

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 12 Session of 2017

INTRODUCED BY KAMPF, TOBASH, TURZAI, DUNBAR, PICKETT, SACCONI,
GREINER, JAMES, KAUFFMAN, B. MILLER, WARD, CUTLER, TOPPER,
MILLARD, FEE, RYAN, MENTZER, BLOOM, TALLMAN, COX, IRVIN,
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GABLER, MCGINNIS, STAATS, LAWRENCE AND EVERETT,
APRIL 12, 2017

REFERRED TO COMMITTEE ON STATE GOVERNMENT, APRIL 12, 2017

AN ACT

Amending Titles 24 (Education), 51 (Military Affairs) and 71
(State Government) of the Pennsylvania Consolidated Statutes,
extensively revising pension provisions as follows:

In Title 24:

for retirement for school employees, in the areas of
preliminary provisions, of membership, contributions and
benefits, of school employees' defined contribution plan
and of administration and miscellaneous provisions; and

for health insurance for retired school employees, in
the areas of preliminary provisions and of miscellaneous
provisions.

In Title 51:

for employment preferences and pensions, in the area
of military leave of absence.

In Title 71:

for retirement for State employees and officers, in
the areas of preliminary provisions, of membership,
credited service, classes of service and eligibility for
benefits, of State employees' defined contribution plan,
of contributions, of benefits, and of administration,
funds, accounts, general provisions.

Providing, as to the revisions:

for construction and administration, for
applicability and for liability.

The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 ARTICLE I

3 AMENDMENTS TO TITLE 24

4 Section 101. The definitions of "alternate payee,"
5 "beneficiary," "compensation," "creditable nonschool service,"
6 "credited service," "date of termination of service,"
7 "distribution," "domestic relations order," "eligibility
8 points," "final average salary," "inactive member," "intervening
9 military service," "irrevocable beneficiary," "leave for service
10 with a collective bargaining organization," "previous school
11 service," "reemployed from USERRA leave," "salary deductions,"
12 "USERRA leave" and "valuation interest" in section 8102 of Title
13 24 of the Pennsylvania Consolidated Statutes are amended and the
14 section is amended by adding definitions to read:

15 § 8102. Definitions.

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

19 * * *

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

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

30 "Accumulated total defined contributions." The total of the

1 accumulated mandatory participant contributions, accumulated
2 employer defined contributions and accumulated voluntary
3 contributions, reduced by any distributions, standing to the
4 credit of a participant in an individual investment account in
5 the trust.

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

11 * * *

12 "Act 120 member." A member of Class T-E or Class T-F.

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

20 * * *

21 "Alternate payee." Any spouse, former spouse, child or
22 dependent of a member or participant who is recognized by a
23 domestic relations order as having a right to receive all or a
24 portion of the moneys payable to that member or participant
25 under this part.

26 * * *

27 "Beneficiary." [The] In the case of the system, the person
28 or persons last designated in writing to the board by a member
29 to receive his accumulated deductions or a lump sum benefit upon
30 the death of such member. In the case of the plan, the person or

1 persons last designated in writing to the board by a participant
2 to receive his vested accumulated total defined contributions or
3 a lump sum benefit upon the death of such participant.

4 * * *

5 "Compensation." Pickup contributions and mandatory pickup
6 participant contributions plus any remuneration received as a
7 school employee excluding reimbursements for expenses incidental
8 to employment and excluding any bonus, severance payments, any
9 other remuneration or other emolument received by a school
10 employee during his school service which is not based on the
11 standard salary schedule under which he is rendering service,
12 payments for unused sick leave or vacation leave, bonuses or
13 other compensation for attending school seminars and
14 conventions, payments under health and welfare plans based on
15 hours of employment or any other payment or emolument which may
16 be provided for in a collective bargaining agreement which may
17 be determined by the Public School Employees' Retirement Board
18 to be for the purpose of enhancing compensation as a factor in
19 the determination of final average salary, and excluding
20 payments for military leave and any other payments made by an
21 employer while on USERRA leave, leave of absence granted under
22 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
23 government employees), military leave of absence granted under
24 51 Pa.C.S. § 7302 (relating to granting military leaves of
25 absence), leave granted under section 1178 of the act of March
26 10, 1949 (P.L.30, No.14), known as the Public School Code of
27 1949, or other types of military leave, including other types of
28 leave payments, stipends, differential wage payments as defined
29 in IRC § 414(u)(12) and any other payments, provided, however,
30 that the limitation under section 401(a)(17) of the Internal

1 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
2 taken into account for the purpose of member contributions,
3 including regular or joint coverage member contributions,
4 regardless of class of service, shall apply to each member who
5 first became a member of the Public School Employees' Retirement
6 System on or after July 1, 1996, and who by reason of such fact
7 is a noneligible member subject to the application of the
8 provisions of section 8325.1 (relating to annual compensation
9 limit under IRC § 401(a)(17)) and shall apply to each
10 participant.

11 * * *

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

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

24 "Date of termination of service." The last date of service
25 for which:

26 (1) pickup contributions are made for an active member
27 [or,] ;

28 (2) in the case of an inactive member, the effective
29 date of his resignation or the date his employment is
30 formally discontinued by his employer or two years following

1 the last day of service for which contributions were made,
2 whichever is earliest[.];

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

5 (4) in the case of an inactive participant, the date of
6 his resignation or the date his employment is formally
7 discontinued by his employer.

8 * * *

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

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

26 * * *

27 "Eligible participant receiving distributions." All
28 participants receiving distributions with 15 or more eligibility
29 points.

30 "Eligibility points." Points which are accrued by an active

1 member, a multiple service member who is an active member of the
2 State Employees' Retirement System for credited service or by a
3 member who has been reemployed from USERRA leave or dies while
4 performing USERRA leave and are used in the determination of
5 eligibility for benefits as provided in section 8306 (relating
6 to eligibility points). An active participant shall be deemed to
7 accrue one eligibility point for each fiscal year in which
8 employer defined contributions are made to the trust and
9 credited in the participant's individual investment account.

10 * * *

11 "Employer defined contributions." Contributions equal to
12 2.5% of an active participant's compensation that are made by an
13 employer for current service to the trust to be credited in the
14 participant's individual investment 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 member of the system or a State employee other than as an
27 employee in the State Employees' Defined Contribution Plan or
28 both; and, in the case of a noneligible member, subject to the
29 application of the provisions of section 8325.1 (relating to
30 annual compensation limit under IRC § 401(a)(17)). Final average

1 salary shall be determined by including in compensation,
2 payments deemed to have been made to a member reemployed from
3 USERRA leave to the extent member contributions have been made
4 as provided in section 8302(d)(2) (relating to credited school
5 service) and payments made to a member on leave of absence under
6 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
7 government employees) as provided in section 8302(d)(6).

8 * * *

9 "Inactive member." A member for whom no pickup contributions
10 are being made to the fund, except in the case of an active
11 member for whom such contributions otherwise required for
12 current school service are not being made solely by reason of
13 any provision of this part relating to the limitations under
14 section 401(a)(17) or 415 of the Internal Revenue Code of 1986
15 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415), who has
16 accumulated deductions standing to his credit in the fund and
17 for whom contributions have been made within the last two school
18 years or a multiple service member who is active in the State
19 Employees' Retirement System.

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

30 "Individual investment account." The account in the trust to

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

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

* * *

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

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

* * *

"Leave for service with a collective bargaining organization." Paid leave granted to an active member or active participant by an employer for purposes of working full time for or serving full time as an officer of a Statewide employee

1 organization or a local collective bargaining representative
2 under the act of July 23, 1970 (P.L.563, No.195), known as the
3 Public Employe Relations Act: Provided, That greater than one-
4 half of the members of the employee organization are active
5 members of the system or active participants of the plan; that
6 the employer shall fully compensate the member or active
7 participant, including, but not limited to, salary, wages,
8 pension and retirement contributions and benefits, other
9 benefits and seniority, as if he were in full-time active
10 service; and that the employee organization shall fully
11 reimburse the employer for such salary, wages, pension and
12 retirement contributions and benefits and other benefits and
13 seniority.

14 "Mandatory pickup participant contributions." Contributions
15 equal to 8.5% of compensation that are made by the employer for
16 active participants for current service that are picked up by
17 the employer.

18 * * *

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

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

26 * * *

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

29 "Plan document." The documents created by the board under
30 section 8402 (relating to plan document) that contain the terms

1 and provisions of the plan and trust as established by the board
2 regarding the establishment, administration and investment of
3 the plan and trust.

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

10 * * *

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

19 * * *

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

25 * * *

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

30 * * *

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

5 * * *

6 "Trust." The School Employees' Defined Contribution Trust
7 established under Chapter 84 (relating to school employees'
8 defined contribution plan).

9 * * *

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

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

22 * * *

23 "Voluntary contributions." Contributions made by a
24 participant to the trust and credited to his individual
25 investment account in excess of his mandatory pickup participant
26 contributions by an eligible rollover or direct trustee-to-
27 trustee transfers.

28 Section 102. Section 8103 of Title 24 is amended by adding
29 subsections to read:

30 § 8103. Construction of part.

1 * * *

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

8 (g) References to certain Federal statutes.--References in
9 this part to the IRC or the Uniformed Services Employment and
10 Reemployment Rights Act of 1994 (Public Law 103-353, 38 U.S.C.
11 §§ 4301-4333), including administrative regulations promulgated
12 under the IRC or the Uniformed Services Employment and
13 Reemployment Rights Act of 1994, are intended to include laws
14 and regulations in effect on the effective date of this section
15 and amended, supplemented or supplanted on and after the
16 effective date of this section.

17 (h) Construction.--

18 (1) This part may not be construed to mean that the
19 limitations on benefits or other requirements under IRC §
20 401(a) or other applicable provisions of the IRC that are
21 applicable to participants in the plan do not apply to the
22 participants or to the members of the system and the benefits
23 payable under this part.

24 (2) This part may not be construed to mean that an
25 interpretation or application of the provisions of this part
26 or benefits available to members of the Public School
27 Employees' Retirement System was not in accordance with the
28 provisions of this part or other applicable law, including
29 the IRC and the Uniformed Services Employment and
30 Reemployment Rights Act of 1994 before the effective date of

1 this subsection.

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

7 (i) Applicability.--This part shall apply to a record,
8 material or data under section 8502(e)(2) notwithstanding
9 whether:

10 (1) The record, material or data was created, generated
11 or stored before the effective date of this section.

12 (2) The record, material or data was previously released
13 or made public.

14 (3) A request for the record, material or data was made
15 or is pending final response under the former act of June 21,
16 1957 (P.L.390, No.212), referred to as the Right-to-Know Law,
17 or the act of February 14, 2008 (P.L.6, No.3), known as the
18 Right-to-Know Law.

19 Section 103. Title 24 is amended by adding a section to
20 read:

21 § 8103.2. Reference to Public School Employees' Retirement
22 System.

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

1 (b) Agreement.--The agreement of an employer to make
2 contributions to the fund or to enroll its employees as members
3 in the system shall be deemed to be an agreement to make
4 contributions to the trust or to enroll its employees in the
5 plan.

6 Section 104. Sections 8301, 8302(a), (b), (c) and (d),
7 8303.1 and 8304(a) of Title 24 are amended to read:

8 § 8301. Mandatory and optional membership in the system and
9 participation in the plan.

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

13 (1) [Any] Subject to the provisions in subsection (a.1),
14 any officer or employee of the Department of Education,
15 State-owned educational institutions, community colleges,
16 area vocational-technical schools, technical institutes[,] or
17 [the] The Pennsylvania State University and who is a member
18 of the State Employees' Retirement System or a member of
19 another retirement program approved by the employer.

20 (2) (i) Any school employee who is not a member of the
21 system and who is employed on a per diem or hourly basis
22 for less than 80 full-day sessions or 500 hours in any
23 fiscal year or annuitant who returns to school service
24 under the provisions of section 8346(b) (relating to
25 termination of annuities).

26 (ii) Notwithstanding subparagraph (i), any school
27 employee who, on or after July 1, 2018, begins school
28 service and who is employed on a per diem or hourly basis
29 for less than 80 full-day sessions or 500 hours in any
30 fiscal year or annuitant who returns to school service

1 under the provisions of section 8346(b).

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

7 (4) [Any] Subject to the provisions in subsection (a.2),
8 any part-time school employee who has an individual
9 retirement account pursuant to the Federal act of September
10 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
11 Employee Retirement Income Security Act of 1974.

12 (5) Any school employee who first begins school service
13 on or after July 1, 2018.

14 (a.1) Exceptions to mandating participation in plan.--

15 (1) Any officer or employee of the Department of
16 Education, a State-owned educational institution, a community
17 college or The Pennsylvania State University who is an active
18 member on December 31, 2018, and January 1, 2019, shall
19 remain an active member in the officer's or employee's class
20 of service until termination of school service. Any officer
21 or employee of the Department of Education, a State-owned
22 educational institution, a community college or The
23 Pennsylvania State University who becomes a school employee
24 on or after January 1, 2019, shall not be eligible to be a
25 participant in the plan and shall not be eligible for
26 membership in the system.

27 (2) Any officer or employee of an area vocational-
28 technical school or technical institute who is an active
29 member on June 30, 2018, and July 1, 2018, shall remain an
30 active member in the officer's or employee's class of service

1 until termination of school service. Any officer or employee
2 of an area vocational-technical school or technical institute
3 who becomes a school employee on or after July 1, 2018, shall
4 be a mandatory participant in the plan and shall not be
5 eligible to elect membership in the system or participation
6 in the plan.

7 (3) Any school employee other than those listed in
8 subsection (a)(1) who is an active member on June 30, 2018,
9 and July 1, 2018, shall remain an active member in the
10 employee's class of service until termination of school
11 service.

12 (4) Any school employee who, on or after July 1, 2018,
13 begins school service and who is employed on a per diem or
14 hourly basis for less than 80 full-day sessions or 500 hours
15 in any fiscal year or annuitant who returns to school service
16 under the provisions of section 8346(b) shall not be eligible
17 for membership in the system or participation in the plan.

18 (b) Prohibited membership in system.--The school employees
19 categorized in subsection (a)(1) [and (2)], (2), (4) and (5)
20 shall not have the right to elect membership in the system.

21 (c) Optional membership in system.--The school employees
22 categorized in subsection (a)(3) and, if otherwise eligible,
23 subsection (a)(4) shall have the right to elect membership in
24 the system before July 1, 2018. Once such election is exercised,
25 membership shall commence from the original date of eligibility
26 and shall continue until the termination of such service.

27 (d) Mandatory participation in plan.--Subject to the
28 exceptions in subsection (a.1), a school employee who first
29 begins school service on or after July 1, 2018, shall be a
30 mandatory participant in the plan as a result of such school

1 service.

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. A per diem or hourly school
13 employee shall receive one year of credited service for each
14 nonoverlapping period of 12 consecutive months in which he is
15 employed and for which contributions are made to the fund, or
16 would have been made but for such limitations under the IRC, for
17 at least 180 full-day sessions or 1,100 hours of employment. If
18 such member was employed and contributions were made to the fund
19 for less than 180 full-day sessions or 1,100 hours, he shall be
20 credited with a fractional portion of a year determined by the
21 ratio of the number of full-day sessions or hours of service
22 actually rendered and for which contributions are made to the
23 fund to 180 full-day sessions or 1,100 hours, as the case may
24 be. A part-time salaried employee shall be credited with the
25 fractional portion of the year which corresponds to the service
26 actually rendered and for which contributions are made to the
27 fund in relation to the service required as a comparable full-
28 time salaried employee. In no case shall a member receive more
29 than one year of credited service for any 12 consecutive months
30 or a member who has elected multiple service receive an

1 aggregate in the two systems of more than one year of credited
2 service for any 12 consecutive months.

3 (b) Approved leaves of absence.--An active member or active
4 participant shall receive credit for an approved leave of
5 absence provided that:

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

12 (2) the proper contributions are made by the member and
13 the employer or by the active participant and the employer.

14 * * *

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

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

21 (1) For purposes of determining whether a member is
22 eligible to receive credited service in the system for a
23 period of active military service, other than active duty
24 service to meet periodic training requirements, rendered
25 after August 5, 1991, and that began before the effective
26 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
27 (relating to military leave of absence) shall apply to all
28 individuals who were active members of the system when the
29 period of military service began, notwithstanding if the
30 member is not defined as an employee under 51 Pa.C.S. § 7301

1 (relating to definitions). School employees may not receive
2 service credit or exercise the options under 51 Pa.C.S. §
3 7306(a), (b) and (c) (relating to retirement rights) for
4 military leaves that begin on or after the effective date of
5 this subsection, except otherwise provided under this
6 subsection.

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

9 (i) A school employee who is reemployed from USERRA
10 leave as an active member of the system shall be treated
11 as not having incurred a break in school service by
12 reason of the USERRA leave and shall be granted
13 eligibility points as if the school employee had not been
14 on the USERRA leave. If a school employee who is
15 reemployed from USERRA leave as an active member of the
16 system subsequently makes regular member contributions,
17 shared-risk member contributions and any other member
18 contributions in the amounts and in the time periods
19 required by 38 U.S.C. Ch. 43 (relating to employment and
20 reemployment rights of members of the uniformed services)
21 and IRC § 414(u) as if the school employee had continued
22 in his school office or employment and performed school
23 service and been compensated during the period of USERRA
24 leave, the school employee shall be granted school
25 service credit for the period of USERRA leave. The
26 employee shall have his benefits, rights and obligations
27 determined under this part as if he was an active member
28 who performed creditable school service during the USERRA
29 leave in the job position that he would have held had he
30 not been on USERRA leave and received the compensation on

1 which the member contributions to receive school service
2 credit for the USERRA leave were determined.

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

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

29 (A) Granted credited service for the period of
30 USERRA leave for which the required member

1 contributions were not timely made.

2 (B) Eligible to subsequently make contributions.

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

7 (2.1) The following shall apply:

8 (i) A participant who is reemployed from USERRA
9 leave shall be treated as not having incurred a break in
10 school service by reason of the USERRA leave and shall be
11 granted vesting credit as if the participant had not been
12 on USERRA leave. If a participant who is reemployed from
13 USERRA leave subsequently makes mandatory pickup
14 participant contributions in the amounts and in the time
15 periods required by 38 U.S.C. Ch. 43 (relating to
16 employment and reemployment rights of members of the
17 uniformed services) and IRC § 414(u) as if the
18 participant had continued in school employment and
19 performed school service and been compensated during the
20 period of USERRA leave, then the participant's employer
21 shall make the corresponding employer defined
22 contributions. Such an employee shall have the employees
23 contributions, benefits, rights and obligations
24 determined under this part as if he were an active
25 participant who performed school service during the
26 USERRA leave in the job position that the employee would
27 have held had he not been on USERRA leave and received
28 the compensation on which the mandatory pickup
29 participant contributions to receive school service
30 credit for the USERRA leave were determined, including

1 the right to make voluntary contributions on such
2 compensation as permitted by law.

3 (ii) A participant who is reemployed from USERRA
4 leave who does not make the mandatory pickup participant
5 contributions or makes only part of the mandatory pickup
6 participant contributions within the allowed payment
7 period shall not be eligible to make mandatory pickup
8 participant contributions and voluntary contributions at
9 a later date for the period of USERRA leave for which the
10 mandatory pickup participant contributions were not
11 timely made.

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

22 (3.1) A participant employee who performs USERRA leave
23 from which the employee could have been reemployed from
24 USERRA leave had the school employee returned to school
25 service in the time frames required by 38 U.S.C. Ch. 43 for
26 reemployment rights, but did not do so, shall not be eligible
27 to make mandatory pickup participant contributions or
28 voluntary contributions for the period of USERRA leave should
29 the employee later return to school service and be a
30 participant in the plan.

1 (4) [A school employee] An active member or inactive
2 member on leave without pay who, on or after the effective
3 date of this subsection, is granted a leave of absence under
4 section 1178 of the Public School Code, a leave of absence
5 under 51 Pa.C.S. § 4102 (relating to leaves of absence for
6 certain government employees) or a military leave under 51
7 Pa.C.S. Ch. 73, that is not USERRA leave shall be able to
8 receive creditable nonschool service as nonintervening
9 military service should the employee return to school service
10 as an active member of the system and is otherwise eligible
11 to purchase the service as nonintervening military service.

12 (4.1) An active participant or inactive participant who,
13 on or after the effective date of this subsection, is granted
14 a leave of absence under 51 Pa.C.S. § 4102 (relating to
15 leaves of absence for certain government employees) or a
16 military leave under 51 Pa.C.S. Ch. 73 (relating to military
17 leave of absence), that is not USERRA leave shall not be able
18 to make mandatory pickup participant contributions or
19 voluntary contributions during or for the leave of absence or
20 military leave, and shall not have employer defined
21 contributions made during such leave, without regard to
22 whether or not the school employee received salary, wages,
23 stipends, differential wage payments or other payments from
24 his employer during the leave, notwithstanding any provision
25 to the contrary in 51 Pa.C.S. Ch. 73 or § 4102.

26 (5) If a member dies while performing USERRA leave, the
27 beneficiaries or survivor annuitants of the deceased member
28 shall be entitled to any additional benefits, including
29 eligibility points, other than benefit accruals relating to
30 the period of qualified military service, provided under this

1 part as if the member resumed and then terminated employment
2 on account of death.

3 (5.1) If a participant dies while performing USERRA
4 leave, then the beneficiaries or successor payees, as the
5 case may be, of the deceased participant are entitled to any
6 additional benefits, other than benefit accruals relating to
7 the period of qualified military service, provided under this
8 part as if the participant had resumed and then terminated
9 employment on account of death.

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

21 § 8303.1. Waiver of adjustments.

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

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

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

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

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

12 (b) Time period.--In order to obtain consideration of a
13 waiver under this section, the affected member, participant,
14 beneficiary or survivor annuitant must appeal to the board in
15 writing within 30 days after receipt of notice that benefits
16 have been adjusted or, if no notice was given, within 30 days
17 after the adjustment was known or should have been known to the
18 affected member, participant, beneficiary or survivor annuitant.
19 For any adjustments made prior to the effective date of this
20 subsection for which the member, participant, beneficiary or
21 survivor annuitant appealed to the board and was denied, an
22 appeal under this section must be filed within 90 days of the
23 effective date of this subsection.

24 § 8304. Creditable nonschool service.

25 (a) Eligibility.--An active member or a multiple service
26 member who is an active member of the State Employees'
27 Retirement System shall be eligible to receive Class T-C, Class
28 T-E or Class T-F service credit for creditable nonschool service
29 and Class T-D, Class T-E or Class T-F service for intervening
30 military service, provided the member becomes a Class T-D member

1 pursuant to section 8305.1 (relating to election to become a
2 Class T-D member) or Class T-F member pursuant to section 8305.2
3 (relating to election to become a Class T-F member) or 8305
4 (relating to classes of service), as set forth in subsection (b)
5 provided that he is not entitled to receive, eligible to receive
6 now or in the future, or is receiving retirement benefits for
7 such service under a retirement system administered and wholly
8 or partially paid for by any other governmental agency or by any
9 private employer, or a retirement program approved by the
10 employer in accordance with section 8301(a)(1) (relating to
11 mandatory and optional membership in the system and
12 participation in the plan), and further provided that such
13 service is certified by the previous employer and the manner of
14 payment of the amount due is agreed upon by the member, the
15 employer, and the board.

16 * * *

17 Section 105. Section 8305(b) of Title 24 is amended and the
18 section is amended by adding 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 Class
29 T-C or T-D service as applicable.

30 * * *

1 (f) Ineligibility for active membership and classes of
2 service.--An individual who first becomes a school employee on
3 or after July 1, 2018, shall be ineligible for active membership
4 in the system. Instead, any such school employee shall be a
5 participant in the plan as a result of such school service,
6 subject to the provisions in section 8301 (relating to mandatory
7 and optional membership in the system and participation in the
8 plan).

9 Section 106. Sections 8305.2(c) and (d), 8306(b), 8307(c),
10 8310, 8321(b), 8322.1, 8323(a) and (d), 8324(b), (c) and (d),
11 8325.1(a), 8326(a), (c) and (d), 8327, 8328(b), (c), (g) and
12 (h), 8330, 8341, 8342(a), 8344(a) and (b), 8346 and 8349
13 heading, (a) and (b) of Title 24 are amended to read:

14 § 8305.2. Election to become a Class T-F member.

15 * * *

16 (c) Effect of election.--An election to become a Class T-F
17 member shall be irrevocable and shall commence from the original
18 date of eligibility and shall remain in effect for all future
19 school service creditable in the system. A member who elects
20 Class T-F membership shall receive Class T-F service credit on
21 any and all future service, regardless of whether the member
22 terminates service or has a break in service.

23 (d) Effect of failure to make election.--If a member fails
24 to timely file an election to become a Class T-F member, then
25 the member shall be enrolled as a member of Class T-E, unless
26 the school employee is required to be a participant in the plan,
27 and the member shall never be able to elect Class T-F service,
28 regardless of whether the member terminates service or has a
29 break in service.

30 § 8306. Eligibility points.

1 * * *

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

3 (1) In determining whether a member, other than a
4 disability annuitant who returns to school service after June
5 30, 2001, upon termination of the disability annuity, who is
6 not a school employee or a State employee on June 30, 2001,
7 and July 1, 2001, and who has previous school service, has
8 the five eligibility points required by the definition of
9 "vestee" in sections 8102 (relating to definitions), 8307
10 (relating to eligibility for annuities), 8308 (relating to
11 eligibility for vesting) and 8345 (relating to member's
12 options), only eligibility points earned by performing
13 credited school service as an active member of the system,
14 USERRA leave or credited State service as an active member of
15 the State Employees' Retirement System after June 30, 2001,
16 shall be counted until such member earns one eligibility
17 point by performing credited school service, USERRA leave or
18 credited State service after June 30, 2001, at which time all
19 eligibility points as determined under subsection (a) shall
20 be counted.

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

26 § 8307. Eligibility for annuities.

27 * * *

28 (c) Disability annuity.--An active or inactive member who
29 has credit for at least five years of service shall, upon filing
30 of a proper application, be entitled to a disability annuity if

1 he becomes mentally or physically incapable of continuing to
2 perform the duties for which he is employed and qualifies for an
3 annuity in accordance with the provisions of section 8505(c)(1)
4 (relating to duties of board regarding applications and
5 elections of members and participants).

6 § 8310. Eligibility for refunds.

7 Upon termination of service any active member, regardless of
8 eligibility for benefits, may elect to receive his accumulated
9 deductions by his required beginning date in lieu of any benefit
10 from the system to which he is entitled.

11 § 8321. Regular member contributions for current service.

12 * * *

13 (b) Class T-E and Class T-F shared-risk contributions.--
14 Commencing with the annual actuarial valuation performed under
15 section 8502(j) (relating to administrative duties of board),
16 for the period ending June 30, 2014, and every three years
17 thereafter, the board shall compare the actual investment rate
18 of return, net of fees, to the annual interest rate adopted by
19 the board for the calculation of the normal contribution rate,
20 based on the market value of assets, for the prior ten-year
21 period. If the actual investment rate of return, net of fees, is
22 less than the annual interest rate adopted by the board by an
23 amount of 1% or more, the shared-risk contribution rate of Class
24 T-E and T-F members will increase by .5%. If the actual
25 investment rate of return, net of fees, is equal to or exceeds
26 the annual interest rate adopted by the board, the shared-risk
27 contributions rate of Class T-E and T-F members will decrease by
28 .5%. Class T-E and T-F members will contribute at the total
29 member contribution rate in effect when they are hired. The
30 total member contribution rate for Class T-E members shall not

1 be less than 7.5%, nor more than 9.5%. The total member
2 contribution rate for Class T-F members shall not be less than
3 10.3%, nor more than 12.3%. Notwithstanding this subsection, if
4 the system's actuarial funded status is 100% or more as of the
5 date used for the comparison required under this subsection, as
6 determined in the current annual actuarial valuation, the
7 shared-risk contribution rate shall be zero. In the event that
8 the annual interest rate adopted by the board for the
9 calculation of the normal contribution rate is changed during
10 the period used to determine the shared-risk contribution rate,
11 the board, with the advice of the actuary, shall determine the
12 applicable rate during the entire period, expressed as an annual
13 rate. For periods commencing on or after July 1, 2018, the
14 determination of the shared-risk member contribution rate shall
15 be based on the annual interest rate adopted by the board for
16 the calculation of the accrued liability contribution rate under
17 section 8328(c) (relating to actuarial cost method).

