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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE BILL**

**No. 1157** Session of  
1985

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INTRODUCED BY HOWARD, OCTOBER 16, 1985

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REFERRED TO FINANCE, OCTOBER 16, 1985

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AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated  
2 Statutes, revising provisions relating to retirement for  
3 school employees.

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

6 Section 1. Part IV of Title 24 of the Pennsylvania  
7 Consolidated Statutes is amended by adding a subpart heading to  
8 read:

9 PART IV

10 RETIREMENT FOR SCHOOL EMPLOYEES

11 SUBPART A

12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT CODE OF 1975

13 Section 2. Section 8101 of Title 24 is amended to read:

14 § 8101. Short title of [part] subpart.

15 This [part] subpart shall be known and may be cited as the  
16 ["Public] Public School Employees' Retirement [Code."] Code.

17 Section 3. The introductory paragraph of section 8102 of  
18 Title 24 is amended to read:

1 § 8102. Definitions.

2 [The following words and phrases when used in this part shall  
3 have, unless the context clearly indicates otherwise, the  
4 meanings given to them in this section:] Subject to additional  
5 definitions contained in subsequent provisions of this subpart  
6 which are applicable to specific provisions of this subpart, the  
7 following words and phrases when used in this subpart shall have  
8 the meanings given to them in this section unless the context  
9 clearly indicates otherwise:

10 \* \* \*

11 Section 4. Title 24 is amended by adding a section to read:

12 § 8301.1. Participation in new retirement system.

13 (a) Members not electing participation in new system.--A  
14 person who is a member of the system established by this subpart  
15 on the effective date of this section and who does not elect at  
16 any time to become a participant of the system established under  
17 Chapter 87 (relating to Public School Employees' Retirement Code  
18 of 1985) is entitled to remain a member of the system  
19 established by this subpart, without change of benefits or  
20 conditions of membership, so long as he remains in continuous,  
21 uninterrupted employment.

22 (b) Ineligibility of persons for membership in existing  
23 system.--A person who is not a member of the system established  
24 by this subpart on the effective date of this section or who  
25 begins or returns to active school employment after that date  
26 shall not be eligible for membership in the system established  
27 by this subpart.

28 (c) Members electing participation in new system.--A person  
29 who is an active member of the system established by this  
30 subpart may, within three years of the effective date of this

1 section , elect to transfer to the system established by Chapter  
2 87, as follows:

3 (1) An active member who elects to transfer to the  
4 system established by Chapter 87 shall be entitled to a  
5 refund of the total accumulated deductions standing to his  
6 credit as of the effective date of the transfer.

7 (2) An active member who elects to transfer to the  
8 system established by Chapter 87 within three years of the  
9 effective date of this section shall be entitled to a refund  
10 of the total accumulated deductions standing to his credit as  
11 of the effective date of transfer or, at his option, to have  
12 all or any part of his accumulated deductions transferred to  
13 a single deposit investment account which shall be  
14 established by the board in accordance with section 8767  
15 (relating to single deposit investment account for transfer  
16 participants).

17 (d) Effect of transfer to new system on rights and  
18 benefits.--A person who, while an active member of the system  
19 established by this subpart, elects to transfer under subsection  
20 (c) to the system established by Chapter 87 shall forfeit all  
21 rights and benefits to which he may be entitled under this  
22 system. These persons shall, however, receive service credits  
23 and vesting credits in the new system in direct proportion to  
24 the eligibility points forfeited in this system upon the  
25 transfer.

26 (e) Entitlements of returning employees who withdrew  
27 contributions.--In the event of a return to active employment of  
28 any former member of the system established by this subpart  
29 whose active membership was terminated and who withdrew  
30 contributions in accordance with section 8341 (relating to

1 return of total accumulated deductions), the person shall be  
2 entitled to service credits and vesting credits in the system  
3 established by Chapter 87 equal to the eligibility points  
4 forfeited upon termination.

5 Section 5. Sections 8303, 8305(a), 8322.1, 8326(b), 8328,  
6 8346(a), 8349(a), 8501(b), (c) and (e), 8502(a), (c), (f) and  
7 (n), 8503(a), 8504(c), 8505(j), 8506(i), 8521(a) and (l), 8531,  
8 8532 and 8533 of Title 24 are amended to read:

9 § 8303. Eligibility points for retention and reinstatement of  
10 service credits.

11 (a) Accrued credited service.--Eligibility points shall be  
12 computed in accordance with section 8306 (relating to  
13 eligibility points) with respect to all credited service accrued  
14 as of the effective date of this [part] subpart.

15 (b) Future school service.--Every active member of the  
16 system shall accrue an eligibility point for each year of school  
17 service rendered subsequent to the effective date of this [part]  
18 subpart.

19 (c) Purchase of previous creditable service.--Every active  
20 member of the system or a multiple service member who is an  
21 active member of the State Employees' Retirement System on or  
22 after the effective date of this [part] subpart may purchase  
23 credit and receive eligibility points as a member of Class T-C  
24 for previous school service or creditable nonschool service upon  
25 written agreement by the member and the board as to the manner  
26 of payment of the amount due for credit for such service;  
27 except, that any purchase for reinstatement of service credit  
28 shall be for all service previously credited.

29 § 8305. Classes of service.

30 (a) Class T-C membership.--A school employee who is a member

1 of Class T-C on the effective date of this [part] subpart or who  
2 becomes a member of the system subsequent to the effective date  
3 of this [part] subpart shall be classified as a Class T-C  
4 member.

5 \* \* \*

6 § 8322.1. Pickup contributions.

7 All contributions required to be made under sections 8321  
8 (relating to regular member contributions for current service)  
9 and 8322 (relating to joint coverage member contributions), with  
10 respect to current school service rendered by an active member  
11 on or after January 1, 1983, shall be picked up by the employer  
12 and shall be treated as the employer's contribution in  
13 determining tax treatment under the United States Internal  
14 Revenue Code for Federal tax purposes. For all other purposes,  
15 under this [part] subpart and otherwise, the pickup  
16 contributions shall be treated as contributions made by a member  
17 in the same manner and to the same extent as contributions made  
18 by a member prior to January 1, 1983.

19 § 8326. Contributions by the Commonwealth.

20 \* \* \*

21 (b) Contributions on behalf of annuitants.--The Commonwealth  
22 shall make contributions on behalf of all annuitants in an  
23 amount equal to one-half of the amount certified by the board as  
24 necessary to fund the additional liabilities for minimum and  
25 supplemental annuities in accordance with section [8328(d)] 8328  
26 (c).

27 § 8328. Actuarial cost method.

28 (a) Employer contribution rate on behalf of active  
29 members.--The amount of the total employer contributions on  
30 behalf of all active members shall be computed by the actuary as

1 a percentage of the total compensation of all active members  
2 during the period for which the amount is determined and shall  
3 be so certified by the board. The total contribution rate on  
4 behalf of all active members shall consist of the normal  
5 contribution rate and the accrued liability contribution rate.

6 (b) Normal contribution rate.--The normal contribution rate  
7 shall be determined after each actuarial valuation. Until all  
8 accrued liability contributions have been completed, the normal  
9 contribution rate shall be determined, on the basis of an  
10 [annual 5 1/2%] interest rate and such mortality and other  
11 tables as shall be adopted by the board[, as a level percentage  
12 of the compensation of the average new active member, which  
13 percentage, if contributed on the basis of his prospective  
14 compensation through the entire period of active school service,  
15 would be sufficient to fund the liability for any prospective  
16 benefit payable to him, in excess of that portion funded by his  
17 prospective member contributions. After all accrued liability  
18 contributions have been completed, the normal contribution rate  
19 shall be determined by deducting from the present value of the  
20 liabilities for all prospective benefits of active members, the  
21 sum of the total assets in the fund on the valuation date,  
22 excluding the balance in the annuity reserve account, and the  
23 present value of prospective member contributions, and dividing  
24 the remainder by the present value of the future compensation of  
25 all active members]. The employer's normal contribution rate  
26 shall be determined as a level percentage of the compensation of  
27 participants utilizing the entry age actuarial cost method. This  
28 is a method under which the actuarial present value of the  
29 projected benefits of each individual included in an actuarial  
30 valuation is allocated on a level basis over the earnings of the

1 individual between entry age and assumed exit age. The portion  
2 of this actuarial present value allocated to a valuation year is  
3 called the normal cost. The portion of this actuarial present  
4 value not provided for at a valuation date by the actuarial  
5 present value of future normal costs is called the actuarial  
6 accrued liability.

7 (c) Accrued liability contribution rate.--[For the fiscal  
8 year beginning July 1, 1967, the accrued liability contribution  
9 rate shall be computed as the rate of total compensation of all  
10 active members which shall be certified by the actuary as  
11 sufficient to fund over a period of 30 years from such date the  
12 present value of the liabilities for all prospective benefits of  
13 active members in excess of the total assets in the fund,  
14 excluding the balance in the annuity reserve account, and of the  
15 present value of normal contributions and of member  
16 contributions payable with respect to all active members on such  
17 date during the remainder of their active service. Thereafter,  
18 the amount of each annual accrued liability contribution shall  
19 be at least 4% greater than the amount of such contribution for  
20 the previous fiscal year, except that, if the accrued liability  
21 is increased by legislation enacted subsequent to July 1, 1967,  
22 such additional liability shall be funded over a period of 30  
23 years from the first day of July, coincident with or next  
24 following the effective date of the increase on the basis that  
25 each succeeding annual additional accrued liability contribution  
26 shall be at least 4% greater than the amount of such additional  
27 contribution for the previous fiscal year. The accrued liability  
28 contributions under this section shall be discontinued as soon  
29 as the total assets in the fund, excluding the balance in the  
30 annuity reserve account, equals the present value of the

1 liability for all prospective benefits of active members, less  
2 the present value of the prospective normal contributions and of  
3 member contributions payable with respect to all active members  
4 on such date during the remainder of their active service.] The  
5 accrued liability contribution rate shall be the sum of:

6 (1) A 30-year level dollar amortization payment on the  
7 unfunded actuarial accrued liability as of the December 31  
8 next following the date of enactment of Chapter 87 (relating  
9 to Public School Employees' Retirement Code of 1985).

