
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 26

Session of
2001

INTRODUCED BY STRITTMATTER, LUCYK, SCHULER, ARMSTRONG, BUNT,
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JANUARY 31, 2001

AMENDMENTS TO SENATE AMENDMENTS, HOUSE OF REPRESENTATIVES,
MAY 8, 2001

AN ACT

~~Amending Titles 24 (Education) and 71 (State Government) of the
Pennsylvania Consolidated Statutes, further providing for
mandatory and optional membership, for credited school
service, for termination of annuities, for membership of the
Public School Employees' Retirement Board and the State
Employees' Retirement Board, for administrative duties of
board and for management of fund and accounts.~~

AMENDING TITLES 24 (EDUCATION) AND 71 (STATE GOVERNMENT) OF THE
PENNSYLVANIA CONSOLIDATED STATUTES, FURTHER PROVIDING FOR
PUBLIC SCHOOL EMPLOYEES' RETIREMENT AND STATE EMPLOYEES'
RETIREMENT; DEFINING TERMS; PROVIDING FOR ADDITIONAL OPTIONAL
CLASSIFICATIONS FOR EXISTING MEMBERS, FOR NEW CLASSIFICATIONS
FOR PROSPECTIVE MEMBERS AND FOR HEALTH INSURANCE FOR RETIRED
SCHOOL EMPLOYEES; AND FURTHER PROVIDING FOR CREDIBLE SCHOOL
AND STATE SERVICE, FOR CREDIBLE NONSCHOOL AND NONSTATE
SERVICE, FOR ELIGIBILITY, FOR VESTING, FOR REGULAR MEMBER
CONTRIBUTIONS, FOR RETURN TO SERVICE, FOR PAYMENTS BY
EMPLOYERS AND THE COMMONWEALTH, FOR TERMINATION OF ANNUITIES,
FOR ACTUARIAL COST METHODS, FOR MEMBER OPTIONS, FOR FUNDING
OF SUPPLEMENTAL ANNUITIES, FOR ADMINISTRATION, FOR REPORTS TO
AGENCIES AND MEMBERS, FOR APPLICATIONS AND ELECTIONS, FOR THE
COMPOSITION OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD
AND OF THE STATE EMPLOYEES' RETIREMENT BOARD, FOR INVESTMENT
POWERS OF THE BOARDS, FOR MANAGEMENT OF FUNDS AND ACCOUNTS
AND FOR ENFORCEMENT OFFICERS' BENEFIT AND SUPPLEMENTAL
ANNUITY ACCOUNTS.

The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 ~~Section 1. Sections 8301, 8302(a), 8346, 8501(a) and (b),~~ <—
3 ~~8502(g), 8521(h), (i) and (j) of Title 24 of the Pennsylvania~~
4 ~~Consolidated Statutes are amended to read:~~

5 ~~§ 8301. Mandatory and optional membership.~~

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

9 ~~(1) Any officer or employee of the Department of~~
10 ~~Education, State owned educational institutions, community~~
11 ~~colleges, area vocational technical schools, technical~~
12 ~~institutes, or the Pennsylvania State University and who is a~~
13 ~~member of the State Employees' Retirement System or a member~~
14 ~~of another retirement program approved by the employer.~~

15 ~~(2) Any school employee who is employed on a per diem or~~
16 ~~hourly basis for less than 80 full day sessions or 500 hours~~
17 ~~in any fiscal year or annuitant who returns to school service~~
18 ~~under the provisions of section 8346(b) (relating to~~
19 ~~termination of annuities).~~

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

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

29 ~~(5) Employees of a charter school, as defined in Article~~
30 ~~XVII A of the act of March 10, 1949 (P.L.30, No.14), known as~~

~~the Public School Code of 1949.~~

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

~~(c) Optional membership.~~

~~(1) The school employees categorized in subsection (a)(3) and, if otherwise eligible, subsection (a)(4) shall have the right to elect membership in the system. Once such election is exercised, membership shall commence from the original date of eligibility and shall continue until the termination of such service.~~

~~(2) Notwithstanding anything to the contrary in Article XVII A of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, employees of a charter school shall only be eligible for membership in the system if the charter school in which they are employed affirmatively elects to have its employees to be eligible for membership in the system. Said election shall be in writing on a form prescribed by the board and filed with the system. Once such election is exercised, membership for eligible employees shall commence from the original date of their eligibility and shall continue until the termination of such service.~~

~~§ 8302. Credited school service.~~

~~(a) Computation of credited service. In computing credited school service of a member for the determination of benefits, a full time salaried school employee shall receive one year of credit for each school year or the corresponding fraction thereof, in accordance with the proportion of the full school year for which both the required regular member and employer contributions have been made, or for which such contributions~~

1 otherwise required for such service were not made solely by
2 reason of any provision of this part relating to the limitation
3 under IRC § 401(a)(17). A per diem or hourly school employee
4 shall receive one year of credited service for each
5 nonoverlapping period of 12 consecutive months in which he is
6 employed and for which both member and employer contributions
7 are made, or would have been made but for such limitation under
8 the IRC, for at least 180 full day sessions or 1,100 hours of
9 employment. If such member was employed and member or employer
10 contributions were made for less than 180 full day sessions or
11 1,100 hours, he shall be credited with a fractional portion of a
12 year determined by the ratio of the number of full day sessions
13 or hours of service actually rendered to 180 full day sessions
14 or 1,100 hours, as the case may be. A part time salaried
15 employee shall be credited with the fractional portion of the
16 year which corresponds to the service actually rendered in
17 relation to the service required as a comparable full time
18 salaried employee and for which both member and employer
19 contributions were made. In no case shall a member receive more
20 than one year of credited service for any 12 consecutive months
21 or a member who has elected multiple service receive an
22 aggregate in the two systems of more than one year of credited
23 service for any 12 consecutive months.

24 * * *

25 § 8346. Termination of annuities.

26 (a) General rule. If an annuitant returns to school service
27 or enters State service and elects multiple service membership,
28 any annuity payable to him under this part shall cease and in
29 the case of an annuity other than a disability annuity the
30 present value of such annuity, adjusted for full coverage in the

1 ~~case of a joint coverage member who makes the appropriate back~~
2 ~~contributions for full coverage, shall be frozen as of the date~~
3 ~~such annuity ceases. An annuitant who is credited with an~~
4 ~~additional 10% of membership service as provided in section~~
5 ~~8302(b.2) (relating to credited school service) and who returns~~
6 ~~to school service, except as provided in subsection (b), shall~~
7 ~~forfeit such credited service and shall have his frozen present~~
8 ~~value adjusted as if his 10% retirement incentive had not been~~
9 ~~applied to his account. In the event that the cost of living~~
10 ~~increase enacted December 18, 1979, occurred during the period~~
11 ~~of such State or school employment, the frozen present value~~
12 ~~shall be increased, on or after the member attains~~
13 ~~superannuation age, by the percent applicable had he not~~
14 ~~returned to service.~~

15 ~~(b) Return to school service during emergency. When, in the~~
16 ~~judgment of the employer, an emergency creates an increase in~~
17 ~~the work load such that there is serious impairment of service~~
18 ~~to the public or in the event of a shortage of appropriate~~
19 ~~subject certified teachers, an annuitant may be returned to~~
20 ~~school service for a period not to exceed [95] 120 full day~~
21 ~~sessions in any school year without loss of his annuity. In~~
22 ~~computing the number of days an annuitant has returned to school~~
23 ~~service, any amount of time less than one half of a day shall be~~
24 ~~counted as one half of a day.~~

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

determined under subsection (a) and the present value of a maximum single life annuity based on years of service credited subsequent to reentry in the system and his final average salary computed by reference to his compensation during his entire period of school and State service.