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

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

28 (3) There shall be no increase in the member
29 contribution rate if there has not been an equivalent
30 increase to the employer contribution rate over the previous

three-year period.

§ 8322.1. Pickup contributions.

(a) Treatment for purposes of IRC § 414(h).--All contributions to the fund required to be made under sections 8321 (relating to regular member contributions for current service), 8322 (relating to joint coverage member contributions) and 8305 (relating to classes of service), with respect to current school service rendered by an active member on or after January 1, 1983, shall be picked up by the employer and shall be treated as the employer's contribution for purposes of IRC § 414(h).

(b) Treatment for other purposes.--For all other purposes, under this part and otherwise, such pickup contributions shall be treated as contributions made by a member in the same manner and to the same extent as contributions made by a member prior to January 1, 1983.

§ 8323. Member contributions for creditable school service.

(a) Previous school service, sabbatical leave and full coverage.--The contributions to be paid by an active member or an eligible State employee for credit in the system for reinstatement of all previously credited school service, school service not previously credited, sabbatical leave as if he had been in full-time daily attendance, or full-coverage membership shall be sufficient to provide an amount equal to the accumulated deductions which would have been standing to the credit of the member for such service had regular member contributions been made with full coverage at the rate of contribution necessary to be credited as Class T-C service, Class T-D service if the member is a Class T-D member, Class T-E service if the member is a Class T-E member or Class T-F service

1 if the member is a Class T-F member and had such contributions
2 been credited with statutory interest during the period the
3 contributions would have been made and during all periods of
4 subsequent school service as an active member or inactive member
5 and State service as an active member or inactive member on
6 leave without pay up to the date of purchase.

7 * * *

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

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

30 (2) In the case of activated military service leave

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

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

* * *

(b) Nonintervening military service.--The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 (relating to actuarial cost method) at the time of entry of the member into school service subsequent to such military service to one-third of his total compensation received during the first three years of such subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable nonintervening military service being purchased together with statutory interest during all periods of subsequent school service as an active or inactive member and State service as an active member or inactive member on leave without pay to date of purchase. Upon certification of the amount due, payment may be made in a lump sum within 90 days or in the case of an active member or an eligible State employee who is an active member of the State Employees' Retirement System it may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and statutory interest

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

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

29 (1) Regular monthly payments during active military
30 service.

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

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

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

18 (1) Contributions on account of Class T-C credit for
19 creditable nonschool service other than military service
20 shall be determined by applying the member's basic
21 contribution rate plus the normal contribution rate as
22 provided in section 8328 at the time of the member's entry
23 into school service subsequent to such creditable nonschool
24 service to his total compensation received during the first
25 year of subsequent credited school service and multiplying
26 the product by the number of years and fractional part of a
27 year of creditable nonschool service being purchased together
28 with statutory interest during all periods of subsequent
29 school service as an active or inactive member or State
30 service as an active member or inactive member on leave

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

23 (2) Contributions on account of Class T-E or Class T-F
24 credit for creditable nonschool 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 as the board in its sole
8 discretion decides to allow. The board may limit salary
9 deduction amortization plans to the terms as the board in its
10 sole discretion determines. In the case of an eligible State
11 employee who is an active member of the State Employees'
12 Retirement System, the agreed upon salary deductions shall be
13 remitted to the State Employees' Retirement Board, which
14 shall certify and transfer to the board the amounts paid.

15 (3) Contributions on account of Class T-E or Class T-F
16 credit for noncreditable school service other than military
17 service shall be the present value of the full actuarial cost
18 of the increase in the projected superannuation annuity
19 caused by the additional service credited on account of the
20 purchase. Upon certification of the amount due, payment may
21 be made in a lump sum within 90 days or, in the case of an
22 active member or an eligible State employee who is an active
23 member of the State Employees' Retirement System, it may be
24 amortized with statutory interest through salary deductions
25 to the system in amounts agreed upon by the member and the
26 board. The salary deduction amortization plans agreed to by
27 the members and the board may include a deferral of payment
28 amounts and statutory interest until the termination of
29 school service or State service as the board in its sole
30 discretion decides to allow. The board may limit salary

deduction amortization plans to the terms as the board in its sole discretion determines. In the case of an eligible State employee who is an active member of the State Employees' Retirement System, the agreed upon salary deductions shall be remitted to the State Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

* * *

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

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

* * *

§ 8326. Contributions by the Commonwealth.

1 (a) Contributions on behalf of active members and
2 participants.--The Commonwealth shall make contributions into
3 the fund on behalf of all active members and participants,
4 including members and participants on activated military service
5 leave, in an amount equal to one-half the amount certified by
6 the board as necessary to provide, together with the members'
7 contributions, annuity reserves on account of prospective
8 annuities as provided in this part in accordance with section
9 8328 (relating to actuarial cost method). In case a school
10 employee has elected membership in a retirement program approved
11 by the employer, the Commonwealth shall contribute to such
12 program on account of his membership an amount no greater than
13 the amount it would have contributed had the employee been a
14 member of the Public School Employees' Retirement System.

15 * * *

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

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

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

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

28 (2) The Commonwealth shall make contributions into the
29 fund on behalf of annuitants for all amounts due to the fund
30 after June 30, 1995, including, but not limited to, amounts

1 due pursuant to section 8328(d) and (f), in the following
2 manner:

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

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

9 (d) Contributions resulting from members reemployed from
10 USERRA leave.--When a school employee reemployed from USERRA
11 leave makes the member contributions required to be granted
12 school service credit for the USERRA leave before July 1, 2018,
13 either by actual payment or by actuarial debt under section 8325
14 (relating to incomplete payments), the Commonwealth employer or
15 other employer by whom the school employee is employed at the
16 time the member contributions are made, or the last employer
17 before termination in the case of payment under sections 8327
18 (relating to payments by employers) and 8535 (relating to
19 payments to school entities by Commonwealth), shall make any
20 employer contributions that would have been made under this
21 section as if the employee making the member contributions after
22 being reemployed from USERRA leave continued to be employed in
23 his school office or position instead of performing USERRA
24 leave.

25 § 8327. Payments by employers.

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

27 (1) For payments on or prior to June 30, 2018, each
28 employer, including the Commonwealth as employer of employees
29 of the 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, 2018, 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, plus the accrued
30 liability contribution rate applied to the total compensation

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

9 (b) Deduction from appropriations.--

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

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

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

14 (c) Payments by employers after June 30, 1995.--After June
15 30, 1995, and before July 1, 2018, each employer, including the
16 Commonwealth as employer of employees of the Department of
17 Education, State-owned colleges and universities, Thaddeus
18 Stevens College of Technology, Western Pennsylvania School for
19 the Deaf, Scotland School for Veterans' Children and The
20 Pennsylvania State University, shall make payments to the fund
21 and the trust each quarter in an amount computed in the
22 following manner:

23 (1) For an employer that is a school entity, the amount
24 shall be the sum of the percentages as determined under
25 section 8328 applied to the total compensation during the pay
26 periods in the preceding quarter of all employees who were
27 active members of the system or active participants of the
28 plan during such period, including members or active
29 participants on activated military service leave. In the
30 event a member on activated military service leave does not

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

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

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

23 (d) Payments by employers after June 30, 2018.--After June
24 30, 2018, each employer, including the Commonwealth as employer
25 of employees of the Department of Education, State-owned
26 colleges and universities, Thaddeus Stevens College of
27 Technology, Western Pennsylvania School for the Deaf, Scotland
28 School for Veterans' Children and The Pennsylvania State
29 University, shall make payments to the fund and trust each
30 quarter in an amount computed in the following manner:

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

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

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

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

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

10 (g) Contributions resulting from members reemployed from
11 USERRA leave.--When a school employee reemployed from USERRA
12 leave makes the member contributions required to be granted
13 school service credit for the USERRA leave after June 30, 2018,
14 either by actual payment or by actuarial debt under section 8325
15 (relating to incomplete payments), the employer that employed
16 the school employee when the member contributions are made or
17 the last employer before termination in the case of payments
18 under section 8325 shall make the employer contributions that
19 would have been made under this section if the employee making
20 the member contributions after he is reemployed from USERRA
21 leave continued to be employed in his school office or position
22 instead of performing USERRA leave.

23 § 8328. Actuarial cost method.

24 * * *

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

26 (1) For fiscal years ending on or before June 30, 2017,
27 the normal contribution rate shall be determined after each
28 actuarial valuation. Until all accrued liability
29 contributions have been completed, the normal contribution
30 rate shall be determined, on the basis of an annual interest

1 rate and such mortality and other tables as shall be adopted
2 by the board in accordance with generally accepted actuarial
3 principles, as a level percentage of the compensation of the
4 average new active member, which percentage, if contributed
5 on the basis of his prospective compensation through the
6 entire period of active school service, would be sufficient
7 to fund the liability for any prospective benefit payable to
8 him, in excess of that portion funded by his prospective
9 member contributions, excluding the shared-risk
10 contributions.

11 (2) For fiscal years beginning on or after July 1, 2017,
12 the normal contribution rate shall be determined after each
13 actuarial valuation. Until all accrued liability
14 contributions have been completed, the normal contribution
15 rate shall be determined, on the basis of an annual interest
16 rate and such mortality and other tables as shall be adopted
17 by the board in accordance with generally accepted actuarial
18 principles, as a level percentage of the compensation of all
19 active members, which percentage, if contributed on the basis
20 of the member's prospective compensation through the entire
21 period of active school service, would be sufficient to fund
22 the liability for any prospective benefit payable to the
23 member, in excess of that portion funded by his prospective
24 member contributions, excluding the shared-risk
25 contributions.

26 (c) Accrued liability contribution rate.--

27 (1) For the fiscal years beginning July 1, 2002, and
28 ending June 30, 2011, the accrued liability contribution rate
29 shall be computed as the rate of total compensation of all
30 active members which shall be certified by the actuary as

1 sufficient to fund over a period of ten years from July 1,
2 2002, the present value of the liabilities for all
3 prospective benefits of active members, except for the
4 supplemental benefits provided in sections 8348 (relating to
5 supplemental annuities), 8348.1 (relating to additional
6 supplemental annuities), 8348.2 (relating to further
7 additional supplemental annuities), 8348.3 (relating to
8 supplemental annuities commencing 1994), 8348.4 (relating to
9 special supplemental postretirement adjustment), 8348.5
10 (relating to supplemental annuities commencing 1998), 8348.6
11 (relating to supplemental annuities commencing 2002) and
12 8348.7 (relating to supplemental annuities commencing 2003),
13 in excess of the total assets in the fund (calculated by
14 recognizing the actuarially expected investment return
15 immediately and recognizing the difference between the actual
16 investment return and the actuarially expected investment
17 return over a five-year period), excluding the balance in the
18 annuity reserve account, and of the present value of normal
19 contributions and of member contributions payable with
20 respect to all active members on July 1, 2002, during the
21 remainder of their active service.

22 (2) For the fiscal years beginning July 1, 2003, and
23 ending June 30, 2011, the amount of each annual accrued
24 liability contribution shall be equal to the amount of such
25 contribution for the fiscal year, beginning July 1, 2002,
26 except that, if the accrued liability is increased by
27 legislation enacted subsequent to June 30, 2002, but before
28 July 1, 2003, such additional liability shall be funded over
29 a period of ten years from the first day of July, coincident
30 with or next following the effective date of the increase.

1 The amount of each annual accrued liability contribution for
2 such additional legislative liabilities shall be equal to the
3 amount of such contribution for the first annual payment.

4 (3) Notwithstanding any other provision of law,
5 beginning July 1, 2004, and ending June 30, 2011, the
6 outstanding balance of the increase in accrued liability due
7 to the change in benefits enacted in 2001 and the outstanding
8 balance of the net actuarial loss incurred in fiscal year
9 2000-2001 shall be amortized in equal dollar annual
10 contributions over a period that ends 30 years after July 1,
11 2002, and the outstanding balance of the net actuarial loss
12 incurred in fiscal year 2001-2002 shall be amortized in equal
13 dollar annual contributions over a period that ends 30 years
14 after July 1, 2003. For fiscal years beginning on or after
15 July 1, 2004, if the accrued liability is increased by
16 legislation enacted subsequent to June 30, 2003, such
17 additional liability shall be funded in equal dollar annual
18 contributions over a period of ten years from the first day
19 of July coincident with or next following the effective date
20 of the increase.

21 (4) For the fiscal year beginning July 1, 2011, the
22 accrued liability contribution rate shall be computed as the
23 rate of total compensation of all active members which shall
24 be certified by the actuary as sufficient to fund as a level
25 percentage of compensation over a period of 24 years from
26 July 1, 2011, the present value of the liabilities for all
27 prospective benefits calculated as of June 30, 2010,
28 including the supplemental benefits as provided in sections
29 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
30 8348.7, in excess of the actuarially calculated assets in the

1 fund (calculated recognizing all realized and unrealized
2 investment gains and losses each year in level annual
3 installments over a ten-year period, provided that the
4 resulting actuarially calculated assets are constrained
5 within a range of 70% to 130% of market value). In the event
6 that the accrued liability is [increased] changed by
7 legislation enacted subsequent to June 30, 2010, such
8 [additional] change in liability shall be funded as a level
9 percentage of compensation over a period of ten years from
10 the July 1 second succeeding the date such legislation is
11 enacted.

12 (5) Notwithstanding any other provision of this
13 subsection, for fiscal years beginning on or after July 1,
14 2017, compensation shall be defined as the total compensation
15 of all active members and active participants.

16 (6) For purposes of determining the accrued liability
17 contribution rate in this subsection and the experience
18 adjustment factor in subsection (e) for The Pennsylvania
19 State University, the State System of Higher Education,
20 State-owned educational institutions and community colleges,
21 the term "compensation of all active members and active
22 participants" shall include an additional amount equal to the
23 difference between:

24 (i) the actual compensation of all active members
25 and active participants of The Pennsylvania State
26 University, the State System of Higher Education, State-
27 owned educational institutions and community colleges;
28 and

29 (ii) the compensation of all active members, active
30 participants, active members of the State Employees'

Retirement System, active participants of the State Employees' Defined Contribution Plan and employees who are members or participants of an independent retirement program approved by the employer of The Pennsylvania State University, the State System of Higher Education, State-owned educational institutions and community collective colleges multiplied by a fraction equal to the amount determined under subparagraph (i) as part of the June 30, 2017, actuarial valuation divided by the amount of compensation of all active members, active participants, active members of the State Employees' Retirement System, active participants of the State Employees' Defined Contribution Plan and employees who are members or participants of an independent retirement program approved by the employer determined as part of the June 30, 2017, actuarial valuation.

(7) For the fiscal year beginning July 1, 2018, and all subsequent fiscal years, The Pennsylvania State University, the State System of Higher Education, each State-owned educational institution and each community college shall make such additional actuarial accrued liability contributions as shall be certified by the board. The additional actuarial accrued liability contributions shall be the product of:

(i) the amount by which the final contribution rate exceeds the employer normal contribution rate determined under subsection (b)(1); multiplied by,

(ii) and the difference between:

(A) the actual compensation of all active members and active participants of each such educational institution; and

1 (B) the compensation of all active members,
2 active participants, active members of the State
3 Employees' Retirement System, active participants of
4 the State Employees' Defined Contribution Plan and
5 employees who are members or participants of an
6 independent retirement program approved by the
7 employer of each such educational institution
8 multiplied by a fraction equal to the amount
9 determined under clause (A) as part of the June 30,
10 2015, actuarial valuation divided by the amount of
11 compensation of all active members, active
12 participants, active members of the State Employees'
13 Retirement System, active participants of the State
14 Employees' Defined Contribution Plan and employees
15 who are members or participants of an independent
16 retirement program approved by the employer of each
17 such educational institution determined as part of
18 the June 30, 2017, actuarial valuation.

19 * * *

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

21 (1) The collared contribution rate for each year shall
22 be determined by comparing the actuarially required
23 contribution rate, calculated without regard for the costs
24 added by legislation, to the prior year's final contribution
25 rate.

26 (2) If, for any of the fiscal years beginning July 1,
27 2011, July 1, 2012, [and] or on or after July 1, 2013, the
28 actuarially required contribution rate, calculated without
29 regard for the costs added by legislation, is more than 3%,
30 3.5% and 4.5%, respectively, of the total compensation of all

1 active members greater than the prior year's final
2 contribution rate, then the collared contribution rate shall
3 be applied and be equal to the prior year's final
4 contribution rate increased by 3%, 3.5% and 4.5%,
5 respectively, of total compensation of all active members.
6 Otherwise, and for all other fiscal years, the collared
7 contribution rate shall not be applicable. In no case shall
8 the collared contribution rate be less than 4% of the total
9 compensation of all active members.

10 (h) Final contribution rate.--

11 (1) For the fiscal year beginning July 1, 2010, the
12 final contribution rate is 5% of the total compensation of
13 all active members. For each subsequent fiscal year for which
14 the collared contribution rate is applicable, the final
15 contribution rate shall be the collared contribution rate as
16 calculated in subsection (g), plus the costs added by
17 legislation.

18 (2) For all other fiscal years ending on or before June
19 30, 2018, the final contribution rate shall be the
20 actuarially required contribution rate, provided that the
21 final contribution rate shall not be less than the normal
22 contribution rate as provided in subsection (b).

23 * * *

24 § 8330. Appropriations by the Commonwealth.

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

1 the following year.

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

9 § 8341. Return of accumulated deductions.

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

14 § 8342. Maximum single life annuity.

15 (a) General rule.--Upon termination of service, any full
16 coverage member who is eligible to receive an annuity pursuant
17 to the provisions of section 8307(a) or (b) (relating to
18 eligibility for annuities) and has made an application in
19 accordance with the provisions of section 8507(f) (relating to
20 rights and duties of school employees [and members], members and
21 participants) shall be entitled to receive a maximum single life
22 annuity attributable to his credited service and equal to the
23 sum of the following single life annuities beginning at the
24 effective date of retirement and, in case the member on the
25 effective date of retirement is under superannuation age,
26 multiplied by a reduction factor calculated to provide benefits
27 actuarially equivalent to an annuity starting at superannuation
28 age: Provided however, That on or after July 1, 1976, in the
29 case of any member who has attained age 55 and has 25 or more
30 eligibility points such sum of single life annuities shall be

1 reduced by a percentage determined by multiplying the number of
2 months, including a fraction of a month as a full month, by
3 which the effective date of retirement precedes superannuation
4 age by 1/4%: Further provided, In no event shall a Class T-E or
5 Class T-F member receive an annual benefit, calculated as of the
6 effective date of retirement, greater than the member's final
7 average salary:

8 (1) A standard single life annuity multiplied by the
9 class of service multiplier and calculated on the basis of
10 the number of years of credited school service other than
11 concurrent service.

12 (2) A standard single life annuity multiplied by the
13 class of service multiplier and calculated on the basis of
14 the number of years of concurrent service and multiplied by
15 the ratio of total compensation received in the school system
16 during the period of concurrent service to the total
17 compensation received during such period.

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

22 * * *

23 § 8344. Disability annuities.

24 (a) Amount of annuity.--A member who has made application
25 for a disability annuity as provided in section 8507(k)
26 (relating to rights and duties of school employees [and
27 members], members and participants) and has been found to be
28 eligible in accordance with the provisions of sections 8307(c)
29 (relating to eligibility for annuities) and 8505(c)(1) (relating
30 to duties of board regarding applications and elections of

1 members and participants) shall receive a disability annuity
2 payable from the effective date of disability and continued
3 until a subsequent determination by the board that the annuitant
4 is no longer entitled to a disability annuity. The disability
5 annuity shall be equal to a standard single life annuity if the
6 total number of years of credited service is greater than
7 16.667, otherwise the standard single life annuity shall be
8 multiplied by the lesser of the following ratios:

9
$$Y^*/Y \text{ or } 16.667/Y$$

10 where Y = number of years of credited service and Y* = total
11 years of credited service if the member were to continue as a
12 school employee until attaining superannuation age, or if the
13 member has attained superannuation age then the number of years
14 of credited service. In no event shall the disability annuity
15 plus any cost-of-living increases be less than \$100 for each
16 full year of credited service. The member shall be entitled to
17 the election of a joint and survivor annuity on that portion of
18 the disability annuity to which he is entitled under section
19 8342 (relating to maximum single life annuity).

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

30 * * *

1 § 8346. Termination of annuities.

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

27 (a.1) Return of benefits.--In the event an annuitant whose
28 annuity ceases pursuant to this section receives any annuity
29 payment, including a lump sum payment pursuant to section 8345
30 (relating to member's options) on or after the date of his

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

21 (a.2) Return of benefits paid during USERRA leave.--If a
22 former school employee is reemployed from USERRA leave who had
23 received any payments or annuity from the system during the
24 USERRA leave, the employee shall return to the board the amount
25 received plus statutory interest. The amount payable shall be
26 certified by the board in accordance with methods approved by
27 the actuary and:

- 28 (1) shall be paid in a lump sum within 30 days; or
29 (2) in the case of an active member, may be amortized
30 with statutory interest through salary deductions in amounts

1 agreed upon by the member and the board for not longer than a
2 period that starts with the date of reemployment and
3 continuing for up to three times the length of the member's
4 immediate past period of USERRA leave. A repayment period
5 under this paragraph may not exceed five years or a longer
6 time as agreed to between the board and the member.

7 (b) Return to school service during emergency.--When, in the
8 judgment of the employer, an emergency creates an increase in
9 the work load such that there is serious impairment of service
10 to the public or in the event of a shortage of appropriate
11 subject certified teachers or other personnel, an annuitant or
12 participant receiving distributions may be returned to school
13 service for a period not to extend beyond the school year during
14 which the emergency or shortage occurs, without loss of his
15 annuity or distributions, provided that the annuitant meets the
16 conditions set forth in subsection (b.2). The annuitant shall
17 not be entitled to earn any credited service, and no
18 contributions may be made by the annuitant, the employer or the
19 Commonwealth on account of such employment. Such service shall
20 not be subject to member contributions or be eligible for
21 qualification as creditable school service or for participation
22 in the plan, mandatory pickup participant contributions or
23 employer defined contributions.

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

26 (1) An annuitant or participant receiving distributions
27 may be employed under separate contract by a public school or
28 charter school in an extracurricular position performed
29 primarily outside regular instructional hours and not part of
30 mandated curriculum without loss of annuity, provided that

1 the annuitant meets the conditions set forth in subsection
2 (b.2). Neither the annuitant, the participant receiving
3 distributions, nor the employer shall make contributions to
4 the member's savings account, the individual investment
5 account or State accumulation account respectively for such
6 service. Further, such contract shall contain a waiver
7 whereby the annuitant waives any potential retirement
8 benefits that could arise from the contract and releases the
9 employer and the board from any liability for such benefits.
10 Such service shall not be subject to member contributions or
11 be eligible for qualification as creditable school service or
12 for participation in the plan, mandatory pickup participant
13 contributions or employer defined contributions.

14 (2) Nothing in this subsection shall be construed to
15 abridge or limit any rights provided under a collective
16 bargaining agreement or any rights provided under the act of
17 July 23, 1970 (P.L.563, No.195), known as the Public Employe
18 Relations Act.

19 (3) For purposes of this subsection, the term
20 "extracurricular position" means a contract position filled
21 by an annuitant that is separate from the established
22 academic course structure, including the position of athletic
23 director.

24 (b.2) Limitation on return to school service by an annuitant
25 during emergency or in an extracurricular position.--

26 (1) An annuitant may return to school service under
27 subsection (b) or (b.1), provided the annuitant otherwise
28 meets the requirements of subsection (b) or (b.1) and has
29 attained the age set forth in IRC § 401(a)(36) or the
30 applicable "normal retirement age" in 26 C.F.R. § 1.401(a)-

1 1(b)(2) (relating to post-ERISA qualified plans and qualified
2 trusts; in general).

3 (2) An annuitant who has not reached the age as set
4 forth in IRC § 401(a)(36), or the applicable "normal
5 retirement age" under 26 C.F.R. § 1.401(a)-1(b)(2), may
6 return to service under subsection (b) or (b.1) provided the
7 annuitant otherwise meets the requirements of subsection (b)
8 or (b.1) and has had a break in service, as set forth in
9 paragraph (3).

10 (3) For purposes of this subsection, a break in service
11 occurs when a member has a bona fide termination of service.
12 The following factors will be considered in determining
13 whether there had been a bona fide termination of service:

14 (i) whether the change in the employment
15 relationship is more than a formal or technical change,
16 requiring the severing of the employment connection with
17 the employer;

18 (ii) whether there has been a reasonable
19 anticipation or prearranged agreement between the member
20 and the employer that a return to school service under
21 this section shall take place;

22 (iii) the amount of time that has elapsed from the
23 date the member becomes an annuitant and the return to
24 school service;

25 (iv) whether the services are a continuation of the
26 annuitant's previous service with the same employer; and

27 (v) such other factors as the board may deem
28 appropriate.

29 (c) Subsequent discontinuance of service.--Upon subsequent
30 discontinuance of service, such [member] terminating school

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

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

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

21 (i) is a multiple service member; or
22 (ii) who elects multiple service membership, and
23 earns three eligibility points by performing credited State
24 service, reemployment from USERRA leave or credited school
25 service following the most recent period of receipt of an
26 annuity under this part, and who had the present value of his
27 annuity frozen in accordance with subsection (a), shall
28 qualify to have the effect of the frozen present value
29 resulting from all previous periods of retirement eliminated,
30 provided that all payments under Option 4 and annuity

1 payments payable during previous periods of retirement plus
2 interest as set forth in paragraph (3) shall be returned to
3 the fund in the form of an actuarial adjustment to his
4 subsequent benefits or in such form as the board may
5 otherwise direct.

6 (2) Upon subsequent discontinuance of service and the
7 filing of an application for an annuity, a former annuitant
8 who qualifies to have the effect of a frozen present value
9 eliminated under this subsection shall be entitled to receive
10 the higher of either:

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

26 (ii) an annuity (prior to optional modification)
27 calculated as if the former annuitant did not qualify to
28 have the effect on the frozen present value eliminated,
29 unless the former annuitant notifies the board in writing by
30 the later of the date the application for annuity is filed or

1 the effective date of retirement that the former annuitant
2 wishes to receive the lower annuity.

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

15 § 8349. Payment of benefits from the system.

16 (a) Annuities.--Any annuity granted under the provisions of
17 this part and paid from the fund shall be paid in equal monthly
18 installments commencing by the required beginning date.

19 (b) Death benefits.--If the amount of a death benefit
20 payable from the fund to a beneficiary of a member under section
21 8347 (relating to death benefits) or under the provisions of
22 Option 1 of section 8345(a)(1) (relating to member's options) is
23 \$10,000 or more, such beneficiary may elect to receive payment
24 according to one of the following options:

25 (1) A lump sum payment.

26 (2) An annuity actuarially equivalent to the amount
27 payable.

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

* * *

Section 107. Title 24 is amended by adding a chapter to read:

CHAPTER 84

SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

Sec.

8401. Establishment.

8402. Plan document.

8403. Individual investment accounts.

8404. Participant contributions.

8405. Mandatory pickup participant contributions.

8406. Employer defined contributions.

8407. Eligibility for benefits.

8408. Death benefits.

8409. Vesting.

8410. Termination of distributions.

8411. Agreements with financial institutions and other organizations.

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

8412. Annuitization.

8413. Powers and duties of board.

8414. Responsibility for investment loss.

8415. Investments based on participants' investment allocation choices.

8416. Expenses.

8417. Required distributions.

§ 8401. Establishment.

(a) School Employees' Defined Contribution Plan.--The plan is established in accordance with this part. The board shall

1 administer and manage the plan, which shall be a defined
2 contribution plan exclusively for the benefit of those school
3 employees who participate in the plan and their beneficiaries
4 within the meaning of and in conformity with IRC § 401(a). The
5 board shall determine the terms and provisions of the plan not
6 inconsistent with this part, the Internal Revenue Code of 1986
7 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and other applicable
8 law and shall provide for the plan's administration.

9 (b) School Employees Defined Contribution Trust.--The trust
10 is established as part of the plan in accordance with this part.
11 The trust shall be comprised of the individual investment
12 accounts and all assets and money in those accounts. The members
13 of the board shall be the trustees of the trust, which shall be
14 administered exclusively for the benefit of those school
15 employees who participate in the plan and their beneficiaries
16 within the meaning of and conformity with IRC § 401(a). The
17 board shall determine the terms and provisions of the trust not
18 inconsistent with this part, the Internal Revenue Code of 1986
19 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and other applicable
20 law and shall provide for the investment and administration of
21 the trust.

