

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

# HOUSE BILL

## No. 1460 Session of 2017

INTRODUCED BY B. MILLER, GREINER, WARD, MILLARD, MILNE, RADER,  
LAWRENCE, WHEELAND, BLOOM, GROVE, ZIMMERMAN, MOUL, BARRAR,  
KEEFER, MAHER, CALTAGIRONE, HANNA, IRVIN, GILLEN, RYAN AND  
KORTZ, MAY 31, 2017

SENATOR HUTCHINSON, FINANCE, IN SENATE, AS AMENDED, JUNE 6, 2018

## AN ACT

~~Amending Titles 24 (Education) and 71 (State Government) of the~~ <--  
~~Pennsylvania Consolidated Statutes, in administration and~~  
~~miscellaneous provisions regarding administration of the~~  
~~Public School Employees' Retirement Fund, further providing~~  
~~for administrative duties of board; and, in administration,~~  
~~funds, accounts and general provisions regarding~~  
~~administration of the State Employees' Retirement Fund,~~  
~~further providing for administrative duties of the board.~~

AMENDING TITLES 24 (EDUCATION) AND 71 (STATE GOVERNMENT) OF THE <--  
PENNSYLVANIA CONSOLIDATED STATUTES AS FOLLOWS:

IN TITLE 24:

FOR RETIREMENT FOR SCHOOL EMPLOYEES, IN PRELIMINARY  
PROVISIONS, FURTHER PROVIDING FOR DEFINITIONS; IN  
MEMBERSHIP, CONTRIBUTIONS AND BENEFITS, PROVIDING FOR  
NONPARTICIPATORY EMPLOYER WITHDRAW LIABILITY AND FURTHER  
PROVIDING FOR ACTUARIAL COST METHOD; IN SCHOOL EMPLOYEES'  
DEFINED CONTRIBUTION PLAN, FURTHER PROVIDING FOR VESTING;  
AND, IN ADMINISTRATION AND MISCELLANEOUS PROVISIONS,  
FURTHER PROVIDING FOR ADMINISTRATIVE DUTIES OF BOARD, FOR  
PAYMENTS TO SCHOOL ENTITIES BY COMMONWEALTH COMMENCING  
WITH THE 2019-2020 SCHOOL YEAR AND PROVIDING FOR  
DELINQUENT PAYMENTS.

IN TITLE 71:

FOR RETIREMENT FOR STATE EMPLOYEES AND OFFICERS, IN  
MEMBERSHIP, CREDITED SERVICE, CLASSES OF SERVICE AND  
ELIGIBILITY FOR BENEFITS REGARDING ADMINISTRATION OF THE  
STATE EMPLOYEES' RETIREMENT FUND, FURTHER PROVIDING FOR

1 ELECTION TO BECOME A CLASS A-6 MEMBER OR SOLELY A  
2 PARTICIPANT IN THE PLAN AND FOR ELIGIBILITY FOR DEATH  
3 BENEFITS; IN BENEFITS, FURTHER PROVIDING FOR MAXIMUM  
4 SINGLE LIFE ANNUITY; AND, IN ADMINISTRATION OF FUNDS,  
5 ACCOUNTS AND GENERAL PROVISIONS, FURTHER PROVIDING FOR  
6 ADMINISTRATIVE DUTIES OF THE BOARD.

7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 ~~Section 1. Section 8502 of Title 24 of the Pennsylvania~~ <--  
10 ~~Consolidated Statutes is amended by adding a subsection to read:~~

11 SECTION 1. THE DEFINITIONS OF "ELIGIBLE ANNUITANTS" AND <--  
12 "ELIGIBILITY POINTS" IN SECTION 8102 OF TITLE 24 OF THE  
13 PENNSYLVANIA CONSOLIDATED STATUTES ARE AMENDED AND THE SECTION  
14 IS AMENDED BY ADDING A DEFINITION 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 "ELIGIBLE ANNUITANTS." ALL CURRENT AND PROSPECTIVE  
21 ANNUITANTS OF THE SYSTEM AND CLASS DC PARTICIPANTS RECEIVING  
22 DISTRIBUTIONS WITH 24 1/2 OR MORE ELIGIBILITY POINTS AND ALL  
23 CURRENT AND PROSPECTIVE DISABILITY ANNUITANTS. BEGINNING JANUARY  
24 1, 1995, "ELIGIBLE ANNUITANTS" SHALL INCLUDE MEMBERS WITH 15 OR  
25 MORE ELIGIBILITY POINTS WHO TERMINATED OR WHO TERMINATE SCHOOL  
26 SERVICE ON OR AFTER ATTAINING SUPERANNUATION RETIREMENT AGE AND  
27 WHO ARE ANNUITANTS WITH AN EFFECTIVE DATE OF RETIREMENT AFTER  
28 SUPERANNUATION AGE.

