

**EDUCATION (24 PA.C.S.) AND STATE GOVERNMENT (71 PA.C.S.) -
OMNIBUS AMENDMENTS**

Act of Nov. 23, 2010, P.L. 1269, No. 120

Cl. 24

Session of 2010
No. 2010-120

HB 2497

AN ACT

Amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, in Title 24, further providing for definitions, for mandatory and optional membership, for contributions by the Commonwealth, for payments by employers, for actuarial cost method, for additional supplemental annuities, for further additional supplemental annuities, for supplemental annuities commencing 1994, for supplemental annuities commencing 1998, for supplemental annuities commencing 2002, for supplemental annuities commencing 2003, for administrative duties of board, for payments to school entities by Commonwealth, for eligibility points for retention and reinstatement of service credits and for creditable nonschool service; providing for election to become a Class T-F member; further providing for classes of service, for eligibility for annuities, for eligibility for vesting, for regular member contributions, for member contributions for creditable school service, for contributions for purchase of credit for creditable nonschool service, for maximum single life annuity, for disability annuities, for member's options, for duties of board regarding applications and elections of members and for rights and duties of school employees and members; providing for Independent Fiscal Office study; in Title 71, establishing an independent fiscal office and making a related repeal; further providing for definitions, for credited State service, for retention and reinstatement of service credits, for creditable nonstate service and for classes of service; providing for election to become a Class A-4 member; further providing for eligibility for annuities and for eligibility for vesting; providing for shared-risk member contributions for Class A-3 and Class A-4 service; further providing for waiver of regular member contributions and Social Security integration member contributions, for member contributions for purchase of credit for previous State service or to become a full coverage member, for contributions for the purchase of credit for creditable nonstate service, for contributions by the Commonwealth and other employers, for actuarial cost method, for maximum single life annuity, for disability annuities and for member's options; providing for payment of accumulated deductions resulting from Class A-3 service; further providing for additional supplemental annuities, for further additional supplemental annuities, for supplemental annuities commencing 1994, for supplemental annuities commencing 1998, for supplemental annuities commencing 2002, for supplemental annuities commencing 2003, for special supplemental postretirement adjustment of 2002, for administrative duties of the board, for duties of board to advise and report to heads of departments and members, for duties of board regarding applications and elections of members, for

installment payments of accumulated deductions, for rights and duties of State employees and members, for members' savings account, for State accumulation account, for State Police Benefit Account, for Enforcement Officers' Benefit Account, for supplemental annuity account and for construction of part; and providing for Independent Fiscal Office study, for retirement eligibility of Pennsylvania State Police officers or members, for a prohibition on the issuance of pension obligation bonds, for holding certain public officials harmless, for construction of calculation or actuarial method, for applicability and for certain operational provisions.

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

Section 1. The definitions of "basic contribution rate," "class of service multiplier," "employer," "member's annuity," "pickup contributions," "standard single life annuity," "superannuation or normal retirement age" and "vestee" in section 8102 of Title 24 of the Pennsylvania Consolidated Statutes are amended and the section is amended by adding definitions to read:

§ 8102. Definitions.

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

* * *

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

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"Class of service multiplier."

Class of service	Multiplier
T-A	.714
T-B	.625
T-C	1.000
T-D	1.000
T-E	1.000
T-F	1.000

* * *

"Employer." Any governmental entity directly responsible for the employment and payment of the school employee and charged with the responsibility of providing public education within this Commonwealth, including but not limited to: State-owned colleges and universities, the Pennsylvania State University, community colleges, area vocational-technical schools, intermediate units, the State Board of Education, Scotland School for Veterans' Children, Thaddeus Stevens [State School] **College** of Technology, and the [Pennsylvania State Oral] **Western Pennsylvania** School for the Deaf.

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

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"Pickup contributions." Regular or joint coverage member contributions **and shared-risk member contributions** which are made by the employer for active members for current service on and after January 1, 1983.

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"Shared-risk contribution rate." The additional contribution rate that is added to the basic contribution rate for Class T-E and T-F members, as provided for in section 8321(b) (relating to regular member contributions for current service).

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

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" Superannuation or normal retirement age. "

Class of service	Age
T-A	62 or any age upon accrual of 35 eligibility points
T-B	62
T-C and T-D	62 or age 60 provided the member has at least 30 eligibility points or any age upon accrual of 35 eligibility points
T-E and T-F	65 with accrual of at least three eligibility points or a combination of age and eligibility points totaling 92, provided the member has accrued at least 35 eligibility points

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

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" Vestee. " A member with five or more eligibility points who has terminated school service, has left his accumulated deductions in the fund and is deferring filing of an application for receipt of an annuity. **For Class T-E and Class T-F members, a member with ten or more eligibility points who has terminated school service, has left his accumulated deductions in the fund and is deferring filing of an application for receipt of an annuity.**

Section 1.1. Section 8301(a)(2) of Title 24 is amended to read:

§ 8301. Mandatory and optional membership.

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

* * *

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

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Section 2. Section 8303(c) of Title 24 is amended and the section is amended by adding a subsection to read:
§ 8303. Eligibility points for retention and reinstatement of service credits.

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(c) Purchase of previous creditable service.--Every active member of the system or a multiple service member who is an active member of the State Employees' Retirement System on or after the effective date of this part may purchase credit and receive eligibility points:

(1) as a member of Class T-C , **Class T-E or Class T-F** for previous **creditable** school service or creditable nonschool service; or

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

(d) **Purchase of previous noncreditable service.--Class T-C and Class T-D members who are active members on the effective date of this subsection shall have three years from the effective date of this subsection to file a written application with the board to purchase any previous noncreditable school service. Class T-C and Class T-D members who are not active members on the effective date of this subsection but who become active members after the effective date of this subsection and Class T-E and class T-F members shall have 365 days from entry into the system to file a written application with the board to purchase any previous noncreditable school service.**

Section 2.1. Section 8304(a) of Title 24 is amended to read:
§ 8304. Creditable nonschool service.

(a) Eligibility.--An active member or a multiple service member who is an active member of the State Employees' Retirement System shall be eligible to receive **Class T-C, Class T-E or Class T-F** service credit for creditable nonschool service and Class T-D, **Class T-E or Class T-F** service for intervening military service, provided the member becomes a Class T-D member pursuant to section 8305.1 (relating to election to become a Class T-D member) **or Class T-F member pursuant to section 8305.2 (relating to election to become a Class T-F member)** or 8305 (relating to classes of service), as set forth in subsection (b) provided that he is not entitled to receive, eligible to receive now or in the future, or is receiving retirement benefits for such service 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 8301(a)(1) (relating to mandatory and optional membership), and further provided that such service is certified by the previous employer and the manner of payment of the amount due is agreed upon by the member, the employer, and the board.

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Section 3. Section 8305 of Title 24 is amended by adding subsections to read:

§ 8305. Classes of service.

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(d) **Class T-E membership.**--Notwithstanding any other provision, a person who first becomes a school employee and an active member, or a person who first becomes a multiple service member who is a State employee and a member of the State Employees' Retirement System, on or after the effective date of this subsection shall be classified as a Class T-E member upon payment of regular member contributions and the shared-risk contributions.

(e) **Class T-F membership.**--Notwithstanding any other provision, a person who first becomes a school employee and an active member, or a person who first becomes a multiple service member who is a State employee and a member of the State Employees' Retirement System, on or after the effective date of this subsection and who is eligible to become a Class T-E member shall have the right to elect into Class T-F membership, provided the person elects to become a Class T-F member pursuant to section 8305.2 (relating to election to become a Class T-F member), upon written election filed with the board and payment of regular member contributions and the shared-risk contributions.

Section 4. Title 24 is amended by adding a section to read:
§ 8305.2. Election to become a Class T-F member.

(a) **General rule.**--A person who first becomes a school employee and an active member, or a person who first becomes a multiple service member who is a State employee and a member of the State Employees' Retirement System, on or after the effective date of this subsection and who is eligible to become a Class T-E member may elect to become a member of Class T-F.

(b) **Time for making election.**--A member must elect to become a Class T-F member by filing a written election with the board within 45 days of notification by the board that such member is eligible for such election.

(c) **Effect of election.**--An election to become a Class T-F member shall be irrevocable and shall commence from the original date of eligibility. A member who elects Class T-F membership shall receive Class T-F service credit on any and all future service, regardless of whether the member terminates service or has a break in service.

(d) **Effect of failure to make election.**--If a member fails to timely file an election to become a Class T-F member, then the member shall be enrolled as a member of Class T-E and the member shall never be able to elect Class T-F service, regardless of whether the member terminates service or has a break in service.

Section 5. Sections 8307(b), 8308, 8321, 8323(a), (c) and (c.1), 8324 heading, (a), (b), (d), (e) and (f), 8326(a), 8327(a) and (c), 8328, 8342(a), 8344(d), 8345(a), 8348.1(f), 8348.2(f), 8348.3(f), 8348.5(f), 8348.6(f), 8348.7(f) and 8502(k) of Title 24 are amended to read:
§ 8307. Eligibility for annuities.

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(b) **Withdrawal annuity.**--A vestee **in Class T-C or Class T-D** with five or more eligibility points or an active or inactive **Class T-C or Class T-D** member who terminates school service having five or more eligibility points shall, upon filing a proper application, be entitled to receive an early

annuity. A vestee in Class T-E or Class T-F with ten or more eligibility points or an active or inactive Class T-E or Class T-F member who terminates school service having ten or more eligibility points shall, upon filing a proper application, be entitled to receive an early annuity.

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§ 8308. Eligibility for vesting.

Any Class T-C or Class T-D member who terminates school service with five or more eligibility points shall be entitled to vest his retirement benefits until attainment of superannuation age. Any Class T-E or Class T-F member who terminates school service with ten or more eligibility points shall be entitled to vest his retirement benefits until attainment of superannuation age.

§ 8321. Regular member contributions for current service.

(a) **General.**--Regular member contributions shall be made to the fund on behalf of each active member for current service except for any period of current service in which the making of such contributions has ceased solely by reason of any provision of this part relating to the limitations under IRC § 401(a)(17) or 415(b).

(b) **Class T-E and Class T-F shared-risk contributions.**--Commencing with the annual actuarial valuation performed under section 8502(j) (relating to administrative duties of board), for the period ending June 30, 2014, and every three years thereafter, the board shall compare the actual investment rate of return, net of fees, to the annual interest rate adopted by the board for the calculation of the normal contribution rate, based on the market value of assets, for the prior ten-year period. If the actual investment rate of return, net of fees, is less than the annual interest rate adopted by the board by an amount of 1% or more, the shared-risk contribution rate of Class T-E and T-F members will increase by .5%. If the actual investment rate of return, net of fees, is equal to or exceeds the annual interest rate adopted by the board, the shared-risk contributions rate of Class T-E and T-F members will decrease by .5%. Class T-E and T-F members will contribute at the total member contribution rate in effect when they are hired. The total member contribution rate for Class T-E members shall not be less than 7.5%, nor more than 9.5%. The total member contribution rate for Class T-F members shall not be less than 10.3%, nor more than 12.3%. Notwithstanding this subsection, if the system's actuarial funded status is 100% or more as of the date used for the comparison required under this subsection, as determined in the current annual actuarial valuation, the shared-risk contribution rate shall be zero. In the event that the annual interest rate adopted by the board for the calculation of the normal contribution rate is changed during the period used to determine the shared-risk contribution rate, the board, with the advice of the actuary, shall determine the applicable rate during the entire period, expressed as an annual rate.

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

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

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

§ 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 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 [or], 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 if the member is a Class T-F member** and had such contributions been credited with statutory interest during the period the contributions would have been made and during all periods of subsequent school and State service up to the date of purchase.

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(c) Approved leave of absence other than sabbatical leave and activated military service leave.--The contributions to be paid by an active member for credit for an approved leave of absence, other than sabbatical leave and activated military service leave, shall be sufficient to transfer his membership to Class T-C or to Class T-D if the member is a Class T-D member, **to Class T-E if the member is a Class T-E member or to Class T-F if the member is a Class T-F member** and further to provide an annuity as a Class T-C member or Class T-D member if the member is a Class T-D member, **to Class T-E if the member is a Class T-E member or to Class T-F if the member is a Class T-F member** for such additional credited service. Such amount shall be the sum of the amount required in accordance with the provisions of subsection (b) and an amount determined as the sum of the member's basic contribution rate and the normal contribution rate as provided in section 8328 (relating to actuarial cost method) during such period multiplied by the compensation which was received or which would have been received during such period and with statutory interest during all periods of subsequent school and State service up to the date of purchase.

(c.1) Activated military service leave.--The contributions to be paid by an active member for credit for all activated military service leave as if he had been in regular attendance in the duties for which he is employed 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 or 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 if the member is a Class T-F member** and had such contributions been credited with statutory interest during the period the contributions would have been made and during all periods of subsequent State and school service up to the date of purchase. In the case of activated military service leave beginning after the date of enactment of this subsection, contributions due from the member shall be made as

if he is in regular attendance in the duties for which he is employed.

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

(a) Source of contributions.--The total contributions to purchase credit as a member of Class T-C , **Class T-E or Class T-F** for creditable nonschool service of an active member or an eligible State employee shall be paid either by the member, the member's previous employer, the Commonwealth, or a combination thereof, as provided by law.

(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 and State service 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 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 until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such 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. Application may be filed for all such military service credit upon completion of three years of subsequent credited school service and shall be credited as Class T-C service. **In the event that a Class T-E member makes a purchase of credit for such military service, then such service shall be credited as Class T-E service. In the event that a Class T-F member makes a purchase of credit for such military service, then such service shall be credited as Class T-F service.**

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(d) Other creditable nonschool service[.--]and **noncreditable school service.--**

(1) Contributions on account of Class T-C credit for creditable nonschool service other than military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 at the time of the member's entry into school service subsequent to such creditable nonschool service to his total compensation received during the first year of subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable nonschool service being purchased together with statutory interest during all periods of subsequent

school or State service to the date of purchase, except that in the case of purchase of credit for creditable nonschool service as set forth in section 8304(b)(5) (relating to creditable nonschool service) the member shall pay only the employee's share unless otherwise provided by law. 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 in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by the members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such 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.