22 (c) Assets held in trust.--All assets and income in the plan
23 that have been or shall be withheld or contributed by the
24 participants, the Commonwealth and employers in accordance with
25 this part shall be held in trust in any funding vehicle
26 permitted by the applicable provisions of IRC for the exclusive
27 benefit of the plan's participants and their beneficiaries until
28 such time as the funds are distributed to the participants or
29 their beneficiaries in accordance with the terms of the plan
30 document. The assets of the plan held in trust for the exclusive

benefit of the participants and their beneficiaries may be used for the payment of the fees, costs and expenses related to the administration and investment of the plan and the trust.

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

§ 8402. Plan document.

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

§ 8403. Individual investment accounts.

The board shall:

(1) Establish in the trust an individual investment account for each participant in the plan. All contributions

1 by a participant or an employer for or on behalf of a
2 participant shall be credited to the participant's individual
3 investment account, together with all interest and investment
4 earnings and losses. Investment and administrative fees,
5 costs and expenses shall be charged to the participants'
6 individual investment accounts.

7 (2) Separately track participant contributions,
8 including investment gains and losses and employer
9 contributions, including investment gains and losses, but all
10 interest, investment gains and losses and investment and
11 administrative fees, costs and expenses shall be allocated
12 proportionately.

13 § 8404. Participant contributions.

14 (a) Mandatory contributions.--Each participant shall make
15 mandatory pickup participant contributions through payroll
16 deductions to his individual investment account equal to 8.5% of
17 compensation for current school service. The employer shall
18 cause such contributions for current service to be made and
19 deducted from each payroll or on such schedule established by
20 the board.

21 (b) Voluntary contributions.--A participant may make
22 voluntary contributions through direct trustee-to-trustee
23 transfers or through transfers of money received in an eligible
24 rollover into the trust to the extent allowed by IRC § 402. Such
25 rollovers shall be made in a form and manner as determined by
26 the board, shall be credited to the participant's individual
27 investment account and shall be separately accounted for by the
28 board.

29 (c) Limitations on contributions.--No contributions shall be
30 allowed that would cause a violation of the limitations related

1 to contributions applicable to governmental plans contained in
2 IRC § 415 or in other provisions of law. In the event that any
3 disallowed contributions are made, any participant contributions
4 in excess of the limitations and investment earnings thereon
5 shall be refunded to the participant by the board.

6 § 8405. Mandatory pickup participant contributions.

7 (a) Treatment for purposes of IRC § 414(h).--All
8 contributions to the trust required to be made under section
9 8404(a) (relating to participant contributions) with respect to
10 current school service rendered by an active participant shall
11 be picked up by the employer and shall be treated as the
12 employer's contribution for purposes of IRC § 414(h). After the
13 effective date of this section, an employer employing a
14 participant in the plan shall pick up the required mandatory
15 pickup participant contributions by a reduction in the
16 compensation of the participant.

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

23 § 8406. Employer defined contributions.

24 (a) Contributions for current service.--The employer of a
25 participant shall make employer defined contributions for
26 current service of each active participant, which shall be
27 credited to the active participant's individual investment
28 account. Employer defined contributions must be recorded and
29 accounted for separately from participant contributions.

30 (b) Contributions resulting from participants reemployed

1 from USERRA leave.--When a school employee reemployed from
2 USERRA leave makes the mandatory pickup participant
3 contributions permitted to be made for the USERRA leave, the
4 employer by whom the school employee is employed at the time the
5 participant contributions are made shall make whatever employer
6 defined contributions would have been made under this section
7 had the employee making the participant contributions after
8 being reemployed from USERRA leave continued to be employed in
9 the employee's school position instead of performing USERRA
10 leave. Such employer defined contributions shall be placed in
11 the participant's individual investment account as otherwise
12 provided by this part.

13 (c) Limitations on contributions.--No contributions shall be
14 allowed that would cause a violation of the limitations related
15 to contributions applicable to governmental plans contained in
16 IRC § 415 or in other provisions of law. In the event that any
17 disallowed contributions are made, any employer defined
18 contributions in excess of the limitations and investment
19 earnings thereon shall be refunded to the employer by the board.
20 § 8407. Eligibility for benefits.

21 (a) General.--A participant who terminates school service
22 shall be eligible to withdraw the vested accumulated total
23 defined contributions standing to his credit in his individual
24 investment account or such lesser amount as the participant may
25 request. Payment shall be made in a lump sum unless the board
26 has established other forms of distribution in the plan
27 document. A participant who withdraws the vested accumulated
28 total defined contributions shall no longer be a participant in
29 the plan, notwithstanding that the participant may have
30 contracted to receive an annuity or other form of payment from a

1 provider retained by the board for such purposes.

2 (b) Required distributions.--All payments pursuant to this
3 section shall start and be made in compliance with the minimum
4 distribution requirements and incidental death benefit rules of
5 IRC § 401(a)(9). The board is authorized to take whatever
6 actions and make whatever distributions it may determine are
7 necessary to comply with such requirements.

8 (c) Spousal consent not required.--A participant who is
9 married may receive a lump sum distribution or other
10 distribution directly from the board without the consent of the
11 spouse.

12 (d) Prohibition.--Loans or other distributions from the plan
13 to school employees who have not terminated school service are
14 not permitted.

15 (e) Small individual investment accounts.--

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

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

30 (f) Requirement to purchase partial annuity.--Except as

prohibited by the IRC or as otherwise provided in this part, a participant who is eligible and elects to receive a distribution or vested accumulated employer defined contributions shall be required to purchase at least a partial payout as a life annuity with that distribution from an annuity provider contracted by the board under section 8408(c) (relating to death benefits) and under such conditions as provided in the plan document. The conditions may include that the board is authorized to make the distribution directly to the annuity provider.

§ 8408. Death benefits.

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

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

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

1 § 8409. Vesting.

2 (a) Participant and voluntary contributions.--Subject to the
3 forfeiture and attachment provisions of section 8533 (relating
4 to taxation, attachment and assignment of funds) or otherwise as
5 provided by law, a participant shall be vested with respect to
6 all mandatory pickup participant contributions and voluntary
7 contributions paid by or on behalf of the participant to the
8 trust plus interest and investment earnings on the participant
9 contributions but minus investment fees and administrative
10 charges.

11 (b) Employer contributions.--Subject to the forfeiture and
12 attachment provisions of section 8533 or otherwise as provided
13 by law, a participant shall be vested with respect to employer
14 defined contributions paid on behalf of the participant to the
15 trust and earnings on the employer contributions, but minus
16 losses and a proportionate share of investment fees and
17 administrative charges, according to the following schedule:

18 (1) During the first year of school service as a
19 participant in the plan, 0%.

20 (2) At and after the first year of school service as a
21 participant in the plan, 33%.

22 (3) At and after the second year of school service as a
23 participant in the plan, 66%.

24 (4) At and after the third year of school service as a
25 participant in the plan, 100%.

26 (c) Plan document.--The board shall establish, in the plan
27 document created by the board under section 8402 (relating to
28 plan document), the following:

29 (1) How the required time periods of school service in
30 the plan are determined and calculated.

1 (2) The effect of periods that school employees spend on
2 unpaid leave on the determination of a participant's vested
3 status in the plan.

4 (3) The effect of termination of school service or
5 distributions from the plan on a participant's vested status
6 in the plan.

7 (4) Other terms and conditions for the implementation
8 and administration of this section.

9 (d) Nonvested employer defined contributions.--Nonvested
10 employer defined contributions, including earnings and losses on
11 the employer contributions, that are forfeited by a participant
12 who has not fully vested shall be applied to the participant's
13 most recent employer's obligations assessed under this section
14 in future years.

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

20 § 8410. Termination of distributions.

21 (a) Return to school service.--A participant receiving
22 distributions or an inactive participant who returns to school
23 service shall cease receiving distributions and shall not be
24 eligible to receive distributions until the participant
25 subsequently terminates school service, without regard to
26 whether the participant is a mandatory, optional or prohibited
27 member of the system or participant in the plan. This subsection
28 shall not apply to a distribution of accumulated employer
29 defined contributions or other distributions that the
30 participant has received and used to purchase an annuity from a

1 provider contracted by the board.

2 (b) Return of benefits paid during USERRA leave.--In the
3 event that a former school employee is reemployed from USERRA
4 leave who had received any payments or annuity from the plan
5 during the USERRA leave, the employee shall return to the board
6 the amount so received plus interest as provided in the plan
7 document. The amount payable shall be certified in each case by
8 the board in accordance with methods approved by the actuary and
9 shall be paid in a lump sum within 30 days or in the case of an
10 active participant may be amortized with interest as provided in
11 the plan document through salary deductions to the trust in
12 amounts agreed upon by the active participant and the board, but
13 not longer than a period that starts with the date of
14 reemployment and continuing for up to three times the length of
15 the participant's immediate past period of USERRA leave, with
16 the repayment period not to exceed five years.

17 § 8411. Agreements with financial institutions and other
18 organizations.

19 (a) Authority to enter into agreements.--To establish and
20 administer the plan, the board may enter into written agreements
21 with one or more financial institutions or other organizations
22 relating to the plan's administration and investment of funds
23 held pursuant to the plan.

24 (b) Agreement terms and considerations.--Under the plan, the
25 board shall enter into an agreement to provide fully bundled
26 retirement plan investment, plan administration and services to
27 employees who participate in the plan. The agreement shall
28 provide for appropriate long-term retirement-oriented
29 investments and shall include either fixed or variable deferred
30 annuities, or a combination thereof. In determining the

financial institution or other organization with which the board shall enter into an agreement, the board shall consider all of the following:

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

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

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

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

(5) The experience of the financial institution or other organization in providing plan education, counseling and advice to participants in employee retirement plans that are offered in lieu of defined benefit plan participation or as part of employee hybrid retirement plans.

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

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

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

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

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

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

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

(c) Provider selection.--A school district that establishes or maintains a plan under IRC § 403(b) or 457 shall select a minimum of two 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 two 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. Annuitization.

15 The plan shall include the requirement that any disbursement
16 of the accumulated assets in an individual investment account
17 made after the participant reaches 55 years of age must include
18 at least partial payout as a life annuity. The board shall
19 determine the minimum annuity amount. The plan shall offer
20 participants a menu of lifetime annuity options, either fixed or
21 variable, or a combination of both.

22 § 8413. Powers and duties of board.

23 The board shall have the following powers and duties to
24 establish the plan and trust and to administer the provisions of
25 this part:

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

28 (2) The board shall pay all administrative fees, costs
29 and expenses of managing, investing, and administering the
30 plan, the trust and the individual investment accounts from

1 the balance of such individual investment accounts except as
2 may be provided otherwise by law.

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

6 (3.1) The board shall include default investment options
7 and strategies to include predetermined investment portfolio
8 options that shall be constructed to reflect different risk
9 profiles and shall be constructed to automatically reallocate
10 and rebalance contributions as a participant ages. The plan
11 may permit participants to construct their own investment
12 portfolios using some or all of the investment options
13 comprising the default solutions.

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

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

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

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

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

30 (9) The board shall administer the plan in compliance

1 with the qualification and other rules of IRC.

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

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

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

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

14 (i) Procedures whereby eligible participants may
15 change their investment choices on a periodic basis or
16 make other elections regarding their participation in the
17 plan.

18 (ii) Procedures for deducting mandatory pick up
19 participant contributions from a participant's
20 compensation.

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

24 (iv) Standards and criteria for disclosing and
25 providing options to eligible individuals regarding
26 investments of amounts deferred under the plan, provided
27 that one of the available options must serve as the
28 default option for participants who do not make a timely
29 election.

30 (v) Standards and criteria for disclosing to the

1 participants the anticipated and actual income
2 attributable to amounts invested, property rights and all
3 fees, costs and expenses to be made against amounts
4 deferred to cover the costs and expenses of administering
5 and managing the plan or trust.

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

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

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

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

22 (17) The provisions and restrictions of the act of July
23 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's
24 Investments Act, shall not apply to the plan or trust or the
25 investments thereof, but the board is authorized to offer to
26 the plan participants investment vehicles that would be
27 allowed under the Protecting Pennsylvania's Investments Act.
28 The board shall also, to the extent commercially available,
29 provide that one option for participants will have an annuity
30 investment feature.

1 § 8414. Responsibility for investment loss.

2 Neither the Commonwealth, the board, an employer nor any
3 school entity or other political subdivision shall be
4 responsible for any investment loss incurred under the plan or
5 for the failure of any investment to earn any specific or
6 expected return, or to earn as much as any other investment
7 opportunity, whether or not such other opportunity was offered
8 to participants in the plan.

9 § 8415. Investments based on participants' investment
10 allocation choices.

11 (a) Vesting.--All contributions, interest and investment
12 earnings shall be invested based on the participant's investment
13 allocation choices. Each participant shall be credited
14 individually with the amount of contributions, interest and
15 investment earnings. All investment allocation choices shall be
16 credited proportionately between participant contributions and
17 employer defined contributions.

18 (b) Investment.--Investment of contributions by any
19 corporation, institution, insurance company or custodial bank or
20 other entity that the board has approved shall not be
21 unreasonably delayed, and in no case shall the investment of
22 contributions be delayed more than 30 days from the date of
23 payroll deductions or the date voluntary contributions are made
24 to the date that funds are invested. Any interest earned on the
25 funds pending investment shall be allocated to the employers and
26 credited to the individual investment accounts of participants
27 who are then participating in the plan unless the interest is
28 used to defray administrative costs and fees that would
29 otherwise be required to be borne by participants who are then
30 participating in the program.

1 § 8416. Expenses.

2 All expenses, fees and cost of administering the plan and
3 investing the assets of the trust shall be borne by the
4 participants and paid from assessments against the balances of
5 the individual investment accounts as established by the board
6 except as may be provided otherwise by law.

7 § 8417. Required distributions.

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

11 (b) Applicability.--The following shall apply:

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

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

21 (iii) For the purposes of this paragraph, the term
22 "government plans" shall have the same meaning as in IRC
23 § 414(d).

24 (2) (i) Except as provided under subparagraph (ii), an
25 amendment of this part on or after the effective date of
26 the addition of subsection (b) to this section that
27 increases contributions or benefits for active
28 participants, inactive participants or participants
29 receiving distributions may not be deemed to provide for
30 a contribution or benefit in excess of a limitation,

1 adjusted on or after the effective date of the addition
2 of subsection (b) to this section, under IRC § 415 unless
3 specifically provided for by legislation.

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

9 Section 108. Section 8501(a), (c) and (d) of Title 24 are
10 amended to read:

11 § 8501. Public School Employees' Retirement Board.

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

1 by the board. The terms of the appointed and nonlegislative
2 elected members shall be three years. The members from the
3 Senate shall be appointed by the President pro tempore of the
4 Senate and shall consist of one member from the majority and one
5 member from the minority. The members from the House of
6 Representatives shall be appointed by the Speaker of the House
7 of Representatives and shall consist of one member from the
8 majority and one member from the minority. The legislative
9 members shall serve on the board for the duration of their
10 legislative terms and shall continue to serve until 30 days
11 after the convening of the next regular session of the General
12 Assembly after the expiration of their respective legislative
13 terms or until a successor is appointed for the new term,
14 whichever occurs first. The chairman of the board shall be
15 elected by the board members. Each ex officio member of the
16 board and each legislative member of the board may appoint a
17 duly authorized designee to act in his stead. In the event that
18 a board member, who is designated as an active participant or as
19 the participant in the plan who is receiving or is eligible to
20 receive distributions, receives a total distribution of the
21 board member's interest in the plan, that board member may
22 continue to serve on the board for the remainder of the 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 making 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. Members of the board who are members
6 of the system or participants in the plan and who are employed
7 by a governmental entity shall not suffer loss of salary or
8 wages through serving on the board. The board, on request of the
9 employer of any member of the board who is an active
10 professional or nonprofessional member of the system or active
11 professional or nonprofessional participant in the plan, may
12 reimburse such employer for the salary or wages of the member,
13 or for the cost of employing a substitute for such member or
14 participant, while the member or participant is necessarily
15 absent from employment to execute the duties of the board. The
16 members of the board who are not members of either the school
17 system or the State Employees' Retirement System may be paid
18 \$100 per day when attending meetings and all board members shall
19 be reimbursed for any necessary expenses. However, when the
20 duties of the board as mandated are not executed, no
21 compensation or reimbursement for expenses of board members
22 shall be paid or payable during the period in which such duties
23 are not executed.

24 * * *

25 Section 109. Section 8502(b), (c), (e), (h), (i), (j), (k),
26 (n) and (o) of Title 24 are amended and the section is amended
27 by adding a subsection to read:

28 § 8502. Administrative duties of board.

29 * * *

30 (b) Professional personnel.--The board shall contract for

1 the services of a chief medical examiner, an actuary, investment
2 advisors, counselors, an investment coordinator, and such other
3 professional personnel as it deems advisable. The board may
4 utilize the same individuals and firms contracted under this
5 subsection for both the system and the plan but shall allocate
6 the fees, costs and expenses incurred under this subsection
7 between the system and the plan as appropriate.

8 (c) Expenses.--The board shall, through the Governor, submit
9 to the General Assembly annually a budget covering the
10 administrative expenses of [this part] the system and a separate
11 budget covering the administrative expenses of the plan. Such
12 expenses of the system as approved by the General Assembly in an
13 appropriation bill shall be paid from investment earnings of the
14 fund. Such expenses of the plan as approved by the General
15 Assembly shall be paid from interest, pursuant to section
16 8415(b) (relating to investments based on participants'
17 investment allocation choices) or assessments on the balances of
18 the participants' individual investment accounts except as may
19 be provided otherwise by law. Concurrently with its
20 administrative budget, the board shall also submit to the
21 General Assembly annually a list of proposed expenditures which
22 the board intends to pay through the use of directed
23 commissions, together with a list of the actual expenditures
24 from the past year actually paid by the board through the use of
25 directed commissions. All such directed commission expenditures
26 shall be made by the board for the exclusive benefit of the
27 system and its members and for the exclusive benefit of the plan
28 and its participants, respectively.

29 * * *

30 (e) Records.--

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

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

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

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

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

27 (3) (i) The sensitive investment or financial
28 information excluded from [inspection] access under
29 paragraph (2)(i), 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 the board is no longer required by
3 its agreement to maintain confidentiality.

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

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

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

15 whichever is later.

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

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

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

29 whichever is later.

30 (4) Except for the provisions of paragraph (3), nothing

1 in this subsection shall be construed to designate any
2 record, material or data received, prepared, used or retained
3 by the board or its employees, investment professionals or
4 agents relating to an investment as a public record subject
5 to public [inspection] access under the Right-to-Know Law.

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

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

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

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

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

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

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

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

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

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

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

23 (ii) The investment option selections of any
24 participant.

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

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

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

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

9 * * *

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

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

1 The board shall have final authority over the means by which
2 data is collected, maintained and stored and in so doing shall
3 protect the rights of its membership as to privacy and
4 confidentiality.

5 (j) Actuarial investigation and valuation.--

6 (1) The board shall have the actuary make an annual
7 valuation of the various accounts within six months of the
8 close of each fiscal year.

9 (2) The first valuation made following the effective
10 date of this paragraph and each valuation thereafter shall
11 include a determination of the employer annual normal cost of
12 active Act 120 members expressed as a percentage of the total
13 compensation of all active Act 120 members.

14 (3) In the fiscal year 1975 and in every fifth year
15 thereafter, the board shall have the actuary conduct an
16 actuarial investigation and evaluation of the system based on
17 data including the mortality, service, and compensation
18 experience provided by the board annually during the
19 preceding five years concerning the members and
20 beneficiaries.

21 (4) The board shall by resolution adopt such tables as
22 are necessary for the actuarial valuation of the fund and
23 calculation of contributions, annuities, and other benefits
24 based on the reports and recommendations of the actuary.
25 Within 30 days of their adoption, the secretary of the board
26 shall cause those tables which relate to the calculation of
27 annuities and other benefits to be published in the
28 Pennsylvania Bulletin in accordance with the provisions of 45
29 Pa.C.S. § 725(a) (relating to additional contents of
30 Pennsylvania Bulletin) and, unless the board specifies

1 therein a later effective date, such tables shall become
2 effective on such publication.

3 (5) The board shall include a report on the significant
4 facts, recommendations and data developed in each five-year
5 actuarial investigation and evaluation of the system in the
6 annual financial statement published pursuant to the
7 requirements of subsection (n) for the fiscal year in which
8 such investigation and evaluation were concluded.

9 (k) Certification of employer contributions to fund.--The
10 board shall, each year in addition to the itemized budget
11 required under section 8330 (relating to appropriations by the
12 Commonwealth), certify to the employers and the Commonwealth the
13 employer contribution rate expressed as a percentage of members'
14 payroll necessary for the funding of prospective annuities for
15 active members and the annuities of annuitants, and certify the
16 rates and amounts of the normal contributions as determined
17 pursuant to section 8328(b) (relating to actuarial cost method),
18 accrued liability contributions as determined pursuant to
19 section 8328(c), supplemental annuities contribution rate as
20 determined pursuant to section 8328(d), the experience
21 adjustment factor as determined pursuant to section 8328(e),
22 premium assistance contributions as determined pursuant to
23 section 8328(f), the costs added by legislation as determined
24 pursuant to section 8328(i), the actuarial required contribution
25 rate as determined pursuant to section 8328(i), the collared
26 contribution rate as determined pursuant to section 8328(g), the
27 final contribution rate as determined pursuant to section
28 8328(h) and the shared-risk contribution rate as determined
29 under section 8321(b) (relating to regular member contributions
30 for current service), which shall be paid to the fund and

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

4 * * *

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

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

24 * * *

25 (g) Participant and employer contributions to trust.--The
26 board shall, each year in addition to any fees and itemized
27 budget required under section 8330, certify, as a percentage of
28 each participant's compensation, the employer defined
29 contributions, which shall be paid to the trust and credited to
30 each participant's individual investment account. These

certifications shall be regarded as final and not subject to
modification by the Secretary of the Budget. The board shall
cause all mandatory pickup participant contributions made on
behalf of a participant and all voluntary contributions made by
a participant to be credited to the participant's individual
investment account.

Section 110. Section 8502.2(a) and (d) of Title 24 are
amended to read:

§ 8502.2. Health insurance.

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

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

(2) Determination of the benefits structure.

(3) Determination of enrollment procedures.

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

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

* * *

(d) Additional requirements.--The assets of the fund shall
not be liable or utilized for payment of any expenses or claims
incurred by the health insurance program. The program shall be
an approved health insurance program for purposes of section

1 8505(i) (relating to duties of board regarding applications and
2 elections of members and participants) and an approved insurance
3 carrier for purposes of section 8509 (relating to health
4 insurance premium assistance program). The program shall not be
5 subject to the provisions of section 8531 (relating to State
6 guarantee regarding the system).

7 Section 111. Section 8503 heading of Title 24 is amended and
8 the section is amended by adding a subsection to read:

9 § 8503. Duties of board to advise and report to employers [and
10 members], members and participants.

11 * * *

12 (b.1) Participant status statements.--The board shall have
13 furnished annually to each participant on or before December 31,
14 and more frequently as the board may agree or as required by
15 law, a statement showing the accumulated total defined
16 contributions credited to the participant's individual
17 investment account, the nature and type of investments and the
18 investment allocation of future contributions as of June 30 of
19 the current year and requesting the participant to make any
20 necessary corrections or revision regarding his designated
21 beneficiary.

22 * * *

23 Section 112. Section 8504(c) of Title 24 is amended to read:

24 § 8504. Duties of board to report to State Employees'
25 Retirement Board.

26 * * *

27 (c) Applications for benefits for State employees.--Upon
28 receipt of notification and the required data from the State
29 Employees' Retirement Board that a former school employee who
30 elected multiple service has applied for a State employee's

1 retirement benefit or, in the event of his death, his legally
2 constituted representative has applied for such benefit, the
3 board shall:

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

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

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

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

18 Section 113. Sections 8505 heading, (b), (h) and (i),
19 8506(a), (d), (e) and (k) and 8507 heading, (a), (d.1), (e), (f)
20 and (h) of Title 24 are amended and the sections are amended by
21 adding subsections to read:

22 § 8505. Duties of board regarding applications and elections of
23 members and participants.

24 * * *

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

30 (1) In case of a member who is receiving an annuity from

1 the system:

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

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

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 and credited with statutory interest as such payments are
25 returned and which amount shall be credited to the State
26 accumulation account.

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

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

12 * * *

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

25 * * *

26 (f.1) Notification to inactive participants approaching
27 required beginning date.--The board shall notify each inactive
28 participant who has terminated school service and had not
29 commenced distribution by 90 days before the participant's
30 required beginning date, in writing, that the inactive

1 participant has an obligation to commence distributions by his
2 required beginning date in a form and manner required by IRC §
3 401(a)(9) and other applicable provisions of IRC.

4 * * *

5 (g.1) Initial payment to a participant.--The board shall
6 make the initial payment to a participant who has applied for a
7 distribution within 60 days of the filing of his application.

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

25 (i) Medical insurance coverage.--Upon receipt of
26 notification from an insurance carrier offering a health
27 insurance program approved by the board that an annuitant or
28 terminated participant who has attained age 65 has elected
29 medical, major medical, and hospitalization insurance coverage
30 or notification that annuitants of the system with less than 24

1 1/2 eligibility points (other than disability annuitants of the
2 system), spouses of annuitants and survivor annuitants eligible
3 to elect to enroll in the approved health insurance program have
4 elected participation in such health insurance program, the
5 board may deduct from the annuity payments the appropriate
6 annual charges in equal monthly installments. Such deductions
7 shall be transmitted to the insurance carrier.

8 * * *

9 § 8506. Duties of employers.

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

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

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

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

29 * * *

30 (c.1) Participant and employer defined contributions.--The

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

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

29 (e) New employees subject to optional membership or
30 participation.--The employer shall inform any eligible school

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

13 * * *

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

17 (1) Any school employee who:

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

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

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

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

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

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

9 (m) Obligation of educational institutions to report
10 participation and compensation of employees in independent
11 retirement programs.--The Pennsylvania State University, the
12 State System of Higher Education, State-owned educational
13 institutions and community colleges shall report to the board
14 the compensation and other information as the board may request
15 for employees who are members in the State Employees' Retirement
16 System or independent retirement programs approved by the
17 employer.

18 § 8507. Rights and duties of school employees [and members],
19 members and participants.

20 (a) Information on new employees.--Upon his assumption of
21 duties, each new school employee shall furnish his employer with
22 a complete record of his previous school or State service, or
23 creditable nonschool service, proof of his date of birth, his
24 home address, his current status in the system and the plan and
25 in the State Employees' Retirement System and the State
26 Employees' Defined Contribution Plan and such other information
27 as the board may require. Willful failure to provide the
28 information required by this subsection to the extent available
29 or the provision of erroneous information upon entrance into the
30 system shall result in the forfeiture of the right of the member

1 to subsequently assert any right to benefits based on erroneous
2 information or on any of the required information which he
3 failed to provide. In any case in which the board finds that a
4 member is receiving an annuity based on false information, the
5 additional amounts received predicated on such false information
6 together with statutory interest doubled and compounded shall be
7 deducted from the present value of any remaining benefits to
8 which the member is legally entitled and such remaining benefits
9 shall be correspondingly decreased.

10 * * *

11 (b.1) Application for participation.--On or after July 1,
12 2018, in the case of a new employee who is not currently a
13 participant in the plan and whose participation is mandatory, or
14 in the case of a new employee whose participation is not
15 mandatory but is permitted and who desires to become a
16 participant in the plan, the new employee shall execute an
17 application for participation and a nomination of a beneficiary.

18 * * *

19 (d.1) [School service] Contributions for USERRA leave.--Any
20 active member [or], inactive member, active participant,
21 inactive participant or former participant who was reemployed
22 from USERRA leave and who desires to receive school service
23 credit or make mandatory pickup participant contributions for
24 his USERRA leave shall notify the board within the time period
25 required under 38 U.S.C. Ch. 43 (relating to employment and
26 reemployment rights of members of the uniformed services) and
27 IRC § 414(u) of his desire to make the [required member]
28 contributions. Upon making the required member contributions
29 within the allowed time period, the member shall receive credit
30 for the service as of the date the contributions are made. Upon

1 making the permitted mandatory pickup participant contributions
2 within the allowed time period, the employer shall make the
3 corresponding employer defined contributions at the same time.