29 "ELIGIBILITY POINTS." POINTS WHICH ARE ACCRUED BY AN ACTIVE  
30 MEMBER, A PARTICIPANT, A MULTIPLE SERVICE MEMBER WHO IS AN  
31 ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM FOR  
32 CREDITED SERVICE OR BY A MEMBER OR PARTICIPANT WHO HAS BEEN

1 REEMPLOYED FROM USERRA LEAVE OR DIES WHILE PERFORMING USERRA  
2 LEAVE AND ARE USED IN THE DETERMINATION OF ELIGIBILITY FOR  
3 BENEFITS AS PROVIDED IN SECTION 8306 (RELATING TO ELIGIBILITY  
4 POINTS). A PARTICIPANT SHALL EARN ONE ELIGIBILITY POINT FOR EACH  
5 FISCAL YEAR IN WHICH THE PARTICIPANT CONTRIBUTES TO THE TRUST.  
6 ELIGIBILITY POINTS EARNED BY CLASS T-G OR CLASS T-H PARTICIPANTS  
7 SHALL APPLY ONLY FOR PURPOSES OF DETERMINING VESTING OF EMPLOYER  
8 DEFINED CONTRIBUTIONS UNDER SECTION 8409 (B) (RELATING TO  
9 VESTING).

10 \* \* \*

11 "EMPLOYER DEFINED CONTRIBUTION RATE." FOR CLASS T-G SERVICE,  
12 THE RATE OF 2.25% APPLIED TO CLASS T-G COMPENSATION. FOR CLASS  
13 T-H SERVICE, THE RATE OF 2.0% APPLIED TO CLASS T-H COMPENSATION.  
14 FOR CLASS DC PARTICIPANTS, THE RATE OF 2.0% APPLIED TO CLASS DC  
15 COMPENSATION.

16 \* \* \*

17 SECTION 2. TITLE 24 IS AMENDED BY ADDING A SECTION TO READ:  
18 § 8327.1. NONPARTICIPATING EMPLOYER WITHDRAWAL LIABILITY.

19 (A) GENERAL RULE.--A NONPARTICIPATING EMPLOYER IS LIABLE TO  
20 THE SYSTEM FOR WITHDRAWAL LIABILITY IN THE AMOUNT DETERMINED  
21 UNDER SUBSECTION (C). A NONPARTICIPATING EMPLOYER IS AN EMPLOYER  
22 THAT IS DETERMINED BY THE BOARD TO HAVE CEASED:

23 (1) COVERED OPERATIONS UNDER THE SYSTEM; OR

24 (2) TO HAVE AN OBLIGATION TO CONTRIBUTE UNDER THE SYSTEM  
25 FOR ALL OR ANY OF THE EMPLOYER'S SCHOOL EMPLOYEES BUT  
26 CONTINUES COVERED OPERATIONS.

27 (B) DETERMINATION.--AN EMPLOYER SHALL, WITHIN THE TIME  
28 PRESCRIBED BY THE BOARD IN A WRITTEN REQUEST, FURNISH SUCH  
29 INFORMATION AS THE BOARD DEEMS NECESSARY TO ADMINISTER THIS  
30 SECTION AND TO DETERMINE WHETHER AN EMPLOYER IS A

1 NONPARTICIPATING EMPLOYER. IF THE BOARD DETERMINES THAT AN  
2 EMPLOYER IS A NONPARTICIPATING EMPLOYER, THE BOARD SHALL:

3 (1) DETERMINE THE NONPARTICIPATION DATE.

4 (2) DETERMINE THE AMOUNT OF THE EMPLOYER'S WITHDRAWAL  
5 LIABILITY.

6 (3) NOTIFY THE EMPLOYER OF THE AMOUNT OF THE WITHDRAWAL  
7 LIABILITY.

8 (4) COLLECT THE AMOUNT OF THE WITHDRAWAL LIABILITY.

9 (C) CALCULATION OF WITHDRAWAL LIABILITY.--A NONPARTICIPATING  
10 EMPLOYER'S WITHDRAWAL LIABILITY SHALL BE DETERMINED AS OF THE  
11 EMPLOYER'S NONPARTICIPATION DATE AND SHALL BE CALCULATED AS  
12 FOLLOWS:

13 (1) FOR A NONPARTICIPATING EMPLOYER UNDER SUBSECTION (A)  
14 (1), THE EXCESS OF THE ACTUARIAL PRESENT VALUE OF THE VESTED  
15 ACCRUED BENEFITS OF THE SYSTEM'S MEMBERS OVER THE MARKET  
16 VALUE OF ASSETS, BOTH AS OF THE DATE OF THE LAST ACTUARIAL  
17 VALUATION ADOPTED BY THE BOARD PRIOR TO THE EMPLOYER'S  
18 NONPARTICIPATION DATE SHALL BE MULTIPLIED BY A WITHDRAWAL  
19 FRACTION CALCULATED AS FOLLOWS:

20 (I) THE NUMERATOR OF THE WITHDRAWAL FRACTION SHALL  
21 BE THE TOTAL PRESENT VALUE OF ACCRUED BENEFITS OF ALL  
22 ACTIVE MEMBERS OF THE EMPLOYER.

23 (II) THE DENOMINATOR OF THE WITHDRAWAL FRACTION  
24 SHALL BE THE TOTAL PRESENT VALUE OF ACCRUED BENEFITS OF  
25 ALL ACTIVE MEMBERS OF THE SYSTEM.

26 (2) FOR A NONPARTICIPATING EMPLOYER UNDER SUBSECTION (A)  
27 (2), THE EXCESS OF THE ACTUARIAL ACCRUED LIABILITY OF THE  
28 SYSTEM'S MEMBERS OVER THE MARKET VALUE OF ASSETS, BOTH AS OF  
29 THE DATE OF THE LAST ACTUARIAL VALUATION ADOPTED BY THE BOARD  
30 PRIOR TO THE EMPLOYER'S NONPARTICIPATION DATE SHALL BE

1 MULTIPLIED BY A WITHDRAWAL FRACTION CALCULATED AS FOLLOWS:

2 (I) THE NUMERATOR OF THE WITHDRAWAL FRACTION SHALL  
3 BE THE TOTAL PRESENT VALUE OF ACCRUED BENEFITS OF ALL  
4 ACTIVE MEMBERS OF THE EMPLOYER.