~~(d) Elimination of the effect of frozen present value.~~

~~(1) An annuitant who returns to school service and earns three eligibility points by performing credited school service following the most recent period of receipt of an annuity under this part, or an annuitant who enters State service and:~~

~~(i) is a multiple service member; or~~

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

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

1 ~~(i) an annuity (prior to optional modification)~~
2 ~~calculated as if the freezing of the former annuitant's~~
3 ~~account pursuant to subsection (a) had not occurred,~~
4 ~~adjusted according to paragraph (3), provided that a~~
5 ~~former annuitant of the system or a former annuitant of~~
6 ~~the State Employees' Retirement System who retired under~~
7 ~~a provision of law granting additional service credit if~~
8 ~~termination of school or State service or retirement~~
9 ~~occurred during a specific period of time shall not be~~
10 ~~permitted to retain the additional service credit under~~
11 ~~the prior law when the annuity is computed for his most~~
12 ~~recent retirement; or~~

13 ~~(ii) an annuity (prior to optional modification)~~
14 ~~calculated as if the former annuitant did not qualify to~~
15 ~~have the effect on the frozen present value eliminated,~~
16 ~~unless the former annuitant notifies the board in writing by~~
17 ~~the later of the date the application for annuity is filed or~~
18 ~~the effective date of retirement that the former annuitant~~
19 ~~wishes to receive the lower annuity.~~

20 ~~(3) In addition to any other adjustment to the present~~
21 ~~value of the maximum single life annuity that a member may be~~
22 ~~entitled to receive that occurs as a result of any other~~
23 ~~provision of law, the present value of the maximum single~~
24 ~~life annuity shall be reduced by all amounts paid or payable~~
25 ~~to him during all previous periods of retirement plus~~
26 ~~interest on these amounts until the date of subsequent~~
27 ~~retirement. The interest for each year shall be calculated~~
28 ~~based upon the annual interest rate adopted for that school~~
29 ~~year by the board for the calculation of the normal~~
30 ~~contribution rate pursuant to section 8328(b) (relating to~~

1 ~~actuarial cost method).~~

2 ~~§ 8501. Public School Employees' Retirement Board.~~

3 ~~(a) Status and membership. The board shall be an~~

4 ~~independent administrative board and shall consist of 15~~

5 ~~members: the Secretary of Education, ex officio; the State~~

6 ~~Treasurer, ex officio; two Senators; two members of the House of~~

7 ~~Representatives; the executive secretary of the Pennsylvania~~

8 ~~School Boards Association, ex officio; two to be appointed by~~

9 ~~the Governor, at least one of whom shall not be a school~~

10 ~~employee or an officer or employee of the State; three to be~~

11 ~~elected by the active professional members of the system from~~

12 ~~among their number; one to be elected by annuitants from among~~

13 ~~their number; one to be elected by the active nonprofessional~~

14 ~~members of the system from among their number; and one to be~~

15 ~~elected by members of Pennsylvania public school boards from~~

16 ~~among their number. The appointments made by the Governor shall~~

17 ~~be confirmed by the Senate and each election shall be conducted~~

18 ~~in a manner approved by the board. The terms of the appointed~~

19 ~~and nonlegislative elected members shall be three years. The~~

20 ~~members from the Senate shall be appointed by the President pro~~

21 ~~tempore of the Senate and shall consist of one member from the~~

22 ~~majority and one member from the minority. The members from the~~

23 ~~House of Representatives shall be appointed by the Speaker of~~

24 ~~the House of Representatives and shall consist of one member~~

25 ~~from the majority and one member from the minority. The~~

26 ~~legislative members shall serve on the board for the duration of~~

27 ~~{the terms for which they were elected} their legislative terms~~

28 ~~and shall continue to serve until 30 days after the convening of~~

29 ~~the next regular session of the General Assembly after the~~

30 ~~expiration of their respective legislative terms, or until a~~

1 ~~successor is appointed for the new term, whichever occurs first.~~
2 ~~The chairman of the board shall be elected by the board members.~~
3 ~~Each ex officio member of the board and each legislative member~~
4 ~~of the board may appoint a duly authorized designee to act in~~
5 ~~his stead.~~

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

21 ~~* * *~~

22 ~~§ 8502. Administrative duties of board.~~

23 ~~* * *~~

24 ~~(g) Performance of employer duties. In the event the~~
25 ~~employer fails to comply with the procedures as mandated in~~
26 ~~section 8506 (relating to duties of employers), the board shall~~
27 ~~perform such duties and bill the employer who shall pay for the~~
28 ~~cost of same. In the event the employer is delinquent in the~~
29 ~~payment of:~~

30 ~~(1) the board's bill for the cost of the board to~~

~~perform the duties of the employer mandated in section 8506;~~
~~(2) the employer contributions required in accordance~~
~~with section 8327 (relating to payments by employers)[,]; or~~
~~(3) the member contributions required in accordance with~~
~~section 8506,~~
~~then the board shall notify the Secretary of Education and the~~
~~State Treasurer of such delinquency and certify the actual or~~
~~estimated amount thereof. Within 30 days of the receipt of the~~
~~board's delinquency notice, the Secretary of Education shall pay~~
~~to the board the amount so certified that remains unpaid as of~~
~~the date of secretary's payment. All such amounts paid by the~~
~~Secretary of Education shall be credited by the board to the~~
~~appropriate account in the fund. The Secretary of Education~~
~~shall be entitled to exercise the remedy set forth in section~~
~~8327(b) to recover any amounts paid to the board pursuant to~~
~~this subsection. In the event the Secretary of Education~~
~~exercises the remedy set forth in section 8327(b) to recover any~~
~~amounts paid to the board, as a consequence of a delinquency~~
~~caused by a charter school, and reduces the amount of funds paid~~
~~to a chartering school district, as defined in Article XVII A of~~
~~the act of March 10, 1949 (P.L.30, No.14), known as the Public~~
~~School Code of 1949, the chartering school district shall reduce~~
~~the amount of funds paid to the charter school by any amount~~
~~deducted by the Secretary of Education that would have otherwise~~
~~been paid to the chartering school district.~~

~~* * *~~

~~§ 8521. Management of fund and accounts.~~

~~* * *~~

~~(h) Venture capital[. Venture capital investments shall be~~
~~limited to not more than 2% of the book value of the total~~

1 ~~assets of the fund as determined for financial statement~~
2 ~~purposes as of June 30 next preceding the date of investment. An~~
3 ~~investment shall be deemed a venture capital investment if it~~
4 ~~results in the acquisition of equity interests or a combination~~
5 ~~of debt and equity interests in a business which is expected to~~
6 ~~grow substantially in the future and in which the expected~~
7 ~~return on investment is to come predominantly from an increase~~
8 ~~in value of the equity interests and are not interests in or~~
9 ~~secured by real estate. A venture capital investment may be made~~
10 ~~only if, in the judgment of the board, the investment is~~
11 ~~reasonably likely to enhance the general welfare of this~~
12 ~~Commonwealth and its citizens and meets the standard of prudence~~
13 ~~set forth in subsection (a). In determining whether the~~
14 ~~investment meets the standard of prudence, the board may~~
15 ~~consider, together with the expected return on and the risk~~
16 ~~characteristics of the particular investment, the actual and~~
17 ~~expected future returns and the risk characteristics of the~~
18 ~~total venture capital investments held by the board at the time~~
19 ~~and the degree to which the proposed new investment would~~
20 ~~promote further diversification within the venture capital asset~~
21 ~~class.], private placement and alternative investments. The~~
22 ~~board in its prudent discretion may make any venture capital~~
23 ~~investment, private placement investment or other alternative~~
24 ~~investment of any kind, structure or manner which meets the~~
25 ~~standard of prudence set forth in subsection (a).~~

26 ~~(i) Vehicles for authorized investments. The board in its~~
27 ~~prudent discretion may make any investments which meet the~~
28 ~~standard of prudence set forth in subsection (a) by [becoming a~~
29 ~~limited partner in partnerships that will hold such investments,~~
30 ~~or by acquiring shares or units of participation or otherwise~~

1 ~~participating beneficially in bank collective trusts or in the~~
2 ~~separate accounts of any insurance company authorized to do~~
3 ~~business in this Commonwealth, or by acquiring stocks or shares~~
4 ~~or units of participation or otherwise participating~~
5 ~~beneficially in the fund of any corporation or trust organized~~
6 ~~or created and existing under the laws of the United States or~~
7 ~~of any state, district or territory thereof which fund is~~
8 ~~maintained for and consists of assets of employees' benefit~~
9 ~~trusts, including governmental plans as defined in IRC § 414(d)~~
10 ~~or which meet the requirements for qualification under IRC §~~
11 ~~401} acquiring any type of interest in a business organization~~
12 ~~existing under the laws of any jurisdiction, provided that, in~~
13 ~~any such case, the liability of the Public School Employees'~~
14 ~~Retirement Fund shall be limited to the amount of its~~
15 ~~investment.~~