4 (d.2) Voluntary contributions by a participant.--Any active
5 participant who desires to make voluntary contributions to be
6 credited to his individual investment account shall notify the
7 board and, upon compliance with the requirements, procedures and
8 limitations established by the board in the plan document, may
9 do so subject to the limitations under IRC §§ 401(a) and 415 and
10 other applicable law.

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

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

28 (f) Termination of service by members.--Each member who
29 terminates school service and who is not then a disability
30 annuitant shall execute on or before the date of termination of

1 service a written application, duly attested by the member or
2 his legally constituted representative, electing to do one of
3 the following:

4 (1) Withdraw his accumulated deductions.

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

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

13 * * *

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

22 (h) Vestees attaining superannuation age.--Upon attainment
23 of superannuation age a vestee shall execute and file within 90
24 days an application for an annuity. Any application filed after
25 such 90 day period shall be effective as of the date it is filed
26 with the board, subject to the provisions of section 8505(g)
27 (relating to duties of board regarding applications and
28 elections of members and participants). If a vestee does not
29 file an application within seven years after attaining
30 superannuation age, he shall be deemed to have elected to

1 receive his accumulated deductions upon attainment of
2 superannuation age.

3 * * *

4 Section 114. Sections 8509(b) and (c), 8521(b), 8522, 8524,
5 8525, 8531, 8533, 8533.1, 8533.3 and 8533.4(a) of Title 24 are
6 amended to read:

7 § 8509. Health insurance premium assistance program.

8 * * *

9 (b) Amount of premium assistance.--Participating eligible
10 annuitants and participating eligible participants receiving
11 distributions shall receive premium assistance payments as
12 provided in paragraphs (1) and (2). Such payments shall be made
13 by the board to the participating eligible annuitants and the
14 participating eligible participants receiving distributions for
15 their payment directly to their approved insurance carriers.
16 Such payments may also be paid by the board, at the board's
17 discretion, directly to the participating eligible annuitants'
18 approved insurance carriers or the participating eligible
19 participants receiving distributions' approved insurance
20 carriers. The board shall have the right to verify the
21 application and receipt of the payments by the participating
22 eligible annuitants or participating eligible participants
23 receiving distributions and their approved insurance carriers.
24 The premium assistance payments are as follows:

25 (1) Effective July 1, 1992, \$55 per month or the actual
26 monthly premium, whichever is less.

27 (2) Effective January 1, 2002, \$100 per month or the
28 actual monthly premium, whichever is less.

29 (c) Participating eligible annuitants and participating
30 eligible participants receiving distributions.--An eligible

annuitant or an eligible participant receiving distributions may elect to participate in the health insurance premium assistance program by filing an election to be covered by a health insurance carrier approved by the board and to participate in the health insurance premium assistance program. Participation in the health insurance premium assistance program shall begin upon the effective date of the health insurance coverage provided by a health insurance carrier approved by the board, but in no event before the effective date of retirement.

§ 8521. Management of fund and accounts.

* * *

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

* * *

§ 8522. Public School Employees' Retirement Fund.

1 The fund shall consist of all moneys in the several separate
2 funds in the State Treasury set apart to be used under the
3 direction of the board for the benefit of members of the system;
4 and the Treasury Department shall credit to the fund all moneys
5 received from the Department of Revenue arising from the
6 contributions relating to or on behalf of the members of the
7 system required under the provisions of Chapter 83 (relating to
8 membership, contributions and benefits) and all earnings from
9 investments or moneys of said fund. There shall be established
10 and maintained by the board the several ledger accounts
11 specified in sections 8523 (relating to members' savings
12 account), 8524 (relating to State accumulation account), 8525
13 (relating to annuity reserve account) and 8526 (relating to
14 health insurance account). The individual investment accounts
15 that are part of the trust are not part of the fund. Mandatory
16 pickup participant contributions, voluntary contributions and
17 employer defined contributions made under this part and any
18 income earned by the investment of such contributions shall not
19 be paid or credited to the fund but instead shall be paid to the
20 trust and credited to the individual investment accounts.

21 § 8524. State accumulation account.

22 The State accumulation account shall be the ledger account to
23 which shall be credited all contributions of the Commonwealth
24 and other employers as well as the earnings of the fund, except
25 the premium assistance contributions and earnings thereon in the
26 health insurance account. Valuation interest shall be allowed on
27 the total amount of such account less any earnings of the fund
28 credited during the year. The reserves necessary for the payment
29 of annuities and death benefits resulting from membership in the
30 system as approved by the board and as provided in Chapter 83

(relating to membership, contributions and benefits) shall be transferred from the State accumulation account to the annuity reserve account. At the end of each year the required interest shall be transferred from the State accumulation account to the credit of the members' savings account and the annuity reserve account. The administrative expenses of the board shall be charged to the State accumulation account.

§ 8525. Annuity reserve account.

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

(b) Transfers from account.--Should an annuitant be

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

§ 8531. State guarantee regarding the system.

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

§ 8533. Taxation, attachment and assignment of funds.

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

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

10 (b) Forfeiture.--Rights under this part shall be subject to
11 forfeiture as provided by the act of July 8, 1978 (P.L.752,
12 No.140), known as the Public Employee Pension Forfeiture Act.
13 Forfeitures under this subsection or under any other provision
14 of law may not be applied to increase the benefits that any
15 member would otherwise receive under this part. Notwithstanding
16 this paragraph, the act of July 8, 1978 (P.L.752, No.140), known
17 as the Public Employee Pension Forfeiture Act, section 16(b) of
18 Article V of the Constitution of Pennsylvania or 42 Pa.C.S. §
19 3352 (relating to pension rights), the accumulated mandatory
20 participant contributions and accumulated voluntary
21 contributions standing to the credit of a participant shall not
22 be forfeited but shall be available for payment of fines and
23 restitution as provided by law. Furthermore, amounts in the
24 trust that have been ordered to be distributed to an alternate
25 payee as the result of an equitable distribution of marital
26 property as part of an approved domestic relations order entered
27 before the date of the order or action in a court or other
28 tribunal resulting in a forfeiture of a participant's interest
29 in the trust shall not be subject to the Public Employee Pension
30 Forfeiture Act, section 16(b) of Article V of the Constitution

of Pennsylvania or 42 Pa.C.S. § 3352. Any accumulated employer defined contributions forfeited as a result of this subsection or other law shall be retained by the board and used for the payment of expenses of the plan.

(c) Domestic relations order.--Rights under this part shall be subject to attachment in favor of an alternate payee as set forth in an approved domestic relations order.

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

account" or an "individual retirement annuity" as those terms are defined in IRC § 408(a) and (b).

§ 8533.1. Approval of domestic relations orders.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 payee.

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

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

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

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

19 (9) Requires the participant to execute an authorization
20 allowing each alternate payee to monitor the participant's
21 compliance with the terms of the domestic relations order
22 through access to information concerning the participant
23 maintained by the plan. Any authorization granted under this
24 section shall be construed only as an authorization for the
25 alternate payee to receive information concerning the
26 participant which relates to the administration, calculation,
27 and payment of the alternate payee's share of the
28 participant's account and not as an authorization to exercise
29 the rights afforded to participants or obtain information
30 that is not related to the administration, calculation and

1 payment of the alternate payee's share of the participant's
2 account.

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

16 (11) In the case of participants who are currently
17 receiving distributions from the trust as of the date the
18 domestic relations order is approved by the secretary of the
19 board or his designated representative, the domestic
20 relations order may not order the board to pay the alternate
21 payee more than the balance available in the participant's
22 individual investment account as of the date the order is
23 approved or require that distributions continue to the
24 alternate payee after the death of the participant and final
25 settlement of the participant's individual investment
26 account.

27 (b) Determination by secretary.--Within a reasonable period
28 of time after receipt of a domestic relations order, the
29 secretary of the board, or his designated representative, shall
30 determine whether this order is an approved domestic relations

1 order and notify the member or participant and each alternate
2 payee of this determination. Notwithstanding any other provision
3 of law, the exclusive remedy of any member, participant or
4 alternate payee aggrieved by a decision of the secretary of the
5 board, or his designated representative, shall be the right to
6 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to
7 practice and procedure) with appeal therefrom to the
8 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial
9 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals
10 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 that term is defined in 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 this Commonwealth and the United
20 States[.], require distributions of benefits in a manner that
21 would violate the laws of the United States, any state or this
22 Commonwealth or require the distribution of funds for support or
23 enforcement of arrearages against any participant who is not
24 receiving distributions from the plan at the time such order is
25 entered.

26 (d) Obligation discharged.--Only the requirements of this
27 part and any regulations promulgated hereunder shall be used to
28 govern the approval or disapproval of a domestic relations
29 order. Therefore, if the secretary of the board, or his
30 designated representative, acts in accordance with the

provisions of this part and any promulgated regulations in approving or disapproving a domestic relations order, then the obligations of the system or plan with respect to such approval or disapproval shall be discharged.

§ 8533.3. Irrevocable survivor annuitant.

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

§ 8533.4. Amendment of approved domestic relations orders.

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

* * *

Section 115. Title 24 is amended by adding a section to read:

1 § 8533.5. Irrevocable successor payee.

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

24 Section 116. Sections 8534 and 8535 of Title 24 are amended
25 to read:

26 § 8534. Fraud and adjustment of errors.

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

1 guilty of a misdemeanor of the second degree.

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

16 § 8535. Payments to school entities by Commonwealth.

17 For each school year beginning with the 1995-1996 school year
18 and ending with the 2017-2018 school year, each school entity
19 shall be paid by the Commonwealth for contributions based upon
20 school service of active members of the system after June 30,
21 1995, as follows:

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

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

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

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

30 Section 117. Title 24 is amended by adding a section to

1 read:

2 § 8535.1. Payments to school entities by Commonwealth
3 commencing with the 2018-2019 school year.

4 For each school year, beginning with the 2017-2018 school
5 year, each school entity shall be paid by the Commonwealth for
6 contributions based upon school service of active members of the
7 system and active participants of the plan after June 30, 2018,
8 as follows:

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

27 (2) The Commonwealth shall pay each school entity for
28 contributions made to the fund based upon school service of
29 all active members, including members on activated military
30 service leave, and active participants of the plan who are

1 not described in paragraph (1), one-half of the amount
2 certified by the board as necessary to provide, together with
3 the members' and participants' contributions, reserves on
4 account of prospective annuities, supplemental annuities and
5 the premium assistance program as provided in this part in
6 accordance with section 8328.

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

15 Section 118. The definition of "eligible person" in section
16 8702(a) of Title 24 is amended to read:

17 § 8702. Definitions.

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

24 "Eligible person." An individual who is an annuitant or
25 survivor annuitant or the spouse or dependent of an annuitant or
26 survivor annuitant[.], or an individual who is a participant
27 receiving distributions or a successor payee, or the spouse or
28 dependent of a participant receiving distributions or successor
29 payee.

30 * * *

1 Section 119. Section 9101(a) and (b) of Title 24 are amended
2 to read:

3 § 9101. Status of program relative to Public School Employees'
4 Retirement Code.

5 (a) General rule.--The program shall be an approved health
6 insurance program for purposes of section 8505(i) (relating to
7 duties of board regarding applications and elections of members
8 and participants) and shall be an approved insurance carrier for
9 purposes of section 8509 (relating to health insurance premium
10 assistance program).

11 (b) State guarantee.--The program shall not be subject to
12 the provisions of section 8531 (relating to State guarantee
13 regarding the system).

14 * * *

15 ARTICLE II

16 AMENDMENTS TO TITLE 51

17 Section 201. Section 7306(a) of Title 51 is amended and the
18 section is amended by adding subsections to read:

19 § 7306. Retirement rights.

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

30 (1) He may continue to make regular payments into the

1 fund during the period of his military leave of absence. The
2 amount of such payments shall be the same as they would have
3 been, had he not been granted a military leave of absence,
4 but had instead remained actively in his employment. The time
5 of making such payments shall be mutually agreed upon by the
6 employee and the retirement association of which he is a
7 member, but in no event shall be less frequent than
8 semiannually. The employer shall make its contributions on
9 the same basis as is used to compute the employee's
10 contributions. In this case, his retirement rights shall be
11 determined on the basis that he was in the active, continuous
12 and uninterrupted employ of his employer for the period
13 during which he was on military leave of absence.

14 (2) He may discontinue making payments into the fund
15 during the period of his military leave of absence. In such
16 event, the employer shall also discontinue making its
17 contributions during this period. In this case, his
18 retirement rights shall be determined by completely
19 disregarding the period of his military leave of absence for
20 all purposes.

21 * * *

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

30 (g) Participants of the School Employees' Defined

1 Contribution Plan.--An employee who is an active or inactive
2 participant of the School Employees' Defined Contribution Plan
3 at the time he is granted a military leave of absence shall be
4 entitled to make contributions to the Public School Employees'
5 Defined Contribution Trust for such leave as provided in the
6 Public School Employees' Retirement Code.

7 ARTICLE III

8 AMENDMENTS TO TITLE 71

9 Section 301. The definitions of "alternate payee," "average
10 noncovered salary," "beneficiary," "compensation," "creditable
11 nonstate service," "credited service," "date of termination of
12 service," "distribution," "domestic relations order," "final
13 average salary," "inactive member," "intervening military
14 service," "irrevocable beneficiary," "previous State service,"
15 "reemployed from USERRA leave," "retirement counselor," "salary
16 deductions," "special vestee," "State employee," "superannuation
17 age" and "valuation interest" in section 5102 of Title 71 are
18 amended and the section is amended by adding definitions to
19 read:

20 § 5102. Definitions.

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

24 * * *

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

30 "Accumulated mandatory participant contributions." The total

1 of the mandatory pickup participant contributions paid into the
2 trust on account of a participant's State service together with
3 any investment earnings and losses and adjustments for fees,
4 costs and expenses credited or charged thereon.

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

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

16 "Act 120 member." A member of Class A-3 or Class A-4.

17 * * *

18 "Active participant." A State employee for whom mandatory
19 pickup participant contributions are being made to the trust or
20 for whom such contributions otherwise required for current State
21 service are not being made solely by reason of any provision of
22 this part relating to the limitations under section 401(a)(17)
23 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
24 26 U.S.C. § 401(a)(17) or 415).

25 * * *

26 "Alternate payee." Any spouse, former spouse, child or
27 dependent of a member or participant who is recognized by a
28 domestic relations order as having a right to receive all or a
29 portion of the moneys payable to that member or participant
30 under this part.

1 * * *

2 "Average noncovered salary." The average of the amounts of
3 compensation received by an active member each calendar year
4 since January 1, 1956, exclusive of the amount which was or
5 could have been covered by the Federal Social Security Act[,]
6 (42 U.S.C. § 301 et seq.), during that portion of the member's
7 service since January 1, 1956, for which he has received social
8 security integration credit.

9 * * *

10 "Beneficiary." The person or persons last designated in
11 writing to the board by a member to receive his accumulated
12 deductions or a lump sum benefit upon the death of [such] the
13 member[.] or by a participant to receive the participant's
14 vested accumulated total defined contributions or a lump sum
15 benefit upon the death of the participant.

16 * * *

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

20 * * *

21 "Compensation." Pickup contributions and mandatory pickup
22 contributions plus remuneration actually received as a State
23 employee excluding refunds for expenses, contingency and
24 accountable expense allowances; excluding any severance payments
25 or payments for unused vacation or sick leave; and excluding
26 payments for military leave and any other payments made by an
27 employer while on USERRA leave, leave of absence granted under
28 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
29 government employees), military leave of absence granted under
30 51 Pa.C.S. § 7302 (relating to granting military leaves of

1 absence) or other types of military leave, including other types
2 of leave payments, stipends, differential wage payments as
3 defined in IRC § 414(u)(12) and any other payments: Provided,
4 however, That compensation received prior to January 1, 1973,
5 shall be subject to the limitations for retirement purposes in
6 effect December 31, 1972, if any: Provided further, That the
7 limitation under section 401(a)(17) of the Internal Revenue Code
8 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)) taken into
9 account for the purpose of member contributions, including any
10 additional member contributions in addition to regular or joint
11 coverage member contributions and Social Security integration
12 contributions, regardless of class of service, shall apply to
13 each member who first became a member of the State Employees'
14 Retirement System on or after January 1, 1996, and who by reason
15 of such fact is a noneligible member subject to the application
16 of the provisions of section 5506.1(a) (relating to annual
17 compensation limit under IRC § 401(a)(17)) and shall apply to
18 each participant.

19 * * *

20 "Creditable nonstate service." Service other than:

21 (1) service as a State employee;

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

25 (3) school service converted to State service pursuant
26 to section 5303.2 (relating to election to convert school
27 service to State service)

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

29 "Credited service." State or creditable nonstate service for
30 which the required contributions have been made to the fund or

1 for which the contributions otherwise required for such service
2 were not made solely by reason of section 5502.1 (relating to
3 waiver of regular member contributions and Social Security
4 integration member contributions) or any provision of this part
5 relating to the limitations under section 401(a)(17) or 415 of
6 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
7 § 401(a)(17) or 415), except as otherwise provided in this part,
8 or for which salary deductions to the system or lump sum
9 payments have been agreed upon in writing.

10 "Date of termination of service." The last day of service
11 for which:

12 (1) pickup contributions are made for an active member
13 [or];

14 (2) in the case of an inactive member on leave without
15 pay, the date of his resignation or the date his employment
16 is formally discontinued by his employer[.];

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

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

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

24 * * *

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

29 "Domestic relations order." Any judgment, decree or order,
30 including approval of a property settlement agreement, entered

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

* * *

"Employer defined contribution rate."

(1) Unless paragraph (2) applies, contributions equal to 2.5% of an active participant's compensation which are made by the Commonwealth or other employer for current service to the trust to be credited to the participant's individual investment account.

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

"Employer defined contributions." Contributions made by an employer to the trust to be credited in a participant's individual investment account, the amount of which is determined by applying the employer defined contribution rate to the active participant's compensation.

1 * * *

2 "Final average salary." The highest average compensation
3 received as a member during any three nonoverlapping periods of
4 four consecutive calendar quarters during which the member was a
5 State employee, with the compensation for part-time service
6 being annualized on the basis of the fractional portion of the
7 year for which credit is received; except if the employee was
8 not a member for three nonoverlapping periods of four
9 consecutive calendar quarters, the total compensation received
10 as a member, annualized in the case of part-time service,
11 divided by the number of nonoverlapping periods of four
12 consecutive calendar quarters of membership; in the case of a
13 member with multiple service, the final average salary shall be
14 determined on the basis of the compensation received by him as a
15 [State employee] member of the system or as a school employee
16 other than as a participant in the School Employees' Defined
17 Contribution Plan, or both; in the case of a member with Class
18 A-3 or Class A-4 service and service in one or more other
19 classes of service, the final average salary shall be determined
20 on the basis of the compensation received by him in all classes
21 of State service credited in the system; and, in the case of a
22 member who first became a member on or after January 1, 1996,
23 the final average salary shall be determined as hereinabove
24 provided but subject to the application of the provisions of
25 section 5506.1(a) (relating to annual compensation limit under
26 IRC § 401(a)(17)). Final average salary shall be determined by
27 including in compensation payments deemed to have been made to a
28 member reemployed from USERRA leave to the extent member
29 contributions have been made as provided in section 5302(f)(2)
30 (relating to credited State service) and payments made to a

1 member on leave of absence under 51 Pa.C.S. § 4102 (relating to
2 leaves of absence for certain government employees) as provided
3 in section 5302(f)(6).

4 * * *

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

18 "Inactive participant." A participant for whom no mandatory
19 pickup participant contributions are being made to the trust,
20 except in the case of an active participant for whom such
21 contributions otherwise required for current State service are
22 not being made solely by reason of any provision of this part
23 relating to limitations under section 401(a)(17) or 415 of the
24 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
25 401(a)(17) or 415), but who has vested accumulated total defined
26 contributions standing to his credit in the trust and who has
27 not filed an application for an annuity.

28 "Individual investment account." The account in the trust to
29 which are credited the amounts of the contributions made by a
30 participant and the participant's employer in accordance with

the provisions of this part, together with all interest and investment earnings after deduction for fees, costs, expenses and investment losses and charges for distributions.

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

* * *

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

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

* * *

"Mandatory pickup participant contributions." Contributions equal to 8.5% of compensation that are made by the Commonwealth or other employer for active participants for current service which are picked up by the employer.

* * *

"Participant." An active participant, inactive participant

1 or participant receiving distributions.

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

6 * * *

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

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

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

22 * * *

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

1 * * *

2 "Retirement counselor." The State Employees' Retirement
3 System or State Employees' Defined Contribution Plan employee
4 whose duty it shall be to advise each employee of his rights and
5 duties as a member of the system or as a participant of the
6 plan.

7 "Salary deductions." The amounts certified by the board,
8 deducted from the compensation of an active member or active
9 participant, or the school service compensation of a multiple
10 service member who is an active member of the Public School
11 Employees' Retirement System, and paid into the fund or trust.

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

15 * * *

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

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

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

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

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

11 * * *

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

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

21 (ii) State-owned educational institutions.

22 (iii) Community colleges.

23 (iv) The Pennsylvania State University, except an
24 employee in the College of Agriculture who is paid wholly
25 from Federal funds or an employee who is participating in
26 the Federal Civil Service Retirement System. The
27 university shall be totally responsible for all employer
28 contributions under [section] sections 5507 (relating to
29 contributions to system by the Commonwealth and other
30 [employers).] employers before July 1, 2019) and 5507.1

1 (relating to contributions to system by the Commonwealth
2 and other employers starting July 1, 2019).

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

22 (3) Any separate independent public corporation created
23 by statute, not including any municipal or quasi-municipal
24 corporation, so long as he remains an officer or employee of
25 such public corporation, and provided that such officer or
26 employee of such public corporation was an employee of the
27 Commonwealth immediately prior to his employment by such
28 corporation, and further provided such public corporation
29 shall agree to contribute and contributes to the fund or to
30 the trust, from time to time, the moneys required to build up

1 the reserves necessary for the payment of the annuities or
2 other benefits of such officers and employees without any
3 liability on the part of the Commonwealth to make
4 appropriations for such purposes.

5 * * *

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

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

1 superannuation age, whichever occurs first.

2 * * *

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

5 * * *

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

9 * * *

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

13 * * *

14 "Voluntary contributions." Contributions made by a
15 participant to the trust in excess of his mandatory pickup
16 participant contributions by an eligible rollover or direct
17 trustee-to-trustee transfer and credited to his individual
18 investment account.

19 Section 302. Section 5103 of Title 71 is amended to read:
20 § 5103. 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, to the extent authorized by a policy adopted by the
24 board, electronically, including, without being limited to, e-
25 mail or [World Wide Web] Internet sites, distributed or made
26 available to members and participants in a manner reasonably
27 calculated to give actual notice of those sections of the State
28 Employees' Retirement Code that require notice to members or
29 participants shall be deemed sufficient notice for all purposes.

30 Section 303. Title 71 is amended by adding a section to

1 read:

2 § 5104. Reference to State Employees' Retirement System.

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

11 (b) Agreement.--The agreement of an employer listed in the
12 definition of "State employee" under section 5102 (relating to
13 definitions) or any other law to make contributions to the State
14 Employees' Retirement Fund or to enroll its employees as members
15 in the State Employees' Retirement System shall be deemed to be
16 an agreement to make contributions to the State Employees'
17 Defined Contribution Trust or to enroll its employees in the
18 State Employees' Defined Contribution Plan.

19 Section 304. Section 5301 heading, (a), (b), (c) and (d) of
20 Title 71 are amended and the section is amended by adding
21 subsections to read:

22 § 5301. Mandatory and optional membership in system and
23 participation in plan.

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

- 27 (1) Governor.
28 (2) Lieutenant Governor.
29 (3) Members of the General Assembly.
30 (4) Heads or deputy heads of administrative departments.

1 (5) Members of any independent administrative board or
2 commission.

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

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

5 (8) Secretary to the Governor.

6 (9) Budget Secretary.

7 (10) Legislative employees.

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

10 (12) School employees who have elected membership in an
11 independent retirement program approved by the employer,
12 provided that in no case, except as hereinafter provided,
13 shall the employer contribute on account of such elected
14 membership at a rate greater than the employer normal
15 contribution rate as determined in section 5508(b) (relating
16 to actuarial cost method for fiscal years ending before July
17 1, 2019). For the fiscal year 1986-1987 an employer may
18 contribute on account of such elected membership at a rate
19 which is the greater of 7% or the employer normal
20 contribution rate as determined in section 5508(b) and for
21 the fiscal year 1992-1993 and all years after that at a rate
22 of 9.29%.

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

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

30 (15) Employees of the Philadelphia Regional Port

1 Authority who have elected to retain membership in the
2 pension plan or retirement system in which they were enrolled
3 as employees of the predecessor Philadelphia Port Corporation
4 prior to the creation of the Philadelphia Regional Port
5 Authority.

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

14 (17) State employees other than a sworn police officer
15 performing service as a sworn police officer whose first
16 period of State service starts on or after January 1, 2019.

17 (a.1) Mandatory participation in the plan.--State employees
18 listed in subsection (a) (17) who are not listed in subsection
19 (a) (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11) or
20 (13) shall be mandatory participants as of the first date of
21 State service.

22 (b) Optional membership in the system.--The State employees
23 listed in subsection (a) (1) through (11) shall have the right to
24 elect membership in the system on or before December 31, 2018;
25 once such election is exercised, membership shall continue until
26 the termination of State service.

27 (b.1) (1) Optional participation in the plan.--The State
28 employees listed in subsection (a) (17) who also are listed in
29 subsection (a) (1), (2), (3), (4), (5), (6), (7), (8), (9) or
30 (10) shall have the right to elect participation in the plan;

1 once such election is exercised, participation will be
2 effective as of the date of election and shall continue until
3 the termination of State service. The State employees
4 described in this paragraph shall not have the right to elect
5 membership in the system.

6 (2) The State employees not listed in subsection (a)
7 (17), who are listed in subsection (a)(1), (2), (3), (4),
8 (5), (6), (7), (8), (9) or (10) and who are not members of
9 the system because membership is optional, shall have the
10 right to elect participation in the plan. Once such election
11 is exercised, participation shall be effective as of the date
12 of election and shall continue until termination of State
13 service. The State employees described in this paragraph
14 shall not have the right to elect membership in the system.

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

19 (c.1) Prohibited participation in the plan.--The State
20 employees listed in subsection (a)(17) who also are listed in
21 subsection (a)(13) and (15) or who are employees of The
22 Pennsylvania State University, the State System of Higher
23 Education, State-owned educational institutions or community
24 colleges shall not be eligible to participate in the plan.

25 (d) Return to service.--An annuitant who returns to service
26 as a State employee shall resume active membership in the system
27 as of the effective date of employment, except as otherwise
28 provided in section 5706(a) (relating to termination of
29 annuities), regardless of the optional membership category of
30 the position. An inactive participant or a participant receiving

distributions who returns to service as a State employee shall
be an active participant of the plan as of the effective date of
employment unless the position is eligible for optional
participation or is not eligible for participation in the plan,
or except as otherwise provided in section 5706(a).

* * *

Section 305. Sections 5302(a), (b), (e) and (f), 5303(b)(2),
(d)(1), (e)(1) and (4), 5303.2(a) and (e), 5304(a) and (b),
5305(b) introductory paragraph and (3) and 5305.1 of Title 71
are amended to read:

§ 5302. Credited State service.

(a) Computation of credited service.--In computing credited
State service of a member for the determination of benefits, a
full-time salaried State employee, including any member of the
General Assembly, shall receive credit for service in each
period for which contributions as required are made to the fund,
or for which contributions otherwise required for such service
were not made to the fund solely by reason of section 5502.1
(relating to waiver of regular member contributions and Social
Security integration member contributions) or any provision of
this part relating to the limitations under IRC § 401(a)(17) or
415, except as otherwise provided in this part, but in no case
shall he receive more than one year's credit for any 12
consecutive months or 26 consecutive biweekly pay periods. A per
diem or hourly State employee shall receive one year of credited
service for each nonoverlapping period of 12 consecutive months
or 26 consecutive biweekly pay periods in which he is employed
and for which contributions are made to the fund or would have
been made to the fund but for such waiver under section 5502.1
or limitations under the IRC for at least 220 days or 1,650

1 hours of employment. If the member was employed and
2 contributions were made to the fund for less than 220 days or
3 1,650 hours, he shall be credited with a fractional portion of a
4 year determined by the ratio of the number of days or hours of
5 service actually rendered to 220 days or 1,650 hours, as the
6 case may be. A part-time salaried employee shall be credited
7 with the fractional portion of the year which corresponds to the
8 number of hours or days of service actually rendered and for
9 which contributions are made to the fund in relation to 1,650
10 hours or 220 days, as the case may be. In no case shall a member
11 who has elected multiple service receive an aggregate in the two
12 systems of more than one year of credited service for any 12
13 consecutive months.

