20 the administration of the system and investments of the fund
21 shall be paid from the fund out of earnings. Any surplus or
22 deficit in the interest reserve account at the end of each year
23 shall be transferred to the State accumulation account.

24 Section 434. Title 71 is amended by adding a section to
25 read:

26 § 5942. Cash balance savings account.

27 (a) Credits to account.--The cash balance savings account
28 shall be the ledger account to which shall be credited the
29 amounts of the cash balance member contributions made by the
30 Commonwealth or other employers on behalf of members of Class CB

1 and additional amounts credited to the individual members' cash
2 balance savings accounts in accordance with the provisions of
3 section 5501 (relating to regular member contributions and cash
4 balance member contributions for current service) and 5902(p)
5 (relating to administrative duties of the board).

6 (b) Interest and transfers from account.--The cash balance
7 savings account in total and the individual member accounts
8 shall be credited with treasury bond interest, and if applicable
9 excess interest. The total cash balance accumulated deductions
10 credited to a member whose application for an annuity has been
11 approved shall be transferred from the cash balance savings
12 account to the annuity reserve account provided for under
13 section 5935 (relating to annuity reserve account), except in
14 the case of a member who is an officer of the Pennsylvania State
15 Police or an enforcement officer the total cash balance
16 accumulated deductions to his credit shall be transferred from
17 the cash balance savings account to the State Police benefit
18 account provided for under section 5936 (relating to State
19 Police benefit account) or to the enforcement officers' benefit
20 account provided for under section 5937 (relating to enforcement
21 officers' benefit account), as the case may be.

22 (c) Charges to account.--Upon the election of a member to
23 withdraw his cash balance member accumulated deductions without
24 receiving a benefit or upon payment of a small cash balance
25 account in a lump sum as provided for under section 5709(d)
26 (relating to payment of benefits), the payment of such amount
27 shall be charged to the individual member's cash balance savings
28 account. Any amounts remaining in an individual member's cash
29 balance savings account after these charges shall be transferred
30 to the State accumulation account.

1 Section 435. Sections 5951, 5953, 5953.1, 5953.2, 5953.3 and
2 5953.4(a) of Title 71 are amended to read:

3 § 5951. State guarantee regarding the State Employees'
4 Retirement System.

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

15 § 5953. Taxation, attachment and assignment of funds.

16 (a) General rule.--

17 (1) Except as provided in paragraphs (2), (3) and (4),
18 the right of a person to any benefit or right accrued or
19 accruing under the provisions of this part and the moneys in
20 the fund and the trust are hereby exempt from any State or
21 municipal tax, levy and sale, garnishment, attachment,
22 spouse's election, the provisions of Article XIII.1 of the
23 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
24 Code, or any other process whatsoever, and no participant or
25 beneficiary, successor payee, or alternate payee of a
26 participant shall have the ability to commute, sell, assign,
27 alienate, anticipate, mortgage, pledge, hypothecate,
28 commutate or otherwise transfer or convey any benefit or
29 interest in an individual investment account or rights to
30 receive or direct distributions under this part or under

1 agreements entered into under this part except as otherwise
2 provided in this part and in the case of either a member or a
3 participant except for a set-off by the Commonwealth in the
4 case provided in subparagraph (i), and shall be unassignable
5 except:

6 (i) To the Commonwealth in the case of a member or
7 participant who is terminating State service and has been
8 determined to be obligated to the Commonwealth for the
9 repayment of money owed on account of his employment or
10 to the fund on account of a loan from a credit union to a
11 member which has been satisfied by the board from the
12 fund.

13 (ii) To a credit union as security for a loan to a
14 member not to exceed \$750 and interest not to exceed 6%
15 per annum discounted and/or fines thereon if the credit
16 union is now or hereafter organized and incorporated
17 under the laws of this Commonwealth and the membership of
18 such credit union is limited solely to officials and
19 employees of the Commonwealth and if such credit union
20 has paid to the fund \$3 for each such assignment.

21 (2) (i) Rights under this part shall be subject to
22 forfeiture as provided by the act of July 8, 1978
23 (P.L.752, No.140), known as the Public Employee Pension
24 Forfeiture Act, and by or pursuant to section 16(b) of
25 Article V of the Constitution of Pennsylvania.
26 Forfeitures under this subsection or under any other
27 provision of law may not be applied to increase the
28 benefits that any member would otherwise receive under
29 this part.