10 (2) A 20-year level dollar amortization payment on any  
11 increment in the unfunded actuarial accrued liability  
12 attributable to a change in actuarial assumptions or to a  
13 modification in the benefit plan applicable to active  
14 members.

15 (3) A 10-year level dollar amortization payment on any  
16 increment in the unfunded actuarial accrued liability  
17 attributable to a modification in the benefit plan applicable  
18 to retired members and the benefit recipients.

19 (4) A 15-year level dollar amortization payment (credit)  
20 on any net unfunded actuarial accrued liability attributable  
21 to an actuarial experience loss (gain).

22 [(d) Supplemental annuity contribution rate.--Contributions  
23 from the Commonwealth and other employers required to provide  
24 for the payment of supplemental annuities to annuitants as  
25 provided in section 8348 (relating to supplemental annuities)  
26 shall be determined as a percentage of the total compensation of  
27 all active members during the period for which the amount is  
28 certified as sufficient to fund the liabilities of the  
29 supplemental retirement allowance account as a level percentage  
30 over a period of 30 years from July 1, 1967. In the event that



1 annuities are increased by legislation enacted subsequent to  
2 July 1, 1974, the additional liability for the increase in  
3 benefits to annuitants shall be funded similarly as a level  
4 percentage over a period of 20 years from the first day of July  
5 coincident with or next following the effective date of such  
6 legislation. Notwithstanding the foregoing, the additional  
7 liability on account of any increase in annuities which is  
8 effective July 1, 1979 shall be funded by level annual payments  
9 over a period of 20 years beginning July 1, 1980. The additional  
10 liability on account of any increase in annuities which is  
11 effective July 1, 1984 shall be funded by level annual payments  
12 over a period of 20 years beginning July 1, 1984.]

13 § 8346. Termination of annuities.

14 (a) General rule.--If an annuitant returns to school service  
15 or enters State service and elects multiple service membership,  
16 any annuity payable to him under this [part] subpart shall cease  
17 and in the case of an annuity other than a disability annuity  
18 the present value of such annuity, adjusted for full coverage in  
19 the case of a joint coverage member who makes the appropriate  
20 back contributions for full coverage, shall be frozen as of the  
21 date such annuity ceases. In the event that the cost-of-living  
22 increase enacted December 18, 1979 occurred during the period of  
23 such State or school employment, the frozen present value shall  
24 be increased, on or after the member attains superannuation age,  
25 by the percent applicable had he not returned to service.

26 \* \* \*

27 § 8349. Payment of benefits.

28 (a) Annuities.--Any annuity granted under the provisions of  
29 this [part] subpart shall be paid in equal monthly installments.

30 \* \* \*

1 § 8501. Public School Employees' Retirement Board.

2 \* \* \*

3 (b) Appointment and terms of initial members.--For the  
4 purposes of securing an orderly transition and staggered terms,  
5 the elected members of the board serving on the effective date  
6 of this [part] subpart shall serve until the expiration of their  
7 respective terms. The board member initially elected by members  
8 of Pennsylvania public school boards shall serve until January  
9 1, 1976. The board member initially elected by the active  
10 nonprofessional members of the system shall serve until January  
11 1, 1977. One of the initial board members appointed by the  
12 Governor after the effective date of this [part] subpart shall  
13 serve until January 1, 1976 and the second appointed board  
14 member shall serve until January 1, 1977. A vacancy occurring  
15 during the term of any member shall be filled for the unexpired  
16 term by a successor appointed or elected as the case may be in  
17 the same manner as his predecessor.

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

27 \* \* \*

28 (e) Corporate power and legal advisor.--For the purposes of  
29 this [part] subpart, the board shall possess the power and  
30 privileges of a corporation. The Attorney General of the

1 Commonwealth shall be the legal advisor of the board.

2 § 8502. Administrative duties of board.

3 (a) Employees.--The secretary, clerical and other employees  
4 of the board and their successors whose positions on the  
5 effective date of this [part] subpart are under the classified  
6 service provisions of the act of August 5, 1941 (P.L.752,  
7 No.286), known as the ["Civil Service Act,"] Civil Service Act,  
8 shall continue under such provisions. The compensation and  
9 classification of all other persons appointed shall be  
10 determined by the board and shall be consistent with the  
11 standards established by the Executive Board of the  
12 Commonwealth.

13 \* \* \*

14 (c) Expenses.--The board shall, through the Governor, submit  
15 to the General Assembly annually a budget covering the  
16 administrative expenses of this [part] subpart. Such expenses as  
17 approved by the General Assembly in an appropriation bill shall  
18 be paid from investment earnings of the fund.

19 \* \* \*

20 (f) Functions.--The board shall perform such other functions  
21 as are required for the execution of this [part] subpart and  
22 shall have the right to inspect the employment records of  
23 employers.

24 \* \* \*

25 (n) Annual financial statement.--The board shall prepare and  
26 have published, on or before January 1 of each year, a financial  
27 statement as of the fiscal year ending June 30 of the previous  
28 year showing the condition of the fund and the various accounts  
29 and setting forth such other facts, recommendations and data as  
30 may be of use in the advancement of knowledge concerning

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

5 \* \* \*

6 § 8503. Duties of board to advise and report to employers and  
7 members.

8 (a) Manual of regulations.--The board shall, with the advice  
9 of the Attorney General and the actuary, prepare within 90 days  
10 of the effective date of this [part] subpart, a manual  
11 incorporating rules and regulations consistent with the  
12 provisions of this [part] subpart for the employers who shall  
13 make information contained therein available to the general  
14 membership. The board shall thereafter advise the employers  
15 within 90 days of any changes in such rules and regulations due  
16 to changes in the law or due to changes in administrative  
17 policies.

18 \* \* \*

19 § 8504. Duties of board to report to State Employees'  
20 Retirement Board.

21 \* \* \*

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

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

30 (i) The salary history as a member of the Public

1 School Employees' Retirement System and the final average  
2 salary as calculated on the basis of the compensation  
3 received as a State and school employee.

4 (ii) The annuity or benefit which the member or his  
5 beneficiary is entitled to receive under this [part]  
6 subpart and modified according to the option selected.

7 (2) Transfer to the State Employees' Retirement Fund the  
8 accumulated deductions standing to such member's credit and  
9 the actuarial reserve required on account of the member's  
10 years of credited service in the school system and his final  
11 average salary determined on the basis of his compensation in  
12 both systems.

13 § 8505. Duties of board regarding applications and elections of  
14 members.

15 \* \* \*

16 (j) Joint coverage annuitants.--The board shall notify in  
17 writing each joint coverage annuitant who retired prior to July  
18 1, 1962 that he may elect any time prior to, but not later than,  
19 one year following the effective date of this [part] subpart, to  
20 receive his annuity without reduction attributable to social  
21 security coverage. The board shall within 60 days of such  
22 election certify in writing to each annuitant who so elects the  
23 amount required to be paid. Upon receipt of a lump sum payment  
24 within 60 days in the amount certified to such annuitant, the  
25 board shall recompute the annuity payable to such annuitant and  
26 the annuity and/or lump sum, if any, payable upon his death to  
27 his beneficiary or survivor annuitant as though he had been a  
28 full coverage member on the effective date of retirement. Such  
29 recomputed annuity shall be paid beginning with the second  
30 monthly payment next following the month in which the lump sum

1 payment is received.

2 § 8506. Duties of employers.

3 \* \* \*

4 (i) Termination of service.--The employer shall, in the case  
5 of any member terminating school service, advise such member in  
6 writing of any benefits to which he may be entitled under the  
7 provisions of this [part] subpart and shall have the member  
8 prepare, on or before the date of termination of school service,  
9 one of the following three forms, a copy of which shall be given  
10 to the member and the original of which shall be filed with the  
11 board:

12 (1) An application for the return of accumulated  
13 deductions.

14 (2) An election to vest his retirement rights and, if he  
15 is a joint coverage member and so desires, an election to  
16 become a full coverage member and an agreement to pay within  
17 30 days of the date of termination of service the lump sum  
18 required.

19 (3) An application for an immediate annuity and, if he  
20 is a joint coverage member and so desires, an election to  
21 become a full coverage member and an agreement to pay within  
22 30 days of date of termination of service the lump sum  
23 required.

24 \* \* \*

25 § 8521. Management of fund and accounts.

26 (a) Control and management of fund.--The members of the  
27 board shall be the trustees of the fund and shall have exclusive  
28 control and management of the said fund and full power to invest  
29 the same, subject, however, to the exercise of that degree of  
30 judgment and care under the circumstances then prevailing which

1 persons of prudence, discretion and intelligence who are  
2 familiar with such matters exercise in the management of their  
3 own affairs not in regard to speculation, but in regard to the  
4 permanent disposition of the fund, considering the probable  
5 income to be derived therefrom as well as the probable safety of  
6 their capital, and further subject to all the terms, conditions,  
7 limitations, and restrictions imposed by this [part] subpart or  
8 other law upon the making of investments. Subject to like terms,  
9 conditions, limitations, and restrictions, said trustees shall  
10 have the power to hold, purchase, sell, lend, assign, transfer,  
11 or dispose of any of the securities and investments in which any  
12 of the moneys in the fund shall have been invested as well as of  
13 the proceeds of said investments and of any moneys belonging to  
14 said fund.

15 \* \* \*

16 (1) Additional board power on investments.--Regardless of  
17 any limitations, conditions or restrictions imposed on the  
18 making of investments by this [part] subpart or other law, the  
19 board may, at its discretion, invest a maximum of 10% of the  
20 book value of the assets of the fund in any investments not  
21 otherwise specifically authorized, provided that such  
22 investments are made with the exercise of that degree of  
23 judgment and care under the circumstances then prevailing which  
24 persons of prudence, discretion and intelligence who are  
25 familiar with such matters exercise in the management of their  
26 own affairs not in regard to speculation, but in regard to the  
27 permanent disposition of the fund, considering the probable  
28 income to be derived therefrom as well as the probable safety of  
29 their capital.

30 \* \* \*

1 § 8531. State guarantee.

2 Statutory interest charges payable, the maintenance of  
3 reserves in the fund, and the payment of all annuities and other  
4 benefits granted by the board under the provisions of this  
5 [part] subpart are hereby made obligations of the Commonwealth.  
6 All income, interest, and dividends derived from deposits and  
7 investments authorized by this [part] subpart shall be used for  
8 the payment of the said obligations of the Commonwealth.