(2) Contributions on account of Class T-E or Class T-F credit for creditable nonschool service other than military service shall be the present value of the full actuarial cost of the increase in the projected superannuation annuity caused by the additional service credited on account of the 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 in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by the members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service as the board in its sole 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.

(3) Contributions on account of Class T-E or Class T-F credit for noncreditable school service other than military service shall be the present value of the full actuarial cost of the increase in the projected superannuation annuity caused by the additional service credited on account of the 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 in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by the members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service as the board in its sole 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.

(e) Creditable work experience.--Contributions on account of **Class T-C, Class T-E or Class T-F** credit for creditable work experience pursuant to section 8304(b)(6) shall be the present value of the full actuarial cost of the increase in the projected superannuation annuity caused by the additional service credited on account of the purchase of creditable work experience. The amount paid for the purchase of credit for creditable work experience shall not be payable as a lump sum under section 8345(a)(4)(iii) (relating to member's options). Any individual eligible to receive an annuity, excluding an annuity received under the Federal Social Security Act (42 U.S.C. § 301 et seq.), in another pension system, other than a military pension system, shall not be eligible to purchase this service.

(f) Creditable maternity leave.--Contributions on account of **Class T-C, Class T-E or Class T-F** credit for creditable maternity leave pursuant to section 8304(b)(7) shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 at the time of the member's return to school service to the total compensation received during the first year of subsequent school service and multiplying the product by the number of years and fractional part of a year of creditable service being purchased, together with statutory interest during all periods of subsequent school or State service to the date of purchase. The amount paid for the purchase of credit for creditable maternity leave shall not be eligible for withdrawal as a lump sum under section 8345(a)(4)(iii).

§ 8326. Contributions by the Commonwealth.

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

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§ 8327. Payments by employers.

(a) General rule.--Each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens [State School] **College** of Technology, [Pennsylvania State Oral] **Western Pennsylvania** School for the Deaf, Scotland School for Veterans' Children, and the Pennsylvania State University, shall make payments to the fund each quarter in an amount equal to one-half the sum of the percentages, as determined under section 8328 (relating to actuarial cost method), applied to the total compensation during the pay periods in the preceding quarter of all its employees who were members of the system during such period, including members on activated military service leave. In the event a member on activated military service leave does

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

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(c) Payments by employers after June 30, 1995.--After June 30, 1995, each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens [State School] **College** of Technology, [Pennsylvania State Oral] **Western Pennsylvania** School for the Deaf, Scotland School for Veterans' Children and The Pennsylvania State University, shall make payments to the fund each quarter in an amount computed in the following manner:

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

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

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

§ 8328. Actuarial cost method.

(a) Employer contribution rate [on behalf of active members].--The amount of the total employer contributions [on behalf of all active members] shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the board. **The total employer contribution rate shall be the sum of the final contribution rate as computed in subsection (h) plus the premium assistance contribution rate as computed in subsection (f).** The [total] **actuarially required** contribution rate [on behalf of all active members] shall consist of the normal contribution rate as defined in subsection (b), the accrued liability contribution rate as defined in subsection (c) and the supplemental annuity contribution rate as defined in subsection (d). Beginning July 1, 2004, the [total] **actuarially required** contribution rate shall be modified by the experience adjustment factors as calculated in subsection

(e) [but in no case shall it be less than 4% plus the premium assistance contribution rate].

(b) Normal contribution rate.--The normal contribution rate shall be determined after each actuarial valuation. Until all accrued liability contributions have been completed, the normal contribution rate shall be determined, on the basis of an annual interest rate and such mortality and other tables as shall be adopted by the board in accordance with generally accepted actuarial principles, as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through the entire period of active school service, would be sufficient to fund the liability for any prospective benefit payable to him, in excess of that portion funded by his prospective member contributions[, except for the supplemental benefits 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)], **excluding the shared-risk contributions.**

(c) Accrued liability contribution rate.--

(1) For the fiscal [year] **years** beginning July 1, 2002, **and ending June 30, 2011**, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of ten years from July 1, 2002, the present value of the liabilities for all prospective benefits of active members, except for the supplemental benefits 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**), in excess of the total assets in the fund (calculated by recognizing the actuarially expected investment return immediately and recognizing the difference between the actual investment return and the actuarially expected investment return over a five-year period), excluding the balance in the annuity reserve account, and of the present value of normal contributions and of member contributions payable with respect to all active members on July 1, 2002, during the remainder of their active service.

(2) [Thereafter] **For the fiscal years beginning July 1, 2003, and ending June 30, 2011**, 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) Notwithstanding any other provision of law, beginning July 1, 2004, **and ending June 30, 2011**, the outstanding balance of the increase in accrued liability due to the change in benefits enacted in 2001 and the outstanding balance of the net actuarial loss incurred in fiscal year 2000-2001 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2002, and the outstanding balance of the net actuarial loss incurred in fiscal year 2001-2002 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2003. For fiscal years beginning on or after July 1, 2004, if the accrued liability is increased by legislation enacted subsequent to June 30, 2003, such additional liability shall be funded in equal dollar annual contributions over a period of ten years from the first day of July coincident with or next following the effective date of the increase.

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

(d) Supplemental annuity contribution rate.--[Contributions]

(1) **For the period of July 1, 2002, to June 30, 2011, contributions** from the Commonwealth and other employers required to provide for the payment of the supplemental annuities provided for in sections 8348, 8348.1, 8348.2, 8348.4 and 8348.5 shall be paid over a period of ten years from July 1, 2002. The funding for the supplemental annuities commencing 2002 provided for in section 8348.6 shall be as provided in section 8348.6(f). The funding for the supplemental annuities commencing 2003 provided for in section 8348.7 shall be as provided in section 8348.7(f). The amount of each annual supplemental annuities contribution shall be equal to the amount of such contribution for the fiscal year beginning July 1, 2002. [In the event that supplemental annuities are increased by legislation enacted subsequent to June 30, 2002, the additional liability for the increased benefits to be amortized shall be funded in equal dollar annual installments over a period of ten years.]

(2) **For fiscal years beginning July 1, 2011, contributions from the Commonwealth and other employers whose employees are members of the system required to provide for the payment of supplemental annuities as provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be paid as part of the accrued liability contribution rate as provided for in subsection (c)(4), and there shall not be a separate supplemental annuity**

contribution rate attributable to those supplemental annuities. In the event that supplemental annuities are increased by legislation enacted subsequent to June 30, 2010, the additional liability for the increase in benefits shall be funded as a level percentage of compensation over a period of ten years from the July 1 second succeeding the date such legislation is enacted.

(e) Experience adjustment factor.--

(1) For each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, [2002] **2011**, any increase or decrease in the unfunded accrued liability, excluding the gains or losses on the assets of the health insurance account, due to actual experience differing from assumed experience, changes in actuarial assumptions, **changes in contributions caused by the final contribution rate being different from the actuarially required contribution rate , active members making shared-risk contributions** or changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized [in equal dollar annual contributions] **as a level percentage of compensation** over a period of [ten] **24** years beginning with the July 1 second succeeding the actuarial valuation **determining said increases or decreases.**

(2) [Notwithstanding the provisions of paragraph (1), for each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, 2003, any increase or decrease in the unfunded accrued liability, excluding the gains or losses on the assets of the health insurance account, due to actual experience differing from assumed experience, changes in actuarial assumptions, changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual contributions over a period of 30 years beginning with the July 1 second succeeding the actuarial valuation determining said increases and decreases] **(Reserved).**

(f) Premium assistance contribution rate.--For each fiscal year beginning with July 1, 1991, the total contribution rate as calculated according to this section shall be increased annually in the full amount certified by the board as necessary to fund the premium assistance program in accordance with section 8509 (relating to health insurance premium assistance program), notwithstanding any other provisions of this section.

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

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

(2) **If, for any of the fiscal years beginning July 1, 2011, July 1, 2012, and on or after July 1, 2013, the actuarially required contribution rate, calculated without regard for the costs added by legislation, is more than 3%, 3.5% and 4.5%, 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 3%, 3.5% and 4.5%, respectively, of total compensation of all active members. Otherwise, and for all other fiscal years, the collared contribution rate shall not be applicable. In no case shall the collared contribution rate be less than 4% of the total compensation of all active members.

(h) Final contribution rate.--

(1) For the fiscal year beginning July 1, 2010, the final contribution rate is 5% of the 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 as calculated in subsection (g), plus the costs added by legislation.

(2) For all other fiscal years, the final contribution rate shall be the actuarially required contribution rate, provided that the final contribution rate shall not be less than the normal contribution rate as provided in subsection (b).

(i) Definitions.--As used in this section, the following words and phrases shall have the meanings given to them in this subsection unless the context clearly indicates otherwise:

"Actuarially required contribution rate." The sum of the following:

(1) the normal contribution rate as calculated in subsection (b);

(2) the accrued liability contribution rate as calculated in subsection (c);

(3) the supplemental annuity contribution rate as calculated in subsection (d);

(4) the experience adjustment factor as calculated in subsection (e); and

(5) any costs added by legislation enacted prior to the last actuarial valuation.

"Costs added by legislation." The sum, if positive, of all changes in the actuarially required contribution rate resulting from legislation enacted in the year since the last actuarial valuation and not included in the determination of the prior year's final contribution rate, computed as the rate of total compensation of all active members certified by the actuary as sufficient to make the employer normal contributions and sufficient to amortize legislatively created changes in the unfunded actuarial liability as a level percentage of compensation over a period of ten years from the July 1 second succeeding the date of enactment.

§ 8342. Maximum single life annuity.

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

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

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

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

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

* * *

§ 8344. Disability annuities.

* * *

(d) Withdrawal of accumulated deductions.--Upon termination of disability annuity payments in excess of an annuity calculated in accordance with section 8342, a disability annuitant **who:**

(1) **is a Class T-C or Class T-D member; or**

(2) **is a Class T-E or Class T-F member with less than ten eligibility points**

and who does not return to school service may file an application with the board for an amount equal to the accumulated deductions, **shared-risk member contributions and statutory interest** standing to his credit at the effective date of disability less the total payments received on account of his member's annuity.

* * *

§ 8345. Member's options.

(a) General rule.--Any **Class T-C or Class T-D member who is a vestee with five or more eligibility points, any Class T-E or Class T-F member who is a vestee with ten or more eligibility points**, or any other eligible member upon termination of school service who has not withdrawn his accumulated deductions as provided in section 8341 (relating to return of accumulated deductions) may apply for and elect to receive either a maximum single life annuity, as calculated in accordance with the provisions of section 8342 (relating to maximum single life annuity), or a reduced annuity certified by the actuary to be actuarially equivalent to the maximum single life annuity and in accordance with one of the following options, except that no member shall elect an annuity payable to one or more survivor annuitants other than his spouse or alternate payee of such a magnitude that the present value of the annuity payable to him for life plus any lump sum payment he may have elected to receive is less than 50% of the present value of his maximum single life annuity. **In no event shall a Class T-E or Class T-F member receive an annual benefit, calculated as of the effective date of retirement, greater than the member's final average salary.**

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

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

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

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

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

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

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

* * *

§ 8348.1. Additional supplemental annuities.

* * *

(f) Funding.--The actuary shall annually certify the amount of Commonwealth 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[. The board shall submit the actuary's certification to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1984, the amount certified is disapproved under section 610 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supplemental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated], **which amounts shall be paid during the period beginning July 1, 2002, and ending June 30, 2011. For fiscal years beginning on or after July 1, 2011, the additional liability provided in this section shall be funded as part of the actuarial accrued liability as provided in section 8328 (relating to actuarial cost method).**

* * *

§ 8348.2. Further additional supplemental annuities.

* * *

(f) Funding.--The actuary shall annually estimate the amount of Commonwealth 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[. The board shall submit the actuary's estimation to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1988, the amount estimated is disapproved under section 610 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supplemental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated], **which amounts shall be paid during the period beginning July 1, 2002, and ending June 30, 2011. For fiscal years beginning on or after July 1, 2011, the additional liability provided in this section shall be funded as part of the actuarial accrued liability as provided in section 8328 (relating to actuarial cost method).**

* * *

§ 8348.3. Supplemental annuities commencing 1994.

* * *

(f) Funding.--[The]

(1) For the period beginning July 1, 2002, and ending June 30, 2011, 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, 2002.

(2) For fiscal years beginning on or after July 1, 2011, the additional liability provided in this section shall be funded as part of the actuarial accrued liability as provided in section 8328 (relating to actuarial cost method).

* * *

§ 8348.5. Supplemental annuities commencing 1998.

* * *

(f) Funding.--[The]

(1) For the period beginning July 1, 2002, and ending June 30, 2011, 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, 2002.

(2) For fiscal years beginning on or after July 1, 2011, the additional liability provided in this section shall be funded as part of the actuarial accrued liability as provided in section 8328 (relating to actuarial cost method).

(3) Notwithstanding the provisions of section 212 of the act of April 22, 1998 (P.L.1341, No.6A), known as the General Appropriation Act of 1998, regarding payment for cost-of-living increases for annuitants, payments for cost-of-living increases for annuitants shall be made under section 8535 (relating to payments to school entities by Commonwealth).

* * *

§ 8348.6. Supplemental annuities commencing 2002.

* * *

(f) Funding.--[The]

(1) For the period beginning July 1, 2002, and ending June 30, 2011, 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.

(2) For fiscal years beginning on or after July 1, 2011, the additional liability provided in this section shall be

funded as part of the actuarial accrued liability as provided in section 8328 (relating to actuarial cost method).