30 (ii) In accordance with section 16(b) of Article V

1 of the Constitution of Pennsylvania and notwithstanding
2 this paragraph, the act of July 8, 1978 (P.L.752,
3 No.140), known as the Public Employee Pension Forfeiture
4 Act, or 42 Pa.C.S. § 3352 (relating to pension rights),
5 the accumulated mandatory participant contributions and
6 accumulated voluntary contributions standing to the
7 credit of a participant shall not be forfeited but shall
8 be available for payment of fines and restitution as
9 provided by law. In accordance with section 16(b) of
10 Article V of the Constitution of Pennsylvania, amounts in
11 the trust that have been ordered to be distributed to an
12 alternate payee as the result of an equitable
13 distribution of marital property as part of an approved
14 domestic relations order entered before the date of the
15 order or action in a court or other tribunal resulting in
16 a forfeiture of a participant's interest in the trust
17 shall not be subject to the provisions of the Public
18 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
19 accumulated employer defined contributions forfeited as a
20 result of this paragraph or other law shall be retained
21 by the board and notwithstanding sections 5812(2)
22 (relating to powers and duties of board), 5815 (relating
23 to expenses) and 5902(c) (relating to administrative
24 duties of the board) used for the payment of expenses of
25 the plan.

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

29 (4) Effective with distributions made on or after
30 January 1, 1993, and notwithstanding any other provision of

1 this part to the contrary, a distributee may elect, at the
2 time and in the manner prescribed by the board, to have any
3 portion of an eligible rollover distribution paid directly to
4 an eligible retirement plan by way of a direct rollover. For
5 purposes of this paragraph, a "distributee" includes a member
6 [and], a participant, a member's surviving spouse [and], a
7 participant's surviving spouse, a member's former spouse who
8 is an alternate payee under an approved domestic relations
9 order[.], a participant's former spouse who is an alternate
10 payee under an approved domestic relations order and anyone
11 else authorized under the IRC and the plan terms approved by
12 the board to have an eligible rollover distribution paid
13 directly to an eligible retirement plan by way of a direct
14 rollover. For purposes of this paragraph, the term "eligible
15 rollover distribution" has the meaning given such term by IRC
16 § 402(f) (2) (A), and "eligible retirement plan" has the
17 meaning given such term by IRC § 402(c) (8) (B), except that a
18 qualified trust shall be considered an eligible retirement
19 plan only if it accepts the distributee's eligible rollover
20 distribution; however, in the case of an eligible rollover
21 distribution to a surviving spouse, an eligible retirement
22 plan is an "individual retirement account" or an "individual
23 retirement annuity" as those terms are defined in IRC §
24 408(a) and (b).

25 (b) Authorized payments from fund and trust.--The board
26 shall be authorized to pay from the fund and the trust:

27 (1) In the case of a member or participant who is
28 terminating service, the amount determined after
29 certification by the head of the department that the member
30 or participant is so obligated, and after review and approval

1 by the department or agency's legal representative or upon
2 receipt of an assignment from the member or participant in
3 the amount so certified[.], except that no payment shall be
4 made from the individual investment account of a participant
5 until the participant otherwise applies for and receives a
6 distribution and shall not exceed the amount of the
7 distribution.

8 (2) In the case of a loan to a member the amount of the
9 loan and any fine or interest due thereon to the credit union
10 except 5% of the total amount due which is to be retained in
11 the fund as a collection fee:

12 (i) if the member obtaining the loan shall have been
13 in default in required payments for a period of not less
14 than two years; or

15 (ii) at such time as the Department of Banking shall
16 require the credit union to charge the amount of the loan
17 against the reserve fund of such credit union.

18 Any member who shall have pledged such rights as
19 security for a loan from a credit union and, on whose
20 behalf the board shall have made any payment by reason of
21 that member's default, may not thereafter pledge or
22 assign such rights to a credit union.

23 (3) In the case of a participant whose former spouse is
24 an alternate payee of an equitable distribution of marital
25 assets under an approved domestic relations order, a lump sum
26 of the alternate payee's interest in the participant's
27 accumulated total defined contributions. This paragraph shall
28 apply without regard to whether the participant has not
29 terminated, is terminating or has terminated State service.

30 § 5953.1. Approval of domestic relations orders.

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

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

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

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

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

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

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

30 (7) Requires the member to execute an authorization

1 allowing each alternate payee to monitor the member's
2 compliance with the terms of the domestic relations order
3 through access to information concerning the member
4 maintained by the system. An authorization granted pursuant
5 to this section shall be construed as an authorization for
6 the alternate payee to receive information concerning the
7 administration, calculation and payment of the alternate
8 payee's share of the benefits payable pursuant to this part
9 and not as an authorization to exercise the rights afforded
10 to members or obtain information which is not related to the
11 administration, calculation and payment of alternate payee's
12 share of the benefits payable pursuant to this part.

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

18 (1) Does not require the plan to provide a type or form
19 of benefit or an option applicable to members of the system
20 or participants in the plan.

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

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

30 (4) Requires the plan to pay to the alternate payee no

1 more than the lesser of the vested amount of the
2 participant's individual investment account specified by the
3 domestic relations order or the vested amount of the
4 participant's individual investment account as of the date of
5 the transfer of the alternate payee's share to the alternate
6 payee.

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

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

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

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

24 (9) Requires the participant to execute an authorization
25 allowing each alternate payee to monitor the participant's
26 compliance with the terms of the domestic relations order
27 through access to information concerning the participant
28 maintained by the plan. An authorization granted pursuant to
29 this section shall be construed as an authorization for the
30 alternate payee to receive information concerning the

1 participant which relates to the administration, calculation
2 and payment of the alternate payee's share of the
3 participant's account and not as an authorization to exercise
4 the rights afforded to participants or obtain information
5 which is not related to the administration, calculation and
6 payment of alternate payee's share of the participant's
7 individual investment account.