9 § 8532. State supervision.

10 The fund and ledger accounts provided for by this [part]  
11 subpart shall be subject to the supervision of the State  
12 Insurance Department.

13 § 8533. Taxation, attachment and assignment of funds.

14 (a) General rule.--Except as provided in subsection (b), the  
15 right of a person to a member's annuity, a State annuity, or  
16 retirement allowance, to the return of contributions, any  
17 benefit or right accrued or accruing to any person under the  
18 provisions of this [part] subpart, and the moneys in the fund  
19 are hereby exempt from any State or municipal tax, and exempt  
20 from levy and sale, garnishment, attachment, or any other  
21 process whatsoever, and shall be unassignable.

22 (b) Forfeiture.--Rights under this [part] subpart shall be  
23 subject to forfeiture as provided by the act of July 8, 1978  
24 (P.L.752, No.140), known as the ["Public Employee Pension  
25 Forfeiture Act."] Public Employee Pension Forfeiture Act.

26 Section 6. Title 24 is amended by adding a subpart to read:

27 SUBPART B

28 PUBLIC SCHOOL EMPLOYEES' RETIREMENT CODE OF 1985

29 Chapter

30 87. Public School Employees' Retirement Code of 1985



1 CHAPTER 87

2 PUBLIC SCHOOL EMPLOYEES' RETIREMENT CODE OF 1985

3 Subchapter

4 A. Preliminary Provisions

5 B. Participation

6 C. Service Credits, Vesting Credits and Vesting

7 D. Benefits

8 E. Administration

9 F. Public School Employees' Retirement Trust Fund and

10 Accounts

11 G. Contributions

12 H. Miscellaneous Provisions

13 SUBCHAPTER A

14 PRELIMINARY PROVISIONS

15 Sec.

16 8701. Short title of chapter.

17 8702. Definitions.

18 § 8701. Short title of chapter.

19 This chapter shall be known and may be cited as the Public  
20 School Employees' Retirement Code of 1985.

21 § 8702. Definitions.

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

25 "Active participant." A participant who is currently  
26 accruing vesting credits or service credits or both. All persons  
27 employed by any governmental entity directly responsible for the  
28 employment and payment of the school employee and charged with  
29 the responsibility of providing public education within this  
30 Commonwealth, including, but not limited to, State-owned

1 universities, The Pennsylvania State University, community  
2 colleges, area vocational-technical schools, intermediate units,  
3 the State Board of Education, Scotland School for Veterans'  
4 Children, Thaddeus Stevens Trade School and the Pennsylvania  
5 State Oral School for the Deaf, in any capacity whatsoever,  
6 whether permanent or temporary, full time or part time, shall be  
7 active participants beginning with the effective date of  
8 employment. The term does not include the following:

9 (1) An independent contractor or person compensated on a  
10 fee basis.

11 (2) A person enrolled as a full-time student at a State-  
12 owned educational institution or The Pennsylvania State  
13 University who may perform compensable services for the  
14 institution or university, as the case may be, during any  
15 term while so enrolled. In the event the person is employed  
16 elsewhere in a position that would otherwise qualify for  
17 participation, the person shall not be excluded from  
18 participation while in that employment by virtue of the fact  
19 that the person is also a full-time student at a State-owned  
20 educational institution or The Pennsylvania State University.

21 (3) A person who is initially employed or who continues  
22 to be employed by the aforementioned governmental entity who  
23 is at or beyond the age at which full social security  
24 benefits become payable without any reduction for early  
25 receipt, which shall in no case be prior to 65 years of age.

26 (4) A person who is employed prior to 22 years of age  
27 until reaching 22 years of age.

28 "Actuarially equivalent." Equal actuarial present values,  
29 computed on the basis of interest and the mortality tables  
30 adopted by the board. The interest rates shall be adjusted each

1 January 1 based on the yield on ten-year Treasury Bonds during  
2 the first quarter of the preceding calendar year rounded to the  
3 nearest 0.5%. The mortality tables shall be based on the most  
4 recent available United States life expectancy tables developed  
5 by the United States Census Bureau.

6 "Actuary." The consultant to the board, who shall be one of  
7 the following:

8 (1) A member of the American Academy of Actuaries.

9 (2) An individual who has demonstrated to the  
10 satisfaction of the Insurance Commissioner that the  
11 individual has the educational background necessary for the  
12 practice of actuarial science and has had at least seven  
13 years of actuarial experience.

14 (3) A firm, partnership or corporation of which at least  
15 one member meets the requirements of paragraph (1) or (2).

16 "Beneficiary." The person or persons last designated by the  
17 participant to receive any benefits payable in the event of his  
18 death.

19 "Board." The Public School Employees' Retirement Board.

20 "Compensable service." Service performed by a participant  
21 for the employer for which compensation is actually received.

22 "Creditable nonschool service." Service other than as a  
23 participant for which a participant may receive service credits  
24 and vesting credits.

25 "Date of termination of service." The last day of service  
26 for which a participant receives remuneration from the employer  
27 or, in the case of an inactive participant on leave without pay,  
28 the date of his resignation or the date his employment if  
29 formally discontinued by the employer.

30 "Deferred retirement." The result of a participant

1 terminating participatory employment prior to being eligible to  
2 receive an immediate retirement allowance, but being eligible to  
3 receive a retirement allowance benefit at a future date, the  
4 date to be determined on the basis of age and vesting credits in  
5 accordance with the schedules provided in section 8732 (relating  
6 to service retirement eligibility), as appropriate.

7 "Effective date of retirement."

8 (1) The first date following the date of termination of  
9 compensable service of a participant if he has properly filed  
10 an application for a retirement allowance within 90 days of  
11 that date.

12 (2) In the case of a deferred retirement or a  
13 participant who does not apply for a retirement allowance  
14 within 90 days after termination of compensable service, the  
15 date of filing an application for a retirement allowance or  
16 the date specified on the application, whichever is later.

17 "Final average salary or FAS." The highest average annual  
18 remuneration received as a participant during any five  
19 consecutive nonoverlapping periods of four consecutive calendar  
20 quarters chosen from the most recent 40 calendar quarters of  
21 participation, with the remuneration for part-time service being  
22 annualized on the basis of the fractional portion of the year  
23 for which service credit is received.

24 "Fund." The Public School Employees' Retirement Trust Fund  
25 established by this chapter.

26 "Governmental entity." A board of school directors, board of  
27 public education, intermediate unit board of directors, area  
28 vocational-technical board, or any governing board of any agency  
29 or authority created by them, and the Commonwealth.

30 "Hours compensated." Units of time for which a participant

1 receives compensation as reported by the employer and used in  
2 the determination of service credits and vesting credits. Each  
3 hour for which a participant is compensated at a premium rate  
4 (i.e., at a rate greater than one time the normal rate of pay  
5 for each complete hour) shall be counted as a single hour for  
6 both service credits and vesting credits, irrespective of the  
7 level or rate of pay. Each hour for which a participant is  
8 compensated at a rate of pay which is a fraction of the normal  
9 rate of pay for each complete hour shall be counted as a  
10 corresponding fraction of an hour for both service credits and  
11 vesting credits. There shall be no hours compensated credited to  
12 a participant based on any compensation received in the form of  
13 severance payments, unused leave payments, special bonuses,  
14 awards or other similar emoluments or any refunds for expenses  
15 or contingency or accountable expense allowances.

16 "Inactive participant."

17 (1) A participant who is not earning service credits or  
18 vesting credits, including one on leave without pay, but who  
19 has accumulated service credits and vesting credits standing  
20 to his credit in the plan and who is not eligible for or has  
21 not elected to receive a deferred retirement or who has not  
22 filed an application for a retirement allowance.

23 (2) A participant who continues to be employed by the  
24 employer beyond the age at which Social Security benefits  
25 become payable without any reduction for early receipt, which  
26 shall in no case be prior to 65 years of age, until  
27 termination of employment.

28 "Intervening military service." Active military service of a  
29 participant who was an active participant immediately preceding  
30 induction into the armed forces of the United States, excluding

1 any voluntary extension of that service, and who returns to  
2 active employment within 90 days of the expiration of military  
3 service, for which both service credits and vesting credits  
4 shall be earned.

5 "Military service." Active military service for which a  
6 participant has received a discharge other than an undesirable,  
7 bad conduct or dishonorable discharge.

8 "Normal retirement age." The age at which Social Security  
9 benefits become payable without any reduction for early receipt,  
10 which shall in no case be prior to 65 years of age, or three  
11 years prior to that age upon accrual of 30 vesting credits, or  
12 five years prior to that age upon accrual of 35 vesting credits.

13 "Participant." An active participant, inactive participant,  
14 retiree or participant who has elected to receive a deferred  
15 retirement allowance.

16 "Percent vested." A percentage based on a combination of  
17 vesting credits and age in accordance with the vesting schedule  
18 for the plan.

19 "Plan." The plan incorporated into the Public School  
20 Employees' Retirement System under this chapter.

21 "Plan year." September 1 through August 31.

22 "Remuneration." Compensation received by a participant from  
23 his employer in the form of gross salary or wages for services  
24 performed. The term does not include compensation received for  
25 overtime, paid leave time and on-call or stand-by time;  
26 compensation received in the form of severance payments, unused  
27 leave payments, special bonuses, awards or other similar  
28 emoluments; or refunds for expenses or contingency or  
29 accountable expense allowances. For the purposes of the system,  
30 remuneration shall be limited to base salary or wages or both.

1 "Retiree." A participant who is receiving a monthly  
2 retirement allowance.

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

6 "Service credits." Units of credit earned by a participant  
7 beginning at 25 years of age through the performance of  
8 compensable service for the employer which are used in the  
9 determination of the amount of benefits payable to a  
10 participant.

11 "Survivor." The person last designated by a participant  
12 under a joint and survivor annuity option to receive an annuity  
13 upon the death of the participant.

14 "Survivor annuitant." A survivor who is in receipt of a  
15 monthly retirement allowance.

16 "System." The Public School Employees' Retirement System, as  
17 established by this chapter.