16 ~~(j) Legislative declaration concerning certain authorized~~
17 ~~investments. The General Assembly finds and declares that~~
18 ~~authorized investments of the fund made by or on behalf of the~~
19 ~~board under this section whereby the board becomes a joint owner~~
20 ~~or stockholder in any company, corporation [or], association or~~
21 ~~other lawful business organization are outside the scope of the~~
22 ~~original intent of and therefor do not violate the prohibition~~
23 ~~set forth in section 8 of Article VIII of the Constitution of~~
24 ~~Pennsylvania.~~

25 ~~Section 2. Sections 5901(a) and (b) and 5931(h), (i) and (j)~~
26 ~~of Title 71 are amended to read:~~

27 ~~§ 5901. The State Employees' Retirement Board.~~

28 ~~(a) Status and membership. The board shall be an~~
29 ~~independent administrative board and consist of 11 members: the~~
30 ~~State Treasurer, ex officio, two Senators [or former Senators],~~

1 ~~two members [or former members] of the House of Representatives~~
2 ~~and six members appointed by the Governor, one of whom shall be~~
3 ~~an annuitant of the system, for terms of four years, subject to~~
4 ~~confirmation by the Senate. At least five board members shall be~~
5 ~~active members of the system, and at least two shall have ten or~~
6 ~~more years of credited State service. The chairman of the board~~
7 ~~shall be designated by the Governor from among the members of~~
8 ~~the board. Each member of the board who is a member of the~~
9 ~~General Assembly may appoint a duly authorized designee to act~~
10 ~~in his stead.~~

11 ~~(b) Appointments and terms. The two members elected by the~~
12 ~~board and serving on the effective date of this title shall~~
13 ~~continue to serve until the expiration of their respective~~
14 ~~terms. The members [or former members] of the Senate shall be~~
15 ~~appointed by the President pro tempore of the Senate and shall~~
16 ~~consist of a majority and a minority member [or former member].~~
17 ~~The members [or former members] of the House of Representatives~~
18 ~~shall be appointed by the Speaker of the House of~~
19 ~~Representatives and shall consist of a majority and a minority~~
20 ~~member [or former member]. The legislative members shall serve~~
21 ~~on the board for the duration of [the terms for which they were~~
22 ~~elected and former legislative members shall serve a term of two~~
23 ~~years.] their legislative terms and shall continue to serve~~
24 ~~until 30 days after the convening of the next regular session of~~
25 ~~the General Assembly after the expiration of their respective~~
26 ~~legislative terms, or until a successor is appointed for the new~~
27 ~~term, whichever occurs first. Of the remaining four appointees,~~
28 ~~one shall be appointed for an initial term of two years, one for~~
29 ~~an initial term of three years, and two for an initial term of~~
30 ~~four years. A vacancy occurring during the term of an appointed~~

~~member shall be filled for the unexpired term by the appointment and confirmation of a successor in the same manner as his predecessor.~~

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~~§ 5931. Management of fund and accounts.~~

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~~(h) Venture capital[. Venture capital investments shall be limited to not more than 2% of the book value of the total assets of the fund as determined for financial statement purposes as of December 31 next preceding the date of investment. An investment shall be deemed a venture capital investment if it results in the acquisition of equity interests or a combination of debt and equity interests in a business which is expected to grow substantially in the future and in which the expected return on investment is to come predominantly from an increase in value of the equity interests and are not interests in or secured by real estate. A venture capital investment may be made only if, in the judgment of the board, the investment is reasonably likely to enhance the general welfare of this Commonwealth and its citizens and meets the standard of prudence set forth in subsection (a). In determining whether the investment meets the standard of prudence, the board may consider, together with the expected return on and the risk characteristics of the particular investment, the actual and expected future returns and the risk characteristics of the total venture capital investments held by the board at the time and the degree to which the proposed new investment would promote further diversification within the venture capital asset class.], private placement and alternative investments. The board in its prudent discretion may make any venture capital~~

~~investment, private placement investment or other alternative investment of any kind, structure or manner which meets the standard of prudence set forth in subsection (a).~~

~~(i) Vehicles for authorized investments. The board in its prudent discretion may make any investments which meet the standard of prudence set forth in subsection (a) by [becoming a limited partner in partnerships that will hold such investments; or by acquiring shares or units of participation or otherwise participating beneficially in bank collective trusts or in the separate accounts of any insurance company authorized to do business in this Commonwealth; or by acquiring stocks or shares or units of participation or otherwise participating beneficially in the fund of any corporation or trust organized or created and existing under the laws of the United States or of any state, district or territory thereof, which fund is maintained for and consists of assets of employees' benefit trusts, including governmental plans as defined in IRC § 414(d) or which meet the requirements for qualification under IRC § 401] acquiring any type of interest in a business organization existing under the laws of any jurisdiction, provided that, in any such case, the liability of the State Employees' Retirement Fund shall be limited to the amount of its investment.~~

~~(j) Legislative declaration concerning certain authorized investments. The General Assembly finds and declares that authorized investments of the fund made by or on behalf of the board under this section whereby the board becomes a joint owner or stockholder in any company, corporation [or], association or other lawful business organization are outside the scope of the original intent of and therefore do not violate the prohibition set forth in section 8 of Article VIII of the Constitution of~~

1 ~~Pennsylvania.~~

2 ~~Section 3. Any and all investments of the Public School~~
3 ~~Employees' Retirement Board and of the State Employees'~~
4 ~~Retirement Board, respectively, which on the effective date of~~
5 ~~this section are owned or held through a vehicle as described in~~
6 ~~24 Pa.C.S. § 8521(i) or 71 Pa.C.S. § 5931(i), as applicable,~~
7 ~~shall be deemed to have been lawfully made through such vehicle~~
8 ~~at inception.~~

9 ~~Section 4. All acts and parts of acts are repealed insofar~~
10 ~~as they are inconsistent with this act.~~

11 ~~Section 5. This act shall take effect immediately.~~

12 SECTION 1. THE GENERAL ASSEMBLY FINDS AND DECLARES AS

<—

13 FOLLOWS:

14 (1) THIS ACT CONTAINS BOTH BENEFIT AND ADMINISTRATIVE
15 PENSION CHANGES. THE BENEFIT CHANGES INCLUDE AN ENHANCEMENT
16 TO THE BASIC BENEFIT FORMULA, A REDUCTION IN THE VESTING
17 REQUIREMENT, THE ADDITION OF A NEW CLASS OF BENEFITS FOR
18 LEGISLATORS, AND A CHANGE TO THE CURRENT ARRANGEMENT BY WHICH
19 MEMBERS CAN COMBINE SERVICE CREDIT WITH BOTH THE STATE
20 EMPLOYEES' RETIREMENT SYSTEM AND THE PUBLIC SCHOOL EMPLOYEES'
21 RETIREMENT SYSTEM.

22 (2) OVER THE PAST TWO DECADES, BOTH PENSION FUNDS HAVE
23 EXPERIENCED INVESTMENT RETURNS WELL IN EXCESS OF
24 EXPECTATIONS. AS A RESULT, STATE AND SCHOOL DISTRICT
25 CONTRIBUTIONS HAVE DECREASED DRAMATICALLY TO LESS THAN 1% OF
26 PAYROLL FOR NEXT YEAR. AT THE SAME TIME, EMPLOYEE
27 CONTRIBUTIONS RANGE FROM 5% TO 6.25% OF PAYROLL. THE
28 OUTSTANDING INVESTMENT PERFORMANCE HAS RESULTED IN THE
29 PENSION FUNDS BEING OVER 123% FUNDED, COMPARED TO CURRENT
30 NEEDS. THE 4% STATUTORY INTEREST RATE THE EMPLOYEES RECEIVE