8 (10) Requires the immediate distribution of the
9 alternate payee's share of the participant's individual
10 investment account, which may be by direct payment, eligible
11 rollover or trustee-to-trustee transfer to another eligible
12 plan or qualified account owned by the alternate payee,
13 notwithstanding any other provision of this part or the plan
14 that would require a distribution of accumulated employer
15 defined contributions in the form of an annuity or to require
16 the purchase of an annuity.

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

27 (b) Determination by secretary.--Within a reasonable period
28 after receipt of a domestic relations order, the secretary of
29 the board, or his designated representative, shall determine
30 whether this order is an approved domestic relations order and

1 notify the member or participant and each alternate payee of
2 this determination. Notwithstanding any other provision of law,
3 the exclusive remedy of any member, participant or alternate
4 payee aggrieved by a decision of the secretary of the board, or
5 his designated representative, shall be the right to an
6 adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A
7 (relating to practice and procedure) with appeal therefrom to
8 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
9 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct
10 appeals from government agencies).

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

29 (d) Obligation discharged.--Only the requirements of this
30 part and any regulations promulgated hereunder shall be used to

1 govern the approval or disapproval of a domestic relations
2 order. Therefore, if the secretary of the board, or his
3 designated representative, acts in accordance with the
4 provisions of this part and any promulgated regulations in
5 approving or disapproving a domestic relations order, then the
6 obligations of the system or the plan with respect to such
7 approval or disapproval shall be discharged.

8 § 5953.2. Irrevocable beneficiary.

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

23 § 5953.3. Irrevocable survivor annuitant.

24 Notwithstanding any other provisions of this part, a domestic
25 relations order pertaining to a member may provide for an
26 irrevocable survivor annuitant. A domestic relations order
27 requiring the designation of an irrevocable survivor annuitant
28 shall be deemed to be one that requires a member to designate an
29 alternate payee as a survivor annuitant and that prohibits the
30 removal or change of that survivor annuitant without approval of

1 a court of competent jurisdiction, except by operation of law.
2 Such a domestic relations order may be certified as an approved
3 domestic relations order by the secretary of the board, or his
4 designated representative, in which case the irrevocable
5 survivor annuitant so ordered by the court cannot be changed by
6 the member without approval by the court. A person ineligible to
7 be designated as a survivor annuitant may not be designated as
8 an irrevocable survivor annuitant.

9 § 5953.4. Amendment of approved domestic relations orders.

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

16 * * *

17 Section 436. Title 71 is amended by adding a section to
18 read:

19 § 5953.6. Irrevocable successor payee.

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

25 (b) Determination.--A domestic relations order requiring the
26 designation of an irrevocable successor payee shall be deemed to
27 be one that requires a participant who is receiving payments
28 from an annuity or other distribution option to designate an
29 alternate payee as a successor payee and that prohibits the
30 removal or change of the successor payee without approval of a

1 court of competent jurisdiction, except by operation of law.

2 (c) Certification.--A domestic relations order under
3 subsection (b) may be certified as an approved domestic
4 relations order by the secretary of the board or his designated
5 representative. If a domestic relations order is certified under
6 this subsection, the irrevocable successor payee named in such
7 order shall not be changed by the participant without approval
8 by the court.

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

15 Section 437. Sections 5954, 5955 and 5957 of Title 71 are
16 amended to read:

17 § 5954. Fraud and adjustment of errors.

18 (a) Penalty for fraud.--Any person who shall knowingly make
19 any false statement or shall falsify or permit to be falsified
20 any record or records of this system or plan in any attempt to
21 defraud the system or plan as a result of such act shall be
22 guilty of a misdemeanor of the second degree.

23 (b) Adjustment of errors.--Should any change or mistake in
24 records result in any member, participant, beneficiary [or],
25 survivor annuitant or successor payee receiving from the system
26 or plan more or less than he would have been entitled to receive
27 had the records been correct, then regardless of the intentional
28 or unintentional nature of the error and upon the discovery of
29 such error, the board shall correct the error and if the error
30 affected contributions to or payments from the system, then so

1 far as practicable shall adjust the payments which may be made
2 for and to such person in such a manner that the actuarial
3 equivalent of the benefit to which he was correctly entitled
4 shall be paid. If the error affected contributions to or
5 payments from the plan, the board shall take action as provided
6 for in the plan document.

7 § 5955. Construction of part.