18 "Transfer participant." A person who has elected to transfer  
19 school and nonschool service credits credited in the Public  
20 School Employees' Retirement system established by Subpart A  
21 (relating to Public School Employees' Retirement Code of 1975)  
22 to the plan of the Public School Employees' Retirement System  
23 established under this chapter.

24 "Vestee." A participant who is at least 50% vested in  
25 accordance with the vesting schedule and who has terminated  
26 active participation in the system and has not yet applied for a  
27 deferred retirement allowance.

28 "Vesting credits." Units of credit earned by a participant  
29 beginning at 22 years of age through the performance of  
30 compensable services which are used to determine the

1 participant's eligibility for benefits and the amount of  
2 benefits.

3 SUBCHAPTER B

4 PARTICIPATION

5 Sec.

6 8711. Participation in general.

7 8712. Determination of eligibility to participate.

8 8713. Return to service.

9 § 8711. Participation in general.

10 (a) General rule.--Persons employed by a governmental entity  
11 in any capacity whatsoever, whether permanent or temporary, full  
12 time or part time, shall be participants of the plan beginning  
13 with the effective date of employment except the following:

14 (1) An independent contractor or person compensated on a  
15 fee basis.

16 (2) A person enrolled as a full-time student at a State-  
17 owned educational institution or The Pennsylvania State  
18 University who may perform compensable services for the  
19 institution or university, as the case may be, during any  
20 term while so enrolled. In the event the person is employed  
21 elsewhere in a position that would otherwise qualify for  
22 participation, the person shall not be excluded from  
23 participation while in that employment by virtue of the fact  
24 that the person is also a full-time student at a State-owned  
25 educational institution or The Pennsylvania State University.

26 (3) A person who is initially employed or continues to  
27 be employed by a governmental agency who is at or beyond the  
28 age at which full Social Security benefits become payable  
29 without any reduction for early receipt, which shall in no  
30 case be prior to 65 years of age.



1           (4) A person who is employed prior to 22 years of age  
2           until reaching 22 years of age.

3           (b) Transfer from former system.--A person who is an active  
4 member of the system established by Subpart A (relating to  
5 Public School Employees' Retirement Code of 1975) may within  
6 three years of the effective date of this chapter elect to  
7 transfer to the system established by this chapter. Upon the  
8 transfer, the participant shall be credited with service credits  
9 and vesting credits in direct proportion to the eligibility  
10 points forfeited in the predecessor system. The participant  
11 shall then be entitled to the rights and benefits provided by  
12 this system for all service credits and vesting credits  
13 transferred and any additional credits that may be earned for  
14 additional service.

15           (c) Cessation of credit accumulation and salary accrual.--  
16 The accumulation of service credits and vesting credits or the  
17 accrual of final average salary shall cease upon the attainment  
18 of normal retirement age, but in no case prior to 65 years of  
19 age.

20 § 8712. Determination of eligibility to participate.

21           The employing governmental entity shall be responsible for  
22 the initial determination of the individual employee's  
23 eligibility to participate under the rules of the plan in  
24 accordance with the establishment of an employer-employee  
25 relationship. In all cases of doubt regarding the existence of  
26 an employer-employee relationship, the determination shall be  
27 made on the basis of whether or not the employer pays the  
28 employers' share of the Federal Social Security tax on behalf of  
29 the individual. Only those for whom the employer pays the  
30 employer tax shall be deemed employees for the purposes of the

1 plan. In the event the employer is not a participant under the  
2 Federal Social Security program, the existence or nonexistence  
3 of an employer-employee relationship shall be based on other  
4 criteria established by the board. In all cases of doubt  
5 regarding an individual's eligibility to participate, the  
6 decision of the board shall be final.

7 § 8713. Return to service.

8 (a) General rule.--Upon the return to active employment of a  
9 retiree prior to the age at which Social Security benefits  
10 become payable without any reduction for early receipt, which  
11 age shall in no case be prior to 65 years of age, the retirement  
12 benefit payable shall be suspended and converted to a single  
13 life annuity effective as of the date of return to service.

14 (b) Benefit entitlement upon subsequent retirement.--Upon  
15 subsequent retirement, the participant's maximum benefit  
16 entitlement shall consist of the suspended single life annuity  
17 and the additional benefit the participant earned by virtue of  
18 the additional service.

19 (1) For purposes of determining the benefit derived from  
20 the additional service only, vesting credits shall be  
21 cumulative for all periods of service. Vesting credits and  
22 service credits earned by service rendered subsequent to the  
23 return to employment from retirement shall in no way affect  
24 the amount of the original suspended benefit.

25 (2) For purposes of determining the benefit derived from  
26 the additional service, final average salary shall be  
27 calculated as defined, including the compensation from prior  
28 periods of participatory employment in the event the  
29 participant has not accumulated sufficient additional service  
30 to make a final average salary determination.

1           (3) The sum of the combined single life annuities may be  
2 paid as such or in the form of a ten-year term certain and  
3 continuous annuity of a joint and survivor option provided  
4 the participant has more than one additional year of service  
5 subsequent to the date of return from retirement. If a joint  
6 and survivor option is selected by the participant, it shall  
7 be calculated as the actuarially equivalent to the combined  
8 single life annuities.

9           (4) In the event a retiree returns to active  
10 participation and retires again within one year of the  
11 effective date of return, the retiree shall be precluded from  
12 selecting a different payment plan option or, in the case of  
13 a joint and survivor annuity, different designated survivor  
14 than that in effect immediately preceding the return to  
15 service.

16       (c) Temporary service during emergency.--When, in the  
17 judgment of the employer, an emergency creates an increase in  
18 the workload to the extent that there is serious impairment of  
19 service to the public, a retiree may be returned to school  
20 service without loss of retirement benefits, for a period not to  
21 exceed 75 days in any school year. For purposes of determining  
22 the 75-day limitation, each day that the individual is  
23 compensated, irrespective of the amount of the compensation or  
24 the number of hours worked that day, shall count as a full day.  
25 In the event a retiree is employed under this subsection,  
26 subsections (a) and (b) shall not be applicable. However, in the  
27 event an employee under this subsection exceeds the 75-day  
28 limitation, the requirements of subsections (a) and (b) shall be  
29 applied to the date the employment first occurred. In these  
30 circumstances, the employee shall be required to return any

1 improperly received retirement benefit payments together with  
2 compound interest calculated on the basis of the most recent  
3 actuarial interest rate adopted by the board.

4 (d) Return of retiree of normal retirement age.--In the  
5 event a retiree returns to active employment with any member  
6 employer at normal retirement age or older, the retirement  
7 benefit then payable shall be suspended and the retiree shall be  
8 precluded from active participation. In these cases, no further  
9 vesting credits or service credits may be earned by this service  
10 nor may there be any adjustment of the retiree's final average  
11 salary. The suspension of benefit payments shall continue so  
12 long as the retiree remains in active employment status. Upon  
13 the termination of the active employment, benefit payments shall  
14 be resumed under the same payment plan in effect immediately  
15 preceding the suspension of benefit.

16 (e) Death of retiree during subsequent employment.--In the  
17 event a retiree returns to employment and subsequently dies  
18 within one year of the effective date of return, payment of any  
19 death benefits shall be made in accordance with the payment plan  
20 option and beneficiary or survivor designation in effect  
21 immediately preceding the return to service.

22 (f) Service credits and vesting credits.--In the event of a  
23 return to active employment of any former member of the system  
24 established by Subpart A (relating to Public School Employees'  
25 Retirement Code of 1975) whose active membership was terminated  
26 and who withdrew his contributions in accordance with section  
27 8341 (relating to return of accumulated deductions), the person  
28 shall be entitled to service credits and vesting credits in this  
29 system in direct proportion to the eligibility points forfeited  
30 upon termination from the predecessor system. In the event of a

1 return to active employment of any former participant of this  
2 system, all previous service credits and vesting credits shall  
3 be reinstated.

4 SUBCHAPTER C

5 SERVICE CREDITS, VESTING CREDITS AND VESTING

6 Sec.

7 8721. Service credits and vesting credits.

8 8722. Vesting schedule.

9 § 8721. Service credits and vesting credits.

10 (a) General rule.--Service credits and vesting credits shall  
11 be credited to participants each school year on the basis of  
12 hours compensated. Credits shall be earned by the participant on  
13 the basis of the employment relationship as compared to service  
14 rendered as a full-time faculty employee.

15 (1) A participant shall earn one vesting credit for each  
16 school year in which he is considered to be a full-time  
17 employee.

18 (2) A participant shall earn service credit for each  
19 school year in which he earns a vesting credit.

20 (3) Members may earn fractional service credits and  
21 vesting credits in school years in which employment eligible  
22 for participation commences or terminates.

23 (4) Fractional vesting credits shall be earned by a  
24 participant. The credit shall be calculated and credited as  
25 the percentage of that full school year the participant was  
26 employed.

27 (5) Fractional service credits shall be earned by  
28 participants when service qualifies for vesting credits under  
29 paragraph (4). Credit shall be calculated and credited in  
30 direct proportion to that service required for one service

1 credit to be earned by a full-time member.

2 (b) Intervening military service.--A participant who is on  
3 intervening military service shall be deemed upon return from  
4 such military service to have been in continuous, uninterrupted  
5 full-time employment. A participant shall earn both service  
6 credits and vesting credits, or fractional parts thereof, for  
7 any periods of intervening military service on a date-to-date  
8 basis determined by dividing the number of calendar days the  
9 participant was on active military duty in each calendar quarter  
10 by 90 and multiplying the result by one-fourth.

11 (c) Time of allocation of credits and compensation.--Service  
12 credits, vesting credits and hours compensated shall be credited  
13 to the period in which the remuneration for service is  
14 constructively received by the participant, except in the case  
15 of retroactive pay or personnel actions resulting from  
16 collective bargaining agreements, arbitration awards, civil  
17 service adjudications, court orders or similar actions. In these  
18 exceptional situations, the service credits, vesting credits and  
19 hours compensated shall be credited to the plan year for which  
20 the retroactive remuneration is applicable.

21 § 8722. Vesting schedule.