1 ON THEIR PENSION ACCOUNTS HAS CONSISTENTLY BEEN ECLIPSED BY
2 THE ACTUAL AVERAGE RETURNS OF THE FUNDS OVER THE LAST TWO
3 DECADES, AND ALSO HAS BEEN LESS THAN AVAILABLE PRIVATE MARKET
4 INTEREST RATES. THE FACT THAT EMPLOYEES HAVE BEEN AND ARE
5 PROJECTED TO CONTINUE TO CONTRIBUTE AT A RATE THAT IS
6 MATERIALLY GREATER THAN THE EMPLOYERS DUE TO THE MORE THAN
7 100% FUNDED STATUS OF THE PLANS, RAISES THE ISSUE OF THE
8 EXTENT TO WHICH EMPLOYEES SHOULD BE PROVIDED ADDITIONAL
9 BENEFITS. THE INCREASE IN BENEFITS FOR STATE AND SCHOOL
10 EMPLOYEES PROVIDED HEREIN WILL IN EFFECT ALLOW THEM FOR THE
11 FIRST TIME TO SHARE IN THE OUTSTANDING INVESTMENT PERFORMANCE
12 OF THE FUNDS. TO DATE, THAT EXPERIENCE HAS ONLY BENEFITED THE
13 EMPLOYERS THROUGH REDUCED CONTRIBUTIONS TO THE FUNDS. EVEN
14 WITH THE INCREASES IN BENEFITS PROVIDED HEREIN, BOTH PENSION
15 FUNDS ARE PROJECTED TO MAINTAIN MINIMAL EMPLOYER CONTRIBUTION
16 RATES, AND AT THE SAME TIME, MAINTAIN A FULLY FUNDED STATUS.
17 FOR AT LEAST THE NEXT DECADE, MEMBERS ARE PROJECTED TO
18 CONTINUE TO CONTRIBUTE AT A RATE SUBSTANTIALLY IN EXCESS OF
19 THAT REQUIRED FROM THE EMPLOYERS.

20 (3) A MAJOR CHANGE IN THE MANNER IN WHICH BENEFITS ARE
21 FUNDED IS WARRANTED. CURRENTLY, GAINS OR LOSSES RELATED TO
22 THE FUNDING FOR BENEFITS ARE SPREAD OVER A 20-YEAR TIME
23 FRAME. UNDER THIS PROPOSED CHANGE, THESE GAINS OR LOSSES WILL
24 NOW BE SPREAD OVER A SHORTER TIME FRAME, THAT BEING TEN
25 YEARS, INCREASING INTERGENERATIONAL EQUITY, BY REDUCING THE
26 TIME ELAPSED BETWEEN THE SERVICE OF THE MEMBERS OF THE
27 SYSTEMS AND THE RELATED FUNDING. A SIMILAR POLICY WAS ENACTED
28 IN 1991, WHEN 30-YEAR FUNDING FOR THE TWO FUNDS WAS REDUCED
29 TO 20-YEAR FUNDING.

30 (4) PARTICIPATION IN THE ENHANCED BENEFIT ACCRUAL RATE

1 SHOULD NOT BE MANDATORY FOR CURRENT MEMBERS. MEMBERS WHO
2 ELECT TO PARTICIPATE SHOULD HAVE TO AGREE, AS PROVIDED
3 HEREIN, TO INCREASE EMPLOYEE CONTRIBUTIONS AS CONSIDERATION
4 FOR THEIR FUTURE RECEIPT OF ENHANCED BENEFITS AFTER THE
5 TERMINATION OF SERVICE.

6 (5) THE APPROACH SET OUT HERETOFORE WAS CITED AS
7 REASONABLE PUBLIC PENSION POLICY BY THE PUBLIC EMPLOYEE
8 RETIREMENT COMMISSION IN A REPORT RELEASED ON MAY 7 OF THIS
9 YEAR. AS THE COMMISSION FURTHER NOTED, CERTAIN PROVISIONS
10 HEREIN WILL RESULT IN THE SYSTEMS BEING MORE CLOSELY ALIGNED
11 WITH SIMILAR PLANS IN THE PRIVATE SECTOR AND FURTHER
12 STRENGTHEN THE SYSTEMS' POSITIONS RELATIVE TO INTERNAL
13 REVENUE CODE COMPLIANCE.

14 SECTION 1.1. THE DEFINITIONS OF "ACTIVE MEMBER," "BASIC
15 CONTRIBUTION RATE," "CLASS OF SERVICE MULTIPLIER," "CREDITED
16 SERVICE," "INACTIVE MEMBER," "SALARY DEDUCTIONS," "STANDARD
17 SINGLE LIFE ANNUITY," "SUPERANNUATION OR NORMAL RETIREMENT AGE"
18 AND "VESTEE" IN SECTION 8102 OF TITLE 24 OF THE PENNSYLVANIA
19 CONSOLIDATED STATUTES ARE AMENDED TO READ:

20 § 8102. DEFINITIONS.

21 THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS PART SHALL
22 HAVE, UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE, THE
23 MEANINGS GIVEN TO THEM IN THIS SECTION:

24 * * *

25 "ACTIVE MEMBER." A SCHOOL EMPLOYEE FOR WHOM PICKUP
26 CONTRIBUTIONS ARE BEING MADE TO THE FUND OR FOR WHOM SUCH
27 CONTRIBUTIONS OTHERWISE REQUIRED FOR CURRENT SCHOOL SERVICE ARE
28 NOT BEING MADE SOLELY BY REASON OF ANY PROVISION OF THIS PART
29 RELATING TO THE [LIMITATION] LIMITATIONS UNDER SECTION
30 401(A)(17) OR 415(B) OF THE INTERNAL REVENUE CODE OF 1986

1 (PUBLIC LAW 99-514, 26 U.S.C. § 401(A)(17) OR 415(B)).

2 * * *

3 "BASIC CONTRIBUTION RATE." [THE] FOR CLASS T-A, T-B AND T-C
4 SERVICE THE RATE OF 6 1/4%. FOR CLASS T-D SERVICE, THE RATE OF 7
5 1/2%. FOR ALL ACTIVE MEMBERS ON THE EFFECTIVE DATE OF THIS
6 PROVISION WHO ARE CURRENTLY PAYING 5 1/4% AND ELECT CLASS T-D
7 SERVICE, THE RATE OF 6 1/2%.

8 * * *

9 "CLASS OF SERVICE MULTIPLIER."

10	CLASS OF SERVICE	MULTIPLIER
11	T-A	.714
12	T-B	.625
13	T-C	1.000
14	<u>T-D</u>	<u>1.000</u>

15 * * *

16 "CREDITED SERVICE." SCHOOL OR CREDITABLE NONSCHOOL SERVICE
17 FOR WHICH THE REQUIRED CONTRIBUTIONS HAVE BEEN MADE, OR FOR
18 WHICH THE CONTRIBUTIONS OTHERWISE REQUIRED FOR SUCH SERVICE WERE
19 NOT MADE SOLELY BY REASON OF ANY PROVISION OF THIS PART RELATING
20 TO THE LIMITATIONS UNDER SECTION 401(A)(17) OR 415(B) OF THE
21 INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. §
22 401(A)(17) OR 415(B)), OR FOR WHICH SALARY DEDUCTIONS OR LUMP
23 SUM PAYMENTS HAVE BEEN AGREED UPON IN WRITING.

24 * * *

25 "INACTIVE MEMBER." A MEMBER FOR WHOM NO PICKUP CONTRIBUTIONS
26 ARE BEING MADE, EXCEPT IN THE CASE OF AN ACTIVE MEMBER FOR WHOM
27 SUCH CONTRIBUTIONS OTHERWISE REQUIRED FOR CURRENT SCHOOL SERVICE
28 ARE NOT BEING MADE SOLELY BY REASON OF ANY PROVISION OF THIS
29 PART RELATING TO THE [LIMITATION] LIMITATIONS UNDER SECTION
30 401(A)(17) OR 415(B) OF THE INTERNAL REVENUE CODE OF 1986

1 (PUBLIC LAW 99-514, 26 U.S.C. § 401(A)(17) OR 415(B)), WHO HAS
2 ACCUMULATED DEDUCTIONS STANDING TO HIS CREDIT IN THE FUND AND
3 FOR WHOM CONTRIBUTIONS HAVE BEEN MADE WITHIN THE LAST TWO SCHOOL
4 YEARS OR A MULTIPLE SERVICE MEMBER WHO IS ACTIVE IN THE STATE
5 EMPLOYEES' RETIREMENT SYSTEM.

6 * * *

7 "SALARY DEDUCTIONS." THE AMOUNTS CERTIFIED BY THE BOARD,
8 DEDUCTED FROM THE COMPENSATION OF AN ACTIVE MEMBER OR THE STATE
9 SERVICE COMPENSATION OF A MULTIPLE SERVICE MEMBER WHO IS AN
10 ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM AND PAID
11 INTO THE FUND.