14 (b) Creditable leaves of absence.--

15 (1) A member on leave without pay who is studying under
16 a Federal grant approved by the head of his department or who
17 is engaged up to a maximum of two years of temporary service
18 with the United States Government, another state or a local
19 government under the Intergovernmental Personnel Act of 1970
20 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
21 be eligible for credit for such service: Provided, That
22 contributions are made in accordance with sections 5501
23 (relating to regular member contributions for current
24 service), 5501.1 (relating to shared-risk member
25 contributions for Class A-3 and Class A-4 service), 5505.1
26 (relating to additional member contributions) [and], 5507
27 (relating to contributions to system by the Commonwealth and
28 other employers before July 1, 2019) and 5507.1 (relating to
29 contributions to system by the Commonwealth and other
30 employers starting July 1, 2019), the member returns from

1 leave without pay to active State service as a member of the
2 system for a period of at least one year, and he is not
3 entitled to retirement benefits for such service under a
4 retirement system administered by any other governmental
5 agency.

6 (2) An active member or active participant on paid leave
7 granted by an employer for purposes of serving as an elected
8 full-time officer for a Statewide employee organization which
9 is a collective bargaining representative under the act of
10 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
11 and Firemen Collective Bargaining Act, or the act of July 23,
12 1970 (P.L.563, No.195), known as the Public Employe Relations
13 Act, and up to 14 full-time business agents appointed by an
14 employee organization that represents correction officers
15 employed at State correctional institutions: Provided, That
16 for elected full-time officers such leave shall not be for
17 more than three consecutive terms of the same office and for
18 up to 14 full-time business agents appointed by an employee
19 organization that represents correction officers employed at
20 State correctional institutions no more than three
21 consecutive terms of the same office; that the employer shall
22 fully compensate the member or the participant, including,
23 but not limited to, salary, wages, pension and retirement
24 contributions and benefits, other benefits and seniority, as
25 if he were in full-time active service; and that the
26 Statewide employee organization shall fully reimburse the
27 employer for all expenses and costs of such paid leave,
28 including, but not limited to, contributions and payment in
29 accordance with [sections] section 5404 (relating to
30 participant contributions), 5405 (relating to mandatory

pickup participant contributions), 5406 (relating to employer defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or 5507.1 (relating to contributions to the system by Commonwealth and other employers starting July 1, 2019), if the employee organization either directly pays, or reimburses the Commonwealth or other employer for, contributions made in accordance with [section 5507] sections 5404, 5405, 5406, 5507 and 5507.1.

* * *

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

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

(1) For purposes of determining whether a member is eligible to receive credited service in the system for a period of active military service, other than active duty service to meet periodic training requirements, rendered after August 5, 1991, and that began before the effective

1 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
2 (relating to military leave of absence) shall apply to all
3 individuals who were active members of the system when the
4 period of military service began, even if not defined as an
5 employee pursuant to 51 Pa.C.S. § 7301 (relating to
6 definitions).

7 (1.1) State employees may not receive service credit in
8 the system or exercise the options under 51 Pa.C.S. § 7306
9 (relating to retirement rights) for military leaves that
10 begin on or after the effective date of this subsection,
11 except as otherwise provided by this subsection.

12 (1.2) State employees may not participate in the plan or
13 exercise the options under 51 Pa.C.S. § 7306 (relating to
14 retirement rights) for military leaves that begin on or after
15 the effective date of this paragraph, except as otherwise
16 provided by this subsection.

17 (2) A State employee who has performed USERRA leave may
18 receive credit in the system as provided by this paragraph.

19 The following shall apply:

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

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

17 (ii) For purposes of determining whether a State
18 employee has made the required employee contributions for
19 State service credit for USERRA leave, if an employee who
20 is reemployed from USERRA leave as an active member of
21 the system terminates State service or dies in State
22 service before the expiration of the allowed payment
23 period, then State service credit for the USERRA leave
24 will be granted as if the required member contributions
25 were paid the day before termination or death. The amount
26 of the required member contributions will be treated as
27 an incomplete payment subject to the provisions of
28 section 5506 (relating to incomplete payments). Upon a
29 subsequent return to State service or to school service
30 as a multiple service member, the required member

1 contributions treated as incomplete payments shall be
2 treated as member contributions that were either
3 withdrawn in a lump sum at termination or paid as a lump
4 sum pursuant to section 5705(a)(4) (relating to member's
5 options), as the case may be.

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

17 (2.1) The following shall apply:

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

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

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

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

29 (3.1) A State employee who is a participant in the plan
30 and performs USERRA leave from which the employee could have

1 been reemployed from USERRA leave had the employee returned
2 to State service in the time frames required by 38 U.S.C. Ch.
3 43 for reemployment rights, but was not reemployed, shall not
4 be eligible to make mandatory pickup participant
5 contributions or voluntary contributions for the period of
6 USERRA leave should the employee later return to State
7 service and be a participant in the plan.

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

18 (4.1) An active participant or inactive participant on
19 leave without pay who, on or after the effective date of this
20 paragraph, is granted a leave of absence under 51 Pa.C.S. §
21 4102 or a military leave under 51 Pa.C.S. Ch.73 that is not
22 USERRA leave shall not be able to make mandatory pickup
23 participant contributions or voluntary contributions during
24 or for the leave of absence or military leave and shall not
25 have employer defined contributions made during such leave,
26 without regard to whether or not the State employee received
27 salary, wages, stipends, differential wage payments or other
28 payments from his employer during the leave, notwithstanding
29 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
30 Pa.C.S. Ch. 73.

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

8 (5.1) If a participant dies while performing USERRA
9 leave, the beneficiaries or successor payees of the deceased
10 participant are entitled to any additional benefits, other
11 than benefit accruals relating to the period of qualified
12 military service, provided under this part had the
13 participant resumed and terminated employment on account of
14 death.

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

26 § 5303. Retention and reinstatement of service credits.

27 * * *

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

29 * * *

30 (2) A special vestee or person otherwise eligible to be

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

11 * * *

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

13 (1) Any person who was an employee of any county in this
14 Commonwealth on the personal staff of an appellate court
15 judge prior to September 9, 1985, and who had that employment
16 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
17 (relating to local chamber facilities) shall be a member of
18 the system for all service rendered as an employee of the
19 Commonwealth on the personal staff of an appellate court
20 judge subsequent to the date of the transfer unless
21 specifically prohibited pursuant to section 5301(c) (relating
22 to mandatory and optional membership in system and
23 participation in plan). The employee shall be entitled to
24 have any prior service credit in that county or other
25 municipal pension plan or retirement system transferred to
26 the system and deemed to be State service for all purposes
27 under this part. However, for those employees who were in
28 continuous county employment which commenced prior to July
29 22, 1983, section 5505.1 shall not apply. The transfer of
30 prior service credit to the system shall occur upon the

transfer, by the member, county or other municipal pension plan or retirement system, to the system of the amount of accumulated member contributions, pick-up contributions and credited interest standing in the employee's county or municipal pension plan or retirement system account as of the date that these funds are transferred to the system. In the event that these funds have been refunded to the member, the transfer of service credit shall occur when the member transfers an amount equal to either the refund which the member received from the county or municipal pension plan or retirement system or the amount due under section 5504, if less. In the case of a transfer by the member, the transfer shall occur by December 31, 1987, in order for the member to receive credit for the prior service. In the case of a transfer by the county or other municipal pension plan or retirement system, the transfer shall also occur by December 31, 1987. If the amount transferred to the system by the member of a county or municipal pension plan or retirement system is greater than the amount that would have accumulated in the member's account if the employee had been a member of the system, all excess funds shall be returned to the employee within 90 days of the date on which such funds are credited to the member's account in the system. Within 60 days of receipt of written notice that an employee has elected to transfer credits under the provisions of this subsection, the county or other municipal pension plans or retirement systems shall be required to transfer to the system an amount, excluding contributions due under section 5504(a), equal to the liability of the prior service in accordance with county or other municipal pension plan or

1 retirement system benefit provisions, multiplied by the ratio
2 of system actuarial value of assets for active members to the
3 system actuarial accrued liability for active members. The
4 Public Employee Retirement Study Commission shall determine
5 the appropriate amount of employer contributions to be
6 transferred to the system by the county or other municipal
7 pension plans or retirement systems.

8 * * *

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

11 (1) Any employee of the Philadelphia Regional Port
12 Authority who becomes a State employee, as defined in section
13 5102 (relating to definitions), and an active member of the
14 system shall be eligible to obtain retirement credit for
15 prior uncredited service with the Philadelphia Port
16 Corporation, a Pennsylvania not-for-profit corporation
17 ("predecessor corporation"), provided that the Commonwealth
18 does not incur any liability for the funding of the annuities
19 attributable to the prior, uncredited "predecessor
20 corporation" service, the cost of which shall be determined
21 according to paragraph (2).

22 * * *

23 (4) Any person who became employed by the Philadelphia
24 Regional Port Authority between July 10, 1989, and passage of
25 this act and who becomes a State employee, as defined in
26 section 5102, and an active member of the system shall be
27 eligible to obtain retirement credit for service from the
28 date of employment with the Philadelphia Regional Port
29 Authority, provided that the contributions are made in
30 accordance with sections 5501, 5504, 5505.1 and 5506.

1 * * *

2 § 5303.2. Election to convert school service to State service.

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

24 * * *

25 (e) Transfer.--Within 180 days after the effective date of
26 this subsection, the Public School Employees' Retirement System
27 shall transfer to the board for each member electing to convert
28 under this section the accumulated member contributions and
29 statutory interest credited in the Public School Employees'
30 Retirement System, plus an amount equal to the value of all

1 annual employer contributions made to the Public School
2 Employees' Retirement System with interest at the annual rate
3 adopted by the board for the calculation of the normal
4 contribution rate under section 5508(b) (relating to actuarial
5 cost method for fiscal years ending before July 1, 2019), from
6 the date of each contribution to the date of the transfer of the
7 funds to the board. Any debt owed by a member to the Public
8 School Employees' Retirement System for whatever reason shall be
9 transferred to the system and shall be paid in a manner and in
10 accordance with conditions prescribed by the board.

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, or a multiple service member
17 who first becomes an active member before January 1, 2011, or
18 before December 1, 2010, as a member of the General Assembly,
19 and who is a school employee and an active member of the
20 Public School Employees' Retirement System shall be eligible
21 for Class A service credit for creditable nonstate service as
22 set forth in subsections (b) and (c) except that intervening
23 military service shall be credited in the class of service
24 for which the member was eligible at the time of entering
25 into military service and for which he makes the required
26 contributions to the fund and except that a multiple service
27 member who is a school employee and an active member of the
28 Public School Employees' Retirement System shall not be
29 eligible to purchase service credit for creditable nonstate
30 service set forth in subsection (c) (5).

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

* * *

(b) Limitations on eligibility.--An active member or a multiple service member who is a school employee and an active member of the Public School Employees' Retirement System shall be eligible to receive credit for nonstate service provided that he does not have credit for such service in the system or in the school system and is not entitled to receive, eligible to receive now or in the future, or is receiving retirement benefits for such service in the system or under a retirement system administered and wholly or partially paid for by any other governmental agency or by any private employer, or a retirement program approved by the employer in accordance with section 5301(a) (12) (relating to mandatory and optional

membership in system and participation in plan), and further provided, that such service is certified by the previous employer and contributions are agreed upon and made in accordance with section 5505 (relating to contributions for the purchase of credit for creditable nonstate service).

* * *

§ 5305. Social security integration credits.

* * *

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

* * *

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

* * *

§ 5305.1. Eligibility for actuarial increase factor.

A person who is:

(1) an active member;

(2) an inactive member on leave without pay; [or]
(3) a multiple service member who is a school employee
and an active member of the Public School Employees'
Retirement System; or

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

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

Section 306. Section 5306(a), (a.1)(2) and (6), (a.2)(1) and
(2) and (b) of Title 71 are amended and the section is amended
by adding a subsection to read:

§ 5306. Classes of service.

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

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

(2) A State employee who first becomes a member of the

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

16 (3) A person who first becomes a sworn police officer on
17 or after January 1, 2019, shall receive credit for service as
18 a sworn police officer as a member of Class A-3 upon payment
19 of the required member contributions and shall not be
20 eligible to be a participant in the plan for such service.
21 All other State service shall be credited in the plan as
22 otherwise provided under this part, except that any State
23 service performed concurrently with service as an active or
24 inactive member on leave without pay as a sworn police
25 officer shall be credited as Class A-3 service and shall not
26 be eligible for active participation in the plan. Class A-3
27 service provided for under this paragraph shall be subject to
28 an election to be credited as Class A-4 service.

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

30 * * *

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

20 * * *

21 (6) A State employee who after June 30, 2001, becomes a
22 State police officer or who is employed in a position in
23 which the member could elect membership in the system in a
24 class of service other than Class AA or Class D-4 shall
25 retain any Class AA service credited prior to becoming a
26 State police officer or being so employed but shall be
27 ineligible to receive Class AA credit thereafter and instead
28 shall receive Class A credit for service as a member of the
29 judiciary if such judicial service begins before January 1,
30 2019, or if he first became a member before January 1, 2011,

1 or December 1, 2010, as a member of the General Assembly, or
2 Class A-3 credit for service other than as a member of the
3 judiciary if such nonjudicial service begins before January
4 1, 2019, and he first became a member on or after January 1,
5 2011, or December 1, 2010, as a member of the General
6 Assembly, unless a class of membership other than Class A is
7 elected.

8 * * *

9 (a.2) Class of membership for members of the General
10 Assembly.--

11 (1) A person who:

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

15 (ii) is a member of the General Assembly on July 1,
16 2001, but is not an active member of the system because
17 membership in the system is optional pursuant to section
18 5301 and who becomes an active member after June 30,
19 2001, and before December 1, 2010;

20 and who was not a State police officer on or after July 1,
21 1989, shall be classified as a Class D-4 member and receive
22 credit as a Class D-4 member for all State service as a
23 member of the system performed as a member of the General
24 Assembly upon payment of regular member contributions for
25 Class D-4 service and, subject to the limitations contained
26 in subsection (a.1)(7), if previously a member of Class A or
27 employed in a position for which Class A service could have
28 been earned, shall receive Class AA service credit for all
29 Class A State service, other than State service performed as
30 a State police officer or for which a class of service other

1 than Class A or Class D-4 was or could have been elected or
2 credited.

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

20 * * *

21 (b) Other class membership.--

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

28 (2) Notwithstanding any other provision of this section,
29 a State employee who is appointed bail commissioner of the
30 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)

(relating to jurisdiction and venue) and is eligible to be a member of the system as a bail commissioner may, within 30 days of the effective date of this sentence or within 30 days of his initial appointment as a bail commissioner, whichever is later, elect Class E-2 service credit for service performed as a bail commissioner. This class of service multiplier for E-2 service as a bail commissioner shall be 1.5.

* * *

(e) Ineligibility for active membership and classes of service.--An individual who is a State employee on January 1, 2019, but is not a member of the system or who first becomes a State employee on or after January 1, 2019, shall be ineligible for active membership in the system or the several classes of State service as otherwise provided for under this section. Any such State employee, if eligible, may be a participant in the plan as a result of such State service.

Section 307. Sections 5306.3(c), 5307, 5308, 5308.1 and 5311(a) of Title 71 are amended to read:

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

* * *

(c) Effect of election.--An election to become a Class A-4 member shall be irrevocable and shall become effective on the effective date of membership in the system and shall remain in effect for all future [creditable] State service creditable in the system, other than service performed as a member of the judiciary. Payment of regular member contributions for Class A-4 State service performed prior to the election of Class A-4 membership shall be made in a form, manner and time determined by the board. Upon termination and a subsequent reemployment, a

1 member who elected Class A-4 membership shall be credited as a
2 Class A-4 member for creditable State service performed after
3 reemployment, except as a member of the judiciary, regardless of
4 termination of employment, termination of membership by
5 withdrawal of accumulated deductions or status as an annuitant,
6 vestee or inactive member after the termination of service.

7 * * *

8 § 5307. Eligibility points.

9 (a) General rule.--An active member of the system shall
10 accrue one eligibility point for each year of credited service
11 as a member of the State or the Public School Employees'
12 Retirement System. A member shall accrue an additional two-
13 thirds of an eligibility point for each year of Class D-3
14 credited service. In the case of a fractional part of a year of
15 credited service, a member shall accrue the corresponding
16 fractional portion of eligibility points to which the class of
17 service entitles him.

18 (a.1) USERRA leave.--A member of the system who is
19 reemployed from USERRA leave or who dies while performing USERRA
20 leave shall be granted the eligibility points that he would have
21 accrued had he continued in his State office or employment
22 instead of performing USERRA leave. In the event that a State
23 employee who is reemployed from USERRA leave makes the member
24 contributions to be granted State service credit for the USERRA
25 leave, no additional eligibility points will be granted.

26 (b) Transitional rule.--

27 (1) In determining whether a member who is not a State
28 employee or school employee on June 30, 2001, and July 1,
29 2001, and who has previous State service (except a disability
30 annuitant who returns to State service after June 30, 2001,

1 upon termination of the disability annuity) has the five
2 eligibility points required by sections 5102 (relating to
3 definitions), 5308(b) (relating to eligibility for
4 annuities), 5309 (relating to eligibility for vesting),
5 5704(b) (relating to disability annuities) and 5705(a)
6 (relating to member's options), only eligibility points
7 earned by performing credited State service as an active
8 member of the system, USERRA leave or credited school service
9 as an active member of the Public School Employees'
10 Retirement System after June 30, 2001, shall be counted until
11 such member earns one eligibility point by performing
12 credited State service or credited school service after June
13 30, 2001, at which time all eligibility points as determined
14 pursuant to subsection (a) shall be counted.

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

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

20 (ii) has Class G, Class H, Class I, Class J, Class
21 L, Class M or Class N service and has eight or more
22 eligibility points as determined pursuant to subsection
23 (a).

24 (c) Transitional rule for combined service employees.--In
25 determining whether a combined service employee has the five
26 eligibility points required by sections 5102, 5308(b)(1),
27 5309(1) and 5705(a) or the ten eligibility points required by
28 sections 5102, 5308(b)(2), 5309(2) and 5705(a), any such
29 combined service employee shall be considered to have satisfied
30 any requirement for five or ten eligibility points, as the case

1 may be, if the combined service employee does not terminate
2 State service for three or more years after the effective date
3 of participation in the plan.

4 § 5308. Eligibility for annuities.

5 (a) Superannuation annuity.--Attainment of superannuation
6 age by an active member [or], an inactive member on leave
7 without pay or a combined service employee who is an active
8 participant or inactive participant on leave without pay with
9 three or more eligibility points other than eligibility points
10 resulting from nonstate service or nonschool service shall
11 entitle him to receive a superannuation annuity upon termination
12 of State service and compliance with section 5907(f) (relating
13 to rights and duties of State employees [and], members and
14 participants).

15 (b) Withdrawal annuity.--

16 (1) Any vestee or any active member [or], inactive
17 member on leave without pay or a combined service employee
18 who is an active participant or inactive participant on leave
19 without pay who terminates State service having five or more
20 eligibility points and who does not have Class A-3 or Class
21 A-4 service credit or Class T-E or Class T-F service credit
22 in the Public School Employees' Retirement System, or who has
23 Class G, Class H, Class I, Class J, Class K, Class L, Class M
24 or Class N service and terminates State service having five
25 or more eligibility points, upon compliance with section
26 5907(f), (g) or (h) shall be entitled to receive an annuity.

27 (2) Any vestee, active member [or], inactive member on
28 leave without pay or a combined service employee who is an
29 active participant or inactive participant on leave without
30 pay who has Class A-3 or Class A-4 service credit or Class T-

1 E or Class T-F service credit in the Public School Employees'
2 Retirement System who terminates State service having ten or
3 more eligibility points, upon compliance with section
4 5907(f), (g) or (h), shall be entitled to receive an annuity.

5 (3) Any vestee, active member [or], inactive member on
6 leave without pay or a combined service employee who is an
7 active participant or inactive participant on leave without
8 pay who has either Class A-3 or Class A-4 service credit or
9 Class T-E or Class T-F service credit in the Public School
10 Employees' Retirement System and also has service credited in
11 the system in one or more other classes of service who has
12 five or more, but fewer than ten, eligibility points, upon
13 compliance with section 5907(f), (g) or (h), shall be
14 eligible to receive an annuity calculated on his service
15 credited in classes of service other than Class A-3 or Class
16 A-4, provided that the member has five or more eligibility
17 points resulting from service in classes other than Class A-3
18 or Class A-4 or Class T-E or Class T-F service in the Public
19 School Employees' Retirement System.

20 (c) Disability annuity.--An active member or inactive member
21 on leave without pay who has five or more eligibility points
22 other than eligibility points resulting from membership in the
23 Public School Employees' Retirement System or any active member
24 or inactive member on leave without pay who is an officer of the
25 Pennsylvania State Police or an enforcement officer shall, upon
26 compliance with section 5907(k), be entitled to a disability
27 annuity if he becomes mentally or physically incapable of
28 continuing to perform the duties for which he is employed and
29 qualifies in accordance with the provisions of section 5905(c)

30 (1) (relating to duties of the board regarding applications and

elections of members and participants).

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

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

§ 5308.1. Eligibility for special early retirement.

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

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

* * *

§ 5311. Eligibility for refunds.

(a) Total accumulated deductions.--Any active member, regardless of eligibility for benefits, may elect to receive his

total accumulated deductions by his required beginning date upon termination of service in lieu of any benefit from the system to which he is entitled.

* * *

Section 308. Title 71 is amended by adding a chapter to read:

CHAPTER 54

STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

Sec.

5401. Establishment.

5402. Plan document.

5403. Individual investment accounts.

5404. Participant contributions.

5405. Mandatory pickup participant contributions.

5406. Employer defined contributions.

5407. Eligibility for benefits.

5408. Death benefits.

5409. Vesting.

5410. Termination of distributions.

5411. Agreements with financial institutions and other organizations.

5411.1 Annuitization.

5412. Powers and duties of board.

5413. Responsibility for investment loss.

5414. Investments based on participants' investment allocation choices.

5415. Expenses.

5416. (Reserved).

5417. Required distributions.

§ 5401. Establishment.

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

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

23 (c) Holding of assets.--All assets and income in the plan
24 that have been or shall be withheld or contributed by the
25 participants, the Commonwealth and other employers in accordance
26 with this part shall be held in trust in any funding vehicle
27 permitted by the applicable provisions of IRC for the exclusive
28 benefit of the plan's participants and their beneficiaries until
29 such time as the funds are distributed to the participants or
30 their beneficiaries in accordance with the terms of the plan

1 document. The assets of the plan held in trust for the exclusive
2 benefit of the plan's participants and their beneficiaries may
3 be used for the payment of the fees, costs and expenses related
4 to the administration and investment of the plan and the trust.

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

15 § 5402. Plan document.

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

28 § 5403. Individual investment accounts.

29 The board shall establish in the trust an individual
30 investment account for each participant in the plan. All

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

§ 5404. Participant contributions.

(a) Mandatory contributions.--Each participant shall make mandatory pickup participant contributions through payroll deductions to the participant's individual investment account equal to 8.5% of compensation for current State service. The employer shall cause such contributions for current service to be made and deducted from each payroll or on such schedule as established by the board.

(b) Voluntary contributions.--A participant may make voluntary contributions through direct trustee-to-trustee transfers or through transfers of money received in an eligible rollover into the trust to the extent allowed by IRC § 402. Such rollovers shall be made in a form and manner as determined by the board, shall be credited to the participant's individual investment account and shall be separately accounted for by the board.

(c) Prohibited contributions.--No contributions shall be allowed which would cause a violation of the limitations related to contributions applicable to governmental plans contained in IRC § 415 or in other provisions of law. In the event that any

disallowed contributions are made, any participant contributions in excess of the limitations and investment earnings thereon shall be refunded to the participant by the board.

§ 5405. Mandatory pickup participant contributions.

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

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

§ 5406. Employer defined contributions.

(a) Contributions for current service.--The Commonwealth or other employer of a participant shall make employer defined contributions for current service of each active participant which shall be credited to each respective participant's individual investment account.

(b) Contributions resulting from participants reemployed from USERRA leave.--When a State employee reemployed from USERRA leave makes the mandatory pickup participant contributions permitted to be made for the USERRA leave, the Commonwealth or other employer by whom the State employee is employed at the

1 time the participant contributions are made shall make whatever
2 employer defined contributions would have been made under this
3 section had the employee making the participant contributions
4 continued to be employed in the employee's State office or
5 position instead of performing USERRA leave. Such employer
6 defined contributions shall be placed in the participant's
7 individual investment account as otherwise provided by this
8 part.

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

17 (a) Termination of service.--A participant who terminates
18 State service shall be eligible to withdraw the vested
19 accumulated total defined contributions standing to his credit
20 in the participant's individual investment account or such
21 lesser amount as the participant may request. Payment shall be
22 made in a lump sum unless the board has established other forms
23 of distribution in the plan document. A participant who
24 withdraws his vested accumulated total defined contributions
25 shall no longer be a participant in the plan, notwithstanding
26 that the participant may have contracted to receive an annuity
27 or other form of payment from a provider retained by the board
28 for such purposes.

29 (b) Required distributions.--All payments pursuant to this
30 section shall start and be made in compliance with the minimum

distribution requirements and incidental death benefit rules of IRC § 401(a)(9). The board shall take any action and make any distributions it may determine are necessary to comply with such requirements.

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

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

(e) Small individual investment accounts.--

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

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

(f) Requirement to purchase partial annuity.--Except as prohibited by the IRC or as otherwise provided in this part, a participant who is eligible and elects to receive a distribution or vested accumulated employer defined contributions shall be required to purchase at least a partial payout as a life annuity

1 with that distribution from an annuity provider contracted by
2 the board under section 5408(c) (relating to death benefits) and
3 under such conditions as provided in the plan document. The
4 conditions may include that the board is authorized to make the
5 distribution directly to the annuity provider.

6 (g) Spousal consent not required.--A participant who is
7 married may receive a lump sum distribution or other
8 distribution directly from the board without the consent of the
9 spouse.

10 § 5408. Death benefits.

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

17 (b) Death of participant receiving distributions.--In the
18 event of the death of a participant receiving distributions, the
19 board shall pay to the participant's beneficiary the vested
20 balance in the participant's individual investment account in a
21 lump sum or in such other manner as the board may establish in
22 the plan document or, if the board has established alternative
23 methods of distribution in the plan document under which the
24 participant was receiving distributions, to the participant's
25 beneficiary or successor payee, as the case may be, as provided
26 in the plan document.

27 (c) Contracts.--The board may contract with financial
28 institutions, insurance companies or other types of third-party
29 providers to allow participants who receive a lump sum
30 distribution to receive payments and death benefits in a form

1 and manner as provided by the contract.

2 § 5409. Vesting.

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

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

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

22 (2) At the first year until the second year of State
23 service as a participant in the plan, 33%.

24 (3) At the second year until the third year of State
25 service as a participant in the plan, 66%.

26 (4) At and after the third year of State service as a
27 participant in the plan, 100%.

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

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

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

6 (3) The effect of termination of State service or
7 distributions from the plan on a participant's vested status
8 in the plan.

9 (4) Other terms and conditions for the implementation
10 and administration of this section.

11 (d) Nonvested employer-defined contributions.--Nonvested
12 employer-defined contributions, including earnings and losses on
13 the employer contributions, that are not distributable to a
14 participant who has not fully vested are credited to the
15 participant's most recent employer's future obligations assessed
16 under section 5509 (relating to appropriations and assessments
17 by the Commonwealth).

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

23 § 5410. Termination of distributions.

24 (a) Return to State service.--A participant receiving
25 distributions or an inactive participant who returns to State
26 service shall cease receiving distributions and shall not be
27 eligible to receive distributions until the participant
28 subsequently terminates State service, without regard to whether
29 the participant is a mandatory, optional or prohibited member of
30 the system or participant in the plan. This subsection shall not

1 apply to a distribution of accumulated employer defined
2 contributions or other distributions that the participant has
3 received and used to purchase an annuity from a provider
4 contracted by the board.

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

20 § 5411. Agreements with financial institutions and other
21 organizations.