22 Participants shall receive vested status in accordance with  
23 the following schedule:

Vesting Credits Earned		Percent Vested at Age	
		Normal Retirement	Under Normal
At Least	But Less Than	Age and Over	Retirement Age
0	5	0%	0%
5	6	100%	50%
6	7	100%	60%
7	8	100%	70%

1	8	9	100%	80%
2	9	10	100%	90%
3	10 and over		100%	100%

4 SUBCHAPTER D

5 BENEFITS

6 Sec.

7 8731. Service retirement allowance formula.

8 8732. Service retirement eligibility.

9 8733. Optional payment plans.

10 8734. Death in active service.

11 8735. Death of retiree.

12 8736. Automatic cost-of-living adjustments.

13 8737. Special provisions on payment of benefits.

14 § 8731. Service retirement allowance formula.

15 The annual service retirement allowance shall be a maximum  
 16 single life annuity calculated as follows:

17  $0.0115 \times \text{final average salary} \times \text{service credits} \times \text{percent}$   
 18 vested.

19 § 8732. Service retirement eligibility.

20 (a) Full retirement allowance.--A participant shall be  
 21 eligible to receive a full service retirement allowance,  
 22 unreduced for age, on or after normal retirement age.

23 (b) Deferred retirement allowance.--A deferred retirement  
 24 allowance, unreduced for age, shall become payable at normal  
 25 retirement age. A vestee who is less than 100% vested in  
 26 accordance with the vesting schedule shall be eligible for a  
 27 deferred retirement allowance only upon attainment of normal  
 28 retirement age. A participant who is less than 100% vested at  
 29 the time of termination of participatory employment shall not  
 30 become vested to a higher percentage on the basis of age.

1 (c) Early retirement allowance.--A participant may, upon  
2 termination of participatory employment with 25 or more vesting  
3 credits, elect to receive an early retirement allowance  
4 beginning no sooner than ten years prior to normal retirement  
5 age. The benefit shall be calculated by the retirement allowance  
6 formula specified in section 8731 (relating to service  
7 retirement allowance formula) and reduced by 0.5% for each  
8 month, or fraction thereof, that the participant is under the  
9 age at which full Social Security benefits become payable, but  
10 not earlier than 65 years of age.

11 § 8733. Optional payment plans.

12 (a) General rule.--At the time of retirement, a participant  
13 of the system shall elect to receive retirement benefit payments  
14 under one of the following payment plan options:

15 (1) A maximum single life annuity, payable to the  
16 retired participant throughout his lifetime with all payments  
17 to cease at death.

18 (2) An actuarially reduced ten-year term certain and  
19 continuous annuity, payable to the retired participant  
20 throughout his lifetime with payments guaranteed to be paid  
21 to the retired participant or to his designated beneficiary  
22 or beneficiaries for a period of ten years from the effective  
23 date of retirement. In the event the retired participant  
24 receives payment for ten years or more, payments will  
25 continue for his lifetime and will cease at death.

26 (3) An actuarially reduced joint and 100% survivor  
27 annuity.

28 (4) An actuarially reduced joint and 50% survivor  
29 annuity.

30 (b) Ten-year term certain and continuous annuity.--A



1 retiring participant who chooses a ten-year term certain and  
2 continuous annuity may name one or more beneficiaries and may  
3 change beneficiaries at any time. In the case of multiple  
4 beneficiaries, any payments due upon the death of the retired  
5 participant shall be divided equally among the named  
6 beneficiaries and paid monthly until the expiration of the ten-  
7 year term at which time all payments shall cease.

8 (c) Joint and survivor annuity.--

9 (1) A retiring participant who chooses a joint and  
10 survivor annuity shall be limited to the designation of a  
11 single survivor annuitant, which designation may not be  
12 changed except under one of the following circumstances:

13 (i) The death of the designated survivor.

14 (ii) The divorce of the retiree and the designated  
15 survivor.

16 (iii) The marriage of the retiree subsequent to the  
17 effective date of retirement.

18 (2) In the event of the retired participant's election  
19 to change a designated survivor annuitant under any of the  
20 conditions listed in paragraph (1), the amount of the  
21 retirement allowance then being paid to the retiree shall be  
22 treated as a single life annuity and the appropriate  
23 reduction shall be calculated thereon based on the age of the  
24 retiree and the new designated survivor on the effective date  
25 of change.

26 (3) In the event a retired participant under a joint and  
27 survivor annuity elects to name a new designated survivor  
28 under paragraph (1), the change in designated survivor and  
29 the appropriate reduction in payments to the retired  
30 participant shall be effective on the first day of the month,

1 next following, one year from the date the election is  
2 received in the offices of the system.

3 § 8734. Death in active service.

4 (a) Contingent retirement benefit applicant participants.--

5 An active participant who is eligible to receive an immediate  
6 retirement allowance upon termination of employment may file a  
7 contingent retirement benefit application under one of the  
8 optional payment plans provided for in section 8733 (relating to  
9 optional payment plans) to be effective in the event of death  
10 while still in active service. In that event, the participant  
11 shall be deemed to have retired effective the day before death  
12 and the benefits shall become payable as such under the  
13 provisions of the payment plan option specified by the  
14 participant. The contingent application may be withdrawn or  
15 changed by the participant at any time during active service and  
16 shall not be binding upon the participant at the time of actual  
17 retirement.

18 (b) Other participants.--In the event an active participant  
19 who is eligible to receive an immediate retirement allowance  
20 upon termination of employment does not file a contingent  
21 retirement application in accordance with subsection (a) and  
22 dies while still in active service, he shall be deemed to have  
23 retired the day preceding death under the provisions of a joint  
24 and 100% survivor annuity. The survivor benefits thereunder  
25 shall become payable to the deceased participant's surviving  
26 spouse. In the event there is no surviving spouse, no death  
27 benefits shall be payable under this subsection.

28 (c) Vestees.--In the event of the death of a vestee who has  
29 25 or more vesting credits and who is 55 years of age or older,  
30 the vestee shall be deemed to have retired under section 8732(a)

1 or (b) (relating to service retirement eligibility) the day  
2 preceding death under the provisions of a joint and 50% survivor  
3 annuity. The survivor benefits thereunder shall become payable  
4 to the deceased vestee's surviving spouse. In the event there is  
5 no surviving spouse, no death benefits shall be payable under  
6 this subsection.

7 § 8735. Death of retiree.

8 Death benefits will be paid to a retired participant's  
9 designated beneficiary-survivor in accordance with the payment  
10 plan chosen by the participant.

11 § 8736. Automatic cost-of-living adjustments.

12 (a) General rule.--Beginning with July 1 which next follows  
13 a participant's effective date of retirement by at least 12  
14 months, and each succeeding July 1 thereafter, the retirement  
15 allowance then payable to the retired participant, irrespective  
16 of the type of retirement, shall be increased by a percentage,  
17 rounded to the nearest 0.5%, and not exceeding 3%, determined as  
18 one-half of the lesser of the following:

19 (1) The increase in the Consumer Price Index for All  
20 Urban Consumers as published by the Bureau of Labor  
21 Statistics, United States Department of Labor, for the  
22 previous 12-month period ending December 31.

23 (2) The increase in the Employer Cost Index covering  
24 compensation rates for workers in the civilian nonfarm  
25 economy as published by the Bureau of Labor Statistics,  
26 United States Department of Labor, for the previous 12-month  
27 period ending December 31.

28 (3) The average percentage general salary and wage  
29 increase for all State employees for the previous 12-month  
30 period ending December 31.

1 (b) Effect of decline or no change in measures.--No  
2 adjustment shall occur in the event of a decline or no change in  
3 any of the measures in subsection (a).

4 (c) Deferred retirement allowance retirees.--Irrespective of  
5 any other provisions in this section, the increases provided by  
6 this section shall not be payable to those participants who  
7 retired under section 8732(b) (relating to service retirement  
8 eligibility).

9 § 8737. Special provisions on payment of benefits.

10 (a) Frequency and time of payment.--All retirement benefit  
11 payments shall be payable monthly and shall be made on the first  
12 day of the month for which they are due.

13 (b) Reduction of accrued benefits prohibited.--Once a  
14 participant is eligible to retire, the accrued benefits to which  
15 the participant is entitled cannot be reduced for any reason.

16 (c) Restriction on change of payment options.--

17 (1) The selection of a payment plan option by a retiring  
18 participant shall become final and binding on the date of the  
19 participant's termination from active employment or the date  
20 the application for retirement allowance is received in the  
21 offices of the system, whichever is later, and may not be  
22 changed for any reason thereafter, except as otherwise  
23 provided in paragraph (2).

24 (2) The board may make exceptions to the prohibition in  
25 paragraph (1), but only in cases where the board has found  
26 that the participant was not properly informed of his rights  
27 and privileges under the plan or that the participant was not  
28 competent to make the selection. The changes, in the board's  
29 sole discretion, may be made only when the board is so  
30 notified by the participant, or someone acting on behalf of

1 the participant, within 90 days of the board's mailing or  
2 deposit, as the case may be, of the first annuity payment.

3 SUBCHAPTER E

4 ADMINISTRATION

5 Sec.

6 8751. Administration in general.

7 8752. Administrative duties of board.

8 8753. Duties of board to advise and report to employers and  
9 participants.

10 8754. Duties of board regarding applications and elections of  
11 participants.

12 8755. Duties of employers.

13 8756. Rights and duties of participants.

14 § 8751. Administration in general.

15 (a) General rule.--The administration of this chapter shall  
16 be under the direction of the Public School Employees'  
17 Retirement Board established under Subpart A (relating to Public  
18 School Employees' Retirement Code of 1975). The secretary,  
19 clerical and other employees of the board and their successors  
20 who are employed under Subpart A shall similarly be responsible  
21 to the system established under this chapter.

22 (b) Status of system.--The Public School Employees'  
23 Retirement System established under this chapter shall be  
24 considered a public corporation and, for the purposes of this  
25 chapter, the board shall possess the power and privileges of a  
26 corporation.

27 § 8752. Administrative duties of board.

28 (a) Employees.--The secretary, clerical and other employees  
29 of the board and their successors whose positions on the  
30 effective date of this chapter are under the classified service

1 provisions of the act of August 5, 1941 (P.L.752, No.286), known  
2 as the Civil Service Act, shall continue under those provisions.  
3 The compensation of all other persons appointed shall be  
4 determined by the board and shall be consistent with the  
5 standards established by the Executive Board of the  
6 Commonwealth.