12 * * *

13 "STANDARD SINGLE LIFE ANNUITY." [AN] FOR CLASS T-A, T-B AND
14 T-C CREDITED SERVICE OF A MEMBER, AN ANNUITY EQUAL TO 2% OF THE
15 FINAL AVERAGE SALARY, MULTIPLIED BY THE TOTAL NUMBER OF YEARS
16 AND FRACTIONAL PART OF A YEAR OF CREDITED SERVICE OF A MEMBER.
17 FOR CLASS T-D CREDITED SERVICE OF A MEMBER, AN ANNUITY EQUAL TO
18 2.5% OF THE FINAL AVERAGE SALARY, MULTIPLIED BY THE TOTAL NUMBER
19 OF YEARS AND FRACTIONAL PART OF A YEAR OF CREDITED SERVICE.

20 * * *

21 "SUPERANNUATION OR NORMAL RETIREMENT AGE."

22	CLASS OF SERVICE	AGE
23	T-A	62 OR ANY AGE UPON ACCRUAL
24		OF 35 ELIGIBILITY POINTS
25	T-B	62
26	T-C <u>AND T-D</u>	62 OR AGE 60 PROVIDED THE
27		MEMBER HAS AT LEAST 30
28		ELIGIBILITY POINTS OR
29		ANY AGE UPON ACCRUAL OF
30		35 ELIGIBILITY POINTS

1 * * *

2 "VESTEE." A MEMBER WITH [TEN] FIVE OR MORE ELIGIBILITY
3 POINTS WHO HAS TERMINATED SCHOOL SERVICE, HAS LEFT HIS
4 ACCUMULATED DEDUCTIONS IN THE FUND, AND IS DEFERRING FILING OF
5 AN APPLICATION FOR RECEIPT OF AN ANNUITY.

6 SECTION 1.2. SECTIONS 8302(A), 8303(C), 8304(A) AND 8305 OF
7 TITLE 24 ARE AMENDED TO READ:

8 § 8302. CREDITED SCHOOL SERVICE.

9 (A) COMPUTATION OF CREDITED SERVICE.--IN COMPUTING CREDITED
10 SCHOOL SERVICE OF A MEMBER FOR THE DETERMINATION OF BENEFITS, A
11 FULL-TIME SALARIED SCHOOL EMPLOYEE SHALL RECEIVE ONE YEAR OF
12 CREDIT FOR EACH SCHOOL YEAR OR THE CORRESPONDING FRACTION
13 THEREOF, IN ACCORDANCE WITH THE PROPORTION OF THE FULL SCHOOL
14 YEAR FOR WHICH THE REQUIRED REGULAR MEMBER CONTRIBUTIONS HAVE
15 BEEN MADE, OR FOR WHICH SUCH CONTRIBUTIONS OTHERWISE REQUIRED
16 FOR SUCH SERVICE WERE NOT MADE SOLELY BY REASON OF ANY PROVISION
17 OF THIS PART RELATING TO THE [LIMITATION] LIMITATIONS UNDER IRC
18 § 401(A)(17) OR 415(B). A PER DIEM OR HOURLY SCHOOL EMPLOYEE
19 SHALL RECEIVE ONE YEAR OF CREDITED SERVICE FOR EACH
20 NONOVERLAPPING PERIOD OF 12 CONSECUTIVE MONTHS IN WHICH HE IS
21 EMPLOYED AND FOR WHICH CONTRIBUTIONS ARE MADE, OR WOULD HAVE
22 BEEN MADE BUT FOR SUCH [LIMITATION] LIMITATIONS UNDER THE IRC,
23 FOR AT LEAST 180 FULL-DAY SESSIONS OR 1,100 HOURS OF EMPLOYMENT.
24 IF SUCH MEMBER WAS EMPLOYED AND CONTRIBUTIONS WERE MADE FOR LESS
25 THAN 180 FULL-DAY SESSIONS OR 1,100 HOURS, HE SHALL BE CREDITED
26 WITH A FRACTIONAL PORTION OF A YEAR DETERMINED BY THE RATIO OF
27 THE NUMBER OF FULL-DAY SESSIONS OR HOURS OF SERVICE ACTUALLY
28 RENDERED TO 180 FULL-DAY SESSIONS OR 1,100 HOURS, AS THE CASE
29 MAY BE. A PART-TIME SALARIED EMPLOYEE SHALL BE CREDITED WITH THE
30 FRACTIONAL PORTION OF THE YEAR WHICH CORRESPONDS TO THE SERVICE

1 ACTUALLY RENDERED IN RELATION TO THE SERVICE REQUIRED AS A
2 COMPARABLE FULL-TIME SALARIED EMPLOYEE. IN NO CASE SHALL A
3 MEMBER RECEIVE MORE THAN ONE YEAR OF CREDITED SERVICE FOR ANY 12
4 CONSECUTIVE MONTHS OR A MEMBER WHO HAS ELECTED MULTIPLE SERVICE
5 RECEIVE AN AGGREGATE IN THE TWO SYSTEMS OF MORE THAN ONE YEAR OF
6 CREDITED SERVICE FOR ANY 12 CONSECUTIVE MONTHS.

7 * * *

8 § 8303. ELIGIBILITY POINTS FOR RETENTION AND REINSTATEMENT OF
9 SERVICE CREDITS.

10 * * *

11 (C) PURCHASE OF PREVIOUS CREDITABLE SERVICE.--EVERY ACTIVE
12 MEMBER OF THE SYSTEM OR A MULTIPLE SERVICE MEMBER WHO IS AN
13 ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM ON OR
14 AFTER THE EFFECTIVE DATE OF THIS PART MAY PURCHASE CREDIT AND
15 RECEIVE ELIGIBILITY POINTS:

16 (1) AS A MEMBER OF CLASS T-C FOR PREVIOUS SCHOOL SERVICE
17 OR CREDITABLE NONSCHOOL SERVICE; OR

18 (2) AS A MEMBER OF CLASS T-D FOR PREVIOUS SCHOOL
19 SERVICE, PROVIDED THE MEMBER ELECTS TO BECOME A CLASS T-D
20 MEMBER PURSUANT TO SECTION 8305.1 (RELATING TO ELECTION TO
21 BECOME A CLASS T-D MEMBER);

22 UPON WRITTEN AGREEMENT BY THE MEMBER AND THE BOARD AS TO THE
23 MANNER OF PAYMENT OF THE AMOUNT DUE FOR CREDIT FOR SUCH SERVICE;
24 EXCEPT, THAT ANY PURCHASE FOR REINSTATEMENT OF SERVICE CREDIT
25 SHALL BE FOR ALL SERVICE PREVIOUSLY CREDITED.

26 § 8304. CREDITABLE NONSCHOOL SERVICE.

27 (A) ELIGIBILITY.--AN ACTIVE MEMBER OR A MULTIPLE SERVICE
28 MEMBER WHO IS AN ACTIVE MEMBER OF THE STATE EMPLOYEES'
29 RETIREMENT SYSTEM SHALL BE ELIGIBLE TO RECEIVE CLASS T-C SERVICE
30 CREDIT FOR CREDITABLE NONSCHOOL SERVICE AND CLASS T-D SERVICE

1 FOR INTERVENING MILITARY SERVICE, PROVIDED THE MEMBER ELECTS TO
2 BECOME A CLASS T-D MEMBER PURSUANT TO SECTION 8305.1 (RELATING
3 TO ELECTION TO BECOME A CLASS T-D MEMBER), AS SET FORTH IN
4 SUBSECTION (B) PROVIDED THAT HE IS NOT ENTITLED TO RECEIVE,
5 ELIGIBLE TO RECEIVE NOW OR IN THE FUTURE, OR IS RECEIVING
6 RETIREMENT BENEFITS FOR SUCH SERVICE UNDER A RETIREMENT SYSTEM
7 ADMINISTERED AND WHOLLY OR PARTIALLY PAID FOR BY ANY OTHER
8 GOVERNMENTAL AGENCY OR BY ANY PRIVATE EMPLOYER, OR A RETIREMENT
9 PROGRAM APPROVED BY THE EMPLOYER IN ACCORDANCE WITH SECTION
10 8301(A)(1) (RELATING TO MANDATORY AND OPTIONAL MEMBERSHIP), AND
11 FURTHER PROVIDED THAT SUCH SERVICE IS CERTIFIED BY THE PREVIOUS
12 EMPLOYER AND THE MANNER OF PAYMENT OF THE AMOUNT DUE IS AGREED
13 UPON BY THE MEMBER, THE EMPLOYER, AND THE BOARD.