5 (II) THE DENOMINATOR OF THE WITHDRAWAL FRACTION  
6 SHALL BE THE TOTAL PRESENT VALUE OF ACCRUED BENEFITS OF  
7 ALL ACTIVE MEMBERS OF THE SYSTEM.

8 (D) VALUE OF BENEFITS.--THE ACTUARIAL PRESENT VALUE OF THE  
9 VESTED ACCRUED BENEFITS AND TOTAL PRESENT VALUE OF ACCRUED  
10 BENEFITS SHALL BE DETERMINED BASED ON THE UNIT CREDIT ACTUARIAL  
11 COST METHOD, APPLYING THE SYSTEM'S PROVISIONS AND ACTUARIAL  
12 ASSUMPTIONS USED IN THE LAST ACTUARIAL VALUATION ADOPTED BY THE  
13 BOARD PRIOR TO THE NONPARTICIPATION DATE. THE ACTUARIAL ACCRUED  
14 LIABILITY SHALL BE DETERMINED BASED ON THE SAME ACTUARIAL COST  
15 METHOD USED TO DETERMINE THE ACTUARIALLY REQUIRED CONTRIBUTION  
16 RATE IN SECTION 8328(I) (RELATING TO ACTUARIAL COST METHOD),  
17 APPLYING THE SYSTEM'S PROVISIONS AND ACTUARIAL ASSUMPTIONS USED  
18 IN THE LAST ACTUARIAL VALUATION ADOPTED BY THE BOARD PRIOR TO  
19 THE NONPARTICIPATION DATE.

20 (E) INTEREST RATE ASSUMPTION.--FOR PURPOSES OF CALCULATING  
21 THE WITHDRAWAL LIABILITY IN SUBSECTION (C) (1):

22 (1) FOR A NONPARTICIPATING EMPLOYER UNDER SUBSECTION (A)  
23 (L), THE INTEREST RATE ASSUMPTION SHALL BE REDUCED BY AN  
24 AMOUNT DETERMINED BY THE ACTUARY TO REFLECT THE INCREASED  
25 INVESTMENT, MORTALITY AND OTHER ACTUARIAL RISK ASSOCIATED  
26 WITH THE ACCRUED BENEFIT OF THE MEMBERS OF THE  
27 NONPARTICIPATING EMPLOYER ON A BASIS APPROVED BY THE BOARD.

28 (2) FOR A NONPARTICIPATING EMPLOYER UNDER SUBSECTION (A)  
29 (2), THE INTEREST RATE ASSUMPTION SHALL BE THE SAME ANNUAL  
30 INTEREST RATE USED TO DETERMINE THE ANNUAL NORMAL

1 CONTRIBUTION RATE UNDER SECTION 8328(B) AS OF THE DATE OF THE  
2 LAST ACTUARIAL VALUATION ADOPTED BY THE BOARD PRIOR TO THE  
3 EMPLOYER'S NONPARTICIPATION DATE.

4 (F) PAYMENT.--A NONPARTICIPATING EMPLOYER SHALL PAY THE  
5 WITHDRAWAL LIABILITY AS FOLLOWS:

6 (1) THE WITHDRAWAL LIABILITY FOR A NONPARTICIPATING  
7 EMPLOYER UNDER SUBSECTION (A) (1) SHALL BE PAID IN A LUMP SUM  
8 NO LATER THAN THE TIME PRESCRIBED BY THE BOARD IN THE NOTICE  
9 OF THE AMOUNT OF THE WITHDRAWAL LIABILITY.

10 (2) THE WITHDRAWAL LIABILITY FOR A NONPARTICIPATING  
11 EMPLOYER UNDER SUBSECTION (A) (2) SHALL BE PAID BASED ON THE  
12 SCHEDULE AND METHOD OF PAYMENT DETERMINED BY THE BOARD. IN  
13 ADDITION, THE OBLIGATIONS OF SUCH NONPARTICIPATING EMPLOYER  
14 UNDER THIS SECTION SHALL NOT IMPAIR THE OBLIGATION OF THE  
15 NONPARTICIPATING EMPLOYER TO CONTINUE TO PAY THE EMPLOYER  
16 CONTRIBUTION RATE UNDER SECTION 8328 AS ADJUSTED FOR THE  
17 WITHDRAWAL LIABILITY. FOR PURPOSES OF THIS SECTION, THE BOARD  
18 MAY DETERMINE WHETHER A MEMBER SHOULD BE TREATED AS BEING  
19 EMPLOYED BY A SINGLE EMPLOYER, REGARDLESS OF WHETHER THE  
20 EMPLOYER IS A NONPARTICIPATING EMPLOYER. IN MAKING SUCH  
21 DETERMINATION, THE BOARD MAY RELY ON THE PROVISIONS OF  
22 SECTION 414(B), (C) AND (M) OF THE INTERNAL REVENUE CODE OF  
23 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 414(B), (C) AND (M)) AND  
24 CORRESPONDING REGULATIONS OR MAY ESTABLISH OTHER RELEVANT  
25 FACTORS THE BOARD DEEMS NECESSARY.