8 (a) Exclusive source of rights and benefits.--Regardless of
9 any other provision of law, pension and benefit rights of State
10 employees shall be determined solely by this part or any
11 amendment thereto or the plan document established by the board,
12 and no collective bargaining agreement nor any arbitration award
13 between the Commonwealth and [its] other employers and the
14 Commonwealth's and other employer's employees or their
15 collective bargaining representatives shall be construed to
16 change any of the provisions herein, to require the board to
17 administer pension or retirement benefits not set forth in this
18 part or not established by the board in the plan document, to
19 require the board to modify, amend or change any of the terms
20 and provisions of the plan document, or otherwise require action
21 by any other government body pertaining to pension or retirement
22 benefits or rights of State employees. Notwithstanding the
23 foregoing, any pension or retirement benefits or rights
24 previously so established by or as a result of an arbitration
25 award shall remain in effect after the expiration of the current
26 collective bargaining agreement between the State employees so
27 affected and the Commonwealth until the expiration of each of
28 the collective bargaining agreements in effect on January 1,
29 2011, at which time the classes of membership and resulting
30 member contribution rates and contributions for creditable

1 nonstate service, eligibility for vesting, withdrawal and
2 superannuation annuities, optional modification of annuities and
3 other terms and conditions related to class of membership shall
4 be as determined by this part for employees covered by those and
5 successor collective bargaining agreements. For purposes of
6 administering this part, for those State employees who are
7 members of each such collective bargaining unit, the date
8 January 1, 2011, contained in this part, except in this section,
9 shall be replaced with the date of the day immediately following
10 the expiration of each such collective bargaining agreement. The
11 provisions of this part insofar as they are the same as those of
12 existing law are intended as a continuation of such laws and not
13 as new enactments. The provisions of this part shall not affect
14 any act done, liability incurred, right accrued or vested, or
15 any suit or prosecution pending or to be instituted to enforce
16 any right or penalty or to punish any offense under the
17 authority of any repealed laws.

18 (b) References.--References in this part to the Internal
19 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.)
20 or the Uniformed Services Employment and Reemployment Rights Act
21 of 1994 (Public Law 103-353, 108 Stat. 3149), including
22 administrative regulations promulgated under the Internal
23 Revenue Code of 1986 or the Uniformed Services Employment and
24 Reemployment Rights Act of 1994, are intended to include laws
25 and regulations:

26 (1) In effect on the effective date of this subsection.

27 (2) Amended, supplemented or supplanted on and after the
28 effective date of this subsection.

29 (c) Officer or member of the Pennsylvania State Police.--

30 (1) Notwithstanding a provision of subsection (a) or

1 section 12.1 of Act 120 of 2010, regarding the continued
2 effectiveness of pension or retirement benefits or rights
3 previously established by or as a result of a binding
4 arbitration award issued before July 1, 1989, pursuant to the
5 act of June 24, 1968 (P.L.237, No.111), referred to as the
6 Policemen and Firemen Collective Bargaining Act, and
7 implemented by the board, the pension or retirement benefits
8 or rights of a State employee who is a current or former
9 State police officer shall be as provided in this part as if
10 the binding arbitration award was not issued, except as
11 provided under this subsection.

12 (2) A State employee who is a current or former State
13 police officer who terminates State service before January 1,
14 2016, shall be eligible to receive the maximum single life
15 annuity, before optional modification under section 5705
16 (relating to member's options), which the State employee
17 would have been eligible to receive if ~~this subsection~~ <--
18 PARAGRAPH (1) had not been enacted. <--

19 (3) A State employee who meets the following shall be
20 eligible to receive the maximum single life annuity, before
21 optional modification under section 5705, which the State
22 employee would have been eligible to receive if ~~this~~ <--
23 subsection PARAGRAPH (1) had not been enacted: <--

24 (i) is a current or former State police officer;
25 (ii) has 20 or more qualifying eligibility points;
26 (iii) does not have service credited in Class CB;
27 and
28 (iv) terminates State service on or after January 1,
29 2016.

30 (4) A State employee who meets all of the requirements

in paragraph (3) other than the requirement in paragraph (3)
(iii) shall be able to receive an annuity calculated under
section 5702(a)(7) in addition to the maximum single life
annuity, before optional modification under section 5705,
which the State employee would have been eligible to receive
if ~~this subsection~~ PARAGRAPH (1) had not been enacted. <--

(5) A State employee who is a current or former State
police officer ~~or who becomes a State police officer as a~~ <--
member of the system in a class of service other than Class
CB after the effective date of this subsection and who does
not have 20 or more qualifying eligibility points shall be
eligible to receive a maximum single life annuity before
optional modification under section 5705 equal to the maximum
single life annuity that the State employee is eligible to
receive under this part ~~attributable to all credited service,~~ <--
compensation and eligibility points, INCLUDING AN ANNUITY <--
CALCULATED UNDER SECTION 5702(A)(7).