* * *

§ 8348.7. Supplemental annuities commencing 2003.

* * *

(f) Funding.--[The]

(1) For the period beginning July 1, 2002, and ending June 30, 2011, 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.

(2) For fiscal years beginning on or after July 1, 2011, the additional liability provided in this section shall be funded as part of the actuarial accrued liability as provided in section 8328 (relating to actuarial cost method).

* * *

§ 8502. Administrative duties of board.

* * *

(k) Certification of employer contributions.--The board shall, each year in addition to the itemized budget required under section 8330 (relating to appropriations by the Commonwealth), certify to the employers and the Commonwealth the employer contribution rate expressed as a percentage of members' payroll necessary for the funding of prospective annuities for active members and the annuities of annuitants, and certify the rates and amounts of the normal contributions as determined pursuant to section 8328(b) (relating to actuarial cost method), accrued liability contributions as determined pursuant to section 8328(c), supplemental annuities contribution rate as determined pursuant to section 8328(d) [and], the experience adjustment factor as determined pursuant to section 8328(e) [and], premium assistance contributions as determined pursuant to section 8328(f), **the costs added by legislation as determined pursuant to section 8328(i), the actuarial required contribution rate as determined pursuant to section 8328(i), the collared contribution rate as determined pursuant to section 8328(g) , the final contribution rate as determined pursuant to section 8328(h) and the shared-risk contribution rate as determined under section 8321(b) (relating to regular member contributions for current service)** , which shall be paid to the fund and credited to the appropriate accounts. These certifications shall be regarded as final and not subject to modification by the [Budget Secretary] **Secretary of the Budget.**

* * *

Section 6. Section 8505 of Title 24 is amended by adding a subsection to read:

§ 8505. Duties of board regarding applications and elections of members.

* * *

(1) Notification of Class T-F membership.--The board shall inform any eligible school employee of the right to elect Class T-F membership.

Section 6.1. Sections 8507(f) and (g) and 8535(3) of Title 24 are amended to read:

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

* * *

(f) Termination of service.--Each member who terminates school service and who is not then a disability annuitant shall execute on or before the date of termination of service a written application, duly attested by the member or his legally constituted representative, electing to do one of the following:

(1) Withdraw his accumulated deductions.

(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.

(3) Receive an immediate annuity, **if eligible**, and may, 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) Vesting of retirement rights.--If a member elects to vest his retirement rights, he shall nominate a beneficiary by written designation filed with the board and he may anytime thereafter withdraw the accumulated deductions standing to his credit or[, if he has five or more eligibility points,] apply for an annuity **if eligible as provided in section 8307(a) or (b) (relating to eligibility for annuitants)**.

* * *

§ 8535. Payments to school entities by Commonwealth.

For each school year beginning with the 1995-1996 school year, each school entity shall be paid by the Commonwealth for contributions based upon school service of active members of the system after June 30, 1995, as follows:

* * *

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

Section 6.2 . Title 24 is amended by adding a section to read:

§ 8536. Independent Fiscal Office study.

The Independent Fiscal Office shall study and analyze the implementation of shared-risk contributions under section 8321(b) (relating to regular member contributions for current service) and its impact on the system. The study shall be completed by December 31, 2015, and shall be transmitted to the Appropriations Committee and the Finance Committee of the Senate and the Appropriations Committee and the Finance Committee of the House of Representatives and to the Governor.

Section 7. Title 71 is amended by adding a part to read:

PART V

BOARDS AND OFFICES

Chapter

41. Independent Fiscal Office

CHAPTER 41

INDEPENDENT FISCAL OFFICE

- 4101. Scope of chapter.
- 4102. Definitions.
- 4103. Office established.
- 4104. Duties of office.
- 4105. Revenue estimates.
- 4106. Budget information.
- 4107. Expenditures.
- 4108. Revenue conference.
- 4109. Access to information.
- 4110. Selection and organization committee.
- 4111. Appointment.
- 4112. Powers and duties of director.

4113. Records.

4114. Repeal.

§ 4101. Scope of chapter.

This chapter relates to independent fiscal estimates.

§ 4102. Definitions.

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

"Committee." The Independent Fiscal Office Selection and Organization Committee.

"Commonwealth agency." Any office, department, authority, board, multistate agency or commission of the executive branch. The term includes:

(1) The Office of the Governor.

(2) The Office of Attorney General, the Department of the Auditor General and the Treasury Department.

(3) An independent agency as defined in 62 Pa.C.S. § 103 (relating to definitions).

(4) A State-affiliated entity as defined in 62 Pa.C.S. § 103 (relating to definitions).

(5) The General Assembly.

(6) The Judiciary.

"Director." The Director of the Independent Fiscal Office.

"Office." The Independent Fiscal Office established in section 4103 (relating to office established).

§ 4103. Office established.

There is established a nonpartisan Independent Fiscal Office as an independent agency.

§ 4104. Duties of office.

(a) Mandatory.--The office shall:

(1) Prepare revenue estimates to include Federal funds, State revenues and funds from other resources, including any projected revenue surplus or deficit for a given fiscal year, as provided under section 4105 (relating to revenue estimates).

(2) By November 15 of each year, provide an assessment of the State's current fiscal condition and a projection of what the fiscal condition will be during the next five years. The assessment shall take into account the state of the economy, demographics, revenues and expenditures.

(3) Develop performance measures for executive-level programs and departments and evaluate performance measures and results as promulgated and reported by executive level departments. Performance measurements shall be outcome based and include, but not be limited to, activity cost analysis, measures of status improvement of recipient populations, economic outcomes and performance benchmarks against similar State programs.

(4) Provide an analysis, including economic impact, of all tax and revenue proposals submitted by the Governor or the Office of the Budget.

(5) Study and analyze the existing sales and use tax law and propose recommendations to the Governor and the General Assembly for amending the tax to:

(i) eliminate obsolete and unnecessary provisions;

(ii) expand the tax base as necessary;

(iii) ensure a competitive economic market in this Commonwealth; and

(iv) protect the stability of the Commonwealth's budget.

(6) Establish an Internet website.

(7) Study and analyze the impact of shared-risk contributions under 24 Pa.C.S. § 8321(b) (relating to regular member contributions for current service) and section 5501.1 (relating to shared-risk member contributions for Class A-3 and Class A-4 service).

(b) Discretionary.--The office may:

(1) Develop and use econometric models to annually forecast State revenues and update the models. The office shall make the equations of a model and any historic databases related thereto available to the chairman and minority chairman of the Appropriations Committee of the Senate, the chairman and minority chairman of the Appropriations Committee of the House of Representatives, the Majority Leader and Minority Leader of the Senate and the Majority Leader and Minority Leader of the House of Representatives.

(2) Provide an analysis of the executive budget, including budgetary projections, economic outlook and economic impact. The budget analysis may include performance recommendations to secure greater efficiency and economy.

(3) Provide an assessment of the Pennsylvania economy and the national economy and the impact of the existing or emerging State or national economic trends on revenue performance for the current year and the forecasted or projected revenue collections for the budget year and the succeeding year.

§ 4105. Revenue estimates.

(a) Initial revenue estimate.--By May 1, the office shall submit to the General Assembly an initial revenue estimate for the next fiscal year.

(b) Official revenue estimate.--

(1) By June 15 of each year, the office shall submit an official revenue estimate for the next fiscal year.

(2) A revenue estimate submitted under this section shall be considered by the Governor and the General Assembly as the amount of revenue which may be considered for the General Appropriation Act for the ensuing fiscal year unless the General Assembly or the Governor determines that revenues are greater than or less than the estimate provided under this section. The office may amend the revenue estimate under this section if changes in law affecting revenues and receipts are enacted or proposed to be enacted with the annual State budget or unless significant changes in economic assumptions occur prior to June 30. The office shall submit the amended revenue estimate to the General Assembly within ten days of the change.

(3) The office shall publish the methodology used to develop revenue estimates.

(c) Information.--The office shall provide the chairman and minority chairman of the Appropriations Committee of the Senate, the chairman and minority chairman of the Appropriations Committee of the House of Representatives and the Secretary of the Budget all data, assumptions or econometric models used to develop projections and revenue estimates.

(d) Required information.--

(1) A revenue estimate submitted by the office under subsection (b) shall include:

(i) Projected revenue collections by specific tax or revenue source, including Federal funds, the General Fund, the Lottery Fund and the Motor License Fund.

(ii) All data, assumptions and econometric models used to develop a revenue estimate.

(iii) Any projected revenue surplus or deficit for the current fiscal year.

(2) A revenue estimate shall be based on existing law and tax policy and existing or emerging State or national economic trends.

(e) Proposed change in law.--The office shall prepare a revenue estimate of any change in law affecting revenues and receipts, including increases in regulatory fees, proposed or considered as part of the annual State budget. If the proposed change in law will have a fiscal impact in excess of \$10,000,000 in any fiscal year, the estimate shall be prepared on the basis of assumptions that estimate the probable behavioral responses of taxpayers, businesses and other persons to the proposed changes and shall include a statement identifying those assumptions. The information may be used to revise the revenue estimate under subsection (a).

(f) Department of Revenue.--The Department of Revenue in conjunction with the Secretary of the Budget shall make revenue estimates for the use of the Governor in preparing the budget.

(g) Governor.--The Governor shall certify that any appropriation bill does not cause total appropriations to exceed revenues plus any unappropriated surplus as provided in section 618 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929.

§ 4106. Budget information.

The office shall be notified and shall attend any briefings provided by the Governor or the Secretary of the Budget under section 619 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929.

§ 4107. Expenditures.

(a) Expenditure reports.--Commonwealth agencies shall make monthly expenditure data available to the office. The data shall be provided within seven days after the end of each month. The monthly data shall include a summary of the last monthly submission. The data shall be provided in finished reports or electronically, as provided in the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929. The data shall be provided by fund, by appropriation, by department and by organization within each department and shall include:

- (1) Number of filled personnel positions and their cost.
- (2) Itemized personnel vacancies and their cost.
- (3) New positions created and their cost.
- (4) Wage and overtime costs.
- (5) Allotments and expenditures for itemized personnel expenses.
- (6) Allotments and expenditures for itemized operating expenses.
- (7) Allotment and expenditures for itemized fixed assets.
- (8) The rate of expenditures in appropriations for major subsidy and grant programs during the month.

(b) Revenue reports.--The Governor shall direct that monthly revenue reports be submitted to the office. The revenue reports shall show the actual collection of revenue itemized by source and a comparison of the actual collections with estimated collections for each month. The comparison shall include an analysis of any change in collection patterns which will cause a shortfall or overrun on annual estimates of more than 1%.

(c) Other revenue data.--Commonwealth agencies shall cause to be prepared any other revenue data as may be requested from time to time by the office.

(d) Electronic access.--Except for information that is confidential pursuant to statute, the office shall have access to all information available under this section on inquiry-only screens through an integrated central computer system.

§ 4108. Revenue conference.

By January 31 of each year, the office shall convene a meeting with the Secretary of the Budget, the Secretary of Revenue and the chairman and minority chairman of the Appropriations Committee of the Senate and the chairman and minority chairman of the Appropriations Committee of the House of Representatives to discuss the following:

(1) The Pennsylvania economy and the national economy and the impact of the economic trends on revenue performance for the budget year and the succeeding year.

(2) Current year-to-date revenue collections by specific tax or revenue source, including Federal funds, the General Fund, the Lottery Fund and the Motor License Fund and variations that may be occurring in the revenue estimate submitted under section 4105(a) (relating to revenue estimates).

(3) Any statutory or tax policy changes that may be recommended by the Governor or the General Assembly for the next succeeding fiscal year.

§ 4109. Access to information.

(a) Agencies.--The director is authorized to secure information, data, expense information, estimates and statistics directly from a Commonwealth agency or a political subdivision. All Commonwealth agencies and political subdivisions shall furnish the director with all reports of expenditure for each agency and any other available material or data which the director determines to be necessary in the performance of the duties of the office, other than material the disclosure of which would be a violation of law. The director is also authorized, upon agreement with the head of any Commonwealth agency or political subdivision, to utilize the services, facilities and personnel of the agency with or without reimbursement.

(b) Office of the Budget.--In carrying out the duties and functions of the office, the director is authorized to obtain information, data, estimates and statistics developed by the Office of the Budget and all Commonwealth agencies. The Office of the Budget shall submit to the office copies of final agency budget requests at the same time they are submitted to the General Assembly under the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929.

(c) Computer database.--In order to carry out its duties under this chapter, the office shall have access to any computerized database of a State agency that is required to aid the office in the performance of its duties, except that any statutory requirements regarding privacy of individuals' records shall be observed in providing access.

(d) Daily revenue data.--

(1) The Secretary of Revenue and the Secretary of the Budget shall post revenue collection data for each deposit day and make the information available to the office and the chairman and minority chairman of the Appropriations Committee of the Senate and the chairman and minority chairman of the Appropriations Committee of the House of Representatives.

(2) The Governor, the Attorney General, the Auditor General and the State Treasurer shall cause to be prepared any other revenue data as may be requested by the office.

(e) Tax information.--For the purposes of carrying out its official duties under section 4105 (relating to revenue estimates) and notwithstanding any other law of this Commonwealth, the office shall be authorized to access any information in the possession of the Department of Revenue that is obtained from tax payments, returns or reports, including adjustments or corrections made by the department. The information accessed under this section shall be confidential except for official purposes and any person divulging the information shall be subject to section 731 of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code.

(f) Civil action.--If information is not made available by a Commonwealth agency or political subdivision within a reasonable time, the director may make a written request to the agency head, stating the authority to receive the information. The agency head shall have 15 days to respond. If the information is not provided within 15 days of the receipt of the director's request, the director may bring a civil action to require the agency head to provide the information.

§ 4110. Selection and organization committee.