14 * * *

15 § 8305. CLASSES OF SERVICE.

16 (A) CLASS T-C MEMBERSHIP.--A SCHOOL EMPLOYEE WHO IS A MEMBER
17 OF CLASS T-C ON THE EFFECTIVE DATE OF THIS PART OR WHO BECOMES A
18 MEMBER OF THE SYSTEM SUBSEQUENT TO THE EFFECTIVE DATE OF THIS
19 PART SHALL BE CLASSIFIED AS A CLASS T-C MEMBER, PROVIDED THE
20 SCHOOL EMPLOYEE DOES NOT BECOME A MEMBER OF CLASS T-D PURSUANT
21 TO SUBSECTION (C).

22 (B) OTHER CLASS MEMBERSHIP.--A SCHOOL EMPLOYEE WHO IS A
23 MEMBER OF A CLASS OF SERVICE OTHER THAN CLASS T-C ON THE
24 EFFECTIVE DATE OF THIS PART MAY ELECT TO BECOME A MEMBER OF
25 CLASS T-C OR CLASS T-D OR MAY RETAIN HIS MEMBERSHIP IN SUCH
26 OTHER CLASS UNTIL THE SERVICE IS DISCONTINUED OR HE ELECTS TO
27 BECOME A FULL COVERAGE MEMBER OR ELECTS TO PURCHASE CREDIT FOR
28 PREVIOUS SCHOOL OR CREDITABLE NONSCHOOL SERVICE. ANY SERVICE
29 THEREAFTER SHALL BE CREDITED AS CLASS T-C OR T-D SERVICE, AS
30 APPLICABLE.

1 (C) CLASS T-D MEMBERSHIP.--

2 (1) A PERSON WHO BECOMES A SCHOOL EMPLOYEE AND AN ACTIVE
3 MEMBER, OR A PERSON WHO BECOMES A MULTIPLE SERVICE MEMBER WHO
4 IS A STATE EMPLOYEE AND A MEMBER OF THE STATE EMPLOYEES'
5 RETIREMENT SYSTEM, ON OR AFTER THE EFFECTIVE DATE OF THIS
6 SUBSECTION SHALL BE CLASSIFIED AS A CLASS T-D MEMBER UPON
7 PAYMENT OF REGULAR MEMBER CONTRIBUTIONS. ANY PRIOR SCHOOL
8 SERVICE CREDITED AS CLASS T-C SERVICE SHALL BE CREDITED AS
9 CLASS T-D SERVICE, SUBJECT TO THE LIMITATIONS CONTAINED IN
10 PARAGRAPH (4).

11 (2) A SCHOOL EMPLOYEE WHO, ON THE DAY BEFORE AND ON THE
12 EFFECTIVE DATE OF THIS SUBSECTION, IS EITHER AN ACTIVE MEMBER
13 OR AN INACTIVE MEMBER SHALL BE CLASSIFIED AS A CLASS T-D
14 MEMBER AND RECEIVE CREDIT FOR CLASS T-D SERVICE PERFORMED ON
15 OR AFTER THE EFFECTIVE DATE OF THIS SUBSECTION UPON PAYMENT
16 OF REGULAR MEMBER CONTRIBUTIONS, PROVIDED THE SCHOOL EMPLOYEE
17 ELECTS TO BECOME A CLASS T-D MEMBER PURSUANT TO SECTION
18 8305.1 (RELATING TO ELECTION TO BECOME A CLASS T-D MEMBER). A
19 SCHOOL EMPLOYEE WHO BECOMES A CLASS T-D MEMBER SHALL ALSO
20 RECEIVE CLASS T-D SERVICE CREDIT FOR ALL CLASS T-C SCHOOL
21 SERVICE PERFORMED BEFORE THE EFFECTIVE DATE OF THIS
22 SUBSECTION, SUBJECT TO THE LIMITATIONS CONTAINED IN PARAGRAPH
23 (4).

24 (3) A FORMER SCHOOL EMPLOYEE WHO, ON THE EFFECTIVE DATE
25 OF THIS SUBSECTION, IS A MULTIPLE SERVICE MEMBER WHO IS A
26 STATE EMPLOYEE AND A MEMBER OF THE STATE EMPLOYEES'
27 RETIREMENT SYSTEM SHALL RECEIVE CLASS T-D SERVICE CREDIT FOR
28 ALL CLASS T-C SCHOOL SERVICE PERFORMED BEFORE THE EFFECTIVE
29 DATE OF THIS SUBSECTION, SUBJECT TO THE LIMITATIONS CONTAINED
30 IN PARAGRAPH (4), PROVIDED THE FORMER SCHOOL EMPLOYEE ELECTS

1 TO BECOME A CLASS T-D MEMBER PURSUANT TO SECTION 8305.1.

2 (4) (I) SCHOOL SERVICE PERFORMED AS CLASS T-C SERVICE
3 BEFORE THE EFFECTIVE DATE OF THIS SUBSECTION SHALL BE
4 CREDITED AS CLASS T-D SERVICE ONLY UPON COMPLETION OF ALL
5 ACTS NECESSARY FOR THE SCHOOL SERVICE TO BE CREDITED AS
6 CLASS T-C SERVICE HAD THIS SUBSECTION NOT BEEN ENACTED.

7 (II) A PERSON WHO IS NOT A SCHOOL EMPLOYEE OR A
8 STATE EMPLOYEE ON JUNE 30, 2001, AND JULY 1, 2001, AND
9 WHO HAS PREVIOUS SCHOOL SERVICE SHALL NOT RECEIVE CLASS
10 T-D SERVICE CREDIT FOR SCHOOL SERVICE PERFORMED BEFORE
11 JULY 1, 2001, UNTIL THE PERSON BECOMES AN ACTIVE MEMBER
12 OR AN ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT
13 SYSTEM AND A MULTIPLE SERVICE MEMBER AND EARNS THREE
14 ELIGIBILITY POINTS BY PERFORMING CREDITED SCHOOL SERVICE
15 OR STATE SERVICE AFTER JUNE 30, 2001. THIS SUBPARAGRAPH
16 DOES NOT APPLY TO A DISABILITY ANNUITANT WHO RETURNS TO
17 SCHOOL SERVICE AFTER JUNE 30, 2001, UPON TERMINATION OF
18 THE DISABILITY ANNUITY.

19 SECTION 1.3. TITLE 24 IS AMENDED BY ADDING A SECTION TO
20 READ:

21 § 8305.1. ELECTION TO BECOME A CLASS T-D MEMBER.

22 (A) GENERAL RULE.--A PERSON WHO IS:

23 (1) A MEMBER OF THE SYSTEM; OR

24 (2) A MULTIPLE SERVICE MEMBER WHO IS A STATE EMPLOYEE

25 AND A MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM;

26 AND WHO, ON THE EFFECTIVE DATE OF THIS SUBSECTION, IS ELIGIBLE
27 FOR CLASS T-D MEMBERSHIP MAY ELECT TO BECOME A MEMBER OF CLASS
28 T-D.

29 (B) TIME FOR MAKING ELECTION.--THE MEMBER MUST ELECT TO
30 BECOME A CLASS T-D MEMBER BY FILING A WRITTEN NOTICE WITH THE

1 BOARD ON OR BEFORE DECEMBER 31, 2001, OR BEFORE THE TERMINATION
2 OF SCHOOL SERVICE OR STATE SERVICE AS APPLICABLE, WHICHEVER
3 FIRST OCCURS.