(6) To the extent that any officer or member of the
Pennsylvania State Police who is eligible to retire after
June 30, 1989, as provided in a binding arbitration award
issued before July 1, 1989, under the act of June 24, 1968
(P.L.237, No.111), referred to as the Policemen and Firemen
Collective Bargaining Act, as implemented by the board, with
a benefit based on 50% of highest year salary upon accruing
at least 20 years of credited State service or nonstate
service in the system or based on 75% of highest year salary
upon accruing at least 25 years of credited State or nonstate
service in the system, the eligibility shall be determined
solely on service credited, compensation paid and
contributions made as a member of the system OTHER THAN AS A <--

1 MEMBER OF CLASS CB.

2 (7) Service as a State police officer credited in the
3 system shall not operate to prevent any State employee from
4 being a participant in the plan for any State service that
5 would otherwise result in participation in the plan. Any
6 State service performed, compensation paid and contributions
7 made as a participant in the plan OR AS A MEMBER OF CLASS CB <--
8 shall not be included in determining eligibility for and the
9 amount of benefits provided from the system as long as <--
10 entitlement to actual, EXCEPT AS PROVIDED IN PARAGRAPHS (4) <--
11 AND (5), PROVIDED THAT ACTUAL PAYMENT AND receipt of benefits
12 is subject to the provisions of this part regarding
13 employment and termination as a State employee. Any benefit
14 resulting from participation in the plan shall be in addition
15 to any benefit a State police officer may be eligible to
16 receive as a member of the system.

17 ~~(8) An individual who first becomes a State employee on <--~~
18 ~~or after January 1, 2016, or if a State employee before~~
19 ~~January 1, 2016, was not a member of the system before~~
20 ~~January 1, 2016, who subsequently becomes a sworn police~~
21 ~~officer shall not be eligible to accrue benefits pursuant to~~
22 ~~the binding arbitration award, but instead shall be eligible~~
23 ~~to be a participant in the plan and a member of Class CB as~~
24 ~~provided in this part.~~

25 ~~(9)~~ (8) For the purposes of this subsection, the <--
26 following terms shall have the meanings given to them in this
27 paragraph:

28 "Act 120 of 2010." The act of November 23, 2010
29 (P.L.1269, No.120), entitled "An act amending Titles 24
30 (Education) and 71 (State Government) of the Pennsylvania

1 Consolidated Statutes, in Title 24, further providing for
2 definitions, for mandatory and optional membership, for
3 contributions by the Commonwealth, for payments by employers,
4 for actuarial cost method, for additional supplemental
5 annuities, for further additional supplemental annuities, for
6 supplemental annuities commencing 1994, for supplemental
7 annuities commencing 1998, for supplemental annuities
8 commencing 2002, for supplemental annuities commencing 2003,
9 for administrative duties of board, for payments to school
10 entities by Commonwealth, for eligibility points for
11 retention and reinstatement of service credits and for
12 creditable nonschool service; providing for election to
13 become a Class T-F member; further providing for classes of
14 service, for eligibility for annuities, for eligibility for
15 vesting, for regular member contributions, for member
16 contributions for creditable school service, for
17 contributions for purchase of credit for creditable nonschool
18 service, for maximum single life annuity, for disability
19 annuities, for member's options, for duties of board
20 regarding applications and elections of members and for
21 rights and duties of school employees and members; providing
22 for Independent Fiscal Office study; in Title 71,
23 establishing an independent fiscal office and making a
24 related repeal; further providing for definitions, for
25 credited State service, for retention and reinstatement of
26 service credits, for creditable nonstate service and for
27 classes of service; providing for election to become a Class
28 A-4 member; further providing for eligibility for annuities
29 and for eligibility for vesting; providing for shared-risk
30 member contributions for Class A-3 and Class A-4 service;

1 further providing for waiver of regular member contributions
2 and Social Security integration member contributions, for
3 member contributions for purchase of credit for previous
4 State service or to become a full coverage member, for
5 contributions for the purchase of credit for creditable
6 nonstate service, for contributions by the Commonwealth and
7 other employers, for actuarial cost method, for maximum
8 single life annuity, for disability annuities and for
9 member's options; providing for payment of accumulated
10 deductions resulting from Class A-3 service; further
11 providing for additional supplemental annuities, for further
12 additional supplemental annuities, for supplemental annuities
13 commencing 1994, for supplemental annuities commencing 1998,
14 for supplemental annuities commencing 2002, for supplemental
15 annuities commencing 2003, for special supplemental
16 postretirement adjustment of 2002, for administrative duties
17 of the board, for duties of board to advise and report to
18 heads of departments and members, for duties of board
19 regarding applications and elections of members, for
20 installment payments of accumulated deductions, for rights
21 and duties of State employees and members, for members'
22 savings account, for State accumulation account, for State
23 Police Benefit Account, for Enforcement Officers' Benefit
24 Account, for supplemental annuity account and for
25 construction of part; and providing for Independent Fiscal
26 Office study, for retirement eligibility of Pennsylvania
27 State Police officers or members, for a prohibition on the
28 issuance of pension obligation bonds, for holding certain
29 public officials harmless, for construction of calculation or
30 actuarial method, for applicability and for certain

1 operational provisions."

2 "Binding arbitration award." A binding arbitration award
3 issued before July 1, 1989, pursuant to the act of June 24,
4 1968 (P.L.237, No.111), referred to as the Policemen and
5 Firemen Collective Bargaining Act, and was implemented by the
6 State Employees' Retirement Board.