26 (3) THE BOARD IS AUTHORIZED TO PURSUE ALL CAUSES OF  
27 ACTION AND COLLECTION REMEDIES AS PERMITTED UNDER APPLICABLE  
28 LAW TO COLLECT THE WITHDRAWAL LIABILITY AND TO SEEK RELIEF  
29 UNDER SECTION 8327(B) (RELATING TO PAYMENTS BY EMPLOYERS)  
30 EACH WITHOUT REGARD TO WHETHER THE NONPARTICIPATING EMPLOYER

1 HAS CEASED ALL OPERATIONS.

2 SECTION 3. SECTIONS 8328(A), 8409(B)(3) AND 8501(A) OF TITLE  
3 24 ARE AMENDED TO READ:

4 § 8328. ACTUARIAL COST METHOD.

5 (A) EMPLOYER CONTRIBUTION RATE.--THE AMOUNT OF THE TOTAL  
6 EMPLOYER CONTRIBUTIONS SHALL BE COMPUTED BY THE ACTUARY AS A  
7 PERCENTAGE OF THE TOTAL COMPENSATION OF ALL ACTIVE MEMBERS AND  
8 ACTIVE PARTICIPANTS, AS APPLICABLE, DURING THE PERIOD FOR WHICH  
9 THE AMOUNT IS DETERMINED AND SHALL BE SO CERTIFIED BY THE BOARD.  
10 THE TOTAL EMPLOYER CONTRIBUTION RATE SHALL BE THE SUM OF  
11 PARAGRAPHS (1), (2) AND (3) DIVIDED BY THE TOTAL COMPENSATION OF  
12 ALL ACTIVE MEMBERS AND ACTIVE PARTICIPANTS:

13 (1) THE FINAL CONTRIBUTION [RATE AS] AMOUNT COMPUTED BY  
14 MULTIPLYING THE FINAL CONTRIBUTION RATE CALCULATED IN  
15 SUBSECTION (H) [PLUS] BY THE TOTAL COMPENSATION OF ALL ACTIVE  
16 MEMBERS;

17 (2) THE PREMIUM ASSISTANCE CONTRIBUTION [RATE AS  
18 COMPUTED IN SUBSECTION (F). THE ACTUARIALLY REQUIRED  
19 CONTRIBUTION RATE SHALL CONSIST OF THE NORMAL CONTRIBUTION  
20 RATE AS DEFINED IN SUBSECTION (B), THE ACCRUED LIABILITY  
21 CONTRIBUTION RATE AS DEFINED IN SUBSECTION (C) AND THE  
22 SUPPLEMENTAL ANNUITY CONTRIBUTION RATE AS DEFINED IN  
23 SUBSECTION (D). BEGINNING JULY 1, 2004, THE ACTUARIALLY  
24 REQUIRED CONTRIBUTION RATE SHALL BE MODIFIED BY THE  
25 EXPERIENCE ADJUSTMENT FACTORS AS CALCULATED IN SUBSECTION  
26 (E).] AMOUNT COMPUTED BY MULTIPLYING THE PREMIUM ASSISTANCE  
27 CONTRIBUTION RATE CALCULATED IN SUBSECTION (F) BY THE TOTAL  
28 COMPENSATION OF ALL ACTIVE MEMBERS AND ACTIVE PARTICIPANTS;  
29 AND

30 (3) THE EMPLOYER DEFINED CONTRIBUTION AMOUNT COMPUTED BY

1     MULTIPLYING THE EMPLOYER DEFINED CONTRIBUTION RATE BY THE  
2     COMPENSATION OF THE CORRESPONDING ACTIVE PARTICIPANTS. THE  
3     ACTUARIALLY REQUIRED CONTRIBUTION SHALL BE NO LESS THAN THE  
4     NORMAL COST PLUS THE COST TO FULLY AMORTIZE THE UNFUNDED  
5     ACTUARIAL ACCRUED LIABILITY CALCULATED USING ACTUARIAL  
6     METHODS AND ASSUMPTIONS THAT ARE CONSISTENT WITH GENERALLY  
7     ACCEPTED ACTUARIAL STANDARDS AND GENERALLY ACCEPTED  
8     ACCOUNTING PRINCIPLES, INCLUDING PROFESSIONAL ACTUARIAL  
9     STANDARDS OF PRACTICE.

10    \* \* \*

11    § 8409.   VESTING.

12    \* \* \*

13    (B)   EMPLOYER DEFINED CONTRIBUTIONS.--

14       \* \* \*

15       (3)   NONVESTED EMPLOYER DEFINED CONTRIBUTIONS, INCLUDING  
16    INTEREST AND INVESTMENT GAINS AND LOSSES THAT ARE FORFEITED  
17    BY A PARTICIPANT, SHALL BE [APPLIED TO THE PARTICIPANT'S MOST  
18    RECENT EMPLOYER'S OBLIGATIONS ASSESSED IN FUTURE YEARS]  
19    RETAINED BY THE BOARD AND USED FOR THE PAYMENT OF EXPENSES OF  
20    THE PLAN.

21    \* \* \*

22    § 8501.   PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD.