7 (b) Professional personnel.--The board shall contract for  
8 the services of an actuary, investment advisors and counselors  
9 and any other professional personnel it deems advisable.

10 (c) Expenses.--The board shall, through the Governor, submit  
11 to the General Assembly annually a budget covering the  
12 administrative expenses of this chapter. The expenses as  
13 approved by the General Assembly in an appropriation bill shall  
14 be paid from the fund. Expenses related to the management of the  
15 investment portfolio of the fund shall be paid from the  
16 investment earnings of the fund. The investment management  
17 expenses shall not be considered as a part of the administrative  
18 expense appropriation but shall be considered an integral part  
19 of the cost of investments. The board shall annually report to  
20 the Governor and the General Assembly the cost of all outside  
21 investment management contracts.

22 (d) Meetings.--The board shall hold at least six regular  
23 meetings annually and any other meetings it deems necessary.

24 (e) Records.--The board shall keep a record of all its  
25 proceedings which shall be open to inspection by the public.

26 (f) Functions.--The board shall perform such other functions  
27 as are required for the execution of this chapter.

28 (g) Performance of employer duties.--In the event the  
29 employer fails to comply with the procedures as mandated in  
30 section 8755 (relating to duties of employers), the board shall

1 perform those duties and bill such employer for the cost  
2 incurred.

3 (h) Regulations and procedures.--The board shall, with the  
4 advice of the General Counsel and the actuary, promulgate rules  
5 and regulations for the uniform administration of the system.  
6 The actuary shall approve in writing all computational  
7 procedures used in the calculation of contributions and benefits  
8 prior to their application by the board.

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

13 (j) Actuarial investigation and valuation.--The board shall  
14 have the actuary make an annual valuation of the various  
15 accounts within six months of the close of each fiscal year. In  
16 the fiscal year ending 1987 and in every fifth year thereafter,  
17 the board shall have the actuary conduct an actuarial  
18 investigation and evaluation of the system based on data  
19 including the mortality, service and compensation experience  
20 provided by the board annually during the preceding five years  
21 concerning the participants and survivor annuitants. The board  
22 shall adopt such tables as are necessary for the actuarial  
23 valuation of the fund and calculation of contributions and  
24 benefits based on the reports and recommendations of the  
25 actuary.

26 (k) Certification of employer contributions.--The board  
27 shall, each year, in addition to the itemized budget required  
28 under subsection (c), certify to the employers and the  
29 Commonwealth, as a percentage of the participants' payroll, the  
30 employers' contributions necessary for the funding of

1 prospective benefits for participants and certify the rates and  
2 amounts of the employers' total contributions which shall be  
3 paid to the fund. These certifications shall be regarded as  
4 final and not subject to modification by the Secretary of the  
5 Budget.

6 (l) Commonwealth payments.--The board shall within 30 days  
7 following the end of each quarter determine the amount due to  
8 the fund from the Commonwealth during that quarter and submit at  
9 that time a requisition for the amount determined to be due from  
10 the Commonwealth to the State Treasurer.

11 (m) Annual financial statement.--The board shall prepare,  
12 according to generally accepted accounting principles, and have  
13 published on or before January 1 of each year, a financial  
14 statement as of the calendar year ending June 30 of the previous  
15 year showing the condition of the fund and the various accounts  
16 and setting forth any other facts, recommendations and data as  
17 may be of use in the advancement of knowledge concerning  
18 annuities and other benefits provided by this chapter. The board  
19 shall submit the financial statement to the Governor and members  
20 of the General Assembly and shall make copies available to the  
21 employers for the use of the participants and the public.

22 (n) Independent annual audit.--The board shall provide for  
23 an annual audit of the system by an independent certified public  
24 accountant.

25 § 8753. Duties of board to advise and report to employers and  
26 participants.

27 (a) Manual of regulations.--The board shall, with the advice  
28 of the General Counsel and the actuary, prepare and provide,  
29 within 90 days of the effective date of this chapter, a manual  
30 incorporating rules and regulations consistent with this chapter



1 for the employers who shall make the information contained in  
2 the manual available to the general membership. The board shall  
3 thereafter advise the employers within 90 days of any changes in  
4 the rules and regulations due to changes in the law or due to  
5 changes in administrative policies.

6 (b) Participant status statements and certifications.--The  
7 board shall furnish annually to each participant, on or before  
8 December 31, a statement showing a certification of the number  
9 of service credits and vesting credits and, in the case of a  
10 participant eligible to receive an annuity, the benefit to which  
11 he is entitled. In addition, the board shall request the  
12 participant to make any necessary corrections or revisions  
13 regarding his designated beneficiary. Each member's statement  
14 shall be mailed to his home address and shall include a request  
15 that the member make any necessary corrections or revisions  
16 regarding his designated beneficiary, whose name at the request  
17 of the member shall remain confidential and not appear on this  
18 statement.

19 § 8754. Duties of board regarding applications and elections of  
20 participants.

21 (a) Statement to new participants.--As soon as practicable  
22 after a person has become an active participant in the system,  
23 the board shall issue a statement certifying the aggregate  
24 number of service credits and vesting credits credited to his  
25 account based on previous service.

26 (b) Certification to vestees terminating service.--The board  
27 shall certify to a vestee within one year of termination of  
28 school service of the participant:

29 (1) The number of service credits and vesting credits  
30 credited to his account.

1           (2) The maximum single life annuity to which the vestee  
2 is entitled upon attainment of normal retirement age and the  
3 filing of an application for an annuity.

4           (c) Initial annuity payment and certification.--The board  
5 shall make the first monthly payment to a participant who is  
6 eligible for an annuity within 60 days of the filing of his  
7 application for an annuity and receipt of the required data from  
8 the employer. Concurrently, the board shall certify to the  
9 participant:

10           (1) The number of service credits and vesting credits  
11 earned.

12           (2) The final average salary on which the annuity is  
13 based as well as any applicable reduction factors due to  
14 early retirement and election of an option.

15           (3) The total annuity payable under the option elected.

16           (d) Death benefits.--Upon receipt of notification from the  
17 employer of the death of an active vested participant or a  
18 vested participant on leave without pay, the board shall advise  
19 the designated beneficiary of the benefits to which he is  
20 entitled and shall make the first payment to the beneficiary  
21 within 60 days of receipt of certification of death and other  
22 necessary data.

23 § 8755. Duties of employers.

24           (a) Status of participants.--The employer shall, each month,  
25 notify the board in a manner prescribed by the board of salary  
26 changes effective during the past month, the date of all  
27 removals from the payroll and the type of leave of any  
28 participants who have been removed from the payroll for any time  
29 during that month, and:

30           (1) if the removal is due to leave without pay, the

1 employer shall furnish the board with the date of beginning  
2 leave, the date of return to service and the reason for  
3 leave;

4 (2) if the removal is due to a transfer to another  
5 employer, the former employer shall furnish such employer and  
6 the board with a complete school service record, including  
7 credited and creditable nonschool service; or

8 (3) if the removal is due to termination of school  
9 service, the employer shall furnish the board with a complete  
10 school service record, including credited and creditable  
11 nonschool service and, in the case of death of the  
12 participant, the employer shall so notify the board.

13 (b) Records and information.--At any time at the request of  
14 the board and at termination of service of a participant, the  
15 employer shall furnish service and compensation records and any  
16 other information the board requires and shall maintain and  
17 preserve any records the board directs for the expeditious  
18 discharge of its duties.

19 (c) Application for participation by new employees.--Upon  
20 the assumption of duties of each new employee, the employer  
21 shall cause an application for participation to be made by the  
22 employee and filed with the board.

23 (d) Annual statement to participants.--Annually, upon  
24 receipt from the board, the employer shall furnish to each  
25 participant the statement specified in section 8753 (relating to  
26 duties of board to advise and report to employers and  
27 participants).

28 (e) Termination of service.--The employer shall, in the case  
29 of any participant terminating school service, advise the  
30 participant in writing of any benefits to which he may be

1 entitled under this chapter and, in the case of eligibility for  
2 benefits, shall have the participant prepare, on or before the  
3 date of termination of school service, one of the following two  
4 forms, a copy of which shall be given to the participant and the  
5 original of which shall be filed with the board:

6 (1) An election to vest his retirement rights.

7 (2) An application for an immediate annuity.

8 (f) Date of application for benefits.--An application  
9 properly executed and filed under subsection (e) with the  
10 employer shall be deemed to have been filed with the board on  
11 the date filed with the employer and in that case all required  
12 data shall be furnished to the board immediately.

13 § 8756. Rights and duties of participants.

14 (a) Information on new participants.--Upon the assumption of  
15 duties, each new active participant shall furnish the employer  
16 with a complete record of previous creditable service and proof  
17 of his date of birth and current status in the system. Willful  
18 failure to provide the information required by this subsection  
19 to the extent available upon entrance into the system shall  
20 result in the forfeiture of the right of the participant to  
21 subsequently assert any right to benefits based on any of the  
22 required information which he failed to provide. In any case in  
23 which the board finds that a participant is receiving an annuity  
24 based on false information, the annuity payments shall be  
25 suspended until one and one-half times the total amount received  
26 predicated on the false information has been withheld, after  
27 which the participant shall receive the benefits to which he is  
28 legally entitled.

29 (b) Application for participation.--In the case of a new  
30 employee who is not currently a participant, the new employee

1 shall execute an application for participation.

2 (c) Application for contingent retirement allowance.--An  
3 active participant eligible for an immediate retirement  
4 allowance may file a contingent retirement benefit application  
5 under section 8734(a) (relating to death in active service).

6 (d) Termination of service.--A participant who is eligible  
7 for benefits and who terminates school service shall execute on  
8 or before the date of termination of service the appropriate  
9 application, duly attested by the participant or his legally  
10 constituted representative, electing to do either of the  
11 following:

12 (1) Vest his retirement rights.

13 (2) Receive an immediate annuity.

14 (e) Vesting of retirement rights.--A participant who elects  
15 to vest his retirement rights shall nominate a beneficiary by  
16 written designation filed with the board.