22 (a) Authority to enter into agreements.--To establish and
23 administer the State Employees' Defined Contribution Plan, the
24 board shall have the power to enter into written agreements with
25 one or more financial institutions or other organizations
26 relating to the plan's administration and investment of funds
27 held pursuant to the plan.

28 (b) Agreement terms and considerations.--Under the plan, the
29 board shall enter into an agreement to provide fully bundled
30 retirement plan investment, plan administration and services to

employees who participate in the plan. The agreement shall
provide for appropriate long-term retirement-oriented
investments and shall include either fixed or variable deferred
annuities, or a combination thereof. In determining the
financial institution or other organization with which the board
shall enter into an agreement, the board shall consider all of
the following:

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

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

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

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

(5) The experience of the financial institution or other
organization in providing plan education, counseling and
advice to participants in employee retirement plans that are
offered in lieu of defined benefit plan participation or as
part of employee hybrid retirement plans.

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

§ 5411.1. Annuity.

The plan shall include the requirement that any disbursement
of the accumulated assets in an individual investment account

1 made after the participant reaches 55 years of age must include
2 at least partial payout as a life annuity. The board shall
3 determine the minimum annuity amount. The plan shall offer
4 participants a menu of lifetime annuity options, either fixed or
5 variable, or a combination of both.

6 § 5412. Powers and duties of board.

7 The board shall have the following powers and duties to
8 establish the plan and trust and administer the provisions of
9 this chapter and part:

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

12 (2) The board shall pay all administrative fees, costs
13 and expenses of managing, investing and administering the
14 plan, the trust and the individual investment accounts from
15 the balance of such individual investment accounts except as
16 may be provided otherwise by law.

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

20 (3.1) The board shall include default investment options
21 and strategies to include predetermined investment portfolio
22 options that shall be constructed to reflect different risk
23 profiles and shall be constructed to automatically reallocate
24 and rebalance contributions as a participant ages. The plan
25 may permit participants to construct their own investment
26 portfolios using some or all of the investment options
27 comprising the default solutions.

28 (4) The board shall at all times have the power to
29 change the terms of the plan as may be necessary to maintain
30 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 State employees for whom
3 participation is not mandatory.

4 (6) The board may perform an annual review of any
5 qualified fund manager for the purpose of assuring that the
6 fund manager 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 his individual investment account within the plan.

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

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

18 (11) The board shall determine what constitutes a
19 termination of State service.

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

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

28 (i) Procedures whereby eligible participants may
29 change their investment choices on a periodic basis or
30 make other elections regarding their participation in the

1 plan.

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

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

8 (iv) Standards and criteria for disclosing and
9 providing options to eligible individuals regarding
10 investments of amounts deferred under the plan, provided
11 that one of the available options must serve as the
12 default option for participants who do not make a timely
13 election and that, to the extent commercially available,
14 one option must have an annuity investment feature.

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

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

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

29 (15) The board may contract any services and duties in
30 lieu of staff, except final adjudications or if prohibited by

1 law. Any duties or responsibilities of the board not required
2 by law to be performed by the board can be delegated to a
3 third-party provider subject to appeal to the board.

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

7 (17) The provisions and restrictions of the act of July
8 2, 2010 (P.L.266, No.44), known as the Protecting
9 Pennsylvania's Investments Act, shall not apply to the plan
10 or trust or the investments thereof, but the board is
11 authorized to offer to the plan participants investment
12 vehicles that would be permitted under the Protecting
13 Pennsylvania's Investments Act.

14 § 5413. Responsibility for investment loss.

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

21 § 5414. Investments based on participants' investment
22 allocation choices.

23 (a) General rule.--All contributions, interest and
24 investment earnings shall be invested based on the participant's
25 investment allocation choices. All investment allocation choices
26 shall be credited proportionally between participant
27 contributions and employer defined contributions. Each
28 participant shall be credited individually with the amount of
29 contributions, interest and investment earnings.

30 (b) Investment of contributions made by entities other than

the Commonwealth.--Investment of contributions by any corporation, institution, insurance company or custodial bank that the board has approved shall not be unreasonably delayed, and in no case shall the investment of contributions be delayed more than 30 days from the date of payroll deduction or the date voluntary contributions are made to the date that funds are invested. Any interest earned on the funds pending investment shall be allocated to the Commonwealth and credited to the individual investment accounts of participants who are then participating in the plan unless the interest is used to defray administrative costs and fees that would otherwise be required to be borne by participants who are then participating in the plan.

§ 5415. Expenses.

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

§ 5416. (Reserved).

§ 5417. Required distributions.

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

Section 309. Section 5501.1(b) (7) and (8) of Title 71 are amended and the subsection is amended by adding a paragraph to read:

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

* * *

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

* * *

(7) For any fiscal year in which the actual contributions by the Commonwealth or an employer are lower than those required to be made under section 5507(d) [(relating to contributions by the Commonwealth and other employers)] (relating to contributions to system by the Commonwealth and other employers before July 1, 2019) or 5507.1 (relating to contributions to system by the Commonwealth and other employers starting July 1, 2019), the prospective shared-risk contribution rate for those employees whose employers are not making the contributions required by section 5507(d) shall be zero and shall not subsequently be increased, except as otherwise provided in this section.

(8) If the actuary certifies that the accrued liability contributions calculated in accordance with the actuarial cost method provided in [section 5508(b)] section 5508 (relating to actuarial cost method for fiscal years ending before July 1, 2019) or 5508.1 (relating to actuarial cost method for fiscal years beginning July 1, 2019, or later), as adjusted by the experience adjustment factor, are zero or less, then the shared-risk contribution rate for the next fiscal year shall be zero and shall not subsequently be increased, except as otherwise provided in this section.

(9) For periods commencing on or after July 1, 2019, the determination of shared-risk member contribution rate shall be based on the annual interest rate adopted by the board for the calculation of the accrued liability contribution rate under section 5508.1(c).

Section 310. The definition of "actuarially required

1 contribution rate" in section 5501.2 of Title 71 is amended to
2 read:

3 § 5501.2. Definitions.

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

7 "Actuarially required contribution rate." The employer
8 contribution rate as calculated pursuant to section 5508(a),
9 (b), (c), (e) and (f) (relating to actuarial cost method[.], for
10 fiscal years ending before July 1, 2019) or 5508.1(a), (b), (c),
11 (e) and (f) (relating to actuarial cost method for fiscal years
12 beginning July 1, 2019, or later).

13 * * *

14 Section 311. Sections 5502, 5503.1(a), 5504(a)(1), (a.1) and
15 (b), 5505(b)(1), (c), (d) and (i)(4), 5505.1, 5506(a), 5506.1(a)
16 and 5507 heading, (a), (b), (d), (e) and (f) of Title 71 is
17 amended to read:

18 § 5502. Social Security integration member contributions.

19 Except for any period of current service in which the making
20 of regular member contributions has ceased solely by reason of
21 section 5502.1 (relating to waiver of regular member
22 contributions and Social Security integration member
23 contributions) or any provision of this part relating to
24 limitations under IRC § 401(a)(17) or 415, contributions shall
25 be made on behalf of [a] an active member of any class who prior
26 to March 1, 1974, has elected Social Security integration
27 coverage. The amount of such contributions shall be 6 1/4% of
28 that portion of his compensation as an active member in excess
29 of the maximum wages taxable under the provisions of the Social
30 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in

1 addition to the regular member contributions which, after such
2 election, shall be determined on the basis of the basic
3 contribution rate of 5% and the additional member contribution
4 of 1 1/4%: Provided, That a member may elect to discontinue
5 Social Security integration coverage and shall thereafter be
6 ineligible to accrue any further Social Security integration
7 credits or any additional benefits on account of Social Security
8 integration membership.

9 § 5503.1. Pickup contributions.

10 (a) Treatment for purposes of IRC § 414(h).--All
11 contributions to the fund required to be made under sections
12 5501 (relating to regular member contributions for current
13 service), 5501.1 (relating to shared-risk member contributions
14 for Class A-3 and Class A-4 service), 5502 (relating to Social
15 Security integration member contributions), 5503 (relating to
16 joint coverage member contributions) and [section] 5505.1
17 (relating to additional member contributions), with respect to
18 current State service rendered by an active member on or after
19 January 1, 1982, shall be picked up by the Commonwealth or other
20 employer and shall be treated as the employer's contribution for
21 purposes of IRC § 414(h).

22 * * *

23 § 5504. Member contributions for the purchase of credit for
24 previous State service or to become a full coverage
25 member.

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

28 (1) The contributions to be paid by an active member or
29 eligible school employee for credit in the system for total
30 previous State service other than service in Class G, Class

1 H, Class I, Class J, Class K, Class L, Class M and Class N or
2 to become a full coverage member shall be sufficient to
3 provide an amount equal to the regular and additional
4 accumulated deductions which would have been standing to the
5 credit of the member for such service had regular and
6 additional member contributions been made with full coverage
7 in the class of service and at the rate of contribution
8 applicable during such period of previous service and had his
9 regular and additional accumulated deductions been credited
10 with statutory interest during all periods of subsequent
11 State service as an active member or inactive member on leave
12 without pay and school service as an active member or
13 inactive member on leave without pay of the Public School
14 Employees' Retirement System up to the date of purchase.

15 * * *

16 (a.1) Converted county service.--No contributions shall be
17 required to restore credit for previously credited State service
18 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
19 and Class N. Such service shall be restored upon the
20 commencement of payment of the contributions required to restore
21 credit in the system for all other previous State service.

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

23 (1) The amount payable shall be certified in each case
24 by the board in accordance with methods approved by the
25 actuary and shall be paid in a lump sum within 30 days or in
26 the case of an active member or eligible school employee who
27 is an active member of the Public School Employees'
28 Retirement System may be amortized with statutory interest
29 through salary deductions to the system in amounts agreed
30 upon by the member and the board. The salary deduction

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

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

24 § 5505. Contributions for the purchase of credit for creditable
25 nonstate service.

26 * * *

27 (b) Nonintervening military service.--

28 (1) The amount due for the purchase of credit for
29 military service other than intervening military service
30 shall be determined by applying the member's basic

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

1 certify and transfer to the board the amounts paid.

2 Application may be filed for all such military service credit
3 upon completion of three years of subsequent State service
4 and shall be credited as Class A service.

5 * * *

6 (c) Intervening military service.--Contributions on account
7 of credit for intervening military service shall be determined
8 by the member's regular contribution rate, shared-risk
9 contribution rate, Social Security integration contribution
10 rate, the additional contribution rate which shall be applied
11 only to those members who began service on or after the
12 effective date of this amendatory act and compensation at the
13 time of entry of the member into active military service,
14 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 as the board
4 in its sole discretion decides to allow. The board may limit
5 salary deduction amortization plans to such terms as the board
6 in its sole discretion determines. In the case of an eligible
7 school employee who is an active member of the Public School
8 Employees' Retirement System, the agreed upon salary deductions
9 shall be remitted to the Public School Employees' Retirement
10 Board, which shall certify and transfer to the board the amounts
11 paid.

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

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

17 * * *

18 (i) Purchases of nonstate service credit by State employees
19 who first became members of the system on or after December 1,
20 2010.--

21 * * *

22 (4) The payment for credit purchased under this
23 subsection shall be certified in each case by the board in
24 accordance with methods approved by the actuary and shall be
25 paid in a lump sum within 30 days or in the case of an active
26 member or eligible school employee who is an active member of
27 the Public School Employees' Retirement System may be
28 amortized with statutory interest through salary deductions
29 to the system in amounts agreed upon by the member and the
30 board. The salary deduction amortization plans agreed to by

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

§ 5505.1. Additional member contributions.

In addition to regular or joint coverage member contributions and social security integration contributions, contributions shall be made on behalf of each active member, regardless of class of service, at the rate of 1 1/4% of compensation until such time as the actuary certifies that all accrued liability contributions have been completed in accordance with the actuarial cost method provided in section 5508(b) (relating to actuarial cost method for fiscal years ending before July 1, 2019).

§ 5506. Incomplete payments.

(a) General rule.--In the event that a member terminates State service or becomes a participant or a multiple service member who is an active member of the Public School Employees' Retirement System terminates school service before the agreed upon payments for credit for previous State service, USERRA leave, creditable nonstate service, social security integration, full coverage membership or return of benefits on account of returning to State service or entering school service and

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

23 * * *

24 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

25 (a) General rule.--In addition to other applicable
26 limitations set forth in this part, and notwithstanding any
27 provision of this part to the contrary, the annual compensation
28 of each noneligible member and each participant taken into
29 account for benefit purposes under this part shall not exceed
30 the limitation under IRC § 401(a)(17). On and after January 1,

1 1996, any reference in this part to the limitation under IRC §
2 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
3 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
4 compensation limit set forth in this subsection. The OBRA '93
5 annual compensation limit is \$150,000, as adjusted by the
6 commissioner for increases in the cost of living in accordance
7 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
8 effect for a calendar year applies to any determination period
9 which is a period, not exceeding 12 months, over which
10 compensation is determined, beginning in such calendar year. If
11 a determination period consists of fewer than 12 months, the
12 OBRA '93 compensation limit will be multiplied by a fraction,
13 the numerator of which is the number of months in the
14 determination period and the denominator of which is 12.

15 * * *

16 § 5507. Contributions to system by the Commonwealth and other
17 employers before July 1, 2019.

18 (a) Contributions on behalf of active members.--[The] Until
19 June 30, 2019, the Commonwealth and other employers whose
20 employees are members of the system, and from January 1, 2019,
21 to June 30, 2019, the Commonwealth and other employers whose
22 employees are participants in the plan, shall make contributions
23 to the fund on behalf of all active members in such amounts as
24 shall be certified by the board as necessary to provide,
25 together with the members' total accumulated deductions, annuity
26 reserves on account of prospective annuities other than those
27 provided in sections 5708 (relating to supplemental annuities),
28 5708.1 (relating to additional supplemental annuities), 5708.2
29 (relating to further additional supplemental annuities), 5708.3
30 (relating to supplemental annuities commencing 1994), 5708.4

1 (relating to special supplemental postretirement adjustment),
2 5708.5 (relating to supplemental annuities commencing 1998),
3 5708.6 (relating to supplemental annuities commencing 2002),
4 5708.7 (relating to supplemental annuities commencing 2003) and
5 5708.8 (relating to special supplemental postretirement
6 adjustment of 2002), in accordance with the actuarial cost
7 method provided in section 5508(a), (b), (c), (d) and (f)
8 (relating to actuarial cost method for fiscal years ending
9 before July 1, 2019).

10 (b) Contributions on behalf of annuitants.--[The] Until June
11 30, 2019, the Commonwealth and other employers whose employees
12 are members of the system shall make contributions on behalf of
13 annuitants in such amounts as shall be certified by the board as
14 necessary to fund the liabilities for supplemental annuities in
15 accordance with the actuarial cost method provided in section
16 5508(e) [(relating to actuarial cost method)].

17 * * *

18 (d) Payment of final contribution rate.--Notwithstanding the
19 calculation of the actuarially required contribution rate and
20 the provisions of subsections (a) and (b), until June 30, 2019,
21 the Commonwealth and other employers whose employees are members
22 of the system shall make contributions to the fund on behalf of
23 all active members and annuitants in such amounts as shall be
24 certified by the board in accordance with section 5508(i).

25 (e) Benefits completion plan contributions.--In addition to
26 all other contributions required under this section and section
27 5508, until June 30, 2019, the Commonwealth and other employers
28 whose employees are members of the system shall make
29 contributions as certified by the board pursuant to section 5941
30 (relating to benefits completion plan).

1 (f) Contributions resulting from members reemployed from
2 USERRA leave.--When a State employee reemployed from USERRA
3 leave makes the member contributions required to be granted
4 State service credit for the USERRA leave before July 1, 2017,
5 either by actual payment or by actuarial debt under section 5506
6 (relating to incomplete payments), then the Commonwealth
7 employer or other employer by whom the State employee is
8 employed at the time the member contributions are made, or the
9 last employer before termination in the case of payment under
10 section 5506, shall make whatever employer contributions would
11 have been made under this section had the employee making the
12 member contributions after being reemployed from USERRA leave
13 continued to be employed in his State office or position instead
14 of performing USERRA leave.

15 Section 312. Title 71 is amended by adding a section to
16 read:

17 § 5507.1. Contributions to system by the Commonwealth and other
18 employers starting July 1, 2019.

19 (a) Contributions on behalf of members.--For fiscal years
20 beginning on or after July 1, 2019, the Commonwealth and other
21 employers whose employees are or were members of the system
22 shall make contributions to the fund on behalf of all members in
23 such amounts as shall be certified by the board as necessary to
24 provide, together with the members' total accumulated
25 deductions, annuity reserves on account of annuities including
26 those provided in sections 5708 (relating to supplemental
27 annuities), 5708.1 (relating to additional supplemental
28 annuities), 5708.2 (relating to further additional supplemental
29 annuities), 5708.3 (relating to supplemental annuities
30 commencing 1994), 5708.4 (relating to special supplemental

1 postretirement adjustment), 5708.5 (relating to supplemental
2 annuities commencing 1998), 5708.6 (relating to supplemental
3 annuities commencing 2002), 5708.7 (relating to supplemental
4 annuities commencing 2003) and 5708.8 (relating to special
5 supplemental postretirement adjustment of 2002), in accordance
6 with the actuarial cost method provided in section 5508.1
7 (relating to actuarial cost method for fiscal years beginning
8 July 1, 2019, or later).

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

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

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

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

21 (c) Payment of final contribution rate.--Notwithstanding the
22 calculation of the actuarially required contribution rate and
23 the provisions of subsections (a) and (b)(1) and (2), after June
24 30, 2019, the Commonwealth and other employers whose employees
25 are members of the system shall make contributions to the fund
26 on behalf of all active members and annuitants in such amounts
27 as shall be certified by the board in accordance with section
28 5508.1(h).

29 (d) Benefits completion plan contributions.--In addition to
30 all other contributions required under this section and section

1 5508.1, after June 30, 2019, the Commonwealth and other
2 employers whose employees are active members of the system shall
3 make contributions as certified by the board pursuant to section
4 5941 (relating to benefits completion plan).

5 (e) Contributions resulting from members reemployed from
6 USERRA leave.--When a State employee reemployed from USERRA
7 leave makes the member contributions required to be granted
8 State service credit for the USERRA leave after June 30, 2019,
9 either by actual payment or by actuarial debt under section 5506
10 (relating to incomplete payments), the Commonwealth employer or
11 other employer that employed the State employee when the member
12 contributions are made or the last employer before termination
13 in the case of payment under section 5506 shall make the
14 employer contributions that would have been made under this
15 section if the employee making the member contributions after
16 the employee is reemployed from USERRA leave continued to be
17 employed in the employee's State office or position instead of
18 performing USERRA leave.

19 Section 313. Section 5508 heading, (a), (b), (c)(1) and (3),
20 (e)(2), (f)(1), (h) and (i) of Title 71 are amended and
21 subsection (c) is amended by adding a paragraph to read:

22 § 5508. Actuarial cost method for fiscal years ending before
23 July 1, 2019.

24 (a) Employer contribution rate on behalf of active
25 members.--[The] For the fiscal years ending before July 1, 2019,
26 the amount of the Commonwealth and other employer contributions
27 on behalf of all active members shall be computed by the actuary
28 as a percentage of the total compensation of all active members
29 during the period for which the amount is determined and shall
30 be so certified by the board. The actuarially required

1 contribution rate on behalf of all active members shall consist
2 of the employer normal contribution rate, as defined in
3 subsection (b), and the accrued liability contribution rate as
4 defined in subsection (c). The actuarially required contribution
5 rate on behalf of all active members shall be modified by the
6 experience adjustment factor as calculated in subsection (f).

7 (b) Employer normal contribution rate.--[The] For the fiscal
8 years ending before July 1, 2019, the employer normal
9 contribution rate shall be determined after each actuarial
10 valuation on the basis of an annual interest rate and such
11 mortality and other tables as shall be adopted by the board in
12 accordance with generally accepted actuarial principles. The
13 employer normal contribution rate shall be determined as a level
14 percentage of the compensation of the average new active member,
15 which percentage, if contributed on the basis of his prospective
16 compensation through his entire period of active State service,
17 would be sufficient to fund the liability for any prospective
18 benefit payable to him in excess of that portion funded by his
19 prospective member contributions, excluding shared-risk member
20 contributions.

21 (c) Accrued liability contribution rate.--

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

(relating to further additional supplemental annuities),
5708.3 (relating to supplemental annuities commencing 1994),
5708.4 (relating to special supplemental postretirement
adjustment), 5708.5 (relating to supplemental annuities
commencing 1998), 5708.6 (relating to supplemental annuities
commencing 2002), 5708.7 (relating to supplemental annuities
commencing 2003) and 5708.8 (relating to special supplemental
postretirement adjustment of 2002), in excess of the total
assets in the fund (calculated recognizing all investment
gains and losses over a five-year period), excluding the
balance in the supplemental annuity account, and the present
value of employer normal contributions and of member
contributions payable with respect to all active members on
December 31, 2001, and excluding contributions to be
transferred by county retirement systems or pension plans
pursuant to section 5507(c) (relating to contributions to
system by the Commonwealth and other employers before July 1,
2019). The amount of each annual accrued liability
contribution shall be equal to the amount of such
contribution for the fiscal year beginning July 1, 2002,
except that, if the accrued liability is increased by
legislation enacted subsequent to June 30, 2002, but before
July 1, 2003, such additional liability shall be funded over
a period of ten years from the first day of July, coincident
with or next following the effective date of the increase.
The amount of each annual accrued liability contribution for
such additional legislative liabilities shall be equal to the
amount of such contribution for the first annual payment.

* * *

(3) For the fiscal year beginning July 1, 2010, the

1 accrued liability contribution rate shall be computed as the
2 rate of total compensation of all active members which shall
3 be certified by the actuary as sufficient to fund in equal
4 dollar installments over a period of 30 years from July 1,
5 2010, the present value of the liabilities for all
6 prospective benefits calculated as of the immediately prior
7 valuation date, including the supplemental benefits as
8 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
9 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
10 payable from the retirement benefit plan established pursuant
11 to section 5941 (relating to benefits completion plan), in
12 excess of the actuarially calculated assets in the fund
13 (calculated recognizing all realized and unrealized
14 investment gains and losses each year in level annual
15 installments over five years), including the balance in the
16 supplemental annuity account, and the present value of
17 employer normal contributions and of member contributions
18 payable with respect to all active members, inactive members
19 on leave without pay, vestees and special vestees on December
20 31, 2009. If the accrued liability is changed by legislation
21 enacted subsequent to December 31, 2009, and before January
22 1, 2018, such change in liability shall be funded in equal
23 dollar installments over a period of ten years from the first
24 day of July following the valuation date coincident with or
25 next following the date such legislation is enacted.

26 (4) For the fiscal year beginning July 1, 2018, the
27 accrued liability contribution rate shall be computed as
28 provided for under this section, except that the rate shall
29 be computed as a rate of total compensation of all active
30 members and active participants for the fiscal year. In

1 addition to any employer defined contributions made to the
2 trust, the Commonwealth and other employers of participants
3 shall make the accrued liability contributions to the fund
4 certified by the board.

5 * * *

6 (e) Supplemental annuity contribution rate.--

7 * * *

8 (2) For fiscal years beginning on or after July 1, 2010,
9 and ending on or before June 30, 2019, contributions from the
10 Commonwealth and other employers whose employees are members
11 of the system required to provide for the payment of
12 supplemental annuities as provided in sections 5708, 5708.1,
13 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
14 shall be paid as part of the accrued liability contribution
15 rate as provided for in subsection (c)(3), and there shall
16 not be a separate supplemental annuity contribution rate
17 attributable to those supplemental annuities. In the event
18 that supplemental annuities are increased by legislation
19 enacted subsequent to December 31, 2009, and before January
20 1, 2018, the additional liability for the increase in
21 benefits shall be funded in equal dollar installments over a
22 period of ten years from the first day of July following the
23 valuation date coincident with or next following the date
24 such legislation is enacted.

25 (f) Experience adjustment factor.--

26 (1) For each [year] fiscal year ending before July 1,
27 2019, after the establishment of the accrued liability
28 contribution rate and the supplemental annuity contribution
29 rate for the fiscal year beginning July 1, 2010, any increase
30 or decrease in the unfunded accrued liability and any

1 increase or decrease in the liabilities and funding for
2 supplemental annuities, due to actual experience differing
3 from assumed experience (recognizing all realized and
4 unrealized investment gains and losses over a five-year
5 period), changes in contributions caused by the final
6 contribution rate being different from the actuarially
7 required contribution rate, State employees making shared-
8 risk member contributions, changes in actuarial assumptions
9 or changes in the terms and conditions of the benefits
10 provided by the system by judicial, administrative or other
11 processes other than legislation, including, but not limited
12 to, reinterpretation of the provisions of this part
13 recognized by the actuarial valuations on December 31, 2010,
14 and through December 31, 2017, shall be amortized in equal
15 dollar annual contributions over a period of 30 years
16 beginning with the July 1 succeeding the actuarial valuation
17 determining said increases or decreases.

18 * * *

19 (h) Temporary application of collared contribution rate.--
20 The collared contribution rate for each [year] fiscal year
21 ending on or before June 30, 2019, shall be determined by
22 comparing the actuarially required contribution rate calculated
23 without regard for costs added by legislation to the prior
24 year's final contribution rate. If, for any of the fiscal years
25 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,
26 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017 and
27 July 1, 2018, the actuarially required contribution rate
28 calculated without regard for costs added by legislation is more
29 than 3%, 3.5%, 4.5%, 4.5%, 4.5%, 4.5%, 4.5% and 4.5%,
30 respectively, of the total compensation of all active members

greater than the prior year's final contribution rate, then the collared contribution rate shall be applied and be equal to the prior year's final contribution rate increased by the respective percentage above of total compensation of all active members. Otherwise, and for all subsequent fiscal years, the collared contribution rate shall not be applicable. In no case shall the collared contribution rate be less than 4% of total compensation of all active members.

(i) Final contribution rate.--For the fiscal year beginning July 1, 2010, the final contribution rate shall be 5% of total compensation of all active members. For each subsequent fiscal year for which the collared contribution rate is applicable, the final contribution rate shall be the collared contribution rate plus the costs added by legislation. For all other fiscal years ending before July 1, 2019, the final contribution rate shall be the actuarially required contribution rate, provided that the final contribution rate shall not be less than the employer normal contribution rate, as defined in subsection (b).

Section 314. Title 71 is amended by adding a section to read:

§ 5508.1. Actuarial cost method for fiscal years beginning July 1, 2019, or later.

(a) Employer contributions on behalf of members.--For fiscal years beginning on or after July 1, 2019, the amount of the Commonwealth and other employer contributions on behalf of all members shall be computed by the actuary and certified by the board as an employer normal contribution rate as defined in subsection (b) and the accrued liability contribution amount as defined in subsection (c). The accrued liability contribution amount shall be modified by the experience adjustment factor as

1 calculated in subsection (f).

2 (b) Employer normal contribution rate.--For fiscal years
3 beginning on or after July 1, 2019, the employer normal
4 contribution rate for all active members of the system shall be
5 the employer normal contribution rate that would have been
6 applicable if the employer normal contribution rate was
7 determined as part of the December 31, 2018, actuarial valuation
8 under section 5508(b) (relating to actuarial cost method for
9 fiscal years ending before July 1, 2019) without regard to the
10 provisions of this section and the inapplicability of that rate
11 to periods on or after July 1, 2019.

12 (c) Accrued liability contribution amount.--

13 (1) For fiscal years beginning July 1, 2019, the accrued
14 liability contribution rate shall be computed as the rate of
15 total compensation of all active members and active
16 participants which shall be determined by the actuary as
17 sufficient to fund the equal dollar installments determined
18 under section 5508(c). If the accrued liability is changed by
19 legislation enacted subsequent to December 31, 2017, such
20 change in liability shall be funded in equal dollar
21 installments as a percentage of compensation of all active
22 members and active participants over a period of 10 years
23 from the first day of July following the valuation date
24 coincident with or next following the date such legislation
25 is enacted. The accrued liability contribution rate shall be
26 determined after each actuarial valuation on the basis of an
27 annual interest rate and such mortality and other tables as
28 shall be adopted by the board in accordance with generally
29 accepted actuarial principles.