23    (A)   STATUS AND MEMBERSHIP.--THE BOARD SHALL BE AN  
24    INDEPENDENT ADMINISTRATIVE BOARD AND SHALL CONSIST OF 15  
25    MEMBERS: THE SECRETARY OF EDUCATION, EX OFFICIO; THE STATE  
26    TREASURER, EX OFFICIO; THE SECRETARY OF BANKING AND SECURITIES,  
27    EX OFFICIO; TWO SENATORS; TWO MEMBERS OF THE HOUSE OF  
28    REPRESENTATIVES; THE EXECUTIVE SECRETARY OF THE PENNSYLVANIA  
29    SCHOOL BOARDS ASSOCIATION, EX OFFICIO; ONE TO BE APPOINTED BY  
30    THE GOVERNOR; THREE TO BE ELECTED BY THE ACTIVE PROFESSIONAL



1 MEMBERS OF THE SYSTEM AND ACTIVE PROFESSIONAL PARTICIPANTS IN  
2 THE PLAN FROM AMONG THEIR NUMBER; ONE TO BE ELECTED BY  
3 ANNUITANTS OR CLASS DC PARTICIPANTS IN THE PLAN WHO HAVE  
4 TERMINATED SCHOOL SERVICE AND ARE RECEIVING [OR ARE ELIGIBLE TO  
5 RECEIVE] DISTRIBUTIONS FROM AMONG THEIR NUMBER; ONE TO BE  
6 ELECTED BY THE ACTIVE NONPROFESSIONAL MEMBERS OF THE SYSTEM OR  
7 ACTIVE NONPROFESSIONAL PARTICIPANTS IN THE PLAN FROM AMONG THEIR  
8 NUMBER; AND ONE TO BE ELECTED BY MEMBERS OF PENNSYLVANIA PUBLIC  
9 SCHOOL BOARDS FROM AMONG THEIR NUMBER. THE APPOINTMENTS MADE BY  
10 THE GOVERNOR SHALL BE CONFIRMED BY THE SENATE AND EACH ELECTION  
11 SHALL BE CONDUCTED IN A MANNER APPROVED BY THE BOARD. THE TERMS  
12 OF THE APPOINTED AND NONLEGISLATIVE ELECTED MEMBERS SHALL BE  
13 THREE YEARS. THE MEMBERS FROM THE SENATE SHALL BE APPOINTED BY  
14 THE PRESIDENT PRO TEMPORE OF THE SENATE AND SHALL CONSIST OF ONE  
15 MEMBER FROM THE MAJORITY AND ONE MEMBER FROM THE MINORITY. THE  
16 MEMBERS FROM THE HOUSE OF REPRESENTATIVES SHALL BE APPOINTED BY  
17 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND SHALL CONSIST OF  
18 ONE MEMBER FROM THE MAJORITY AND ONE MEMBER FROM THE MINORITY.  
19 THE LEGISLATIVE MEMBERS SHALL SERVE ON THE BOARD FOR THE  
20 DURATION OF THEIR LEGISLATIVE TERMS AND SHALL CONTINUE TO SERVE  
21 UNTIL 30 DAYS AFTER THE CONVENING OF THE NEXT REGULAR SESSION OF  
22 THE GENERAL ASSEMBLY AFTER THE EXPIRATION OF THEIR RESPECTIVE  
23 LEGISLATIVE TERMS OR UNTIL A SUCCESSOR IS APPOINTED FOR THE NEW  
24 TERM, WHICHEVER OCCURS FIRST. THE CHAIRMAN OF THE BOARD SHALL BE  
25 ELECTED BY THE BOARD MEMBERS. EACH EX OFFICIO MEMBER OF THE  
26 BOARD AND EACH LEGISLATIVE MEMBER OF THE BOARD MAY APPOINT A  
27 DULY AUTHORIZED DESIGNEE TO ACT IN HIS STEAD. IN THE EVENT THAT  
28 A BOARD MEMBER, WHO IS DESIGNATED AS AN ACTIVE PARTICIPANT OR AS  
29 THE PARTICIPANT IN THE PLAN WHO IS RECEIVING OR IS ELIGIBLE TO  
30 RECEIVE DISTRIBUTIONS, RECEIVES A TOTAL DISTRIBUTION OF THE

BOARD MEMBER'S INTEREST IN THE PLAN, THAT BOARD MEMBER MAY  
CONTINUE TO SERVE ON THE BOARD FOR THE REMAINDER OF HIS TERM.

\* \* \*

SECTION 4. SECTION 8502 OF TITLE 24 IS AMENDED BY ADDING A  
SUBSECTION TO READ:

§ 8502. Administrative duties of board.

\* \* \*

(s) Additional reporting requirements.--The following shall  
apply:

(1) In addition to the requirements set forth in this  
section, UNLESS PROHIBITED BY ANY CONTRACT THAT IS IN EFFECT <--  
ON THE EFFECTIVE DATE OF THIS SUBSECTION, the board shall  
prepare and have published on its publicly accessible  
Internet website, and electronically submit copies to all  
members of the General Assembly, the following information  
within six months after the end of the system's fiscal year:

(i) The performance of all investments over the most  
recent 1-, 3-, 5-, 10- and 20-year periods, TO THE EXTENT <--  
THE INFORMATION IS REASONABLY AVAILABLE.

(ii) The performance of all investments by asset  
class over each time horizon, both gross and net of fees  
being reported commencing prospectively from the  
effective date of this subsection and with the gross OF <--  
fees retroactively for the 5-year period to the extent  
the information is reasonably available.