(a) Selection and organization committee.--The Independent Fiscal Office Selection and Organization Committee is established to organize the office and select the director of the office. The committee shall consist of the following:

(1) The chairman and minority chairman of the Appropriations Committee of the Senate and the chairman and minority chairman of the Appropriations Committee of the House of Representatives.

(2) The Majority Leader and the Minority Leader of the Senate and the Majority Leader and the Minority Leader of the House of Representatives.

(3) The President pro tempore of the Senate and the Speaker of the House of Representatives.

(b) Duties of committee.--By January 15, 2011, the selection and organization committee shall deliberate the following:

(1) The procedures to be adopted to select the director of the office.

(2) The operational budget for the office.

§ 4111. Appointment.

(a) Director.--The office shall be headed by a director appointed by the selection and organization committee by May 30, 2011. The appointment shall be made without regard to political affiliation and solely on the basis of fitness to perform the duties of the office based on qualifications published by the selection and organization committee.

(b) Deputy director.--The director shall appoint a deputy director who shall perform such duties as assigned by the director and who shall, during the absence or incapacity of the director or a vacancy, act as the director.

(c) Term.--The term of office of the director shall be six years. An individual appointed as director to fill a vacancy prior to the expiration of a term shall serve only for the unexpired portion of that term. An individual serving as director at the expiration of a term may continue to serve until a successor is appointed.

(d) Removal.--The director may be removed by a concurrent resolution passed by the Senate and the House of Representatives.

§ 4112. Powers and duties of director.

(a) Personnel.--The director shall appoint and fix the compensation of personnel as necessary to carry out the duties and functions of the office. All personnel of the office shall

be appointed without regard to political affiliation and solely on the basis of their fitness to perform their duties.

(b) Experts and consultants.--In carrying out the duties and functions of the office, the director may procure the temporary or intermittent services of attorneys, experts or consultants or organization thereof by contract.

§ 4113. Records.

The office shall be a legislative agency for purpose of the act of February 14, 2008 (P.L.6, No.3), known as the Right-to-Know Law.

§ 4114. Repeal.

(a) Intent.--The General Assembly declares that the repeal under subsection (b) is necessary to effectuate the purposes of this chapter.

(b) Provision.--Section 618 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929, is repealed to the extent it is inconsistent with this chapter.

Section 7.1. The definitions of "class of service multiplier," "final average salary," "member's annuity," "pickup contributions," "superannuation age," "total accumulated deductions" and "vestee" in section 5102 of Title 71 are amended and the section is amended by adding definitions to read:

§ 5102. Definitions.

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

* * *

"Class of service multiplier."

Class of Service		Multiplier
A		1
AA	for all purposes except calculating regular member contributions on compensation paid prior to January 1, 2002	1.25
AA	for purposes of calculating regular member contributions on compensation paid prior to January 1, 2002	1
A-3	for all purposes except the calculation of regular member contributions and contributions for creditable nonstate service	1
A-3	for purposes of calculating regular member contributions and contributions	

	for creditable nonstate service	1.25	
A-4	for all purposes except the calculation of regular member contributions	1.25	
A-4	for purposes of calculating regular member contributions	1.86	
B		.625	
C		1	
D		1.25	
D-1	prior to January 1, 1973	1.875	
D-1	on and subsequent to January 1, 1973	1.731	
D-2	prior to January 1, 1973	2.5	
D-2	on and subsequent to January 1, 1973	1.731	
D-3	prior to January 1, 1973	3.75	
D-3	on and subsequent to January 1, 1973	1.731	except prior to December 1, 1974 as applied to any additional legislative compensation as an officer of the General Assembly
D-4	for all purposes except calculating regular member contributions on compensation paid prior to July 1, 2001	3.75	
D-4	for purposes of calculating regular member contributions on compensation paid prior to July 1, 2001	1.5	
E, E-1	prior to January 1, 1973	1	
		2	for each of the first ten years of judicial service, and
		1.5	for each subsequent year

E, E-1	on and subsequent to January 1, 1973	1.50	of judicial service for each of the first ten years of judicial service and
		1.125	for each subsequent year of judicial service
E-2	prior to September 1, 1973	0	
E-2	on and subsequent to September 1, 1973	1.5	
		1.125	
G		0.417	
H		0.500	
I		0.625	
J		0.714	
K		0.834	
L		1.000	
M		1.100	
N		1.250	
T-C (Public School Employees' Retirement Code)		1	
T-E (Public School Employees' Retirement Code)		1	
T-F (Public School Employees' Retirement Code)		1	

"Final average salary." The highest average compensation received as a member during any three nonoverlapping periods of four consecutive calendar quarters during which the member was a State employee, with the compensation for part-time service being annualized on the basis of the fractional portion of the year for which credit is received; except if the employee was not a member for three nonoverlapping periods of four consecutive calendar quarters, the total compensation received as a member, annualized in the case of part-time service, divided by the number of nonoverlapping periods of four consecutive calendar quarters of membership; in the case of a member with multiple service, the final average salary shall be determined on the basis of the compensation received by him as a State employee or as a school employee, or both; **in the case of a member with Class A-3 or Class A-4 service and service in one or more other classes of service, the final average salary shall be determined on the basis of the compensation received by him in all classes of State service;** and, in the case of a member who first became a member on or after January 1, 1996, the final average salary shall be determined as hereinabove provided but subject to the application of the provisions of section 5506.1(a) (relating to annual compensation limit under IRC § 401(a)(17)).

* * *

"Member's annuity." The single life annuity which is actuarially equivalent, at the effective date of retirement, to the sum of the regular accumulated deductions, **shared-risk accumulated deductions**, the additional accumulated deductions and the social security integration accumulated deductions standing to the member's credit in the members' savings account.

* * *

"Pickup contributions." Regular or joint coverage member contributions, **shared risk member contributions**, social security integration contributions and additional member contributions which are made by the Commonwealth or other employer for active members for current service on and after January 1, 1982.

* * *

"Shared-risk accumulated deductions." The total of the shared-risk member contributions paid into the fund on account of current service or previous State service or creditable nonstate service, together with the statutory interest credited on the contributions until the date of termination of service. In the case of a vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

"Shared-risk member contributions." The product of the shared-risk contribution rate and the compensation of a member for service credited as Class A-3 or Class A-4.

* * *

"Superannuation age." [Any] For classes of service other than Class A-3 and Class A-4, any age upon accrual of 35 eligibility points or age 60, except for a member of the General Assembly, an enforcement officer, a correction officer, a psychiatric security aide, a Delaware River Port Authority policeman or an officer of the Pennsylvania State Police, age 50, and, except for a member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service, age 55 upon accrual of 20 eligibility points. For Class A-3 and Class A-4 service, any age upon attainment of a superannuation score of 92, provided the member has accrued 35 eligibility points, or age 65, or for park rangers or capitol police officers, age 55 with 20 years of service as a park ranger or capitol police officer, except for a member of the General Assembly, an enforcement officer, a correction officer, a psychiatric security aide, a Delaware River Port Authority policeman or an officer of the Pennsylvania State Police, age 55. A vestee with Class A-3 or Class A-4 service credit attains superannuation age on the birthday the vestee attains the age resulting in a superannuation score of 92, provided that the vestee has at least 35 eligibility points, or attains another applicable superannuation age, whichever occurs first.

* * *

"Superannuation score." The sum of the member's age in whole years on his last birthday and the amount of the member's total eligibility points on the member's effective date of retirement, expressed in whole years and whole eligibility points and disregarding fractions of a year and fractions of total eligibility points.

* * *

" Total accumulated deductions." The sum of the regular accumulated deductions, additional accumulated deductions, the social security integration accumulated deductions, **shared-risk member contributions** and all other contributions paid into the fund for the purchase, transfer or conversion of credit for

service or other coverage together with all statutory interest credited thereon until the date of termination of service. In the case of a vestee or a special vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

* * *

" Vestee." A member with five or more eligibility points [, or] **in a class of service other than Class A-3 or Class A-4 or Class T-E or Class T-F in the Public School Employees' Retirement System**, a member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service with five or more eligibility points, **or a member with Class A-3 or Class A-4 service with ten or more eligibility points** who has terminated State service and has elected to leave his total accumulated deductions in the fund and to defer receipt of an annuity.

Section 7.2. Sections 5302(b) and (e), 5303(b)(1) and 5304(a) of Title 71 are amended to read:

§ 5302. Credited State service.

* * *

(b) Creditable leaves of absence.--

(1) A member on leave without pay who is studying under a Federal grant approved by the head of his department or who is engaged up to a maximum of two years of temporary service with the United States Government, another state or a local government under the Intergovernmental Personnel Act of 1970[,] (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772)[,] shall be eligible for credit for such service: Provided, That contributions are made in accordance with sections 5501 (relating to regular member contributions for current service), **5501.1 (relating to shared-risk member contributions for Class A-3 and Class A-4 service)**, 5505.1 (relating to additional member contributions) and 5507 (relating to contributions by the Commonwealth and other employers), the member returns from leave without pay to active State service for a period of at least one year, and he is not entitled to retirement benefits for such service under a retirement system administered by any other governmental agency.

(2) An active member on paid leave granted by an employer for purposes of serving as an elected full-time officer for a Statewide employee organization which is a collective bargaining representative under the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, or the act of July 23, 1970 (P.L.563, No.195), known as the Public Employee Relations Act, and up to 14 full-time business agents appointed by an employee organization that represents correction officers employed at State correctional institutions: Provided, That for elected full-time officers such leave shall not be for more than three consecutive terms of the same office and for up to 14 full-time business agents appointed by an employee organization that represents correction officers employed at State correctional institutions no more than three consecutive terms of the same office; that the employer shall fully compensate the member, including, but not limited to, salary, wages, pension and retirement contributions and benefits, other benefits and seniority, as if he were in full-time active service; and that the Statewide employee organization shall fully reimburse the employer for all expenses and costs of such paid leave, including, but not

limited to, contributions and payment in accordance with sections 5501, **5501.1**, 5505.1 and 5507, if the employee organization either directly pays, or reimburses the Commonwealth or other employer for, contributions made in accordance with section 5507.

* * *

(e) Cancellation of credited service.--All credited service 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).**

§ 5303. Retention and reinstatement of service credits.

* * *

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

(1) Every active member of the system or a multiple service member who is a school employee and a member of the Public School Employees' Retirement System on or after the effective date of this part shall receive eligibility points in accordance with section 5307 for current State service, previous State service, or creditable nonstate service upon compliance with sections 5501 (relating to regular member contributions for current service), **5501.1 (relating to shared-risk contributions for Class A-3 and Class A-4 service)**, 5504 (relating to member contributions for the purchase of credit for previous State service or to become a full coverage member), 5505 (relating to contributions for the purchase of credit for creditable nonstate service), 5505.1 (relating to additional member contributions) or 5506 (relating to incomplete payments). Subject to the limitations in sections 5306.1 (relating to election to become a Class AA member) and 5306.2 (relating to elections by members of the General Assembly), the class or classes of service in which the member may be credited for previous State service prior to the effective date of this part shall be the class or classes in which he was or could have at any time elected to be credited for such service, **except that a State employee who first becomes a member of the system on or after January 1, 2011, or on or after December 1, 2010, as a member of the General Assembly and:**

(i) **is credited with Class A-3 service for such membership, shall be credited only with Class A-3 service for previous State service performed before January 1, 2011, that was not previously credited in the system;**
or

(ii) **is credited with Class A-4 service for such membership, shall be credited only with Class A-4 service for previous State service performed before January 1, 2011, that was not previously credited in the system.**

The class of service in which a member shall be credited for service subsequent to the effective date of this part shall be determined in accordance with section 5306 (relating to classes of service).

* * *

§ 5304. Creditable nonstate service.

(a) Eligibility.--

(1) An active member who first becomes an active member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly, or a multiple service member who first becomes an active member before January 1, 2011, or before 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 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 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).

(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 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).

* * *

Section 7.3. Section 5306(a), (a.1)(1), (2), (5) and (6) and (a.2) 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).

(2) A State employee who first becomes a member of the system on or after January 1, 2011, or on or after December 1, 2010, as a member of the General Assembly, shall be classified as a Class A-3 member and receive credit for Class A-3 service upon payment of regular member contributions and shared-risk member contributions for Class A-3 service provided that the State employee does not become a member of Class A-4 pursuant to subsection (a.3), except that a member of the judiciary shall be classified as a member of such other class of service for which the member of the

judiciary is eligible, shall elect and make regular member contributions.

(a.1) Class AA membership.--

(1) A person who becomes a State employee and an active member of the system after June 30, 2001, **and who first became an active member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly,** and who is not a State police officer and not employed in a position for which a class of service other than Class A is credited or could be elected shall be classified as a Class AA member and receive credit for Class AA State service upon payment of regular member contributions for Class AA service and, subject to the limitations contained in paragraph (7), if previously a member of Class A or previously employed in a position for which Class A service could have been earned, shall have all Class A State service (other than State service performed as a State police officer or for which a class of service other than Class A was earned or could have been elected) classified as Class AA service.

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

* * *

(5) A former State employee **who first becomes a member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly,** other than a former State employee who was a State police officer on or after July 1, 1989, who is a school employee and who on or after July 1, 2001, becomes a multiple service member, subject to the limitations contained in paragraph (7), shall receive Class AA service credit for all Class A State service other than State service performed as a State employee in a position in which the former State employee could have elected a class of service other than Class A.

(6) A State employee who after June 30, 2001, becomes a State police officer or who is employed in a position in which the member could elect membership in a class of service other than Class AA or Class D-4 shall retain any Class AA service credited prior to becoming a State police officer or being so employed but shall be ineligible to receive Class AA credit thereafter and instead shall receive Class A credit **for service as a member of the judiciary or if he first became a member before January 1, 2011, or December 1, 2010, as a member of the General Assembly, or Class A-3 credit for service other than as a member of the judiciary and he first became a member on or after January 1, 2011, or December 1,**

2010, as a member of the General Assembly, unless a class of membership other than Class A is elected.