4 (C) EFFECT OF ELECTION.--AN ELECTION TO BECOME A CLASS T-D
5 MEMBER SHALL REMAIN IN EFFECT UNTIL THE TERMINATION OF
6 EMPLOYMENT AND SHALL RESULT IN ALL SERVICE WHICH COULD HAVE BEEN
7 CREDITED AS CLASS T-C SERVICE BEING CREDITED AS CLASS T-D
8 SERVICE. THOSE MEMBERS WHO, ON THE EFFECTIVE DATE OF THIS
9 SECTION, CONTRIBUTE AT THE RATE OF 5 1/4% SHALL BE DEEMED TO
10 HAVE ACCEPTED THE BASIC CONTRIBUTION RATE OF 6 1/2% FOR ALL
11 CLASS T-D SERVICE PERFORMED ON OR AFTER JANUARY 1, 2002. THOSE
12 MEMBERS WHO, ON THE EFFECTIVE DATE OF THIS SECTION, CONTRIBUTE
13 AT THE RATE OF 6 1/4% SHALL BE DEEMED TO HAVE ACCEPTED THE BASIC
14 CONTRIBUTION RATE OF 7 1/2% FOR ALL CLASS T-D SERVICE PERFORMED
15 ON OR AFTER JANUARY 1, 2002.

16 (D) EFFECT OF FAILURE TO MAKE ELECTION.--IF THE MEMBER FAILS
17 TO TIMELY FILE AN ELECTION TO BECOME A CLASS T-D MEMBER, THEN
18 ALL OF THE MEMBER'S CLASS T-C SCHOOL SERVICE SHALL BE CREDITED
19 AS CLASS T-C SERVICE, AND SAID SERVICE SHALL NOT BE ELIGIBLE FOR
20 CLASS T-D SERVICE CREDIT UPON TERMINATION OF SERVICE AND
21 SUBSEQUENT EMPLOYMENT AS AN ACTIVE MEMBER.

22 SECTION 2. SECTIONS 8306, 8307(B), 8308, 8321, 8323(A), (C),
23 (C.1) AND (D), 8324(B), (C) AND (D), 8325, 8327(B) AND 8328(B),
24 (C), (D) AND (E) OF TITLE 24 ARE AMENDED TO READ:

25 § 8306. ELIGIBILITY POINTS.

26 (A) GENERAL RULE.--AN ACTIVE MEMBER OF THE SYSTEM SHALL
27 ACCRUE ONE ELIGIBILITY POINT FOR EACH YEAR OF CREDITED SERVICE
28 AS A MEMBER OF THE SCHOOL OR STATE RETIREMENT SYSTEM. A MEMBER
29 SHALL ACCRUE AN ADDITIONAL TWO-THIRDS OF AN ELIGIBILITY POINT
30 FOR EACH YEAR OF CLASS D-3 CREDITED SERVICE UNDER THE STATE

1 EMPLOYEES' RETIREMENT SYSTEM. IN THE CASE OF A FRACTIONAL PART
2 OF A YEAR OF CREDITED SERVICE, A MEMBER SHALL ACCRUE THE
3 CORRESPONDING FRACTIONAL PORTION OF AN ELIGIBILITY POINT.

4 (B) TRANSITIONAL RULE.--FOR THE PURPOSES OF THE TRANSITION:

5 (1) IN DETERMINING WHETHER A MEMBER, OTHER THAN A
6 DISABILITY ANNUITANT WHO RETURNS TO SCHOOL SERVICE AFTER JUNE
7 30, 2001, UPON TERMINATION OF THE DISABILITY ANNUITY, WHO IS
8 NOT A SCHOOL EMPLOYEE OR A STATE EMPLOYEE ON JUNE 30, 2001,
9 AND JULY 1, 2001, AND WHO HAS PREVIOUS SCHOOL SERVICE, HAS
10 THE FIVE ELIGIBILITY POINTS REQUIRED BY THE DEFINITION OF
11 "VESTEE" IN SECTIONS 8102 (RELATING TO DEFINITIONS), 8307
12 (RELATING TO ELIGIBILITY FOR ANNUITIES), 8308 (RELATING TO
13 ELIGIBILITY FOR VESTING) AND 8345 (RELATING TO MEMBER'S
14 OPTIONS), ONLY ELIGIBILITY POINTS EARNED BY PERFORMING
15 CREDITED SCHOOL SERVICE OR CREDITED STATE SERVICE AFTER JUNE
16 30, 2001, SHALL BE COUNTED UNTIL SUCH MEMBER EARNS ONE
17 ELIGIBILITY POINT BY PERFORMING CREDITED SCHOOL SERVICE OR
18 CREDITED STATE SERVICE AFTER JUNE 30, 2001, AT WHICH TIME ALL
19 ELIGIBILITY POINTS AS DETERMINED UNDER SUBSECTION (A) SHALL
20 BE COUNTED.

21 (2) A MEMBER SUBJECT TO PARAGRAPH (1) SHALL BE
22 CONSIDERED TO HAVE SATISFIED ANY REQUIREMENT FOR FIVE
23 ELIGIBILITY POINTS CONTAINED IN THIS PART IF THE MEMBER HAS
24 AT LEAST TEN ELIGIBILITY POINTS DETERMINED UNDER SUBSECTION
25 (A).

26 § 8307. ELIGIBILITY FOR ANNUITIES.

27 * * *

28 (B) WITHDRAWAL ANNUITY.--A VESTEE WITH [TEN] FIVE OR MORE
29 ELIGIBILITY POINTS OR AN ACTIVE OR INACTIVE MEMBER WHO
30 TERMINATES SCHOOL SERVICE HAVING [TEN] FIVE OR MORE ELIGIBILITY

1 POINTS SHALL, UPON FILING A PROPER APPLICATION, BE ENTITLED TO
2 RECEIVE AN EARLY ANNUITY.

3 * * *

4 § 8308. ELIGIBILITY FOR VESTING.

5 ANY MEMBER WHO TERMINATES SCHOOL SERVICE WITH [TEN] FIVE OR
6 MORE ELIGIBILITY POINTS SHALL BE ENTITLED TO VEST HIS RETIREMENT
7 BENEFITS UNTIL ATTAINMENT OF SUPERANNUATION AGE.

8 § 8321. REGULAR MEMBER CONTRIBUTIONS FOR CURRENT SERVICE.

9 REGULAR MEMBER CONTRIBUTIONS SHALL BE MADE TO THE FUND ON
10 BEHALF OF EACH ACTIVE MEMBER FOR CURRENT SERVICE EXCEPT FOR ANY
11 PERIOD OF CURRENT SERVICE IN WHICH THE MAKING OF SUCH
12 CONTRIBUTIONS HAS CEASED SOLELY BY REASON OF ANY PROVISION OF
13 THIS PART RELATING TO THE [LIMITATION] LIMITATIONS UNDER IRC §
14 401(A)(17) OR 415(B).

15 § 8323. MEMBER CONTRIBUTIONS FOR CREDITABLE SCHOOL SERVICE.

16 (A) PREVIOUS SCHOOL SERVICE, SABBATICAL LEAVE AND FULL
17 COVERAGE.--THE CONTRIBUTIONS TO BE PAID BY AN ACTIVE MEMBER OR
18 AN ELIGIBLE STATE EMPLOYEE FOR CREDIT FOR REINSTATEMENT OF ALL
19 PREVIOUSLY CREDITED SCHOOL SERVICE, SCHOOL SERVICE NOT
20 PREVIOUSLY CREDITED, SABBATICAL LEAVE AS IF HE HAD BEEN IN FULL-
21 TIME DAILY ATTENDANCE, OR FULL-COVERAGE MEMBERSHIP SHALL BE
22 SUFFICIENT TO PROVIDE AN AMOUNT EQUAL TO THE ACCUMULATED
23 DEDUCTIONS WHICH WOULD HAVE BEEN STANDING TO THE CREDIT OF THE
24 MEMBER FOR SUCH SERVICE HAD REGULAR MEMBER CONTRIBUTIONS BEEN
25 MADE WITH FULL COVERAGE AT THE RATE OF CONTRIBUTION NECESSARY TO
26 BE CREDITED AS CLASS T-C SERVICE OR CLASS T-D SERVICE IF THE
27 MEMBER IS A CLASS T-D MEMBER AND HAD SUCH CONTRIBUTIONS BEEN
28 CREDITED WITH STATUTORY INTEREST DURING THE PERIOD THE
29 CONTRIBUTIONS WOULD HAVE BEEN MADE AND DURING ALL PERIODS OF
30 SUBSEQUENT SCHOOL AND STATE SERVICE UP TO THE DATE OF PURCHASE.