(iii) An itemized listing of the fees paid to all  
investment managers for the applicable reporting years,  
separated by base management fee and profit share,  
including performance fees, carried interest and  
incentive fees, including the basis of valuation, BASED <--

1 ON INDUSTRY-APPROVED VALUATIONS and informed by the best  
2 practices as recommended by recognized industry  
3 standards, including, but not limited to, SUCH AS the <--  
4 Institutional Limited Partnership Association Fee  
5 Transparency Initiative, AND TO THE EXTENT THE <--  
6 INFORMATION IS REASONABLY AVAILABLE. The board shall  
7 disclose in the report which industry standards were used  
8 and whether any changes to industry standards have been  
9 made.

10 ~~(iv) Management letters prepared by:~~ <--

11 ~~(A) auditors hired by the board and referenced~~  
12 ~~in the board's financial statements filed in~~  
13 ~~accordance with subsection (n); and~~

14 ~~(B) an independent certified public accounting~~  
15 ~~firm specified in subsection (o).~~

16 (2) As used in this subsection, the following words and  
17 phrases shall have the meanings given to them in this  
18 paragraph unless the context clearly indicates otherwise:

19 "Carried interest." Any share of profits from an  
20 alternative investment vehicle that is distributed to a fund  
21 manager, general partner or related party, including  
22 allocations of alternative investment vehicle profits  
23 received by a fund manager in consideration of having waived  
24 fees that the fund manager might otherwise have been entitled  
25 to receive.

26 "Institutional Limited Partnership Association Fee  
27 Transparency Initiative." An initiative created by the  
28 Institutional Limited Partnership Association to establish  
29 guidelines for reporting fees, expenses and compliance  
30 disclosures regarding investments.

SECTION 5. SECTION 8535.1(4) OF TITLE 24 IS AMENDED TO READ: <--  
§ 8535.1. PAYMENTS TO SCHOOL ENTITIES BY COMMONWEALTH  
COMMENCING WITH THE 2019-2020 SCHOOL YEAR.

FOR EACH SCHOOL YEAR, BEGINNING WITH THE 2019-2020 SCHOOL  
YEAR, EACH SCHOOL ENTITY SHALL BE PAID BY THE COMMONWEALTH FOR  
CONTRIBUTIONS BASED UPON SCHOOL SERVICE OF ACTIVE MEMBERS OF THE  
SYSTEM AND ACTIVE PARTICIPANTS OF THE PLAN AFTER JUNE 30, 2018,  
AS FOLLOWS:

\* \* \*

[(4) EMPLOYERS WHOSE PAYMENTS TO THE PUBLIC SCHOOL  
EMPLOYEES' RETIREMENT FUND ARE DELINQUENT SHALL BE CHARGED  
INTEREST BY THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND AT  
THE ANNUAL INTEREST RATE ADOPTED BY THE BOARD UNDER SECTION  
8328 IN EFFECT IN THE FISCAL YEAR IN WHICH THE PAYMENTS ARE  
REQUIRED TO BE PAID.]

SECTION 6. TITLE 24 IS AMENDED BY ADDING A SECTION TO READ:  
§ 8535.2. DELINQUENT PAYMENTS.

EMPLOYERS WHOSE PAYMENTS TO THE PUBLIC SCHOOL EMPLOYEES'  
RETIREMENT FUND ARE DELINQUENT SHALL BE CHARGED INTEREST BY THE  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND AT THE ANNUAL INTEREST  
RATE ADOPTED BY THE BOARD UNDER SECTION 8328 (RELATING TO  
ACTUARIAL COST METHOD) IN EFFECT IN THE FISCAL YEAR IN WHICH THE  
PAYMENTS ARE REQUIRED TO BE PAID.

SECTION 7. SECTIONS 5306.4(C) AND (D), 5310 AND 5702(A) (1)  
OF TITLE 71, AMENDED OR ADDED JUNE 12, 2017 (P.L.11, NO.5), ARE  
AMENDED TO READ:

§ 5306.4. ELECTION TO BECOME A CLASS A-6 MEMBER OR SOLELY A  
PARTICIPANT IN THE PLAN.

\* \* \*

(C) EFFECT OF ELECTION TO BE A CLASS A-6 MEMBER.--AN

1 ELECTION TO BECOME A CLASS A-6 MEMBER SHALL BE IRREVOCABLE AND  
2 SHALL BECOME EFFECTIVE ON THE EFFECTIVE DATE OF MEMBERSHIP IN  
3 THE SYSTEM AND SHALL REMAIN IN EFFECT FOR ALL FUTURE CREDITABLE  
4 STATE SERVICE, OTHER THAN SERVICE PERFORMED AS A CLASS A-5  
5 EXEMPT EMPLOYEE. PAYMENT AND ADJUSTMENT OF REGULAR MEMBER  
6 CONTRIBUTIONS AND MANDATORY PICKUP PARTICIPANT CONTRIBUTIONS FOR  
7 CLASS A-5 STATE SERVICE AND FOR CLASS A-6 STATE SERVICE  
8 PERFORMED PRIOR TO THE ELECTION OF CLASS A-6 MEMBERSHIP SHALL BE  
9 MADE IN A FORM, MANNER AND TIME DETERMINED BY THE BOARD. UPON  
10 TERMINATION AND SUBSEQUENT REEMPLOYMENT, A MEMBER WHO ELECTED  
11 CLASS A-6 MEMBERSHIP SHALL BE CREDITED AS A CLASS A-6 MEMBER FOR  
12 CREDITABLE STATE SERVICE PERFORMED AFTER REEMPLOYMENT, EXCEPT AS  
13 A CLASS A-5 EXEMPT EMPLOYEE, REGARDLESS OF TERMINATION OF  
14 EMPLOYMENT, TERMINATION OF MEMBERSHIP BY WITHDRAWAL OF  
15 ACCUMULATED DEDUCTIONS OR STATUS AS AN ANNUITANT, VESTEE OR  
16 INACTIVE MEMBER AFTER THE TERMINATION OF SERVICE.