7 "Qualifying eligibility points." Eligibility points as a
8 result of State service in a class of service other than
9 class CB, nonstate service or being reemployed from USERRA
10 leave.

11 (d) Adverse inference.--Nothing in this part shall be
12 construed to mean that the limitations on benefits or other
13 requirements under IRC § 401(a) or other applicable provisions
14 of the IRC which are applicable to participants in the plan do
15 not apply to the participants or to members of the system and
16 the benefits payable under this part.

17 (e) Applicability.--The amendment of this part regarding the
18 establishment of and participation in the plan shall apply to an
19 elected officer who is elected, OR reelected ~~or retained in a~~ <--
20 ~~retention election~~ to a term of office that begins on or after
21 January 1, 2016, notwithstanding that either immediately or at
22 any time prior to beginning a term of office on or after January
23 1, 2016, the elected officer was an active member of the system
24 or inactive member on leave without pay. An individual who is
25 elected, OR reelected ~~or retained in a retention election~~ to a <--
26 term of office as A member of the ~~general assembly~~ GENERAL <--
27 ASSEMBLY that begins on or after January 1, 2016:

28 (1) does so with the knowledge of the provisions, terms
29 and conditions of this part, including those provisions,
30 terms and conditions establishing the plan and determining

1 participation in the plan and membership in the system; and
2 (2) expressly consents to those provisions, terms and
3 conditions and the resulting contributions, obligations,
4 benefits and rights, or lack of contributions, obligations,
5 benefits and rights in the system and the plan.

6 (f) Furloughs.--For purposes of sections 5301(a)(17)
7 (relating to credited State service), 5306 (relating to classes
8 of service), 5306.4 (relating to election of an alternate class <--
9 of service multiplier) and this section, a State employee who is
10 furloughed under section 802 of the act of August 5, 1941
11 (P.L.752, No.286), known as the Civil Service Act, and
12 reemployed pursuant to the Civil Service Act in any class of
13 service or civil service status which was previously held, shall
14 not be treated as having been terminated from State service and
15 beginning a new period of State service.

16 § 5957. Independent Fiscal Office study.

17 The Independent Fiscal Office shall study and analyze the
18 implementation of shared-risk contributions under section 5501.1
19 (relating to shared-risk member contributions [for Class A-3 and
20 Class A-4 service] and shared-gain adjustments to regular member
21 contributions for Class A-3 and Class A-4 service) and its
22 impact on the system. The study shall be completed by December
23 31, 2015, and shall be transmitted to the Appropriations
24 Committee and the Finance Committee of the Senate, the
25 Appropriations Committee and the Finance Committee of the House
26 of Representatives and to the Governor.

27 Section 438. Title 71 is amended by adding a section to
28 read:

29 § 5958. Public Pension Management and Asset Investment Review
30 Commission.

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

- 4 (1) Governor;
5 (2) President Pro tempore of the Senate; and
6 (3) Speaker of the House of Representatives.

7 The appointees shall be investment professionals and retirement
8 advisors and shall be appointed within 90 days of the effective
9 date of this section.

10 (b) Duties.--The duties of the Public Pension Management and
11 Asset Investment Review Commission are as follows:

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

17 (2) Study the costs and benefits of both active and
18 passive investment strategies in relation to future
19 investment activities of the State Employees' Retirement
20 System.

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

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

- 26 (i) assets;
27 (ii) returns;
28 (iii) financial managers;
29 (iv) consultants;
30 (v) requests for proposals; and

1 (vi) investment performance measured against
2 benchmarks.

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

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

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

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

15 (2) The act of October 4, 1978 (P.L.883, No.170), known
16 as the Public Official and Employee Ethics Act.

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

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

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

25 (f) Transparency and ethics.--The Public Pension Management
26 and Asset Investment Review Commission may conduct hearings and
27 otherwise gather pertinent information and analysis that it
28 considers appropriate.

29 (g) Logistical and other support.--The Public Pension
30 Management and Asset Investment Review Commission shall receive

1 logistical and other support from the Joint State Government
2 Commission and may employ additional temporary staff as needed.

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

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

10 ARTICLE V

11 Section 501. The following shall apply:

12 (1) The following provisions shall not create in a
13 member of the Public School Employees' Retirement System, a
14 participant in the School Employees' Defined Contribution
15 Plan or another person claiming an interest in the account of
16 a member or participant an express or implied contractual
17 right in the provisions nor in a construction of 24 Pa.C.S.
18 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
19 Pa.C.S. Pt. IV or 51 Pa.C.S.:

20 (i) A provision of this act which amends 51 Pa.C.S.
21 or 24 Pa.C.S. Pt. IV in relation to requirements for any
22 of the following:

23 (A) (Reserved).