30 (2) For purposes of determining the accrued liability

1 contribution rate in paragraph (1) and subsection (e) and the
2 experience adjustment factor in subsection (f), the term
3 "compensation of all active members and active participants"
4 shall include an additional amount equal to the difference
5 between:

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

10 (ii) The compensation of all employees of The
11 Pennsylvania State University, the State System of Higher
12 Education, State-owned educational institutions and
13 community colleges who are active members, active
14 participants, active members of the Public School
15 Employees' Retirement System, active participants of the
16 School Employees' Defined Contribution Plan and employees
17 who are members or participants of an independent
18 retirement program approved by the employer multiplied by
19 a fraction equal to the amount determined under
20 subparagraph (i) as part of the December 31, 2018,
21 actuarial valuation divided by the amount determined
22 under this subparagraph as of December 31, 2018.

23 (d) Allocation of accrued liability contribution amount.--
24 For the fiscal year beginning July 1, 2019, and all subsequent
25 fiscal years, The Pennsylvania State University, the State
26 System of Higher Education, each State-owned educational
27 institution and each community college shall make such
28 additional actuarial accrued liability contributions as shall be
29 certified by the board. The additional actuarial accrued
30 liability contributions shall be the product of:

1 (1) the amount by which the final contribution rate
2 exceeds the employer normal contribution rate determined
3 under subsection (b)(1); multiplied by

4 (2) the difference between:

5 (i) the actual compensation of all active members
6 and active participants of each such educational
7 institution; and

8 (ii) the compensation of all active members, active
9 participants, active members of the Public School
10 Employees' Retirement System, active participants of the
11 School Employees' Defined Contribution Plan and employees
12 who are members or participants of an independent
13 retirement program approved by the employer of each such
14 educational institution multiplied by a fraction equal to
15 the amount determined under subparagraph (i) as part of
16 the December 31, 2018, actuarial valuation divided by the
17 amount of compensation of all active members, active
18 participants, active members of the Public School
19 Employees' Retirement System, active participants of the
20 School Employees' Defined Contribution Plan and employees
21 who are members or participants of an independent
22 retirement program approved by the employer of each such
23 educational institution determined as of December 31,
24 2018.

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

annuities), 5708.2 (relating to further additional supplemental
annuities), 5708.3 (relating to supplemental annuities
commencing 1994), 5708.4 (relating to special supplemental
postretirement adjustment), 5708.5 (relating to supplemental
annuities commencing 1998), 5708.6 (relating to supplemental
annuities commencing 2002), 5708.7 (relating to supplemental
annuities commencing 2003) and 5708.8 (relating to special
supplemental postretirement adjustment of 2002) shall be paid as
part of the accrued liability contribution rate as provided for
in subsection (c) and there shall not be a separate supplemental
annuity contribution amount attributable to those supplemental
annuities. In the event that supplemental annuities are
increased by legislation enacted subsequent to December 31,
2017, the additional liability for the increase in benefits
shall be funded in equal dollar installments as a percentage of
compensation of all active members and active participants over
a period of ten years from the first day of July following the
valuation date coincident with or next following the date such
legislation is enacted as part of the accrued liability amount
and not as a separate supplemental annuity contribution amount.

(f) Experience adjustment factor.--

(1) For each year beginning on or after July 1, 2019:

(i) the accrued liability contribution rate computed
under subsection (c) shall be modified each year by any
amounts calculated for each year under section 5508(f)
for each of the respective amortization periods remaining
as of July 1, 2019; and

(ii) any increase or decrease in the unfunded
accrued liability and any increase or decrease in the
liabilities and funding for supplemental annuities, due

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

18 (2) The actuarially required contribution rate shall be
19 the sum of the normal contribution rate determined under
20 subsection (b)(2), the accrued liability contribution rate
21 and the supplemental annuity contribution rate modified by
22 the experience adjustment factor as calculated in paragraph
23 (1).

24 (g) Temporary application of collared contribution rate.--
25 The collared contribution rate for each fiscal year beginning on
26 or after July 1, 2019, shall be determined by comparing the
27 actuarially required contribution rate calculated without regard
28 for costs added by legislation to the prior year's final
29 contribution rate. If the actuarially required contribution rate
30 calculated without regard for costs added by legislation is more

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

10 (h) Final contribution rate.--For the fiscal year beginning
11 July 1, 2019, if the collared contribution rate is applicable,
12 the final contribution rate shall be the collared contribution
13 rate plus the costs added by legislation. For each subsequent
14 fiscal year for which the collared contribution rate is
15 applicable, the final contribution rate shall be the collared
16 contribution rate plus the costs added by legislation. For all
17 other fiscal years beginning on or after July 1, 2019, the final
18 contribution rate shall be the actuarially required contribution
19 rate, provided that the final contribution rate shall not be
20 less than the employer normal contribution rate, as provided
21 under subsection (b).

22 Section 315. Sections 5509, 5701 and 5701.1 of Title 71 are
23 amended to read:

24 § 5509. Appropriations and assessments by the Commonwealth.

25 (a) Annual submission of budget.--The board shall prepare
26 and submit annually an itemized budget consisting of the amounts
27 necessary to be appropriated by the Commonwealth out of the
28 General Fund and special operating funds and the amounts to be
29 assessed the other employers required to meet the separate
30 obligations to both the fund and the trust accruing during the

1 fiscal period beginning the first day of July of the following
2 year.

3 (b) Appropriation and payment.--The General Assembly shall
4 make an appropriation sufficient to provide for the separate
5 obligations of the Commonwealth to both the fund and the trust.

6 Such amount shall be paid by the State Treasurer through the
7 Department of Revenue into the fund or the trust, as the case
8 may be, in accordance with requisitions presented by the board.

9 The contributions to the system by the Commonwealth on behalf of
10 active members who are officers of the Pennsylvania State Police
11 shall be charged to the General Fund and to the Motor License
12 Fund in the same ratios as used to apportion the appropriations
13 for salaries of members of the Pennsylvania State Police. The
14 contributions to the system by the Commonwealth on behalf of
15 active members who are enforcement officers and investigators of
16 the Pennsylvania Liquor Control Board shall be charged to the
17 General Fund and to the State Stores Fund.

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

1 for such period for which money is not so provided shall be
2 credited and pickup contributions with respect to such members
3 shall continue to be credited to the members' savings account.
4 The annuity to which such member is entitled shall be determined
5 as actuarially equivalent to the present value of the maximum
6 single life annuity of each such member reduced by the amount of
7 employer contributions to the system payable on account and
8 attributable to his compensation during such service, except
9 that no reduction shall be made as a result of the failure of an
10 employer to make contributions required for a period of USERRA
11 leave.

12 § 5701. Return of total accumulated deductions.

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

17 § 5701.1. Transfer of accumulated deductions.

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

26 Section 316. Sections 5702(a)(1) and 5704(a) and (c) of
27 Title 71 are amended and the sections are amended by adding
28 subsections to read:

29 § 5702. Maximum single life annuity.

30 (a) General rule.--Any full coverage member who is eligible

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

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

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

13 * * *

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

19 § 5704. Disability annuities.

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

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

5
$$MY^*/Y \text{ or } 16.667/Y$$

6 where Y = number of years of credited service, Y* = total years
7 of credited service if the member were to continue as a State
8 employee until attaining superannuation age as applicable at the
9 time of disability, or if the member has attained superannuation
10 age, as applicable at the time of disability, then the number of
11 years of credited service and M = the class of service
12 multiplier as applicable at the effective date of disability. A
13 member of Class C shall receive, in addition, any annuity to
14 which he may be eligible under section 5702(a)(3) (relating to
15 maximum single life annuity). The member shall be entitled to
16 the election of a joint and survivor annuity on that portion of
17 the disability annuity to which he is entitled under section
18 5702.

19 * * *

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

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

30 [(ii)] (2) the ratio of the current monthly payment

1 to the monthly payment at the effective date of
2 disability;
3 Provided, That the annuitant shall not receive less than his
4 member's annuity or the amount to which he may be entitled under
5 section 5702 whichever is greater.

6 * * *

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

12 Section 317. Sections 5706(a), (a.1), (a.2), (b) and (c) (1)
13 and (3), 5707(a), (b) and (f), 5708.1(f), 5708.2(f), 5708.3(f),
14 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5709 heading, (a)
15 and (b) and 5901(a), (c) and (d) of Title 71 are amended to
16 read:

17 § 5706. Termination of annuities.

18 (a) General rule.--

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

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

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

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

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

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

28 (B) as a member of an independent board or
29 commission requiring appointment by the Governor,
30 with advice and consent of the Senate, where the

1 annual salary payable to the member does not exceed
2 \$35,000 and where the member has been an annuitant
3 for at least six months immediately preceding the
4 appointment.

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

22 (a.2) Return of benefits.--In the event an annuitant whose
23 annuity ceases pursuant to this section receives any annuity
24 payment, including a lump sum payment pursuant to section 5705
25 (relating to member's options) on or after the date of his
26 return to State service or entering school service, the
27 annuitant shall return to the board the amount so received plus
28 statutory interest. The amount payable shall be certified in
29 each case by the board in accordance with methods approved by
30 the actuary and shall be paid in a lump sum within 30 days or in

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

16 * * *

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

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

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

9 (i) is a multiple service member; or

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

23 * * *

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

1 retirement. The interest for each year shall be calculated
2 based upon the annual interest rate adopted for that fiscal
3 year by the board for the calculation of the normal
4 contribution rate pursuant to section 5508(b) (relating to
5 actuarial cost method[).] for fiscal years ending before July
6 1, 2019) or for the calculation of the accrued liability
7 contribution rate under section 5508.1(c) (relating to
8 actuarial cost method for fiscal years beginning July 1,
9 2019, or later) for fiscal years starting on or after July 1,
10 2019.

11 § 5707. Death benefits.

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

25 (b) Members ineligible for annuities.--In the event of the
26 death of a special vestee, an active member, an inactive member
27 on leave without pay, a combined service employee who is an
28 active participant or inactive participant on leave without pay
29 or a current or former State employee performing USERRA leave
30 who is not entitled to a death benefit as provided in subsection

(a), his designated beneficiary shall be paid the full amount of his total accumulated deductions.

* * *

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

* * *

§ 5708.1. Additional supplemental annuities.

* * *

(f) Funding.--The actuary shall annually certify the amount of appropriations for the next fiscal year needed to fund, over a period of ten years from July 1, 2002, the additional monthly supplemental annuity provided for in this section, which amounts shall be paid during the period beginning July 1, 2002, and ending June 30, 2010. For fiscal years beginning on or after July 1, 2010, the additional liability provided in this section shall be funded as part of the actuarial accrued liability as provided in [section 5508 (relating to actuarial cost method).] sections 5508 (relating to actuarial cost method for fiscal years ending before July 1, 2019) and 5508.1 (relating to actuarial cost method for fiscal years beginning July 1, 2019,

1 or later).

2 * * *

3 § 5708.2. Further additional supplemental annuities.

4 * * *

5 (f) Funding.--The actuary shall annually estimate the amount
6 of Commonwealth appropriations for the next fiscal year needed
7 to fund, over a period of ten years from July 1, 2002, the
8 additional monthly supplemental annuity provided for in this
9 section, which amounts shall be paid during the period beginning
10 July 1, 2002, and ending June 30, 2010. For fiscal years
11 beginning on or after July 1, 2010, the additional liability
12 provided in this section shall be funded as part of the
13 actuarial accrued liability as provided in [section 5508
14 (relating to actuarial cost method).] sections 5508 (relating to
15 actuarial cost method for fiscal years ending before July 1,
16 2019) and 5508.1 (relating to actuarial cost method for fiscal
17 years beginning July 1, 2019, or later).

18 * * *

19 § 5708.3. Supplemental annuities commencing 1994.

20 * * *

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

1 2019) and 5508.1 (relating to actuarial cost method for fiscal
2 years beginning July 1, 2019, or later).

3 * * *

4 § 5708.5. Supplemental annuities commencing 1998.

5 * * *

6 (f) Funding.--For the period beginning July 1, 2002, and
7 ending June 30, 2010, the additional liability for the increase
8 in benefits provided in this section shall be funded in equal
9 dollar annual installments over a period of ten years beginning
10 July 1, 2002. For fiscal years beginning on or after July 1,
11 2010, the additional liability for the increase in benefits
12 provided in this section shall be funded as part of the
13 actuarial accrued liability as provided in [section 5508
14 (relating to actuarial cost method).] sections 5508 (relating to
15 actuarial cost method for fiscal years ending before July 1,
16 2019) and 5508.1 (relating to actuarial cost method for fiscal
17 years beginning July 1, 2019, or later).

18 * * *

19 § 5708.6. Supplemental annuities commencing 2002.

20 * * *

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

2019) and 5508.1 (relating to actuarial cost method for fiscal years beginning July 1, 2019, or later).

* * *

§ 5708.7. Supplemental annuities commencing 2003.

* * *

(f) Funding.--For the period beginning July 1, 2004, and ending June 30, 2010, the additional liability for the increase in benefits provided in this section shall be funded in equal dollar annual installments over a period of ten years beginning July 1, 2004. For fiscal years beginning on or after July 1, 2010, the additional liability for the increase in benefits provided in this section shall be funded as part of the actuarial accrued liability as provided in [section 5508 (relating to actuarial cost method).] sections 5508 (relating to actuarial cost method for fiscal years ending before July 1, 2019) and 5508.1 (relating to actuarial cost method for fiscal years beginning July 1, 2019, or later).

* * *

§ 5708.8. Special supplemental postretirement adjustment of 2002.

* * *

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

1 actuarial cost method for fiscal years ending before July 1,
2 2019) and 5508.1 (relating to actuarial cost method for fiscal
3 years beginning July 1, 2019, or later).

4 * * *

5 § 5709. Payment of benefits from the system.

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

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

15 (1) a lump sum payment;

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

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

21 * * *

22 § 5901. The State Employees' Retirement Board.

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

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

14 * * *

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

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

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

5 * * *

6 Section 318. Section 5902(a.1) introductory paragraph, (3),
7 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (m) and (n) and
8 5903 heading of Title 71 are amended and the sections are
9 amended by adding subsections to read:

10 § 5902. Administrative duties of the board.

11 * * *

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

17 * * *

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

22 * * *

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

29 (6) Supervise a staff of administrative, technical, and
30 clerical employees engaged in record-keeping and clerical

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

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

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

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

9 * * *

10 (e) Records.--

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

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

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

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

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

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

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

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

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

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

1 Right-to-Know Law once:

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

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

9 whichever is later.

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

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

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

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

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

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

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

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

10 * * *

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

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

(j) Actuarial investigation and valuation.--

(1) The board shall have the actuary make an annual valuation of the various accounts within six months of the close of each calendar year.

(2) The first valuation made following the effective date of this paragraph and each valuation thereafter shall include a determination of the employer annual normal cost of active Act 120 members expressed as a percentage of the total compensation of all active Act 120 members.

(3) In the year 1975 and in every fifth year thereafter the board shall have the actuary conduct an actuarial investigation and evaluation of the system based on data including the mortality, service, and compensation experience provided by the board annually during the preceding five years concerning the members and beneficiaries.

(4) The board shall by resolution adopt such tables as are necessary for the actuarial valuation of the fund and calculation of contributions, annuities and other benefits based on the reports and recommendations of the actuary. Within 30 days of their adoption, the secretary of the board shall cause those tables which relate to the calculation of annuities and other benefits to be published in the Pennsylvania Bulletin in accordance with the provisions of 45 Pa.C.S. § 725(a) (relating to additional contents of Pennsylvania Bulletin) and, unless the board specifies therein a later effective date, such tables shall become effective on such publication.

(5) The board shall include a report on the significant facts, recommendations and data developed in each five-year actuarial investigation and evaluation of the system in the

1 annual financial statement published pursuant to the
2 requirements of subsection (m) for the fiscal year in which
3 such investigation and evaluation were concluded.

4 (k) Certification of employer contributions to the fund.--

5 The board shall, each year in addition to the itemized budget
6 required under section 5509 (relating to appropriations and
7 assessments by the Commonwealth), certify, as a percentage of
8 the members' payroll, the shared-risk contribution rate, the
9 employers' contributions as determined pursuant to [section 5508
10 (relating to actuarial cost method)] sections 5508 (relating to
11 actuarial cost method for fiscal years ending before July 1,
12 2019) and 5508.1 (relating to actuarial cost method for fiscal
13 years beginning July 1, 2019, or later) necessary for the
14 funding of prospective annuities for active members and the
15 annuities of annuitants and certify the rates and amounts of the
16 employers' normal contributions as determined pursuant to
17 [section] sections 5508(b) and 5508.1(b), accrued liability
18 contributions as determined pursuant to [section] sections
19 5508(c) and 5508.1(c) and (d), supplemental annuities
20 contribution rate as determined pursuant to section 5508(e), the
21 experience adjustment factor as determined pursuant to [section]
22 sections 5508(f) and 5508.1(f), the collared contribution rate
23 pursuant to section 5508(h) and the final contribution rate
24 pursuant to section 5508(i), which shall be paid to the fund and
25 credited to the appropriate accounts. The board may allocate the
26 final contribution rate and certify various employer
27 contribution rates and amounts based upon the different benefit
28 eligibility, class of service multiplier, superannuation age and
29 other benefit differences resulting from State service credited
30 for individual members even though such allocated employer

1 contribution rate on behalf of any given member may be more or
2 less than 5% of the member's compensation for the period from
3 July 1, 2010, to June 30, 2011, or may differ from the prior
4 year's contribution for that member by more or less than the
5 percentages used to calculate the collared contribution rate for
6 that year and may be below any minimum contribution rate
7 established for the collared contribution rate or final
8 contribution rate. These certifications shall be regarded as
9 final and not subject to modification by the Secretary of the
10 Budget.

11 * * *

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

25 (n) Independent [audit] audits.--The board shall provide for
26 [an annual audit] annual audits of the system and the plan by
27 [an] independent certified public [accountant] accountants,
28 which [audit] audits shall include the board's accrual and
29 expenditure of directed commissions. The board may use the same
30 independent certified public accountant for the audits of both

1 the system and the plan.

2 * * *

3 (p) Participant and employer contributions to the trust.--

4 The board shall, each year in addition to any fees and itemized
5 budget required under section 5509 (relating to appropriations
6 and assessments by the Commonwealth), certify, as a percentage
7 of each participant's compensation, the employer defined
8 contributions, which shall be paid to the trust and credited to
9 each participant's individual investment account. These
10 certifications shall be regarded as final and not subject to
11 modification by the Secretary of the Budget. The board shall
12 cause all mandatory pickup participant contributions made on
13 behalf of a participant and all voluntary contributions made by
14 a participant to be credited to the participant's individual
15 investment account.

16 § 5903. Duties of the board to advise and report to heads of
17 departments [and], members and participants.

18 * * *

19 (b.1) Participant status statements.--The board shall have
20 furnished annually to each participant, on or before April 1 and
21 more frequently as the board may agree or as required by law, a
22 statement for each participant in the plan showing the
23 accumulated total defined contributions credited to the
24 participant's individual investment account, the nature and type
25 of investments and the investment allocation of future
26 contributions as of December 31 of the previous year and
27 requesting the participant to make any necessary correction or
28 revision regarding his designated beneficiary.

29 * * *

30 Section 319. Section 5904(c)(2) of Title 71 is amended to

1 read:

2 § 5904. Duties of the board to report to the Public School
3 Employees' Retirement Board.

4 * * *

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

12 * * *

13 (2) transfer to the Public School Employees' Retirement
14 Fund the total accumulated deductions standing to such
15 member's credit and the actuarial reserve required on account
16 of years of credited service in the State system, final
17 average salary determined on the basis of his compensation as
18 a member in both systems and the average noncovered salary to
19 be charged to the State accumulation account, the State
20 Police benefit account or the enforcement officers' benefit
21 account, as each case may require.

22 * * *

23 Section 320. Sections 5905 heading, (b)(3), (c.1) and (g),
24 5906(a) heading and introductory paragraph and (3), (b), (d),
25 (e), (g), (h), (i) and (l), and 5907 heading, (a), (e), (f) and
26 (h) of Title 71 are amended and the sections are amended by
27 adding subsections to read:

28 § 5905. Duties of the board regarding applications and
29 elections of members and participants.

30 * * *

1 (b) School employees electing multiple service status.--Upon
2 receipt of notification from the Public School Employees'
3 Retirement Board that a former State employee has become an
4 active member in the Public School Employees' Retirement System
5 and has elected to become a member with multiple service status
6 the board shall:

7 * * *

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

19 * * *

20 (c.1) Termination of service by a member.--In the case of
21 any member terminating State service who is entitled to an
22 annuity and who is not then a disability annuitant, the board
23 shall advise such member in writing of any benefits from the
24 system to which he may be entitled under the provisions of this
25 part and shall have the member prepare, on or before the date of
26 termination of State service, one of the following three forms,
27 a copy of which shall be given to the member and the original of
28 which shall be filed with the board:

29 (1) an application for the return of total accumulated
30 deductions;

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

5 (3) an application for an immediate annuity and, if he
6 desires:

7 (i) an election to convert his medical, major
8 medical and hospitalization insurance coverage to the
9 plan for State annuitants; and

10 (ii) if he is a joint coverage member, an election
11 to become a full coverage member and an agreement to pay
12 within 30 days of date of termination of service the lump
13 sum required.

14 (c.2) Termination of service by a participant.--In the case
15 of any participant terminating State service, the board shall
16 advise the participant in writing of the vested accumulated
17 total defined contributions credited to the participant's
18 individual investment account as of the date stated in the
19 writing, any notices regarding rollover or other matters
20 required by the IRC or other law, the obligation of the
21 participant to commence distributions from the plan by the
22 participant's required beginning date and the ability to receive
23 all or part of the vested balance in the participant's
24 individual investment account in a lump sum or in such other
25 form as the board may authorize or is required by law.

26 * * *

27 (e.2) Notification to inactive participants approaching
28 required beginning date.--The board shall notify each inactive
29 participant who has terminated State service and had not
30 commenced distribution by 90 days before the participant's

1 required beginning date in writing that the participant has an
2 obligation to commence distributions by his required beginning
3 date in a form and manner required by IRC § 401(a)(9) and other
4 applicable provisions of the IRC.

5 * * *

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

9 (g) Death benefits.--Upon receipt of notification from the
10 head of a department of the death of an active member, a member
11 performing USERRA leave [or], a member on leave without pay, an
12 active participant, an inactive participant on leave without pay
13 or a former participant performing USERRA leave, the board shall
14 advise the designated beneficiary of the benefits to which he is
15 entitled, and shall make the first payment to the beneficiary
16 within 60 days of receipt of certification of death and other
17 necessary data. If no beneficiary designation is in effect at
18 the date of the member's death or no notice has been filed with
19 the board to pay the amount of the benefits to the member's
20 estate, the board is authorized to pay the benefits to the
21 executor, administrator, surviving spouse or next of kin of the
22 deceased member, and payment pursuant hereto shall fully
23 discharge the fund from any further liability to make payment of
24 such benefits to any other person. If the surviving spouse or
25 next of kin of the deceased member cannot be found for the
26 purpose of paying the benefits for a period of seven years from
27 the date of death of the member, then the benefits shall be
28 escheated to the Commonwealth for the benefit of the fund. If no
29 beneficiary designation is in effect at the date of a
30 participant's death or no notice has been filed with the board

1 to pay the amount of the benefits to the participant's estate,
2 the board is authorized to pay the benefits to the surviving
3 spouse, executor, administrator or next of kin of the deceased
4 participant and payment pursuant hereto shall fully discharge
5 the fund from any further liability to make payment of such
6 benefits to any other person.

7 * * *

8 § 5906. Duties of heads of departments.

9 (a) Status of members and participants.--The head of
10 department shall, at the end of each pay period, notify the
11 board in a manner prescribed by the board of salary changes
12 effective during that period for any members and participants of
13 the department, the date of all removals from the payroll, and
14 the type of leave of any members and participants of the
15 department who have been removed from the payroll for any time
16 during that period, and:

17 * * *

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

22 (i) in the case of death of the member or
23 participant the head of the department shall so notify
24 the board;

25 (ii) in the case of a service connected disability
26 of a member the head of department shall, to the best of
27 his ability, investigate the circumstances surrounding
28 the disablement of the member and submit in writing to
29 the board information which shall include but not
30 necessarily be limited to the following: date, place and

1 time of disablement to the extent ascertainable; nature
2 of duties being performed at such time; and whether or
3 not the duties being performed were authorized and
4 included among the member's regular duties. In addition,
5 the head of department shall furnish in writing to the
6 board all such other information as may be related to the
7 member's disablement;

8 (iii) in the case of a member terminating from The
9 Pennsylvania State University who is a member of the
10 system with five or more but less than ten eligibility
11 points and who has terminated State service on June 30,
12 1997, because of the transfer of his job position or
13 duties to a controlled organization of the Penn State
14 Geisinger Health System or because of the elimination of
15 his job position or duties due to the transfer of other
16 job positions or duties to a controlled organization of
17 the Penn State Geisinger Health System, the head of the
18 department shall so certify to the board.

19 (b) Records and information.--At any time at the request of
20 the board and at termination of service of a member or a
21 participant, the head of department shall furnish service and
22 compensation records and such other information as the board may
23 require and shall maintain and preserve such records as the
24 board may direct for the expeditious discharge of its duties.

25 * * *

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

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

30 (2) Cause the employer defined contributions on behalf

1 of a participant to be made.

2 (3) Notify the board at times and in a manner prescribed
3 by the board of the compensation of any participant to whom
4 the limitation under IRC § 401(a)(17) either applies or is
5 expected to apply and cause such participant's contributions
6 to be deducted from payroll to cease at the limitation under
7 IRC § 401(a)(17) on the payroll date if and when such limit
8 shall be reached.

9 (4) Certify to the State Treasurer the amounts picked up
10 and deducted and the employer defined contributions being
11 made and send the total amount picked up, deducted and
12 contributed together with a duplicate of such voucher to the
13 secretary of the board every pay period or on such schedule
14 as established by the board.

15 (d) New employees subject to mandatory membership or
16 participation.--Upon the assumption of duties of each new State
17 employee whose membership in the system or plan is mandatory,
18 the head of department shall cause an application for membership
19 or participation and a nomination of beneficiary to be made by
20 such employee and filed with the board and shall make pickup
21 contributions or mandatory pickup participant contributions from
22 the effective date of State employment.

23 (e) New employees subject to optional membership or
24 participation.--The head of department shall, upon the
25 employment or entering into office of any State employee whose
26 membership in the system or participation in the plan is not
27 mandatory, inform such employee of his opportunity to become a
28 member of the system or participant in the plan. If such
29 employee so elects, the head of department shall cause an
30 application for membership and a nomination of beneficiary to be

1 made by him and filed with the board and shall cause proper
2 contributions to be made from the effective date of membership
3 or participation.

4 * * *

5 (g) Former school employee contributors.--The head of
6 department shall, upon the employment of a former contributor to
7 the Public School Employees' Retirement System who is not an
8 annuitant of the Public School Employees' Retirement System,
9 advise such employee of his right to elect within 365 days of
10 entry into the system to become a multiple service member, and
11 in the case of any such employee who so elects and has withdrawn
12 his accumulated deductions, require him to reinstate his credit
13 in the Public School Employees' Retirement System. The head of
14 the department shall advise the board of such election. This
15 subsection shall not apply to a State employee who is employed
16 in a position where he is or may be a participant in the plan.

17 (h) Former school employee annuitants.--The head of
18 department shall, upon the employment of an annuitant of the
19 Public School Employees' Retirement System who applies for
20 membership in the system, advise such employee that he may elect
21 multiple service membership within 365 days of entry into the
22 system and if he so elects his public school employee's annuity
23 will be discontinued effective upon the date of his return to
24 State service and, upon termination of State service and
25 application for an annuity, the annuity will be adjusted in
26 accordance with section 5706 (relating to termination of
27 annuities). The head of department shall advise the board of
28 such election. This subsection shall not apply to a State
29 employee who is employed in a position where he is or may be a
30 participant in the plan.

1 (i) Annual statement to members.--Annually, upon receipt
2 from the board, the head of department shall furnish to each
3 member the statement specified in section 5903(b) (relating to
4 duties of the board to advise and report to heads of departments
5 [and], members and participants).

6 * * *

7 (l) State employees performing USERRA or military-related
8 leave of absence.--The head of department shall report to the
9 board any State employee who ceases to be an active member or
10 active participant to perform USERRA service, or who is granted
11 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
12 of absence for certain government employees) or a military leave
13 of absence under 51 Pa.C.S. § 7302 (relating to granting
14 military leaves of absence), the date on which the USERRA
15 service, leave of absence or military leave of absence began,
16 the date on which the State employee is reemployed from USERRA
17 leave or returns after the leave of absence or military leave of
18 absence, if the event occurs, and any other information the
19 board may require or direct.