* * *

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

(1) A person who:

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

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

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

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

(3) A member of the General Assembly who after June 30, 2001, becomes a State police officer shall retain any Class AA service or Class D-4 service credited prior to becoming a State police officer or being so employed but shall be ineligible to receive Class AA or Class D-4 credit thereafter and instead shall receive Class A credit **or Class A-3 credit if he first becomes a member of the system on or after January 1, 2011.**

(4) Notwithstanding the provisions of this subsection, no service as a member of the General Assembly performed before December 1, 2010, that is not credited as Class D-4 service on November 30, 2010, shall be credited as Class D-4 service, unless such service was previously credited in the system as Class D-4 service and the member withdrew his total accumulated deductions as provided in section 5311 (relating to eligibility for refunds) or 5701 (relating to return of total accumulated deductions). No service as a member of the General Assembly performed on or after December 1, 2010,

shall be credited as Class D-4 service unless the member previously was credited with Class D-4 service credits.

(a.3) Class A-4 membership.--Provided that an election to become a Class A-4 member is made pursuant to section 5306.3 (relating to election to become a Class A-4 member), a State employee who otherwise would be a member of Class A-3 shall be classified as a Class A-4 member and receive Class A-4 credit for all creditable State service performed after the effective date of membership in the system, except as a member of the judiciary, upon payment of regular member contributions and shared-risk member contributions for Class A-4 service.

* * *

Section 7.4. Title 71 is amended by adding a section to read:

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

(a) General rule.--A person who otherwise is eligible for Class A-3 membership who has not previously elected or declined to elect Class A-4 membership may elect to become a member of Class A-4.

(b) Time for making election.--The election to become a Class A-4 member must be made by the member filing written notice with the board in a form and manner determined by the board no later than 45 days after notice from the board of the member's eligibility to elect Class A-4 membership.

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

(d) Effect of failure to make election.--Failure to elect to become a Class A-4 member within the election period set forth in subsection (b) shall result in all of the member's State service, other than service performed as a member of the judiciary, being credited as Class A-3 service and not subject to further election or crediting as Class A-4 service. Upon termination and subsequent employment, a member who failed to elect to become a Class A-4 member shall not be eligible to make another election to become a Class A-4 member for either past or future State service.

Section 7.5. Sections 5308(b) and 5309 of Title 71 are amended to read:

§ 5308. Eligibility for annuities.

* * *

(b) Withdrawal annuity.--

(1) Any vestee or any active member or inactive member on leave without pay who terminates State service having five or more eligibility points and who does not have Class A-3 or Class A-4 service credit or Class T-E or Class T-F service credit in the Public School Employees' Retirement System, or who has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service and terminates State

service having five or more eligibility points, upon compliance with section 5907(f), (g) or (h) shall be entitled to receive an annuity.

(2) Any vestee, active member or inactive member on leave without pay who has Class A-3 or Class A-4 service credit or Class T-E or Class T-F service credit in the Public School Employees' Retirement System who terminates State service having ten or more eligibility points, upon compliance with section 5907(f), (g) or (h), shall be entitled to receive an annuity.

(3) Any vestee, active member or inactive member on leave without pay who has either Class A-3 or Class A-4 service credit or Class T-E or Class T-F service credit in the Public School Employees' Retirement System and also has service credited in the system in one or more other classes of service who has five or more, but fewer than ten, eligibility points, upon compliance with section 5907(f), (g) or (h), shall be eligible to receive an annuity calculated on his service credited in classes of service other than Class A-3 or Class A-4, provided that the member has five or more eligibility points resulting from service in classes other than Class A-3 or Class A-4 or Class T-E or Class T-F service in the Public School Employees' Retirement System.

* * *

§ 5309. Eligibility for vesting.

Any member who:

(1) Does not have Class A-3 or Class A-4 service credit or Class T-E or Class T-F service credit in the Public School Employees' Retirement System and terminates State service with five or more eligibility points, or any member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service with five or more eligibility points, shall be eligible until attainment of superannuation age to vest his retirement benefits.

(2) Has Class A-3 or Class A-4 service credit or Class T-E or Class T-F service credit in the Public School Employees' Retirement System and terminates State service with ten or more eligibility points shall be eligible until attainment of superannuation age to vest his retirement benefits.

(3) Has either Class A-3 or Class A-4 service credit or Class T-E or Class T-F service credit in the Public School Employees' Retirement System, also has service credited in the system in one or more other classes of service and has five or more, but fewer than ten, eligibility points shall be eligible until the attainment of superannuation age to vest his retirement benefits calculated on his service credited in classes of service other than Class A-3 or Class A-4 and to be credited with statutory interest on total accumulated deductions, regardless of whether or not any part of his accumulated deductions are a result of Class A-3 or Class A-4 service credit.

Section 8. Title 71 is amended by adding sections to read:

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

(a) General.--Shared-risk member contributions shall be made to the fund on behalf of each member of Class A-3 or Class A-4 for current service credited as Class A-3 or Class A-4 as provided under this section, except for any period of current service in which the making of the contributions has ceased solely by reason of any provision of this part relating to the

limitations under IRC § 401(a)(17) or 415. Shared-risk member contributions shall be credited to the members' savings account.

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

(1) For the period from the effective date of this section until June 30, 2014, the shared-risk contribution rate shall be zero.

(2) For the period from July 1, 2014, to June 30, 2017, if the annual interest rate adopted by the board for use during the period from January 1, 2011, to December 31, 2013, for the calculation of the normal contribution rate is more than 1% greater than the actual rate of return, net of fees, of the investments of the fund based on market value over the period, the shared-risk contribution rate shall be .5%. In all other situations, the shared-risk contribution rate shall be zero.

(3) For each subsequent three-year period, the shared-risk contribution rate shall be increased by .5% if the annual interest rate adopted by the board for use during the previous ten-year period for the calculation of the normal contribution rate is more than 1% greater than the actual rate of return, net of fees, of the investments of the fund based on market value over the period. The shared-risk contribution rate shall be decreased by .5% if the annual interest rate adopted by the board for use during the previous ten-year period for the calculation of the normal contribution rate is equal to or less than the actual rate of return, net of fees, of the investments of the fund based on market value over that period.

(4) Notwithstanding paragraphs (2) and (3), the shared-risk contribution rate shall not be less than zero and shall not be more than the experience adjustment factor resulting from investment gains or losses in effect on the first day when the new rate would be applied, expressed as a percentage of member compensation, and shall not be more than 2%. For the determination of the shared-risk contribution rate to be effective July 1, 2017, the determination period shall be January 1, 2011, through December 31, 2016. For the determination of the shared-risk contribution rate to be effective July 1, 2020, the determination period shall be January 1, 2011, through December 31, 2019.

(5) The shared-risk contribution rate and the factors entering into its calculation shall be certified by the actuary as part of the annual valuations and the actuarial investigation and evaluation of the system conducted every five years under section 5902(j) (relating to administrative duties of the board).

(6) In the event that the annual interest rate adopted by the board for the calculation is changed during the period used to determine the shared-risk contribution rate, the board, with the advice of the actuary, shall determine the applicable rate during the entire period, expressed as an annual 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), 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) (relating to actuarial cost method), 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.

§ 5501.2 . Definitions.

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

"Actuarially required contribution rate." The employer contribution rate as calculated pursuant to section 5508(a), (b), (c), (e) and (f) (relating to actuarial cost method).

"Costs added by legislation." The sum, if positive, of all changes in the actuarially required contribution rate resulting from legislation enacted in the year since the last actuarial valuation and not included in the determination of the prior year's final contribution rate, computed as the rate of total compensation of all active members certified by the actuary as sufficient to make the employer normal contributions and sufficient to amortize legislatively created changes in the unfunded actuarial liability in equal dollar annual installments over a period of ten years from the July 1 following the valuation date.

Section 9. Sections 5502.1, 5503.1(a), 5504(a), 5505, 5507, 5508, 5702(a)(4) and (6), 5704(e) and 5705(a) of Title 71 are amended to read:

§ 5502.1. Waiver of regular member contributions and Social Security integration member contributions.

(a) General rule.--Notwithstanding the provisions of sections 5501 (relating to regular member contributions for current service) and 5502 (relating to Social Security integration member contributions), no regular member contributions or Social Security integration member contributions shall be made by an active member for the period from July 1 to the following June 30 if the maximum single life annuity to which the member would have been entitled to receive had the member retired with an effective date of retirement on the preceding January 1 is greater than 110% of the highest calendar year compensation of the member, provided the member files a written election as prescribed by the board.

(b) Applicability.--This section shall not apply to any member who has Class A-3 or Class A-4 service credit.

§ 5503.1. Pickup contributions.

(a) Treatment for purposes of IRC § 414(h).--All contributions required to be made under sections 5501 (relating to regular member contributions for current service), **5501.1 (relating to shared-risk member contributions for Class A-3 and Class A-4 service)**, 5502 (relating to Social Security integration member contributions), 5503 (relating to joint coverage member contributions) and section 5505.1 (relating to additional member contributions), with respect to current State service rendered by an active member on or after January 1, 1982, 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).

* * *

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

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

(1) The contributions to be paid by an active member or eligible school employee for credit for total previous State service other than service in Class G, Class H, Class I, Class J, Class K, Class L, Class M and Class N or to become a full coverage member shall be sufficient to provide an amount equal to the regular and additional accumulated deductions which would have been standing to the credit of the member for such service had regular and additional member contributions been made with full coverage in the class of service and at the rate of contribution applicable during such period of previous service and had his regular and additional accumulated deductions been credited with statutory interest during all periods of subsequent State and school service up to the date of purchase.

(2) **Notwithstanding paragraph (1), members with Class A-3 State service shall make contributions and receive credit as if the previous State service was Class A-3 service, and members with Class A-4 State service shall make contributions and receive credit as if the previous State service was Class A-4 service, even if it would have been credited as a different class of service had the State employee been a member of the system at the time the service was performed unless it was mandatory that the State employee be an active member of the system and the previous State service is being credited as the result of a mandatory active membership requirement.**

* * *

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

(a) Source of contributions.--The total contributions to purchase credit for creditable nonstate service of an active member or eligible school employee shall be paid either by the member, the member's previous employer, or by some agreed upon combination of the member, his previous employer, and, if specifically provided, the Commonwealth.

(b) Nonintervening military service.--

(1) The amount due for the purchase of credit for military service other than intervening military service **by State employees who first become members of the system before January 1, 2011, or before December 1, 2010, as a member of the General Assembly** shall be determined by applying the member's basic contribution rate, the additional contribution rate plus the Commonwealth normal contribution rate for active members at the time of entry, subsequent to such military service, of the member into State service to his average annual rate of compensation over the first three years of such subsequent State service and multiplying the result 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 State and school service to date of purchase. Upon application for credit for such service, payment shall be made in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System it may be amortized with statutory interest through salary deductions 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 until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit 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. Application may be filed for all such military service credit upon completion of three years of subsequent State service and shall be credited as Class A service.

(2) Applicants may purchase credit as follows:

(i) one purchase of the total amount of creditable nonintervening military service; or

(ii) one purchase per 12-month period of a portion of creditable nonintervening military service.

The amount of each purchase shall be not less than one year of creditable nonintervening military service.

(c) Intervening military service.--Contributions on account of credit for intervening military service shall be determined by the member's **regular** contribution rate, **shared-risk contribution rate**, **Social Security integration contribution rate**, the additional contribution rate which shall be applied only to those members who began service on or after the effective date of this amendatory act and compensation at the time of entry of the member into active military service, together with statutory interest during all periods of subsequent State and school service to date of purchase. Upon application for such credit the amount due shall be certified in the case of each member by the board in accordance with methods approved by the actuary, and contributions may be made by:

(1) regular monthly payments during active military service; or

(2) a lump sum payment within 30 days of certification; or

(3) salary deductions in amounts agreed upon by the member or eligible school employee who is an active member of the Public School Employees' Retirement System 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 until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit 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.

(d) Nonmilitary and nonmagisterial service.--Contributions on account of credit for creditable nonstate service other than military and magisterial service **by State employees who first become members of the system before January 1, 2011, or before December 1, 2010, as a member of the General Assembly** shall be determined by applying the member's basic contribution rate, the additional contribution rate plus the Commonwealth normal

contribution rate for active members at the time of entry subsequent to such creditable nonstate service of the member into State service to his compensation at the time of entry into State service and multiplying the result by the number of years and fractional part of a year of creditable nonstate service being purchased together with statutory interest during all periods of subsequent State and school service to the date of purchase. Upon application for credit for such service payment shall be made in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System it may be amortized with statutory interest through salary deductions 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 until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit 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 deduction shall be remitted to the Public School Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

(e) Philadelphia magisterial service.--Contributions on account of credit for service as a magistrate of the City of Philadelphia shall be determined by the board to be equal to the amount he would have paid as employee contributions together with statutory interest to date of purchase had he been a State employee during his period of service as a magistrate of the City of Philadelphia. The amount so determined by the State Employees' Retirement Board to be paid into the State Employees' Retirement System shall be the obligation of the judge who requested credit for previous service as a magistrate of the City of Philadelphia; in no event shall such amount be an obligation of the City of Philadelphia or the City of Philadelphia retirement system.

(f) Temporary Federal service.--Contributions on account of credit for service as a temporary Federal employee assigned to an air quality control complement for the Department of Environmental Resources during the period of 1970 through 1975, as authorized in section 5304(c)(5) (relating to creditable nonstate service), shall be equal to the full actuarial cost of the increased benefit obtained by virtue of the purchase. The increased benefit attributable to the purchased service shall be the difference between:

(1) the annual amount of a standard single life annuity, beginning at the earliest possible superannuation age, calculated assuming no future salary increases, assuming credit for the service to be purchased; and

(2) the annual amount of a standard single life annuity, calculated on the same basis, but excluding credit for the service to be purchased.