17 (f) Vestees attaining normal retirement age.--Upon  
18 attainment of normal retirement age, a vestee shall execute and  
19 file an application for an annuity. An application filed within  
20 90 days after attaining normal retirement age shall be effective  
21 as of the date of attainment of normal retirement age. An  
22 application filed after that period shall be effective as of the  
23 date it is filed with the board.

24 (g) Failure to apply for annuity.--If a participant is  
25 eligible to receive an annuity and does not file a proper  
26 application within 90 days of termination of service, the  
27 annuity will become effective as of the date the application is  
28 filed with the board or the date designated on the application,  
29 whichever is later.

30 (h) Nomination of beneficiary or survivor annuitant.--A

1 participant who is eligible and elects to receive a reduced  
2 annuity under the ten-year term certain and continuous annuity,  
3 actuarially reduced joint and 100% survivor annuity or  
4 actuarially reduced joint and 50% survivor annuity shall  
5 nominate a beneficiary or a survivor annuitant, as the case may  
6 be, by written designation filed with the board at the time of  
7 his retirement. A participant who has elected the ten-year term  
8 certain and continuous annuity may change his designated  
9 beneficiary at any time. A participant having designated a  
10 survivor annuitant at the time of retirement shall not be  
11 permitted to nominate a new survivor annuitant unless the  
12 designated survivor annuitant dies, the designated survivor  
13 annuitant becomes divorced from the participant or the retiree  
14 becomes married subsequent to the effective date of retirement.  
15 In these cases, the annuitant shall have the right to reelect an  
16 option and to nominate a beneficiary or a new survivor annuitant  
17 and to have the annuity recomputed to be actuarially equivalent  
18 as of the date of recomputation to the annuity in effect  
19 immediately prior to the recomputation. Should an annuitant  
20 elect a new survivor annuitant, the change and the appropriate  
21 adjustment in annuity payments shall be effective in accordance  
22 with section 8733(c) (relating to optional payment plans). In no  
23 other case shall a benefit plan be changed by an annuitant.

24 SUBCHAPTER F

25 PUBLIC SCHOOL EMPLOYEES' RETIREMENT TRUST FUND

26 AND ACCOUNTS

27 Sec.

28 8761. Public School Employees' Retirement Trust Fund.

29 8762. Fund accounting in general.

30 8763. Management of fund and accounts.

1 8764. Investment in general.

2 8765. Investment in corporate stocks.

3 8766. Investment in real estate and mortgages.

4 8767. Single deposit investment account for transfer  
5 participants.

6 § 8761. Public School Employees' Retirement Trust Fund.

7 (a) General rule.--There shall be established in the State  
8 Treasury the Public School Employees' Retirement Trust Fund  
9 which shall consist of the total combined assets, liabilities  
10 and reserve accounts for the plan established under this  
11 chapter.

12 (b) Receipts and disbursements.--All receipts of the plan  
13 shall be paid into the fund and all disbursements of the plan  
14 shall be made from the fund.

15 § 8762. Fund accounting in general.

16 The board will account for the fund in accordance with  
17 generally accepted accounting principles in order to maintain  
18 accountability for the plan. The board may establish accounts  
19 within the fund as necessary for the implementation of the  
20 specific plans. The board will maintain the necessary ledger  
21 accounts to segregate properly the contributions, expenses and  
22 reserves of the plan and to provide adequate actuarial data,  
23 investment management information and appropriate asset and  
24 liability transfers within the plan.

25 § 8763. Management of fund and accounts.

26 (a) Control and management of fund.--The members of the  
27 board shall be the trustees of the Public School Employees'  
28 Retirement Trust Fund and shall have exclusive control and  
29 management of the fund.

30 (b) Custodian of fund.--The State Treasurer shall be the

1 custodian of the fund.

2 (c) Payments from fund.--All payments from the fund shall be  
3 made by the State Treasurer in accordance with requisitions  
4 signed by the secretary of the board, or his designee, and  
5 ratified by resolution of the board.

6 (d) Fiduciary status of board.--The members, employees and  
7 agents of the board shall stand in a fiduciary relationship to  
8 the participants of the system regarding the investments and  
9 disbursements of any of the moneys of the fund and shall not  
10 profit either directly or indirectly with respect thereto.

11 (e) Name for transacting business.--By the name of the  
12 Public School Employees' Retirement System of 1985 all of the  
13 business of the system shall be transacted, the Public School  
14 Employees' Retirement Trust Fund invested, all requisitions for  
15 money drawn and payments made and all of its cash and securities  
16 and other property shall be held, except that, any other law to  
17 the contrary notwithstanding, the board may establish a nominee  
18 registration procedure for the purpose of registering securities  
19 in order to facilitate the purchase, sale or other disposition  
20 of securities pursuant to the provisions of this chapter.

21 (f) Deposits in banks and trust companies.--For the purpose  
22 of meeting disbursements for annuities and other payments in  
23 excess of the receipts, there shall be kept available by the  
24 State Treasurer an amount, not exceeding 10% of the total amount  
25 in the fund, on deposit in any bank or banks in this  
26 Commonwealth organized under the laws thereof or under the laws  
27 of the United States or with any trust company or companies  
28 incorporated by any law of this Commonwealth. The banks or trust  
29 companies shall furnish adequate security for the deposit and  
30 the sum deposited in any one bank or trust company shall not



1 exceed 25% of the paid-up capital and surplus of the bank or  
2 trust company.

3 § 8764. Investments in general.

4 (a) General rule.--The board shall have full power to invest  
5 the fund, subject, however, to the exercise of that degree of  
6 judgment, skill and care under the circumstances then prevailing  
7 which persons of prudence, discretion and intelligence, who are  
8 familiar with such matters, exercise in the management of their  
9 own affairs not in regard to speculation, but in regard to the  
10 permanent disposition of the funds, considering the probable  
11 income to be derived therefrom as well as the probable safety of  
12 their capital, and further subject to all the terms, conditions,  
13 limitations and restrictions imposed by this chapter or other  
14 law upon the making of investments.

15 (b) Investment in Federal obligations.--Regardless of any  
16 other provision of law, obligations of the Federal Government  
17 and its agencies shall be authorized investments of the fund.

18 (c) Investments not specifically authorized.--Regardless of  
19 any limitations, conditions or restrictions imposed on the  
20 making of investments by this chapter or other law, the board  
21 may, at its discretion, invest a maximum of 10% of the cost  
22 value of the assets of the fund in any investments not otherwise  
23 specifically authorized, provided that the investments are made  
24 with the exercise of that degree of judgment, skill and care  
25 under the circumstances then prevailing which persons of  
26 prudence, discretion and intelligence, who are familiar with  
27 such matters, exercise in the management of their own affairs  
28 not in regard to speculation, but in regard to the permanent  
29 disposition of the funds, considering the probable income to be  
30 derived therefrom as well as the probable safety of their

1 capital.

2 (d) Investments to promote employment in Commonwealth.--The  
3 board shall, when possible and consistent with the terms,  
4 conditions, limitations, responsibilities and restrictions  
5 imposed by this chapter or other law, invest in any project or  
6 business which promotes employment of residents of this  
7 Commonwealth.

8 (e) Transactions involving securities and moneys.--Subject  
9 to like terms, conditions, limitations and restrictions, the  
10 trustees shall have the power to hold, purchase, sell, lend,  
11 assign, transfer or dispose of any of the securities and  
12 investments in which any of the moneys in the fund shall have  
13 been invested as well as of the proceeds of the investments and  
14 of any moneys belonging to the fund.

15 § 8765. Investment in corporate stocks.

16 (a) General rule.--Preferred and common stock of any  
17 corporation organized under the laws of the United States or of  
18 any commonwealth or state thereof or of the District of Columbia  
19 and preferred and common stock of any corporation whose shares  
20 are traded in United States dollars on the New York Stock  
21 Exchange shall be authorized investments of the fund, regardless  
22 of any other provision of law provided, subject to the  
23 following:

24 (1) No investment in common stock may be made which at  
25 that time would cause the cost value of the investments in  
26 common stock to exceed 50% of the cost value of the total  
27 assets of the fund.

28 (2) The amount invested in the common stock of any one  
29 company may not exceed at cost 2% of the cost value of the  
30 assets of the fund at the time of purchase and shall not

1 exceed 5% of the number of issued and outstanding common  
2 stock shares of that company.

3 (3) No investment in the stock of corporations not  
4 organized under the laws of the United States or of any  
5 commonwealth or state thereof or of the District of Columbia  
6 may be made which would cause the cost value of the  
7 investment to exceed 5% of the cost value of the total assets  
8 of the fund.

9 (4) No sale or other liquidation of any investment may  
10 be required solely because of any change in market values  
11 whereby the percentages of stocks set forth in paragraph (1),  
12 (2) or (3) are exceeded.

13 (b) Definitions.--As used in this section the following  
14 words and phrases shall have the meanings given to them in this  
15 subsection:

16 "Common stock." Includes the stock certificates,  
17 certificates of beneficial interests or trust participation  
18 certificates issued by any corporation or unincorporated  
19 association included under the definition of corporation.

20 "Corporation." Includes a voluntary association, a joint-  
21 stock association or company, a business trust, a Massachusetts  
22 trust, a common-law trust and any other organization organized  
23 and existing for any lawful purpose and which, like a  
24 corporation, continues to exist, notwithstanding changes in the  
25 personnel of its members or participants and conducts its  
26 affairs through a committee, a board or some other group acting  
27 in a representative capacity.

28 § 8766. Investment in real estate and mortgages.

29 (a) General rule.--Real estate subject to a lease to one or  
30 more financially responsible tenants, which lease shall not

1 require managerial responsibility by the board, and bonds, notes  
2 and deeds of trust of individuals or corporations secured by  
3 mortgages on real estate located in any state, district or  
4 territory of the United States shall be an authorized investment  
5 of the fund regardless of any other provision of law. The board  
6 shall promulgate regulations to implement this subsection to  
7 insure the safety of investments made under this subsection  
8 which regulations shall be in accordance with generally accepted  
9 standards and investment principles for pension funds of  
10 comparable size. All instruments, transfers of interest and  
11 records pertaining to real estate, mortgages or bonds invested  
12 in by the board shall be open to public inspection. Reports as  
13 requested by the board shall be submitted on all real estate and  
14 mortgage investments by investment advisors.