20 * * *

21 (n) Obligation of educational institutions to report
22 participation and compensation of employees in independent
23 retirement programs.--The Pennsylvania State University, the
24 State System of Higher Education, State-owned educational
25 institutions and community colleges shall report to the board
26 the compensation and other information as the board may request
27 for the application and administration of sections 5507.1
28 (relating to contributions to system by the Commonwealth and
29 other employers starting July 1, 2019) and 5508.1(c) and (d)
30 (relating to actuarial cost method for fiscal years beginning

July 1, 2019, or later) of employees who are participants or members in the Public School Employees' Retirement System, School Employees' Defined Contribution Plan or independent retirement programs approved by the employer.

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

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

* * *

(b.1) Application for participation.--On or after January 1, 2019, in the case of a new employee who is not currently a participant in the plan and whose participation is mandatory or in the case of a new employee whose participation is not mandatory but is permitted and who desires to become a participant in the plan, the new employee shall execute an

1 application for participation and a nomination of a beneficiary.

2 * * *

3 (d.2) Contributions for USERRA leave.--Any active
4 participant or inactive participant on leave without pay or
5 former participant who was reemployed from USERRA leave who
6 desires to make mandatory pickup participant contributions for
7 his USERRA leave shall so notify the board within the time
8 period required under 38 U.S.C. Ch. 43 (relating to employment
9 and reemployment rights of members of the uniformed services)
10 and IRC § 414(u) of his desire to make such contributions. Upon
11 making the permitted mandatory pickup participant contributions
12 within the allowed time period, the head of the department shall
13 make the corresponding employer defined contributions at the
14 same time.

15 (d.3) Voluntary contributions by participant.--Any active
16 participant who desires to make voluntary contributions to be
17 credited to his individual investment account shall notify the
18 board and, upon compliance with the requirements, procedures and
19 limitations established by the board in the plan document, may
20 do so subject to the limitation under IRC §§ 401(a) and 415 and
21 other applicable law.

22 (e) Beneficiary for death benefits from the system.--Every
23 member shall nominate a beneficiary by written designation filed
24 with the board as provided in section 5906(d) or (e) (relating
25 to duties of heads of departments) to receive the death benefit
26 payable under section 5707 (relating to death benefits) or the
27 benefit payable under the provisions of Option 1 of section
28 5705(a)(1) (relating to member's options). Such nomination may
29 be changed at any time by the member by written designation
30 filed with the board. A member may also nominate a contingent

beneficiary or beneficiaries to receive the death benefit provided under section 5707 or the benefit payable under the provisions of Option 1 of section 5705(a)(1).

(e.1) Beneficiary for death benefits from the plan.--Every participant shall nominate a beneficiary by written designation filed with the board as provided in section 5906(d) or (e) to receive the death benefit payable under section 5408 (relating to death benefits). A participant may also nominate a contingent beneficiary or beneficiaries to receive the death benefit provided under section 5408. Such nomination may be changed at any time by the participant by written designation filed with the board.

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

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

(1) withdraw his total accumulated deductions; or

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

(3) receive an immediate annuity and may,

(i) if eligible, elect to convert his medical, major medical, and hospitalization coverage to the plan for State annuitants; and

(ii) if he is a joint coverage member, elect to become a full coverage member and agree to pay within 30 days of date of termination of service the lump sum required.

* * *

(g.1) Deferral of retirement rights.--If a participant terminates State service and does not commence receiving a distribution, he shall nominate a beneficiary, and he may anytime thereafter, but no later than his required beginning date, withdraw the vested accumulated total defined contributions standing to his credit or apply for another form of distribution required by law or authorized by the board.

(h) Vestees and special vestees attaining superannuation age.--Upon attainment of superannuation age a vestee or special vestee shall execute and file an application for an annuity. Any such application filed within 90 days after attaining superannuation age shall be effective as of the date of attainment of superannuation age. Any application filed after such period shall be filed by the member's required beginning date and shall be effective as of the date it is filed with the board, subject to the provisions of section 5905(f) (relating to duties of the board regarding applications and elections of members and participants).

* * *

Section 321. Sections 5931(b), 5932, 5934, 5935, 5936, 5937, 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

§ 5931. Management of fund and accounts.

* * *

(b) Crediting of interest.--The board, annually, shall allow the required interest on the mean amount for the preceding year

1 to the credit of each of the accounts other than the individual
2 investment accounts. The amount so allowed shall be credited
3 thereto by the board and transferred from the interest reserve
4 account.

5 * * *

6 § 5932. State Employees' Retirement Fund.

7 The fund shall consist of all balances in the several
8 separate accounts set apart to be used under the direction of
9 the board for the benefit of members of the system; and the
10 Treasury Department shall credit to the fund all moneys received
11 from the Department of Revenue arising from the contributions
12 relating to or on behalf of members of the system required under
13 the provisions of Chapter 55 (relating to contributions), and
14 any income earned by the investments or moneys of said fund.
15 There shall be established and maintained by the board the
16 several ledger accounts specified in sections 5933 (relating to
17 members' savings account), 5934 (relating to State accumulation
18 account), 5935 (relating to annuity reserve account), 5936
19 (relating to State Police benefit account), 5937 (relating to
20 enforcement officers' benefit account), 5938 (relating to
21 supplemental annuity account) and 5939 (relating to interest
22 reserve account). The individual investment accounts that are
23 part of the trust shall not be part of the fund. Mandatory
24 pickup participant contributions, voluntary contributions and
25 employer defined contributions made under this part and any
26 income earned by the investment of such contributions shall not
27 be paid or credited to the fund but shall be paid to the trust
28 and credited to the individual investment accounts.

29 § 5934. State accumulation account.

30 The State accumulation account shall be the ledger account to

1 which shall be credited all contributions of the Commonwealth or
2 other employers whose employees are members of the system and
3 made in accordance with the provisions of [section 5507(a) or
4 (d) (relating to contributions by the Commonwealth and other
5 employers)] sections 5507(a) or (d) (relating to contributions
6 to system by the Commonwealth and other employers before July 1,
7 2019) and 5507.1 (relating to contributions to system by the
8 Commonwealth and other employers starting July 1, 2019) except
9 that the amounts received under the provisions of the act of May
10 12, 1943 (P.L.259, No.120), and the amounts received under the
11 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,
12 No.21), shall be credited to the State Police benefit account or
13 the enforcement officers' benefit account as the case may be.
14 All amounts transferred to the fund by county retirement systems
15 or pension plans in accordance with the provisions of section
16 5507(c) also shall be credited to the State accumulation
17 account. All amounts transferred to the fund by the Public
18 School Employees' Retirement System in accordance with section
19 5303.2(e) (relating to election to convert school service to
20 State service), except amounts credited to the members' savings
21 account, and all amounts paid by the Department of Corrections
22 in accordance with section 5303.2(f) also shall be credited to
23 the State accumulation account. The State accumulation account
24 shall be credited with valuation interest. The reserves
25 necessary for the payment of annuities and death benefits
26 resulting from membership in the system as approved by the board
27 and as provided in Chapter 57 (relating to benefits) shall be
28 transferred from the State accumulation account to the annuity
29 reserve account provided for in section 5935 (relating to
30 annuity reserve account), except that the reserves necessary on

1 account of a member who is an officer of the Pennsylvania State
2 Police or an enforcement officer shall be transferred from the
3 State accumulation account to the State Police benefit account
4 provided for in section 5936 (relating to State Police benefit
5 account) or to the enforcement officers' benefit account as
6 provided for in section 5937 (relating to enforcement officers'
7 benefit account) as the case may be. The reserves necessary for
8 the payment of supplemental annuities in excess of those
9 reserves credited to the supplemental annuity account on June
10 30, 2010, shall be transferred from the State accumulation
11 account to the supplemental annuity account. In the event that
12 supplemental annuities are increased by legislation enacted
13 after December 31, 2009, the necessary reserves shall be
14 transferred from the State accumulation account to the
15 supplemental annuity account.

16 § 5935. Annuity reserve account.

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

1 (b) Transfers from account.--Should an annuitant other than
2 a member who was retired as an officer of the Pennsylvania State
3 Police or an enforcement officer be subsequently restored to
4 active service as a member of the system or as a participant in
5 the plan, the present value of his member's annuity at the time
6 of reentry into State service shall be transferred from the
7 annuity reserve account and placed to his individual credit in
8 the members' savings account. In addition, the actuarial reserve
9 for his annuity less the amount transferred to the members'
10 savings account shall be transferred from the annuity reserve
11 account to the State accumulation account.

12 § 5936. State Police benefit account.

13 (a) Credits and charges to account.--The State Police
14 benefit account shall be the ledger account to which shall be
15 credited all contributions received under the provisions of the
16 act of May 12, 1943 (P.L.259, No.120), and any additional
17 Commonwealth or other employer contributions provided for in
18 [section 5507 (relating to contributions by the Commonwealth and
19 other employers)] sections 5507 (relating to contributions to
20 system by the Commonwealth and other employers before July 1,
21 2019) and 5507.1 (relating to contributions to system by the
22 Commonwealth and other employers starting July 1, 2019) which
23 are creditable to the State Police benefit account. The State
24 Police benefit account shall be credited with the required
25 interest. In addition, upon the filing of an application for an
26 annuity by a member who is an officer of the Pennsylvania State
27 Police, the total accumulated deductions standing to the credit
28 of the member in the members' savings account and the necessary
29 reserves from the State accumulation account shall be
30 transferred to the State Police benefit account. Thereafter, the

total annuity of such annuitant shall be charged to the State Police benefit account and paid from the fund.

(b) Transfers from account.--Should the said annuitant be subsequently restored to active service as a member of the system or as a participant in the plan, the present value of the member's annuity at the time of reentry into State service shall be transferred from the State Police benefit account and placed to his individual credit in the members' savings account. In addition, the actuarial reserve for his annuity calculated as if he had been a member of Class A if he has Class A or Class C service credited; as if he had been a member of Class A-3 if the annuitant has Class A-3 State service credited; or as if he had been a member of Class A-4 if the annuitant has Class A-4 service credited, less the amount transferred to the members' savings account shall be transferred from the State Police benefit account to the State accumulation account. Upon subsequent retirement other than as an officer of the Pennsylvania State Police the actuarial reserve remaining in the State Police benefit account shall be transferred to the appropriate reserve account.

§ 5937. Enforcement officers' benefit account.

(a) Credits and charges to account.--The enforcement officers' benefit account shall be the ledger account to which shall be credited moneys transferred from the enforcement officers' retirement account in the State Stores Fund according to the provisions of the act of April 12, 1951 (P.L.90, No.21), known as the Liquor Code, and any additional Commonwealth or other employer contributions provided for in [section 5507 (relating to contributions by the Commonwealth and other employers)] sections 5507 (relating to contributions to system

1 by the Commonwealth and other employers before July 1, 2019) and
2 5507.1 (relating to contributions to system by the Commonwealth
3 and other employers starting July 1, 2019) which are creditable
4 to the enforcement officers' benefit account. The enforcement
5 officers' benefit account shall be credited with the required
6 interest. In addition, upon the filing of an application for an
7 annuity by a member who is an enforcement officer of the
8 Pennsylvania Liquor Control Board, the total accumulated
9 deductions standing to the credit of the member in the members'
10 savings account and the necessary reserves from the State
11 accumulation account shall be transferred to the enforcement
12 officers' benefit account. Thereafter, the total annuity of such
13 annuitant shall be charged to the enforcement officers' benefit
14 account and paid from the fund.

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

1 accumulation account. Upon subsequent retirement other than as
2 an enforcement officer the actuarial reserve remaining in the
3 enforcement officers' benefit account shall be transferred to
4 the appropriate reserve account.

5 § 5938. Supplemental annuity account.

6 The supplemental annuity account shall be the ledger account
7 to which shall be credited all contributions from the
8 Commonwealth and other employers in accordance with section
9 5507(b) [(relating to contributions by the Commonwealth and
10 other employers)] (relating to contributions to system by the
11 Commonwealth and other employers before July 1, 2019) for the
12 payment of the supplemental annuities provided in sections 5708
13 (relating to supplemental annuities), 5708.1 (relating to
14 additional supplemental annuities), 5708.2 (relating to further
15 additional supplemental annuities), 5708.3 (relating to
16 supplemental annuities commencing 1994), 5708.4 (relating to
17 special supplemental postretirement adjustment), 5708.5
18 (relating to supplemental annuities commencing 1998), 5708.6
19 (relating to supplemental annuities commencing 2002), 5708.7
20 (relating to supplemental annuities commencing 2003) and 5708.8
21 (relating to special supplemental postretirement adjustment of
22 2002) made before July 1, 2010, the amount transferred from the
23 State accumulation account to provide all additional reserves
24 necessary as of June 30, 2010, to pay such supplemental
25 annuities and adjustments, and the amounts transferred from the
26 State accumulation account to provide all additional reserves
27 necessary as a result of supplemental annuities enacted after
28 December 31, 2009. The supplemental annuity account shall be
29 credited with valuation interest. The reserves necessary for the
30 payment of such supplemental annuities shall be transferred from

1 the supplemental annuity account to the annuity reserve account
2 as provided in section 5935 (relating to annuity reserve
3 account).

4 § 5939. Interest reserve account.

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

20 § 5951. State guarantee regarding the State Employees'
21 Retirement System.

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

1 plan or trust.

2 § 5953. Taxation, attachment and assignment of funds.

3 (a) General rule.--

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

26 (2) Rights under this part shall be subject to
27 forfeiture as provided by the act of July 8, 1978 (P.L.752,
28 No.140), known as the Public Employee Pension Forfeiture Act,
29 and by or pursuant to section 16(b) of Article V of the
30 Constitution of Pennsylvania. Forfeitures under this

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

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

26 (4) Effective with distributions made on or after
27 January 1, 1993, and notwithstanding any other provision of
28 this part to the contrary, a distributee may elect, at the
29 time and in the manner prescribed by the board, to have any
30 portion of an eligible rollover distribution paid directly to

1 an eligible retirement plan by way of a direct rollover. For
2 purposes of this paragraph, a "distributee" includes a member
3 [and], a participant, a member's surviving spouse [and], a
4 participant's surviving spouse, a member's former spouse who
5 is an alternate payee under an approved domestic relations
6 order[.], a participant's former spouse who is an alternate
7 payee under an approved domestic relations order and anyone
8 else authorized under the IRC and the plan terms approved by
9 the board to have an eligible rollover distribution paid
10 directly to an eligible retirement plan by way of a direct
11 rollover. For purposes of this paragraph, the term "eligible
12 rollover distribution" has the meaning given such term by IRC
13 § 402(f)(2)(A), and "eligible retirement plan" has the
14 meaning given such term by IRC § 402(c)(8)(B), except that a
15 qualified trust shall be considered an eligible retirement
16 plan only if it accepts the distributee's eligible rollover
17 distribution; however, in the case of an eligible rollover
18 distribution to a surviving spouse, an eligible retirement
19 plan is an "individual retirement account" or an "individual
20 retirement annuity" as those terms are defined in IRC §
21 408(a) and (b).

22 (b) Authorized payments from fund.--(1) The board shall be
23 authorized to pay from the fund in the case of a member or
24 participant who is terminating service, the amount determined
25 after certification by the head of the department that the
26 member or participant is so obligated, and after review and
27 approval by the department or agency's legal representative or
28 upon receipt of an assignment from the member or participant in
29 the amount so certified[.], except that no payment shall be made
30 from the individual investment account of a participant until

1 the participant otherwise applies for and receives a
2 distribution and shall not exceed the amount of the
3 distribution.

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

11 Section 322. Section 5953.1(a) heading and introductory
12 paragraph and (1), (b), (c) and (d) of Title 71 are amended and
13 the section is amended by adding a subsection to read:

14 § 5953.1. Approval of domestic relations orders.

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

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

23 * * *

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

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

1 system or participants in the plan.

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

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

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

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

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

27 (7) Specifies the name and last known mailing address,
28 if any, of the participant and the name and last known
29 mailing address of each alternate payee covered by the order
30 and states that it is the responsibility of each alternate

1 payee to keep a current mailing address on file with the
2 plan.

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

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

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

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

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

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

1 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
2 arrearages). These orders shall be approved to the extent that
3 they do not attach moneys in excess of the limits on attachments
4 as established by the laws of the United States and this
5 Commonwealth[.], require distributions of benefits in a manner
6 which would violate the laws of the United States, any other
7 state or this Commonwealth or require the distribution of funds
8 for support or enforcement of arrearages against any participant
9 who is not receiving distributions from the plan at the time
10 such order is entered.

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

20 Section 323. Sections 5953.2, 5953.3 and 5953.4(a) of Title
21 71 are amended to read:

22 § 5953.2. Irrevocable beneficiary.

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

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

7 § 5953.3. Irrevocable survivor annuitant.

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

23 § 5953.4. Amendment of approved domestic relations orders.

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

30 * * *

1 Section 324. Title 71 is amended by adding a section to
2 read:

3 § 5953.6. Irrevocable successor payee.

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

26 Section 325. Sections 5954 and 5955 of Title 71 are amended
27 to read:

28 § 5954. Fraud and adjustment of errors.

29 (a) Penalty for fraud.--Any person who shall knowingly make
30 any false statement or shall falsify or permit to be falsified

1 any record or records of this system or plan in any attempt to
2 defraud the system or plan as a result of such act shall be
3 guilty of a misdemeanor of the second degree.

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

18 § 5955. Construction of part.

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

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

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

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

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

13 (2) A State employee who is a current or former sworn
14 police officer or who becomes a sworn police officer after
15 the effective date of this subsection who:

16 (i) terminates State service before January 1, 2019;

17 or

18 (ii) terminates State service on or after January 1,
19 2019, and does not have service as a plan participant
20 shall be eligible to receive the maximum single life annuity,
21 before optional modification under section 5705 (relating to
22 member's options), that the State employee would have been
23 eligible to receive if this subsection had not been enacted.

24 (3) A State employee who is a current or former sworn
25 police officer, or who becomes a sworn police officer after
26 the effective date of this subsection, who has service as a
27 plan participant and who terminates State service on or after
28 January 1, 2019, shall be eligible to receive a maximum
29 single life annuity before optional modification under
30 section 5705 equal to the maximum single life annuity that

1 the State employee would have been eligible to receive
2 without regard to any eligibility points, service credit,
3 compensation or contributions attributable to service as a
4 plan participant.

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

8 (c) State employee on leave without pay.--As used within
9 this part:

10 (1) The term "inactive member on leave without pay" does
11 not include a combined service employee who is an inactive
12 participant on leave without pay.

13 (2) The term "inactive participant on leave without pay"
14 does not include a combined service employee who is an active
15 member on leave without pay.

16 ARTICLE IV

17 TRANSITIONAL PROVISIONS

18 Section 401. The following apply:

19 (1) The following provisions shall not create in any
20 member of the School Employees' Retirement System or
21 participant in the School Employees' Defined Contribution
22 Plan or in any other person claiming an interest in the
23 account of the member or participant a contractual right,
24 either express or implied, in the provisions or in any
25 construction of 24 Pa.C.S. Pt. IV or 51 Pa.C.S., as so
26 amended or supplemented, or any rules or regulations adopted
27 under 24 Pa.C.S. Pt. IV or 51 Pa.C.S.:

28 (i) Anything in this act which amends or supplements
29 provisions of 51 Pa.C.S. or 24 Pa.C.S. Pt. IV in relation
30 to requirements for:

1 (A) qualification of the School Employees'
2 Defined Contribution Plan as a qualified pension plan
3 under the Internal Revenue Code of 1986 (Public Law
4 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance
5 with the Uniformed Services Employment and
6 Reemployment Rights Act of 1994 (Public Law 103-353,
7 108 Stat. 3149);

8 (B) contributions to, participation in or
9 benefits from the School Employees' Defined
10 Contribution Plan or School Employees' Defined
11 Contribution Trust; and

12 (C) domestic relations orders regarding
13 alternate payees of participants in the Public School
14 Employees' Defined Contribution Plan.

15 (ii) Any construction of 24 Pa.C.S. Pt. IV or 51
16 Pa.C.S., as so amended or supplemented, or any rules or
17 regulations adopted under 24 Pa.C.S. Pt. IV or 51
18 Pa.C.S., or any term or provision of the School
19 Employees' Defined Contribution Plan or School Employees'
20 Defined Contribution Trust, whether established by
21 statute or in the plan document or trust declaration.

22 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
23 subject to 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), and regulations
26 under those statutes, and the General Assembly reserves to
27 itself such further exercise of its legislative power to
28 amend or supplement such provisions as may from time to time
29 be required in order to maintain the qualification of the
30 system as a qualified pension plan under section 401(a) and

1 other applicable provisions of the Internal Revenue Code of
2 1986 and the Uniformed Services Employment and Reemployment
3 Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

4 (3) Nothing in this act which amends or supplements
5 provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV in
6 relation to requirements:

7 (i) for qualification of the State Employees'
8 Defined Contribution Plan as a qualified pension plan
9 under the Internal Revenue Code of 1986 (Public Law 99-
10 514, 26 U.S.C. § 1 et seq.) or compliance with 38 U.S.C.
11 Ch. 43 (relating to employment and reemployment rights of
12 members of the uniformed services);

13 (ii) for contributions to, participation in or
14 benefits from the State Employees' Defined Contribution
15 Plan or State Employees' Defined Contribution Trust; or

16 (iii) for domestic relations orders regarding
17 alternate payees of participants in the State Employees'
18 Defined Contribution Plan;

19 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as
20 so amended or supplemented, or any rules or regulations
21 adopted under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term
22 or provision of the State Employees' Defined Contribution
23 Plan or State Employees' Defined Contribution Trust, whether
24 established by statute or in the plan document or trust
25 declaration, shall create in any member of the State
26 Employees' Retirement System or participant in the State
27 Employees' Defined Contribution Plan or in any other person
28 claiming an interest in the account of any such member or
29 participant a contractual right, either express or implied,
30 in such provisions nor in any construction of 51 Pa.C.S. §

1 7306 or 71 Pa.C.S. Pt. XXV, as so amended or supplemented, or
2 any rules or regulations adopted under 51 Pa.C.S. or 71
3 Pa.C.S. Pt. XXV.

4 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
5 subject to the Internal Revenue Code of 1986 and 38 U.S.C.
6 Ch. 43 and regulations thereunder, and the General Assembly
7 reserves to itself such further exercise of its legislative
8 power to amend or supplement such provisions as may from time
9 to time be required in order to maintain the qualification of
10 such system as a qualified pension plan under section 401(a)
11 and other applicable provisions of the Internal Revenue Code
12 of 1986 and 38 U.S.C. Ch. 43.

13 Section 402. References in this act to the Internal Revenue
14 Code of 1986 or 38 U.S.C. Ch. 43, or administrative regulations
15 promulgated thereunder, are intended to include such laws and
16 regulations in effect on the effective date of this act and as
17 they may hereafter be amended or supplemented or supplanted by
18 successor provisions.

19 Section 403. Nothing in this act shall be construed or
20 deemed to imply that, but for the expressed applications of the
21 limitations on benefits or other requirements under section
22 401(a) or applicable provisions of the Internal Revenue Code of
23 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.) to
24 participants in the School Employees' Defined Contribution Plan,
25 those limitations would not otherwise apply to such participants
26 or to members of the Public School Employees' Retirement System
27 and the benefits payable pursuant to 24 Pa.C.S. Pt. IV.

28 Section 404. Nothing in this act shall be construed or
29 deemed to imply that, but for the expressed applications of the
30 limitations on benefits or other requirements under section

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

6 Section 405. (a) Notwithstanding any provisions of this act
7 to the contrary, no contributions or benefit related to the
8 State Employees' Defined Contribution Plan or the School
9 Employee's Defined Contribution Plan shall be made or payable to
10 the extent that such contributions or benefits exceed any
11 limitation under section 415 of the Internal Revenue Code of
12 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect
13 with respect to governmental plans as such term is defined in
14 section 414(d) of the Internal Revenue Code of 1986 on the date
15 the contributions or benefit payment becomes effective. Any
16 increase in any limitation under section 415 of the Internal
17 Revenue Code of 1986 shall be applicable to all current and
18 future participants.

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

1 authorizes any such increases in limitations or allowable
2 benefits.

3 Section 406. Nothing in this act shall be construed or
4 deemed to imply that any calculation or actuarial method used by
5 the Public School Employees' Retirement Board, its actuaries or
6 the Public School Employees' Retirement System was not in
7 accordance with the provisions of the 24 Pa.C.S. Pt. IV or other
8 applicable law prior to the effective date of this section.

9 Section 407. Nothing in this act shall be construed or
10 deemed to imply that any calculation or actuarial method used by
11 the State Employees' Retirement Board, its actuaries or the
12 State Employees' Retirement System was not in accordance with
13 the provisions of the State Employees' Retirement Code or other
14 applicable law prior to the effective date of this section.

15 Section 408. Nothing in this act shall be construed or
16 deemed to imply that any interpretation or application of the
17 provisions of 24 Pa.C.S. Pt. IV or benefits available to members
18 of the Public School Employees' Retirement System was not in
19 accordance with the provisions of 24 Pa.C.S. Pt. IV or other
20 applicable law, including the Internal Revenue Code of 1986
21 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed
22 Services Employment and Reemployment Rights Act of 1994 (Public
23 Law 103-353, 108 Stat. 3149) prior to the effective date of this
24 section.

25 Section 409. Nothing in this act shall be construed or
26 deemed to imply that any interpretation or application of the
27 provisions of 71 Pa.C.S. Pt. XXV or benefits available to
28 members of the State Employees' Retirement System was not in
29 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other
30 applicable law, including the Internal Revenue Code of 1986

1 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43
2 (relating to employment and reemployment rights of members of
3 the uniformed services), prior to the effective date of this
4 section.

5 Section 410. This act shall be construed and administered in
6 such a manner that the Public School Employees' Retirement
7 System and the School Employees' Defined Contribution Plan will
8 satisfy the requirements necessary to qualify as a qualified
9 pension plan under section 401(a) and other applicable
10 provisions of the Internal Revenue Code of 1986 (Public Law 99-
11 514, 26 U.S.C. § 1 et seq.) and the Uniformed Services
12 Employment and Reemployment Rights Act of 1994 (Public Law 103-
13 353, 108 Stat. 3149). The rules, regulations and procedures
14 adopted and promulgated by the Public School Employees'
15 Retirement Board, and the terms and conditions of the plan
16 document and trust declaration adopted by the Public School
17 Employees' Retirement Board, may include those necessary to
18 accomplish the purpose of this section.

19 Section 411. This act shall be construed and administered in
20 such a manner that the State Employees' Retirement System and
21 the State Employees' Defined Contribution Plan will satisfy the
22 requirements necessary to qualify as a qualified pension plan
23 under section 401(a) and other applicable provisions of the
24 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1
25 et seq.) and 38 U.S.C. Ch. 43 (relating to employment and
26 reemployment rights of members of the uniformed services). The
27 rules, regulations and procedures adopted and promulgated by the
28 State Employees' Retirement Board and the terms and conditions
29 of the plan document and trust declaration adopted by the State
30 Employees' Retirement Board may include those necessary to

1 accomplish the purpose of this section.

2 Section 412. The following apply:

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

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

1 account of the service performed as a participant.

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

25 Section 413. Nothing in this act shall be construed or
26 deemed to imply that the release or making public of any record,
27 material or data described in 71 Pa.C.S. § 5902(e)(2) as not
28 being a public record is a violation of the State Employees'
29 Retirement Board's fiduciary duties.

30 Section 414. (a) Notwithstanding any other provision of

1 law, any change in accrued liability of the State Employees'
2 Retirement System created by this act as a result of changes in
3 benefits shall be funded in equal dollar installments over a
4 period of 20 years beginning July 1, 2018. Any change in accrued
5 liability as a result of the amendment of 71 Pa.C.S. §§ 5507 and
6 5508 or the addition of 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be
7 funded in equal dollar installments over a period of 30 years
8 beginning July 1, 2017. Payments required to fund any changes in
9 accrued liability resulting from the provisions of 71 Pa.C.S.
10 Pt. XXV shall be subject to any limits imposed by this act on
11 employer contributions to the State Employees' Retirement
12 System. For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508, any
13 such changes shall not be considered to be costs added by
14 legislation.

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

17 Section 415. This act shall take effect immediately.