The earliest possible superannuation age shall be the age at which the member becomes first eligible for superannuation retirement assuming continued full-time service and credit for the amount of service which the member has elected to purchase, or the current attained age of the member, whichever is later. The full actuarial cost of the increased benefit attributable to the purchased service shall be the actuarial present value of a deferred annuity equal to the amount of the increased benefit determined above, beginning at the earliest possible

superannuation age and payable for life, calculated using a preretirement interest assumption of 1.5%, a postretirement interest assumption of 4%, no preretirement mortality assumption and standard postretirement mortality assumptions. The purchase payment shall be made in lump sum by the member within 30 days of certification by the board of the required purchase amount or may be amortized through salary deductions in amounts agreed upon by the member and the board with interest payable on the unpaid balance at the rate applicable to the most recently issued 30-year bonds of the United States Treasury Department.

(g) Justice of the peace service.--Contributions on account of credit for service as a justice of the peace shall be determined by the board to be equal to the amount he would have paid as employee contributions together with statutory interest to date of purchase had he been a State employee during his period of service as a justice of the peace for the Commonwealth plus the amount determined by applying the Commonwealth normal contribution rate for active members at the beginning of the district justice system as of January 1970 to the starting salary of the district justice for the magisterial district in which the member was elected dating from the beginning of the district justice system as of January 1970 and multiplying the result by the number of years and fractional part of a year of creditable service being purchased together with statutory interest from entry into State service as a district justice to the date of purchase. The amount so determined by board to be paid into the system shall be the obligation of the justice who requested credit for previous service as a justice of the peace for the Commonwealth prior to 1970. A justice of the peace desiring to purchase his or her service time prior to 1970 shall have been elected or appointed a district justice any time during or after 1970. The class of service credit a member shall receive upon entry into the system shall be determined by the time of his entry into the district justice system. It shall be incumbent upon the district justice to certify to the board with a copy of his commission or commissions the amount of time that he served the Commonwealth as a justice of the peace. The salary dollar amount that shall be used in the formula for determining the member's contributions shall be equal to the starting salary of the district justice for the magisterial district in which he was elected, dating from the beginning of the district justice system as of January 1970. In no event shall such an amount be the obligation of the Commonwealth or the county in which the justice served.

(h) County service.--For purposes of this section, Class G, Class H, Class I, Class J, Class K, Class L, Class M and Class N service shall be disregarded in determining when a member enters State service or the period of subsequent State service.

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

(1) Contributions on account of credit for creditable nonstate service other than intervening military service and magisterial service by State employees who first become members of the system on or after January 1, 2011, or on or after December 1, 2010, as a member of the General Assembly shall be equal to the full actuarial cost of the increased benefit obtained by virtue of such service.

(2) The full actuarial cost of the increased benefit attributable to the purchased nonstate service credit shall be the difference between:

(i) the present value of a standard single life annuity, beginning at the earliest possible superannuation age assuming Class A-3 service credit for the nonstate service to be purchased; and

(ii) the present value of a standard single life annuity, beginning at the earliest possible superannuation age, excluding the nonstate service credit to be purchased.

(3) The full actuarial cost under paragraph (2) shall be calculated using future salary increases, mortality tables, interest rates and other actuarial assumptions as adopted by the board with the advice of the actuary. The earliest possible superannuation age shall be the current attained age of the member if the member has attained superannuation age for his current class of service or, if the member has not attained superannuation age, the age upon which the member would attain superannuation age as a member in the current class of service assuming continued full-time State service through the attainment of superannuation age and credit for the amount of service which the member has elected to purchase.

(4) The payment for credit purchased under this subsection shall be certified in each case by the board in accordance with methods approved by the actuary and shall be paid in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System may be amortized with statutory interest through salary deductions 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 interest until the termination of school service or State service 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.

§ 5507. Contributions by the Commonwealth and other employers.

(a) Contributions on behalf of active members.--The Commonwealth and other employers whose employees are members of the system shall make contributions to the fund on behalf of all active members in such amounts as shall be certified by the board as necessary to provide, together with the members' total accumulated deductions, annuity reserves on account of prospective annuities other than those provided in [section] sections 5708 (relating to supplemental 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), in accordance with the actuarial cost method provided in section 5508(a), (b), (c), (d) and (f) (relating to actuarial cost method).

(b) Contributions on behalf of annuitants.--The Commonwealth **and other employers whose employees are members of the system** shall make contributions on behalf of annuitants in such amounts as shall be certified by the board as necessary to fund the liabilities for supplemental annuities in accordance with the actuarial cost method provided in section 5508(e) (relating to actuarial cost method).

(c) Contributions transferred by county retirement systems.--

(1) Each county retirement system or pension plan which is notified by certification from the board that a former contributor who was transferred to State employment pursuant to 42 Pa.C.S. § 1905 (relating to county-level court administrators) has elected to convert county service to State service in accordance with section 5303.1 (relating to election to convert county service to State service) shall transfer to the board an amount equal to the actuarial liability for the additional benefits that result in the system as a result of the conversion as certified by the board. This amount shall be calculated in such a manner and using such actuarial factors and assumptions as the board, after obtaining the advice of its actuary, shall determine and shall be calculated by determining the present value of the future benefits for the former county contributors and subtracting from that present value the present value of future employee contributions and future employer normal cost contributions.

(2) The transfer shall occur no later than 180 days after the certification by the board of the actuarial liability for the additional benefits or 30 days following the date of termination of service if the member terminates State service after making the election to convert service, whichever occurs first.

(3) If any county retirement system or pension plan fails to transfer, within the required time, the money certified by the board under this subsection, then the service of such members for the period of converted service shall be credited, and the board shall notify the county which employed the employee who is converting the county service and the State Treasurer of the amount due. The State Treasurer shall withhold out of any grants, subsidies or other payments from the State General Fund appropriation or appropriations next due such county an amount equal to the amount which the county retirement system or pension plan failed to pay and shall pay the amount so withheld to the board for the payment of the amount due from that county's retirement system or pension plan for the converted service.

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

(e) **Benefits completion plan contributions.--In addition to all other contributions required under this section and section 5508, the Commonwealth and other employers whose employees are members of the system shall make contributions as certified by the board pursuant to section 5941 (relating to benefits completion plan).**

§ 5508. Actuarial cost method.

(a) Employer contribution rate on behalf of active members.--The amount of the Commonwealth and other employer contributions on behalf of all active members shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the board. The [total employer] **actuarially required** contribution rate on behalf of all active members shall consist of the employer normal contribution rate, as defined in subsection (b), and the accrued liability contribution rate as defined in subsection (c). The [total employer] **actuarially required** contribution rate **on behalf of all active members** shall be modified by the experience adjustment factor as calculated in subsection (f) [but in no case shall it be less than zero. The total employer contribution rate shall be modified by the experience adjustment factor as calculated in subsection (f), but in no case shall it be less than:

- (1) 2% for the fiscal year beginning July 1, 2004;
- (2) 3% for the fiscal year beginning July 1, 2005; and
- (3) 4% for the fiscal year beginning July 1, 2006, and thereafter].

(b) Employer normal contribution rate.--The employer normal contribution rate shall be determined after each actuarial valuation on the basis of an annual interest rate and such mortality and other tables as shall be adopted by the board in accordance with generally accepted actuarial principles. The employer normal contribution rate shall be determined as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through his entire period of active State service, would be sufficient to fund the liability for any prospective benefit payable to him[, except for the supplemental benefits provided for in sections 5708 (relating to supplemental 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),] in excess of that portion funded by his prospective member contributions, **excluding shared-risk member contributions.**

(c) Accrued liability contribution rate.--

- (1) For the fiscal [year] **years** beginning July 1, 2002, **and July 1, 2003**, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of ten years from July 1, 2002, the present value of the liabilities for all prospective benefits, except for the supplemental benefits as provided in sections 5708 (**relating to supplemental 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), 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 by the Commonwealth and other employers). 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.

(2) Notwithstanding any other provision of law, beginning July 1, 2004, **and ending June 30, 2010**, the outstanding balance of the increase in accrued liability due to the change in benefits enacted in 2001 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2002, and the outstanding balance of the net actuarial loss incurred in calendar year 2002 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2003. For fiscal years beginning on or after July 1, 2004, **and ending June 30, 2010**, if the accrued liability is increased by legislation enacted subsequent to June 30, 2003, **but before January 1, 2009**, such additional liability shall be funded in equal dollar annual contributions over a period of ten years from the first day of July coincident with or next following the effective date of the increase.

(3) For the fiscal year beginning July 1, 2010, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund in equal dollar installments over a period of 30 years from July 1, 2010, the present value of the liabilities for all prospective benefits calculated as of the immediately prior valuation date, including the supplemental benefits as provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits payable from the retirement benefit plan established pursuant to section 5941 (relating to benefits completion plan), in excess of the actuarially calculated assets in the fund (calculated recognizing all realized and unrealized investment gains and losses each year in level annual installments over five years), including 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, inactive members on leave without pay, vestees and special vestees on December 31, 2009. If the accrued liability is changed by legislation enacted subsequent to December 31, 2009, such change in liability shall be funded in equal dollar installments 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.

(d) Special provisions on calculating contributions.--In calculating the contributions required by subsections (a), (b) and (c), the active members of Class C shall be considered to be members of Class A. In addition, the actuary shall determine the Commonwealth or other employer contributions required for active members of Class C and officers of the Pennsylvania State Police and enforcement officers and investigators of the Pennsylvania Liquor Control Board who are members of Class A to finance their benefits in excess of those to which other members of Class A are entitled. Such additional contributions shall be determined separately for officers and employees of the Pennsylvania State Police and for enforcement officers and investigators of the Pennsylvania Liquor Control Board. Such contributions payable on behalf of officers and employees of the Pennsylvania State Police shall include the amounts received by the system under the provisions of the act of May 12, 1943 (P.L.259, No.120), referred to as the Foreign Casualty Insurance Premium Tax Allocation Law, and on behalf of enforcement officers or investigators of the Pennsylvania Liquor Control Board, the amounts received by the system under the provisions of the act of April 12, 1951 (P.L.90, No.21), known as the Liquor Code.

(e) Supplemental annuity contribution rate.--[Contributions]

(1) For the period July 1, 2002, to June 30, 2010, contributions from the Commonwealth and other employers whose employees are members of the system required to provide for the payment of supplemental annuities as provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4 and 5708.5 shall be paid over a period of ten years from July 1, 2002. The funding for the supplemental annuities commencing 2002 provided for in section 5708.6 shall be as provided in section 5708.6(f). The funding for the supplemental annuities commencing 2003 provided for in section 5708.7 shall be as provided in section 5708.7(f). The funding for the special supplemental postretirement adjustment of 2002 under section 5708.8 shall be as provided in section 5708.8(g). The amount of each annual supplemental annuities contribution shall be equal to the amount of such contribution for the fiscal year beginning July 1, 2002. [In the event that supplemental annuities are increased by legislation enacted subsequent to June 30, 2002, the additional liability for the increase in benefits shall be funded in equal dollar annual installments over a period of ten years from the July first, coincident with or next following the effective date of such legislation.]

(2) For fiscal years beginning on or after July 1, 2010, contributions from the Commonwealth and other employers whose employees are members of the system required to provide for the payment of supplemental annuities as provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8 shall be paid as part of the accrued liability contribution rate as provided for in subsection (c)(3), and there shall not be a separate supplemental annuity contribution rate attributable to those supplemental annuities. In the event that supplemental annuities are increased by legislation enacted subsequent to December 31, 2009, the additional liability for the increase in benefits shall be funded in equal dollar installments 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.

(f) Experience adjustment factor.--

(1) For each year after the establishment of the accrued liability contribution rate **and the supplemental annuity contribution rate** for the fiscal year beginning July 1, [2002] **2010**, any increase or decrease in the unfunded accrued liability[, including liability] **and any increase or decrease in the liabilities and funding** for supplemental annuities, due to actual experience differing from assumed experience[,]
(recognizing all realized and unrealized investment gains and losses over a five-year period), changes in contributions caused by the final contribution rate being different from the actuarially required contribution rate, State employees making shared-risk member contributions, changes in actuarial assumptions[,]
or changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual contributions over a period of [ten] **30** years beginning with the July 1 succeeding the actuarial valuation **determining said increases or decreases.**

(2) [Notwithstanding the provisions of paragraph (1), for each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, 2003, any increase or decrease in the unfunded accrued liability due to actual experience differing from assumed experience, changes in actuarial assumptions, changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual contributions over a period of 30 years beginning with the July 1 succeeding the actuarial valuation determining said increases and decreases]
The actuarially required contribution rate shall be the sum of the normal contribution rate, the accrued liability contribution rate and the supplemental annuity contribution rate, modified by the experience adjustment factor as calculated in paragraph (1).

(g) Determination of liability for special vestee.--Notwithstanding any other provision of this part or other law, the total additional accrued actuarial liability resulting from eligibility of special vestees for benefits upon the attainment of superannuation age shall be determined by the actuary as part of the first annual valuation made after June 30, 1997. The resulting additional accrued actuarial liability shall be paid by The Pennsylvania State University to the board in one lump sum payment within 90 days of the board's certification of the amount to The Pennsylvania State University.

(h) **Temporary application of collared contribution rate.--The collared contribution rate for each year shall be determined by comparing the actuarially required contribution rate calculated without regard for costs added by legislation to the prior year's final contribution rate. If, for any of the fiscal years beginning July 1, 2011, July 1, 2012, and on or after July 1, 2013, the actuarially required contribution rate calculated without regard for costs added by legislation is more than 3%, 3.5% and 4.5%, 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, 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).

§ 5702. Maximum single life annuity.