24 (B) Qualification of the School Employees'
25 Defined Contribution Plan as a qualified pension plan
26 under the Internal Revenue Code of 1986 (Public Law
27 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or
28 compliance with the Uniformed Services Employment and
29 Reemployment Rights Act of 1994 (Public Law 103-353,
30 108 Stat. 3149).

1 (C) Contributions to, participation in or
2 benefits from the School Employees' Defined
3 Contribution Plan or School Employees' Defined
4 Contribution Trust.

5 (D) Domestic relations orders regarding
6 alternate payees of participants in the School
7 Employees' Defined Contribution Plan.

8 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
9 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
10 Pt. IV or 51 Pa.C.S. or a term or provision of the School
11 Employees' Defined Contribution Plan or School Employees'
12 Defined Contribution Trust, established by statute or in
13 the plan document or trust declaration.

14 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
15 subject to the Internal Revenue Code of 1986 and the
16 Uniformed Services Employment and Reemployment Rights Act of
17 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
18 under those statutes, and the General Assembly reserves to
19 itself the further exercise of its legislative power to amend
20 or supplement the provisions as may be required in order to
21 maintain the qualification of the system as a qualified
22 pension plan under section 401(a) and other applicable
23 provisions of the Internal Revenue Code of 1986 and the
24 Uniformed Services Employment and Reemployment Rights Act of
25 1994 (Public Law 103-353, 108 Stat. 3149).

26 (3) The following provisions shall not create in a
27 member of the State Employees' Retirement System, a
28 participant in the State Employees' Defined Contribution Plan
29 or another person claiming an interest in the account of a
30 member or participant an express or implied contractual right

1 in the provisions nor in a construction of 51 Pa.C.S. § 7306,
2 71 Pa.C.S. Pt. XXV, or rules or regulations adopted under 51
3 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

4 (i) A provision of this act which amends 51 Pa.C.S.
5 § 7306 or 71 Pa.C.S. Pt. XXV in relation to requirements
6 for any of the following:

7 (A) (Reserved)

8 (B) Qualification of the State Employees'
9 Defined Contribution Plan as a qualified pension plan
10 under the Internal Revenue Code of 1986 (Public Law
11 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance
12 with the Uniformed Services Employment and
13 Reemployment Rights Act of 1994 (Public Law 103-353,
14 108 Stat. 3149).

15 (C) Contributions to, participation in or
16 benefits from the State Employees' Defined
17 Contribution Plan or State Employees' Defined
18 Contribution Trust.

19 (D) Domestic relations orders regarding
20 alternate payees of participants in the State
21 Employees' Defined Contribution Plan.

22 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.
23 XXV or rules or regulations adopted under 51 Pa.C.S. or
24 71 Pa.C.S. Pt. XXV or a term or provision of the State
25 Employees' Defined Contribution Plan or State Employees'
26 Defined Contribution Trust, established by statute or in
27 the plan document or trust declaration.

28 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
29 subject to the Internal Revenue Code of 1986 and the
30 Uniformed Services Employment and Reemployment Rights Act of

1 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
2 under those statutes, and the General Assembly reserves to
3 itself the further exercise of its legislative power to amend
4 or supplement the provisions as may be required in order to
5 maintain the qualification of the system as a qualified
6 pension plan under section 401(a) and other applicable
7 provisions of the Internal Revenue Code of 1986 and the
8 Uniformed Services Employment and Reemployment Rights Act of
9 1994 (Public Law 103-353, 108 Stat. 3149).

10 Section 502. The following shall apply:

11 (1) Nothing in this act shall be construed to mean that
12 a calculation or actuarial method used by the School
13 Employees' Retirement Board, its actuaries or the Public
14 School Employees' Retirement System was not in accordance
15 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
16 law prior to the effective date of this section.

17 (2) Nothing in this act shall be construed to mean that
18 a calculation or actuarial method used by the State
19 Employees' Retirement Board, its actuaries or the State
20 Employees' Retirement System was not in accordance with the
21 provisions of 71 Pa.C.S. Pt. XXV or other applicable law
22 prior to the effective date of this section.

23 Section 503. The following shall apply:

24 (1) (i) Payments required to fund a change in accrued
25 liability resulting from this act shall be subject to
26 limits imposed under 24 Pa.C.S. § 8328(g) on employer
27 contributions to the Public School Employees' Retirement
28 System.

29 (ii) For purposes of 24 Pa.C.S. §§ 8326, 8327, and
30 8328, changes under this act shall not be considered to

1 be costs added by legislation.

2 (2) Notwithstanding any other provision of law, a change
3 in accrued liability of the State Employees' Retirement
4 System created under this act as a result of changes in
5 benefits shall be funded in equal dollar installments over a
6 period of 30 years beginning July 1, 2016.

7 ~~(3) A change in accrued liability as a result of~~ <--
8 ~~amendments to 71 Pa.C.S. §§ 5507 and 5508 shall be funded in~~
9 ~~equal dollar installments over a period of 30 years beginning~~
10 ~~July 1, 2016.~~ (RESERVED). <--

11 (4) Payments required to fund a change in accrued
12 liability resulting from this act shall be subject to limits
13 imposed under 71 Pa.C.S § 5508(h) on employer contributions
14 to the State Employees' Retirement System.