15 (b) Institutional real estate.--Institutional real estate  
16 funds shall be an authorized investment of the fund, but no  
17 investment shall be made which, at the time of purchase, would  
18 cause the cost value of the investments to exceed 15% of the  
19 cost value of the total assets of the fund.

20 § 8767. Single deposit investment account for transfer  
21 participants.

22 (a) Establishment.--The board shall through contract with a  
23 private carrier establish a single deposit investment account  
24 for those members of the system established by Subpart A  
25 (relating to Public School Employees' Retirement Code of 1975)  
26 who elect to transfer to the system established by this chapter  
27 and further elect to have their accumulated deductions or a  
28 portion thereof deposited in the separate deferral account. The  
29 single deposit investment account shall be an investment vehicle  
30 solely intended to hold the accumulated deductions deferred in

1 accordance with transfer participants' wishes. The objectives of  
2 establishing this single deposit investment account are to:

3 (1) Allow each member the opportunity to defer the tax  
4 consequences that would result if the member were to elect a  
5 refund of the member's accumulated deduction balance.

6 (2) Provide a guarantee of principal with respect to the  
7 amounts deferred to the single deposit investment account.

8 (3) Allow for payment in a lump sum or in installments  
9 at the time of distribution.

10 (b) Duration and time for distribution.--The single deposit  
11 investment account shall be open for a period of three years  
12 from the effective date of this chapter. The contract shall  
13 provide that amounts deferred to the single deposit investment  
14 account shall be distributed to participants upon the occurrence  
15 of any of the following:

16 (1) Termination of employment as a public school  
17 employee.

18 (2) Disability.

19 (3) Death.

20 (4) Retirement.

21 (c) Amount and method of distribution.--The amount paid to  
22 the participant will be the amount directed to the single  
23 deposit investment account plus all interest credited to the  
24 account from the date of deposit to the date of distribution. In  
25 the event of the participant's death, the amount will be paid to  
26 the participant's named beneficiary. The contract shall provide  
27 that upon termination of school employment for any reason a  
28 participant who has deferred his accumulated deductions in this  
29 single deposit investment account shall be eligible to elect to  
30 receive a distribution of his account under one of the following

1 methods:

2 (1) A lump sum payment.

3 (2) A life annuity payable to the participant throughout  
4 his lifetime with all payments to cease at death.

5 (3) An actuarially reduced ten-year certain and  
6 continuous annuity payable to the retired participant  
7 throughout his lifetime with payments guaranteed to be paid  
8 to the participant or to his designated beneficiary for a  
9 period of ten years from the effective date of the beginning  
10 of the distribution. In the event the participant receives  
11 payment for ten years or more, payments will continue for his  
12 lifetime and will cease at death.

13 (4) An actuarially reduced joint and 100% survivor  
14 annuity.

15 (5) An actuarially reduced joint and 50% survivor  
16 annuity.

17 SUBCHAPTER G

18 CONTRIBUTIONS

19 Sec.

20 8771. Contributions by Commonwealth and other employers.

21 8772. Actuarial cost method.

22 8773. Appropriations and assessments by Commonwealth.

23 § 8771. Contributions by Commonwealth and other employers.

24 (a) Commonwealth contributions.--The Commonwealth shall make  
25 contributions to the fund on behalf of all active participants  
26 in an amount equal to one-half the amount certified by the board  
27 as necessary to provide annuity reserves on account of  
28 prospective annuities in accordance with the actuarial cost  
29 method provided in section 8772 (relating to actuarial cost  
30 method).

1 (b) Contributions by employers.--Each employer, including  
2 the Commonwealth as employer of employees of the Department of  
3 Education, State-owned universities, Thaddeus Stevens Trade  
4 School, Pennsylvania State Oral School for the Deaf, Scotland  
5 School for Veterans' Children and The Pennsylvania State  
6 University, shall make payments to the fund each quarter in an  
7 amount equal to one-half the sum of the percentages, as  
8 determined under section 8772, applied to the total compensation  
9 during the pay periods in the preceding quarter of all its  
10 employees who were members of the system during such period.

11 (c) Deduction from appropriations.--To facilitate the  
12 payment of amounts due from any employer to the fund through the  
13 State Treasurer and to permit the exchange of credits between  
14 the State Treasurer and any employer, the Secretary of Education  
15 and the State Treasurer shall cause to be deducted and paid into  
16 the fund from the amount of any moneys due to any employer on  
17 account of any appropriation for schools or other purposes such  
18 amount due to the fund as certified by the board and as remains  
19 unpaid on the date such appropriations would otherwise be paid  
20 to the employer, and such amount shall be credited to the  
21 employer's account in the fund.

22 § 8772. Actuarial cost method.

23 (a) Total employer contribution rate.--The Commonwealth and  
24 other employer contributions on behalf of all active  
25 participants shall be computed by the actuary as a percentage of  
26 the total compensation of all active participants during the  
27 period for which the amount is determined and shall be so  
28 certified by the board. The total employer contribution rate on  
29 behalf of all active participants shall consist of the employer  
30 normal contribution rate and the accrued liability contribution

1 rate.

2 (b) Employer normal contribution.--The employer normal  
3 contribution shall be determined after each actuarial valuation  
4 on the basis of the interest rates and mortality and other  
5 tables adopted by the board.

6 (c) Employer normal contribution rate.--The employer normal  
7 contribution rate shall be determined as a level percentage of  
8 the compensation of participants utilizing the entry age  
9 actuarial cost method. This is a method under which the  
10 actuarial present value of the projected benefits of each  
11 individual included in an actuarial valuation is allocated on a  
12 level basis over the earnings of the individual between entry  
13 age and assumed retirement age. The portion of the actuarial  
14 present value allocated to a valuation year is called the normal  
15 cost. The portion of the actuarial present value not provided  
16 for at a valuation date by the actuarial present value of future  
17 normal costs is called the actuarial accrued liability.

18 (d) Accrued liability contribution rate.--The accrued  
19 liability contribution rate shall be the sum of the following:

20 (1) A 30-year level dollar amortization payment of the  
21 unfunded actuarial accrued liability as of the December 31  
22 next following the date of enactment of this chapter.

23 (2) A 20-year level dollar amortization payment on any  
24 increment in the unfunded actuarial accrued liability  
25 attributable to a change in the actuarial assumptions or to a  
26 modification in the benefit plan applicable to active  
27 participants.

28 (3) A 10-year level dollar amortization payment in any  
29 increment in the unfunded actuarial accrued liability  
30 attributable to a modification other than that provided by



1 section 8736 (relating to automatic cost-of-living  
2 adjustments) in the benefit plan applicable to retired  
3 participants and the benefit recipients.

4 (4) A 15-year level dollar amortization payment (credit)  
5 on any net unfunded actuarial accrued liability attributable  
6 to an actuarial experience loss (gain).

7 § 8773. Appropriations and assessments by Commonwealth.

8 (a) Annual submission of budget.--The board shall prepare  
9 and submit annually an itemized budget consisting of the amounts  
10 necessary to be appropriated by the Commonwealth out of the  
11 General Fund and the special operating funds and the amounts to  
12 be assessed the other employers required to meet the obligations  
13 accruing during the fiscal period beginning July 1 of the  
14 following year.

15 (b) Appropriations and payments.--The General Assembly shall  
16 make appropriations sufficient to provide for the obligations of  
17 the Commonwealth. These amounts shall be paid by the State  
18 Treasurer through the Department of Revenue into the fund in  
19 accordance with requisitions presented by the board.

20 SUBCHAPTER H

21 MISCELLANEOUS PROVISIONS

22 Sec.

23 8781. State guarantee.

24 8782. Taxation, attachment and assignment of funds.

25 8783. Fraud and adjustment of errors.

26 8784. Construction of chapter.

27 § 8781. State guarantee.

28 The maintenance of reserves in the fund and the payment of  
29 all annuities and other benefits granted by the board under this  
30 chapter are hereby made obligations of the Commonwealth. All

1 income, interest and dividends derived from deposits and  
2 investments authorized by this chapter shall be used for the  
3 payment of the obligations of the Commonwealth.

4 § 8782. Taxation, attachment and assignment of funds.

5 (a) General rule.--The right of a person to any benefit or  
6 right accrued or accruing under this chapter is hereby exempt  
7 from any State or municipal tax, levy and sale, garnishment,  
8 attachment, spouse's election or any other process whatsoever  
9 and shall be unassignable, but may be subject to a set-off by or  
10 assignment to the employer in the case of a participant who is  
11 terminating school service and is eligible for a benefit and has  
12 been determined to be obligated to the Commonwealth for the  
13 repayment of money owed on account of his employment.

14 (b) Authorized payments.--In the case of participant who is  
15 terminating service, the board is authorized to pay from the  
16 participant's benefit entitlement the amount determined after  
17 certification by the employer that the participant is so  
18 obligated and after review and approval by the employer or his  
19 legal representative or upon receipt of an assignment from the  
20 participant in the amount so certified.

21 § 8783. Fraud and adjustment of errors.

22 (a) Penalty for fraud.--A person who knowingly makes any  
23 false statement or falsifies or permits to be falsified any  
24 record or records of the system in an attempt to defraud the  
25 system as a result of the act commits a misdemeanor of the  
26 second degree.

27 (b) Adjustment of errors.--Should any change or mistake in  
28 records result in any participant, beneficiary or survivor  
29 annuitant receiving from the system more or less than he would  
30 have been entitled to receive had the records been correct, then

1 regardless of the intentional or unintentional nature of the  
2 error and upon the discovery of the error, the board shall  
3 correct the error and so far as practicable adjust the payments  
4 which may be made for and to the person in a manner that the  
5 actuarial equivalent of the benefit to which he was correctly  
6 entitled shall be paid.

7 § 8784. Construction of chapter.

8 The pension rights of participants shall be determined solely  
9 by this chapter or any amendment thereto, and no collective  
10 bargaining agreement between the Commonwealth or any member  
11 employer and their employees shall be construed to change any of  
12 the provisions of this chapter.

13 Section 7. This act shall take effect January 1, April 1,  
14 July 1 or October 1 which next follows the date of final  
15 enactment by more than 120 days.