(a) General rule.--Any full coverage member who is eligible to receive an annuity pursuant to the provisions of section 5308(a) or (b) (relating to eligibility for annuities) who terminates State service, or if a multiple service member who is a school employee who is an active member of the Public School Employees' Retirement System who terminates school service, before attaining age 70 shall be entitled to receive a maximum single life annuity attributable to his credited service and equal to the sum of the following single life annuities beginning at the effective date of retirement:

* * *

(4) If eligible, a single life annuity which is actuarially equivalent to the amount by which his regular and additional accumulated deductions attributable to any credited service other than as a member of Class C are greater than one-half of the actuarially equivalent value on the effective date of retirement of the annuity as provided in paragraph (1) attributable to service other than Class C for which regular or joint coverage member contributions were made. **This paragraph shall not apply to any member with State service credited as Class A-3 or Class A-4.**

* * *

(6) If eligible, a single life annuity sufficient together with the annuity provided for in paragraph (1) as a Class A [and], Class AA, **Class A-3 and Class A-4** member and the highest annuity provided for in paragraph (2) to which he is entitled, or at his option could have been entitled, to produce that percentage of a standard single life annuity **adjusted by the application of the class of service multiplier for Class A, Class AA, Class A-3 or Class A-4 as set forth in paragraph (1) in the case where any service is credited as a member of Class A, Class AA, Class A-3 or Class A-4** on the effective date of retirement as determined by his total years of credited service as a member of Class A [and], Class AA, **Class A-3 and Class A-4** and by the following table:

Total Years of
Credited Service
as a Member of
Class A [and],

Percentage of
Standard
Single Life
Annuity **Adjusted for**

Class AA, Class A-3
and Class A-4

Class A, Class AA,
Class A-3 and Class A-4
Class of
Service Multipliers

35-40	100%
41	102%
42	104%
43	106%
44	108%
45 or more	110%

* * *

§ 5704. Disability annuities.

* * *

(e) Termination of State service.--Upon termination of disability annuity payments in excess of an annuity calculated in accordance with section 5702, a disability annuitant who:

(1) does not have Class A-3 or Class A-4 service credit;

or

(2) has Class A-3 or Class A-4 service credit and fewer than ten eligibility points;

and who does not return to State service may file an application with the board for an amount equal to the excess, if any, of the sum of the **shared-risk accumulated deductions plus the** regular and additional accumulated deductions standing to his credit at the effective date of disability over one-third of the total disability annuity payments received. If the annuitant on the date of termination of service was eligible for an annuity as provided in section [5308(b)] **5308(a) or (b)** (relating to eligibility for annuities), he may file an application with the board for an election of an optional modification of his annuity.

* * *

§ 5705. Member's options.

(a) General rule.--Any special vestee who has attained superannuation age, any vestee **who does not have Class A-3 or Class A-4 service credit** having five or more eligibility points **for service other than Class T-E or Class T-F service in the Public School Employees' Retirement System, or vestee who has Class A-3 or Class A-4 service credit having ten or more eligibility points,** any member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service having five or more eligibility points or any other eligible member upon termination of State service who has not withdrawn his total accumulated deductions as provided in section 5701 (relating to return of total accumulated deductions) may apply for and elect to receive either a maximum single life annuity, as calculated in accordance with the provisions of section 5702 (relating to maximum single life annuity), or a reduced annuity certified by the actuary to be actuarially equivalent to the maximum single life annuity and in accordance with one of the following options; except that no member shall elect an annuity payable to one or more survivor annuitants other than his spouse or alternate payee of such a magnitude that the present value of the annuity payable to him for life plus any lump sum payment he may have elected to receive is less than 50% of the present value of his maximum single life annuity:

(1) Option 1.--A life annuity to the member with a guaranteed total payment equal to the present value of the maximum single life annuity on the effective date of retirement with the provision that, if, at his death, he has

received less than such present value, the unpaid balance shall be payable to his beneficiary.

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

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

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

(i) any annuity shall be payable without reduction during the lifetime of the member;

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

(iii) a portion of the benefit may be payable as a lump sum, except that such lump sum payment shall not exceed an amount equal to the total accumulated deductions standing to the credit of the member **that are not the result of contributions and statutory interest made or credited as a result of Class A-3 or Class A-4 service.** The balance of the present value of the maximum single life annuity adjusted in accordance with section 5702(b) shall be paid in the form of an annuity with a guaranteed total payment, a single life annuity, or a joint and survivor annuity or any combination thereof but subject to the restrictions of subparagraphs (i) and (ii) under this option.

* * *

Section 10. Title 71 is amended by adding a section to read:
§ 5705.1. Payment of accumulated deductions resulting from Class A-3 and Class A-4 service.

Any superannuation or withdrawal annuitant who:

(1) has Class A-3 or Class A-4 service credit;

(2) has service credited in one or more classes of service; and

(3) because he has five or more, but fewer than ten, eligibility points is not eligible to receive an annuity on his Class A-3 or Class A-4 service

shall receive in a lump sum at the time of his retirement, in addition to any other annuity or lump sum payment which he may elect, his accumulated deductions resulting from his Class A-3 or Class A-4 service credit. Payment of these accumulated deductions resulting from Class A-3 or Class A-4 service credit shall not be eligible for installment payments pursuant to section 5905.1 (relating to installment payments of accumulated deductions) but shall be considered a lump sum payment for purposes of section 5905.1(d).

Section 11. Sections 5708.1(f), 5708.2(f), 5708.3(f), 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5902(k), 5903(c), 5905(a), 5905.1(d), 5907(c), 5933(a), 5934, 5936(b), 5937(b), 5938 and 5955 of Title 71 are amended to read:
§ 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[. The board shall submit the actuary's certification to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1984, the amount certified is disapproved under section 610 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supplemental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated], **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).**

* * *

§ 5708.2. Further additional supplemental annuities.

* * *

(f) Funding.--The actuary shall annually estimate the amount of Commonwealth 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[. The board shall submit the actuary's estimation to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1988, the amount estimated is disapproved under section 610 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supplemental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated], **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).**

* * *

§ 5708.3. Supplemental annuities commencing 1994.

* * *

(f) Funding.--[The] **For the period beginning July 1, 2002, 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, 2002. 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).**

* * *

§ 5708.5. Supplemental annuities commencing 1998.

* * *

(f) Funding.--[The] **For the period beginning July 1, 2002, 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, 2002. 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).

* * *

§ 5708.6. Supplemental annuities commencing 2002.

* * *

(f) Funding.--[The] **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).**

* * *

§ 5708.7. Supplemental annuities commencing 2003.

* * *

(f) Funding.--[The] **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).**

* * *

§ 5708.8. Special supplemental postretirement adjustment of 2002.

* * *

(g) Funding.--[The] **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).**

* * *

§ 5902. Administrative duties of the board.

* * *

(k) Certification of employer contributions.--The board shall, each year in addition to the itemized budget required under section 5509 (relating to appropriations and assessments by the Commonwealth), certify, as a percentage of the members' payroll, **the shared-risk contribution rate**, the employers' contributions as determined pursuant to section 5508 (relating to actuarial cost method) necessary for the funding of prospective annuities for active members and the annuities of annuitants and certify the rates and amounts of the employers' normal contributions as determined pursuant to section 5508(b), accrued liability contributions as determined pursuant to section 5508(c), supplemental annuities contribution rate as determined pursuant to section 5508(e) [and], the experience adjustment factor as determined pursuant to section 5508(f), **the collared contribution rate pursuant to section 5508(h) and the final contribution rate pursuant to section 5508(i)**, which shall be paid to the fund and credited to the appropriate accounts. **The board may allocate the final contribution rate and certify various employer contribution rates based upon the**

different benefit eligibility, class of service multiplier, superannuation age and other benefit differences resulting from State service credited for individual members even though such allocated employer contribution rate on behalf of any given member may be more or less than 5% of the member's compensation for the period from July 1, 2010, to June 30, 2011, or may differ from the prior year's contribution for that member by more or less than the percentages used to calculate the collared contribution rate for that year and may be below any minimum contribution rate established for the collared contribution rate or final contribution rate. These certifications shall be regarded as final and not subject to modification by the [Budget Secretary] **Secretary of the Budget.**

* * *

§ 5903. Duties of the board to advise and report to heads of departments and members.

* * *

(c) Purchase of credit and full coverage membership certifications.--Upon receipt of an application from an active member or eligible school employee to purchase credit for previous State or creditable nonstate service, **an election for membership in a specific class of service**, or an election to become a full coverage member, the board shall determine and certify to the member the amount required to be paid by the member. When necessary, the board shall certify to the previous employer the amount due in accordance with sections 5504 (relating to member contributions for the purchase of credit for previous State service or to become a full coverage member) and 5505 (relating to contributions for the purchase of credit for creditable nonstate service).

* * *

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

(a) Statement to new members.--As soon as practicable after each member shall have become an active member in the system, the board shall issue to the member **notice of any election of class of service membership he may be eligible to make**, a statement certifying his class of service, his member contribution rate, and the aggregate length of total previous State service and creditable nonstate service for which he may receive credit.

* * *

§ 5905.1. Installment payments of accumulated deductions.

* * *

(d) Statutory interest.--Any lump sum, **including a lump sum payable pursuant to section 5705.1 (relating to payment of accumulated deductions resulting from Class A-3 and Class A-4 service)**, or installment payable shall include statutory interest credited to the date of payment, except in the case of a member, other than a vestee or special vestee, who has not filed his application prior to 90 days following his termination of service.

§ 5907. Rights and duties of State employees and members.

* * *

(c) Multiple service membership.--Any active member who was formerly an active member in the Public School Employees' Retirement System may elect to become a multiple service member. Such election shall occur no later than [30] **365** days after becoming an active member in this system.

* * *

§ 5933. Members' savings account.

(a) Credits to account.--The members' savings account shall be the ledger account to which shall be credited the amounts of the pickup contributions made by the Commonwealth or other employer and contributions or lump sum payments made by active members in accordance with the provisions of sections 5501 (relating to regular member contributions for current service), **5501.1 (relating to shared-risk member contributions for Class A-3 and Class A-4 service)**, 5502 (relating to social security integration member contributions), 5503 (relating to joint coverage member contributions), 5504 (relating to member contributions for the purchase of credit for previous State service or to become a full coverage member), 5505.1 (relating to additional member contributions) and 5505 (relating to contributions for the purchase of credit for creditable nonstate service) and transferred from the members' savings account of the Public School Employees' Retirement System in accordance with the provisions of section 5303.2 (relating to election to convert school service to State service).

* * *

§ 5934. State accumulation account.

The State accumulation account shall be the ledger account to which shall be credited all contributions of the Commonwealth or other employers whose employees are members of the system and made in accordance with the provisions of section 5507(a) **or (d)** (relating to contributions by the Commonwealth and other employers) except that the amounts received under the provisions of the act of May 12, 1943 (P.L.259, No.120), and the amounts received under the provisions of the Liquor Code, act of April 12, 1951 (P.L.90, No.21), shall be credited to the State Police benefit account or the enforcement officers' benefit account as the case may be. All amounts transferred to the fund by county retirement systems or pension plans in accordance with the provisions of section 5507(c) also shall be credited to the State accumulation account. All amounts transferred to the fund by the Public School Employees' Retirement System in accordance with section 5303.2(e) (relating to election to convert school service to State service), except amounts credited to the members' savings account, and all amounts paid by the Department of Corrections in accordance with section 5303.2(f) also shall be credited to the State accumulation account. The State accumulation account shall be credited with valuation interest. The reserves necessary for the payment of annuities and death benefits as approved by the board and as provided in Chapter 57 (relating to benefits) shall be transferred from the State accumulation account to the annuity reserve account provided for in section 5935 (relating to annuity reserve account), except that the reserves necessary on account of a member who is an officer of the Pennsylvania State Police or an enforcement officer shall be transferred from the State accumulation account to the State Police benefit account provided for in section 5936 (relating to State Police benefit account) or to the enforcement officers' benefit account as provided for in section 5937 (relating to enforcement officers' benefit account) as the case may be. **The reserves necessary for the payment of supplemental annuities in excess of those reserves credited to the supplemental annuity account on June 30, 2010, shall be transferred from the State accumulation account to the supplemental annuity account. In the event that supplemental annuities are increased by legislation enacted after December 31, 2009, the necessary reserves shall be transferred from the State accumulation account to the supplemental annuity account.**

§ 5936. State Police benefit account.

* * *

(b) Transfers from account.--Should the said annuitant be subsequently restored to active service, 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.

* * *

(b) Transfers from account.--Should the said annuitant be subsequently restored to active service, the present value of the member's annuity at the time of reentry into State service shall be transferred from the enforcement officers' 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 the annuitant does not have any Class AA , **Class A-3 or Class A-4 service credited [and calculated] ; as if he had been a member of Class AA if the annuitant does have Class AA 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 enforcement officers' benefit account to the State accumulation account. Upon subsequent retirement other than as an enforcement officer the actuarial reserve remaining in the enforcement officers' benefit account shall be transferred to the appropriate reserve account.
§ 5938. Supplemental annuity account.

The supplemental annuity account shall be the ledger account to which shall be credited all contributions from the Commonwealth **and other employers** in accordance with section 5507(b) (relating to contributions by the Commonwealth and other employers) for the payment of the supplemental annuities provided in sections 5708 (relating to supplemental 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) **made before July 1, 2010, the amount transferred from the State accumulation account to provide all additional reserves necessary as of June 30, 2010, to pay such supplemental annuities and adjustments, and the amounts transferred from the State accumulation account to provide all additional reserves necessary as a result of supplemental**

annuities enacted after December 31, 2009. The supplemental annuity account shall be credited with valuation interest. The reserves necessary for the payment of such supplemental annuities shall be transferred from the supplemental annuity account to the annuity reserve account as provided in section 5935 (relating to annuity reserve account).

§ 5955. Construction of part.