15 (5) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,
16 changes under this act shall not be considered to be costs
17 added by legislation.

18 Section 504. The following shall apply:

19 (1) This act shall be construed and administered in such
20 a manner that the Public School Employees' Retirement System
21 and the School Employees' Defined Contribution Plan shall
22 satisfy the requirements necessary to qualify as a qualified
23 pension plan under section 401(a) of the Internal Revenue
24 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
25 applicable provisions of the Internal Revenue Code of 1986
26 and the Uniformed Services Employment and Reemployment Rights
27 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
28 regulations and procedures adopted and promulgated by the
29 Public School Employees' Retirement Board and the terms and
30 conditions of the plan document and trust declaration adopted

1 by the Public School Employees' Retirement Board may include
2 provisions necessary to accomplish the purpose of this
3 section.

4 (2) This act shall be construed and administered in a
5 manner that the State Employees' Retirement System and the
6 State Employees' Defined Contribution Plan shall satisfy the
7 requirements necessary to qualify as a qualified pension plan
8 under section 401(a) of the Internal Revenue Code of 1986
9 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
10 provisions of the Internal Revenue Code of 1986 and the
11 Uniformed Services Employment and Reemployment Rights Act of
12 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
13 regulations and procedures adopted and promulgated by the
14 State Employees' Retirement Board and the terms and
15 conditions of the plan document and trust declaration adopted
16 by the State Employees' Retirement Board may include
17 provisions necessary to accomplish the purpose of this
18 section.

19 Section 505. The following shall apply:

20 (1) Notwithstanding any other provision of law,
21 fiduciary requirement, actuarial standard of practice or
22 other requirement, the members of the Public School
23 Employees' Retirement Board, the actuary and employees and
24 officials of the Public School Employees' Retirement System
25 may not be held liable or in breach or violation of a law or
26 standard as individuals, in their official capacity or as a
27 governmental or corporate entity, for an action or
28 calculation related to calculating and certifying a final
29 contribution rate as provided under this act that is
30 different from the actuarially required contribution rate as

1 appropriately calculated under 24 Pa.C.S. Pt. IV.

2 (2) Notwithstanding any other provision of law,
3 fiduciary requirement, actuarial standard of practice or
4 other requirement, the members of the State Employees'
5 Retirement Board, the actuary and other employees and
6 officials of the State Employees' Retirement System may not
7 be held liable or in breach or violation of a law or standard
8 as individuals, in their official capacity or as a
9 governmental or corporate entity, for an action or
10 calculation related to calculating and certifying a final
11 contribution rate as provided under this act that is
12 different from the actuarially required contribution rate as
13 appropriately calculated under 71 Pa.C.S. Pt. XXV.

14 Section 506. Nothing in this act shall be deemed to permit
15 the restoration of service credit or retirement benefits which:

16 (1) were or are subject to section 16 of Article V of
17 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

18 (2) were or are the subject of an order of forfeiture
19 under the act of July 8, 1978 (P.L.752, No.140), known as the
20 Public Employee Pension Forfeiture Act.

21 Section 507. (Reserved).

22 Section 508. If a provision of this act or its application
23 to any person or circumstance is held invalid, the invalidity
24 shall not affect other provisions or applications of this act
25 that can be given effect without the invalid provision or
26 application.

27 Section 509. Nothing in this act shall be construed to mean
28 that an interpretation or application of 71 Pa.C.S. Pt. XXV or
29 benefits available to members of the State Employees' Retirement
30 System was not in accordance with 71 Pa.C.S. Pt. XXV or other

1 applicable law, including the Internal Revenue Code of 1986
2 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed
3 Services Employment and Reemployment Rights Act of 1994 (Public
4 Law 103-353, 108 Stat. 3149) before the effective date of this
5 section.

6 Section 510. Notwithstanding the provisions of 71 Pa.C.S. §
7 5903(b), the statement for each member prepared by the State
8 Employees' Retirement Board for the period ending December 31,
9 2015, and any other statements or estimates of benefits prepared
10 by the board pursuant to the provisions of 71 Pa.C.S. Pt. XXV
11 from the effective date of this section to June 30, 2016, shall
12 not be required to reflect the provisions of this act.

13 Section 511. Notwithstanding the provisions of 71 Pa.C.S.
14 Pt. XXV, the obligation of the State Employees' Retirement Board
15 to make payments to any individual whose rights, benefits and
16 obligations are affected by this act within specified time
17 periods of the receipt of applications for benefits or other
18 information shall not apply from the effective date of this
19 section to June 30, 2016.

20 Section 512. Section 502 of the act of October 15, 1980
21 (P.L.950, No.164), known as the Commonwealth Attorneys Act, is
22 repealed insofar as it is inconsistent with the amendment of 24
23 Pa.C.S. § 8501 and 71 Pa.C.S. § 5901.

24 Section 513. This act shall take effect immediately.