17 (D) EFFECT OF ELECTION TO BE SOLELY A PARTICIPANT IN THE  
18 PLAN.--AN ELECTION TO BECOME SOLELY A PARTICIPANT IN THE PLAN  
19 SHALL BE IRREVOCABLE AND SHALL BECOME EFFECTIVE ON THE DATE THAT  
20 MEMBERSHIP IN THE SYSTEM WOULD HAVE BEEN EFFECTIVE HAD THE  
21 ELECTION NOT BEEN MADE AND SHALL REMAIN IN EFFECT FOR ALL FUTURE  
22 STATE SERVICE, OTHER THAN SERVICE PERFORMED AS A CLASS A-5  
23 EXEMPT EMPLOYEE. [PAYMENT] ADJUSTMENT OF REGULAR MEMBER  
24 CONTRIBUTIONS FOR CLASS A-5 STATE SERVICE AND PAYMENT OF  
25 MANDATORY PARTICIPANT PICKUP CONTRIBUTIONS FOR SERVICE SOLELY AS  
26 A PARTICIPANT IN THE PLAN PERFORMED PRIOR TO THE ELECTION SHALL  
27 BE MADE IN A FORM, MANNER AND TIME DETERMINED BY THE BOARD. UPON  
28 TERMINATION AND SUBSEQUENT REEMPLOYMENT, A STATE EMPLOYEE WHO  
29 ELECTED TO BE SOLELY A PARTICIPANT IN THE PLAN SHALL RESUME  
30 ACTIVE PARTICIPATION FOR STATE SERVICE PERFORMED AFTER

1 REEMPLOYMENT, EXCEPT AS A CLASS A-5 EXEMPT EMPLOYEE, REGARDLESS  
2 OF TERMINATION OF EMPLOYMENT, TERMINATION OF PARTICIPATION BY A  
3 PARTIAL OR TOTAL DISTRIBUTION OF VESTED TOTAL DEFINED  
4 CONTRIBUTIONS OR STATUS AS AN ANNUITANT, VESTEE OR INACTIVE  
5 MEMBER OF THE SYSTEM AS A CLASS A-5 EXEMPT EMPLOYEE AFTER THE  
6 TERMINATION OF SERVICE.

7 \* \* \*

8 § 5310. ELIGIBILITY FOR DEATH BENEFITS.

9 IN THE EVENT OF THE DEATH OF A MEMBER WHO IS ELIGIBLE FOR AN  
10 ANNUITY IN ACCORDANCE WITH SECTION 5308(A) OR (B) (RELATING TO  
11 ELIGIBILITY FOR ANNUITIES), HIS BENEFICIARY SHALL BE ENTITLED TO  
12 A DEATH BENEFIT. [FOR PURPOSES OF THIS SECTION, A MEMBER WITH  
13 TEN OR MORE ELIGIBILITY POINTS SHALL BE CONSIDERED ELIGIBLE FOR  
14 AN ANNUITY BASED ON CLASS A-5 SERVICE OR CLASS A-6 SERVICE EVEN  
15 IF UNDER SUPERANNUATION AGE.]

16 § 5702. MAXIMUM SINGLE LIFE ANNUITY.

17 (A) GENERAL RULE.--ANY FULL COVERAGE MEMBER WHO IS ELIGIBLE  
18 TO RECEIVE AN ANNUITY PURSUANT TO THE PROVISIONS OF SECTION  
19 5308(A) OR (B) (RELATING TO ELIGIBILITY FOR ANNUITIES) WHO  
20 TERMINATES STATE SERVICE, OR IF A MULTIPLE SERVICE MEMBER WHO IS  
21 A SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE PUBLIC SCHOOL  
22 EMPLOYEES' RETIREMENT SYSTEM WHO TERMINATES SCHOOL SERVICE,  
23 BEFORE ATTAINING AGE 70 SHALL BE ENTITLED TO RECEIVE A MAXIMUM  
24 SINGLE LIFE ANNUITY ATTRIBUTABLE TO HIS CREDITED SERVICE AND  
25 EQUAL TO THE SUM OF THE FOLLOWING SINGLE LIFE ANNUITIES  
26 BEGINNING AT THE EFFECTIVE DATE OF RETIREMENT:

27 (1) A SINGLE LIFE ANNUITY THAT IS THE SUM OF THE  
28 STANDARD SINGLE LIFE ANNUITIES DETERMINED SEPARATELY FOR EACH  
29 CLASS OF SERVICE MULTIPLIED BY THE APPROPRIATE CLASS OF  
30 SERVICE MULTIPLIER APPLICABLE TO EACH STANDARD SINGLE LIFE