Regardless of any other provision of law, pension rights of State employees shall be determined solely by this part or any amendment thereto, and no collective bargaining agreement nor any arbitration award between the Commonwealth and its employees or their collective bargaining representatives shall be construed to change any of the provisions herein, to require the board to administer pension or retirement benefits not set forth in this part, or otherwise require action by any other government body pertaining to pension or retirement benefits or rights of State employees. Notwithstanding the foregoing, any pension or retirement benefits or rights previously so established by or as a result of an arbitration award shall remain in effect after the expiration of the current collective bargaining agreement between the State employees so affected and the Commonwealth **until the expiration of each of the collective bargaining agreements in effect on January 1, 2011, at which time the classes of membership and resulting member contribution rates and contributions for creditable nonstate service, eligibility for vesting, withdrawal and superannuation annuities, optional modification of annuities and other terms and conditions related to class of membership shall be as determined by this part for employees covered by those and successor collective bargaining agreements. For purposes of administering this part, for those State employees who are members of each such collective bargaining unit, the date January 1, 2011, contained in this part, except in this section, shall be replaced with the date of the day immediately following the expiration of each such collective bargaining agreement.** The provisions of this part insofar as they are the same as those of existing law are intended as a continuation of such laws and not as new enactments. The provisions of this part shall not affect any act done, liability incurred, right accrued or vested, or any suit or prosecution pending or to be instituted to enforce any right or penalty or to punish any offense under the authority of any repealed laws.

Section 11.1. Title 71 is amended by adding a section to read:

§ 5957. **Independent Fiscal Office study.**

The Independent Fiscal Office shall study and analyze the implementation of shared-risk contributions under section 5501.1 (relating to shared-risk member contributions for Class A-3 and Class A-4 service) and its impact on the system. The study shall be completed by December 31, 2015, and shall be transmitted to the Appropriations Committee and the Finance Committee of the Senate, the Appropriations Committee and the Finance Committee of the House of Representatives and to the Governor.

Section 12. Contribution rates shall remain in effect until June 30, 2010, as follows:

(1) Notwithstanding the provisions of this act, the employer contribution rates certified by the Public School Employees' Retirement Board for fiscal year 2009-2010 shall remain in effect until June 30, 2010.

(2) Notwithstanding the provisions of this act, the employer contribution rates certified by the State Employees'

Retirement Board for fiscal year 2009-2010 shall remain in effect until June 30, 2010.

Section 12.1. Nothing in 71 Pa.C.S. § 5955 shall affect the eligibility of an officer or member of the Pennsylvania State Police to retire after June 30, 1989, as provided in a binding arbitration award issued before July 1, 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, as implemented by the State Employees' Retirement Board. This section permits retirement at:

(1) 50% of highest-year salary and 20 years of service; and

(2) 75% of highest-year salary and 25 years of service.

Section 13. The following apply to pension obligation bonds:

(1) No executive agency or independent agency may issue a pension obligation bond for the benefit of:

(i) the Public School Employees' Retirement System of Pennsylvania; or

(ii) the State Employees' Retirement System of Pennsylvania.

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

"Executive agency." As defined in 62 Pa.C.S. § 103 (relating to definitions).

"Independent agency." As defined in 62 Pa.C.S. § 103.

Section 14. Certain public officials shall be held harmless, as follows:

(1) Notwithstanding any other provision of law, fiduciary requirement, actuarial standard of practice or other requirement to the contrary, the members of the Public School Employees' Retirement Board, the actuary and other employees and officials of the Public School Employees' Retirement System shall not be held liable or in breach or violation of any law or standard either as individuals or in their official capacity or as a governmental or corporate entity for any action or calculation related to calculating and certifying a final contribution rate as provided for in this act that is different from the actuarially required contribution rate as otherwise appropriately calculated under the provisions of the Public School Employees' Retirement Code.

(2) Notwithstanding any other provision of law, fiduciary requirement, actuarial standard of practice or other requirement to the contrary, the members of the State Employees' Retirement Board, the actuary and other employees and officials of the State Employees' Retirement System shall not be held liable or in breach or violation of any law or standard either as individuals or in their official capacity or as a governmental or corporate entity for any action or calculation related to calculating and certifying a final contribution rate as provided for in this act that is different from the actuarially required contribution rate as otherwise appropriately calculated under the provisions of the State Employees' Retirement Code.

Section 15. Construction of a calculation or actuarial method shall be as follows:

(1) Nothing in this act shall be construed or deemed to imply that any calculation or actuarial method used by the Public School Employees' Retirement Board, its actuaries or the Public School Employees' Retirement System was not

in accordance with the provisions of the Public School Employees' Retirement Code or other applicable law prior to the effective date of this section.

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

Section 16. Nothing in this act shall be deemed to permit the restoration of service credit or retirement benefits which were the subject of an order of forfeiture pursuant to the act of July 8, 1978 (P.L.752, No.140), known as the Public Employee Pension Forfeiture Act, or subject to section 16 of Article V of the Constitution of Pennsylvania or 42 Pa.C.S. § 3352.

Section 17. Except for 24 Pa.C.S. § 8303(d), nothing in this act shall be construed or deemed to imply that any interpretation or application of the provisions of 24 Pa.C.S. Pt. IV or benefits available to members of the Public School Employees' Retirement System was not in accordance with the provisions of 24 Pa.C.S. Pt. IV or other applicable law prior to the effective date of this section. It is the express intent of the General Assembly that nothing in this act shall be construed to grant to or be deemed to imply that this act expands, contracts or otherwise affects any contractual rights, either expressed or implied, or any other constitutionally protected rights, in the terms and conditions of the Public School Employees' Retirement System or other pension or retirement benefits as a school employee, including, but not limited to, benefits, options, rights or privileges established by 24 Pa.C.S. Pt. IV for any current or former school employees.

Section 18. This act shall be construed and administered in such a manner that the Public School Employees' Retirement System will satisfy the requirements necessary to qualify as a qualified pension plan under section 401(a) and other applicable provisions of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.). The rules, regulations and procedures adopted and promulgated by the Public School Employees' Retirement Board under 24 Pa.C.S. § 8502(h) may include those necessary to accomplish the purpose of this section.

Section 19. (a) Nothing in this act which amends or supplements provisions of 24 Pa.C.S. Pt. IV shall create in any member of the system or in any other person claiming an interest in the account of any such member a contractual right, either express or implied, in relation to requirements for qualification of the Public School Employees' Retirement System as a qualified pension plan under the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)) nor any construction of 24 Pa.C.S. Pt. IV, as so amended or supplemented, or any rules or regulations adopted under 24 Pa.C.S. Pt. IV. The provisions of 24 Pa.C.S. Pt. IV shall remain subject to the Internal Revenue Code of 1986, and the General Assembly reserves to itself such further exercise of its legislative power to amend or supplement such provisions as may from time to time be required in order to maintain the qualification of such system as a qualified pension plan under section 401(a) and other applicable provisions of the Internal Revenue Code of 1986.

(b) References in this act to the Internal Revenue Code of 1986, including for this purpose administrative regulations

promulgated thereunder, are intended to include such laws and regulations in effect on the effective date of this section and as they may hereafter be amended or supplemented or supplanted by successor provisions.

Section 20. No school employee otherwise a member of, eligible to be a member of, or having school or nonschool service credited in a class of service other than Class T-E or Class T-F may cancel, decline or waive membership in such other class of service in order to obtain Class T-E or Class T-F service credit, become a member of Class T-E or Class T-F or elect Class T-E or Class T-F membership.

Section 21. Notwithstanding any other provision of law, any change in accrued liability of the Public School Employees' Retirement System created by this act shall be funded as a level percentage of compensation over a period of 24 years beginning July 1, 2011, subject to any limits imposed on employer contributions to the Public School Employees' Retirement System. For purposes of 24 Pa.C.S. §§ 8321, 8326 and 8328, such changes shall not be considered to be costs added by legislation.

Section 22. Notwithstanding any regulation promulgated by the Public School Employees' Retirement Board, application or interpretation of 24 Pa.C.S. Pt. IV, or administrative practice to the contrary, a member's eligibility deriving from Class T-E or Class T-F service credit for a superannuation annuity or other rights and benefits based upon attaining superannuation age shall be determined by including only those eligibility points actually accrued.

Section 23. Nothing in this act shall be construed or deemed to imply that any interpretation or application of the provisions of 71 Pa.C.S. Pt. XXV or benefits available to members of the State Employees' Retirement System was not in accordance with the provisions of 71 Pa.C.S. Pt. XXV or other applicable law prior to the effective date of this section. It is the express intent of the General Assembly that nothing in this act shall be construed to grant to or be deemed to imply that this act expands, contracts or otherwise affects any contractual rights, either expressed or implied, or any other constitutionally protected rights, in the terms and conditions of the State Employees' Retirement System or other pension or retirement benefits as a State employee, including, but not limited to, benefits, options, rights or privileges established by 71 Pa.C.S. Pt. XXV for any current or former State employees.

Section 24. This act shall be construed and administered in such a manner that the State Employees' Retirement System will satisfy the requirements necessary to qualify as a qualified pension plan under section 401(a) and other applicable provisions of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.). The rules, regulations and procedures adopted and promulgated by the State Employees' Retirement Board under 71 Pa.C.S. § 5902(h) may include those necessary to accomplish the purpose of this section.

Section 25. (a) Nothing in this act which amends or supplements provisions of 71 Pa.C.S. Pt. XXV shall create in any member of the system or in any other person claiming an interest in the account of any such member a contractual right, either express or implied, in relation to requirements for qualification of the State Employees' Retirement System as a qualified pension plan under the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)) nor any construction of 71 Pa.C.S. Pt. XXV, as so amended or supplemented, or any rules or regulations adopted under 71 Pa.C.S. Pt. XXV. The provisions of 71 Pa.C.S. Pt. XXV shall remain subject to the

Internal Revenue Code of 1986, and the General Assembly reserves to itself such further exercise of its legislative power to amend or supplement such provisions as may from time to time be required in order to maintain the qualification of such system as a qualified pension plan under section 401(a) and other applicable provisions of the Internal Revenue Code of 1986.

(b) References in this act to the Internal Revenue Code of 1986, including for this purpose administrative regulations promulgated thereunder, are intended to include such laws and regulations in effect on the effective date of this section and as they may hereafter be amended or supplemented or supplanted by successor provisions.

Section 26. No State employee otherwise a member of, eligible to be a member of or having State or nonstate service credited in a class of service other than Class A-3 or Class A-4 may cancel, decline or waive membership in such other class of service in order to obtain Class A-3 or Class A-4 service credit, become a member of Class A-3 or Class A-4 or elect Class A-3 or Class A-4 membership.

Section 27. Notwithstanding any other provision of law, any change in accrued liability of the State Employees' Retirement System created by this act as a result of changes in benefits shall be funded in equal dollar installments over a period of 30 years beginning July 1, 2011, subject to any limits imposed by this act on employer contributions to the State Employees' Retirement System. For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508, any such changes shall not be considered to be costs added by legislation.

Section 28. Notwithstanding any regulation promulgated by the State Employees' Retirement Board, application or interpretation of 71 Pa.C.S. Pt. XXV, or administrative practice to the contrary, a member's eligibility deriving from Class A-3 or Class A-4 service credit for a superannuation annuity or other rights and benefits based upon attaining a superannuation score of 92 or the accrual of 35 eligibility points shall be determined by including only those eligibility points actually accrued.

Section 28.1. (1) Nothing in this act shall be construed or deemed to imply that, but for the expressed applications of the limitations on benefits or other requirements under section 401(a) or 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 or 415), those limitations would not otherwise apply to members of the State Employees' Retirement System and the benefits payable under 71 Pa.C.S. Pt. XXV.

(2) Nothing in this act shall be construed or deemed to imply that any member of Class A-3 or Class A-4 shall be required to make contributions to the State Employees' Retirement System for the purchase of nonstate service credit in excess of the limits established by Section 415(n) (3) (A) (iii) of the Internal Revenue Code of 1986. Any contributions made by a member of Class A-3 or Class A-4 for the purchase of nonstate service credit which are determined to be in excess of the limits shall be refunded to the member in a lump sum subject to withholding for all applicable taxes and penalties as soon as administratively possible after such determination is made. Any refund of excess contributions made under this section shall not affect the benefit payable to the member and shall not be treated as or deemed to be a withdrawal of the member's accumulated deductions.

Section 29. This act shall take effect as follows:

(1) The amendment or addition of the following provisions of 24 Pa.C.S. shall take effect July 1, 2011:

- (i) section 8102;
- (ii) section 8303(c) and (d);
- (iii) section 8304(a);
- (iv) section 8305(d) and (e);
- (v) section 8305.2;
- (vi) section 8307(b);
- (vii) section 8308;
- (viii) section 8321(b);
- (ix) section 8323(a), (c) and (c.1);
- (x) section 8324(a), (d), (e) and (f);
- (xi) section 8326(a);
- (xii) section 8327(a) and (c);
- (xiii) section 8328;
- (xiv) section 8342(a);
- (xv) section 8344(d);
- (xvi) section 8345(a);
- (xvii) section 8348.1(f);
- (xviii) section 8348.2(f);
- (xix) section 8348.3(f);
- (xx) section 8348.5(f);
- (xxi) section 8348.6(f);
- (xxii) section 8348.7(f);
- (xxiii) section 8348.8;
- (xxiv) section 8502(k);
- (xxv) section 8505(1); and
- (xxvi) section 8535(3).

(2) The following apply to 71 Pa.C.S. Pt. V:

(i) The addition of the following provisions shall take effect November 30, 2010:

- (A) Section 4102.
- (B) Section 4110.

(ii) The addition of the remaining provisions of 71 Pa.C.S. Pt. V shall take effect May 1, 2011.

(3) Sections 17, 18, 19, 20, 21 and 22 of this act shall take effect July 1, 2011.

(4) The remainder of this act shall take effect immediately.

APPROVED--The 23rd day of November, A.D. 2010.

EDWARD G. RENDELL