1 ANNUITY. IN CASE THE MEMBER ON THE EFFECTIVE DATE OF  
2 RETIREMENT IS UNDER SUPERANNUATION AGE FOR ANY SERVICE, A  
3 REDUCTION FACTOR CALCULATED TO PROVIDE BENEFITS ACTUARIALLY  
4 EQUIVALENT TO AN ANNUITY STARTING AT SUPERANNUATION AGE AND  
5 SUBJECT TO THE PROVISIONS OF SUBSECTION [(E)] (F) SHALL BE  
6 APPLIED TO THE PRODUCT DETERMINED FOR THAT SERVICE: PROVIDED,  
7 HOWEVER, THAT ANY STANDARD SINGLE LIFE ANNUITY RESULTING FROM  
8 CLASS A-5 SERVICE SHALL BE REDUCED BY A PERCENTAGE DETERMINED  
9 BY MULTIPLYING THE NUMBER OF MONTHS, INCLUDING A FRACTION OF  
10 A MONTH AS A FULL MONTH, BY WHICH THE EFFECTIVE DATE OF  
11 RETIREMENT PRECEDES SUPERANNUATION AGE BY 0.25% IF THE  
12 EFFECTIVE DATE OF RETIREMENT IS ON OR AFTER THE DATE THE  
13 MEMBER HAS ATTAINED AGE 57 AND THE MEMBER HAS 25 OR MORE  
14 ELIGIBILITY POINTS, AND THAT ANY STANDARD SINGLE LIFE ANNUITY  
15 RESULTING FROM CLASS A-6 SERVICE SHALL BE REDUCED BY A  
16 PERCENTAGE DETERMINED BY MULTIPLYING THE NUMBER OF MONTHS,  
17 INCLUDING A FRACTION OF A MONTH AS A FULL MONTH, BY WHICH THE  
18 EFFECTIVE DATE OF RETIREMENT PRECEDES SUPERANNUATION AGE BY  
19 0.25% IF THE EFFECTIVE DATE OF RETIREMENT IS ON OR AFTER THE  
20 DATE THE MEMBER HAS ATTAINED AGE 62 AND THE MEMBER HAS 25 OR  
21 MORE ELIGIBILITY POINTS. THE CLASS OF SERVICE MULTIPLIER FOR  
22 ANY PERIOD OF CONCURRENT SERVICE SHALL BE MULTIPLIED BY THE  
23 PROPORTION OF TOTAL STATE AND SCHOOL COMPENSATION DURING SUCH  
24 PERIOD ATTRIBUTABLE TO STATE SERVICE AS A MEMBER OF THE  
25 SYSTEM. IN THE EVENT A MEMBER HAS TWO MULTIPLIERS FOR ONE  
26 CLASS OF SERVICE, SEPARATE STANDARD SINGLE LIFE ANNUITIES  
27 SHALL BE CALCULATED FOR THE PORTION OF SERVICE IN THE CLASS  
28 APPLICABLE TO EACH CLASS OF SERVICE MULTIPLIER.

29 \* \* \*

30 Section ~~2~~ 8. Section 5902 of Title 71 is amended by adding a <--

1 subsection to read:

2 § 5902. Administrative duties of the board.

3 \* \* \*

4 (r) Additional reporting requirements.--The following shall  
5 apply:

6 (1) In addition to the requirements set forth in this  
7 section, UNLESS PROHIBITED BY ANY CONTRACT THAT IS IN EFFECT <--  
8 ON THE EFFECTIVE DATE OF THIS SUBSECTION, the board shall  
9 prepare and have published on its publicly accessible  
10 Internet website, and electronically submit copies to all  
11 members of the General Assembly, the following information  
12 within six months after the end of the system's calendar  
13 year:

14 (i) The performance of all investments over the most  
15 recent 1-, 3-, 5-, 10- and 20-year periods, TO THE EXTENT <--  
16 THE INFORMATION IS REASONABLY AVAILABLE.

17 (ii) The performance of all investments by asset  
18 class over each time horizon, both gross and net of fees  
19 being reported commencing prospectively from the  
20 effective date of this subsection and with the gross OF <--  
21 fees retroactively for the 5-year period to the extent  
22 the information is reasonably available.

23 (iii) An itemized listing of the fees paid to all  
24 investment managers for the applicable reporting years,  
25 separated by base management fee and profit share,  
26 including performance fees, carried interest and  
27 incentive fees, including the basis of valuation, BASED <--  
28 ON INDUSTRY-APPROVED VALUATIONS and informed by the best  
29 practices as recommended by recognized industry  
30 standards, including, but not limited to, SUCH AS the <--



1        Institutional Limited Partnership Association Fee  
2        Transparency Initiative, AND TO THE EXTENT THE <--  
3        INFORMATION IS REASONABLY AVAILABLE. The board shall  
4        disclose in the report which industry standards were used  
5        and whether any changes to industry standards have been  
6        made.

7        ~~(iv) Management letters prepared by:~~ <--

8                ~~(A) auditors hired by the board and referenced~~  
9                ~~in the board's financial statements filed in~~  
10               ~~accordance with subsection (m); and~~

11               ~~(B) an independent certified public accounting~~  
12               ~~firm specified in subsection (n).~~

13        (2) As used in this subsection, the following words and  
14        phrases shall have the meanings given to them in this  
15        paragraph unless the context clearly indicates otherwise:

16        "Carried interest." Any share of profits from an  
17        alternative investment vehicle that is distributed to a fund  
18        manager, general partner or related party, including  
19        allocations of alternative investment vehicle profits  
20        received by a fund manager in consideration of having waived  
21        fees that the fund manager might otherwise have been entitled  
22        to receive.

23        "Institutional Limited Partnership Association Fee  
24        Transparency Initiative." An initiative created by the  
25        Institutional Limited Partnership Association to establish  
26        guidelines for reporting fees, expenses and compliance  
27        disclosures regarding investments.

28        Section 3 9. This act shall take effect in 60 days. <--