1 * * *

2 (C) APPROVED LEAVE OF ABSENCE OTHER THAN SABBATICAL LEAVE
3 AND ACTIVATED MILITARY SERVICE LEAVE.--THE CONTRIBUTIONS TO BE
4 PAID BY AN ACTIVE MEMBER FOR CREDIT FOR AN APPROVED LEAVE OF
5 ABSENCE, OTHER THAN SABBATICAL LEAVE AND ACTIVATED MILITARY
6 SERVICE LEAVE, SHALL BE SUFFICIENT TO TRANSFER HIS MEMBERSHIP TO
7 CLASS T-C OR TO CLASS T-D IF THE MEMBER IS A CLASS T-D MEMBER
8 AND FURTHER TO PROVIDE AN ANNUITY AS A CLASS T-C MEMBER OR CLASS
9 T-D MEMBER IF THE MEMBER IS A CLASS T-D MEMBER FOR SUCH
10 ADDITIONAL CREDITED SERVICE. SUCH AMOUNT SHALL BE THE SUM OF THE
11 AMOUNT REQUIRED IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION
12 (B) AND AN AMOUNT DETERMINED AS THE SUM OF THE MEMBER'S BASIC
13 CONTRIBUTION RATE AND THE NORMAL CONTRIBUTION RATE AS PROVIDED
14 IN SECTION 8328 (RELATING TO ACTUARIAL COST METHOD) DURING SUCH
15 PERIOD MULTIPLIED BY THE COMPENSATION WHICH WAS RECEIVED OR
16 WHICH WOULD HAVE BEEN RECEIVED DURING SUCH PERIOD AND WITH
17 STATUTORY INTEREST DURING ALL PERIODS OF SUBSEQUENT SCHOOL AND
18 STATE SERVICE UP TO THE DATE OF PURCHASE.

19 (C.1) ACTIVATED MILITARY SERVICE LEAVE.--THE CONTRIBUTIONS
20 TO BE PAID BY AN ACTIVE MEMBER FOR CREDIT FOR ALL ACTIVATED
21 MILITARY SERVICE LEAVE AS IF HE HAD BEEN IN REGULAR ATTENDANCE
22 IN THE DUTIES FOR WHICH HE IS EMPLOYED SHALL BE SUFFICIENT TO
23 PROVIDE AN AMOUNT EQUAL TO THE ACCUMULATED DEDUCTIONS WHICH
24 WOULD HAVE BEEN STANDING TO THE CREDIT OF THE MEMBER FOR SUCH
25 SERVICE HAD REGULAR MEMBER CONTRIBUTIONS BEEN MADE WITH FULL
26 COVERAGE AT THE RATE OF CONTRIBUTION NECESSARY TO BE CREDITED AS
27 CLASS T-C SERVICE OR CLASS T-D SERVICE IF THE MEMBER IS A CLASS
28 T-D MEMBER AND HAD SUCH CONTRIBUTIONS BEEN CREDITED WITH
29 STATUTORY INTEREST DURING THE PERIOD THE CONTRIBUTIONS WOULD
30 HAVE BEEN MADE AND DURING ALL PERIODS OF SUBSEQUENT STATE AND

1 SCHOOL SERVICE UP TO THE DATE OF PURCHASE. IN THE CASE OF
2 ACTIVATED MILITARY SERVICE LEAVE BEGINNING AFTER THE DATE OF
3 ENACTMENT OF THIS SUBSECTION, CONTRIBUTIONS DUE FROM THE MEMBER
4 SHALL BE MADE AS IF HE IS IN REGULAR ATTENDANCE IN THE DUTIES
5 FOR WHICH HE IS EMPLOYED.

6 (D) CERTIFICATION AND PAYMENT OF CONTRIBUTIONS.--

7 (1) IN ALL CASES OTHER THAN FOR THE PURCHASE OF CREDIT
8 FOR SABBATICAL LEAVE AND ACTIVATED MILITARY SERVICE LEAVE
9 BEGINNING BEFORE THE EFFECTIVE DATE OF PARAGRAPH (2), THE
10 AMOUNT PAYABLE SHALL BE CERTIFIED BY THE BOARD IN ACCORDANCE
11 WITH METHODS APPROVED BY THE ACTUARY AND MAY BE PAID IN A
12 LUMP SUM WITHIN 90 DAYS OR[,] IN THE CASE OF AN ACTIVE
13 MEMBER[,] OR AN ELIGIBLE STATE EMPLOYEE WHO IS AN ACTIVE
14 MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM, IT MAY BE
15 AMORTIZED WITH STATUTORY INTEREST THROUGH SALARY DEDUCTIONS
16 [OR BY PERSONAL CHECKS] IN AMOUNTS AGREED UPON BY THE MEMBER
17 AND THE BOARD. THE SALARY DEDUCTION AMORTIZATION PLANS AGREED
18 TO BY MEMBERS AND THE BOARD MAY INCLUDE A DEFERRAL OF PAYMENT
19 AMOUNTS AND STATUTORY INTEREST UNTIL THE TERMINATION OF
20 SCHOOL SERVICE OR STATE SERVICE, AS THE BOARD, IN ITS SOLE
21 DISCRETION, DECIDES TO ALLOW. THE BOARD MAY LIMIT SALARY
22 DEDUCTION AMORTIZATION PLANS TO SUCH TERMS AS THE BOARD, IN
23 ITS SOLE DISCRETION, DETERMINES. IN THE CASE OF AN ELIGIBLE
24 STATE EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE STATE
25 EMPLOYEES' RETIREMENT SYSTEM, THE AGREED UPON SALARY
26 DEDUCTIONS SHALL BE REMITTED TO THE STATE EMPLOYEES'
27 RETIREMENT BOARD, WHICH SHALL CERTIFY AND TRANSFER TO THE
28 BOARD THE AMOUNTS PAID.

29 (2) IN THE CASE OF ACTIVATED MILITARY SERVICE LEAVE
30 BEGINNING BEFORE THE EFFECTIVE DATE OF THIS PARAGRAPH, THE

1 AMOUNT PAYABLE MAY BE PAID ACCORDING TO THIS SUBSECTION OR
2 SUBSECTION (C.1), BUT ALL LUMP SUM PAYMENTS MUST BE MADE [AND
3 ALL AMORTIZATION PAYMENTS COMMENCED] WITHIN ONE YEAR OF THE
4 TERMINATION OF ACTIVATED MILITARY SERVICE LEAVE.

5 § 8324. CONTRIBUTIONS FOR PURCHASE OF CREDIT FOR CREDITABLE
6 NONSCHOOL SERVICE.

7 * * *

8 (B) NONINTERVENING MILITARY SERVICE.--THE AMOUNT DUE FOR THE
9 PURCHASE OF CREDIT FOR MILITARY SERVICE OTHER THAN INTERVENING
10 MILITARY SERVICE SHALL BE DETERMINED BY APPLYING THE MEMBER'S
11 BASIC CONTRIBUTION RATE PLUS THE NORMAL CONTRIBUTION RATE AS
12 PROVIDED IN SECTION 8328 (RELATING TO ACTUARIAL COST METHOD) AT
13 THE TIME OF ENTRY OF THE MEMBER INTO SCHOOL SERVICE SUBSEQUENT
14 TO SUCH MILITARY SERVICE TO ONE-THIRD OF HIS TOTAL COMPENSATION
15 RECEIVED DURING THE FIRST THREE YEARS OF SUCH SUBSEQUENT
16 CREDITED SCHOOL SERVICE AND MULTIPLYING THE PRODUCT BY THE
17 NUMBER OF YEARS AND FRACTIONAL PART OF A YEAR OF CREDITABLE
18 NONINTERVENING MILITARY SERVICE BEING PURCHASED TOGETHER WITH
19 STATUTORY INTEREST DURING ALL PERIODS OF SUBSEQUENT SCHOOL AND
20 STATE SERVICE TO DATE OF PURCHASE. UPON CERTIFICATION OF THE
21 AMOUNT DUE, PAYMENT MAY BE MADE IN A LUMP SUM WITHIN 90 DAYS OR
22 IN THE CASE OF AN ACTIVE MEMBER OR AN ELIGIBLE STATE EMPLOYEE
23 WHO IS AN ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT
24 SYSTEM IT MAY BE AMORTIZED WITH STATUTORY INTEREST THROUGH
25 SALARY DEDUCTIONS [OR BY PERSONAL CHECKS] IN AMOUNTS AGREED UPON
26 BY THE MEMBER AND THE BOARD. THE SALARY DEDUCTION AMORTIZATION
27 PLANS AGREED TO BY MEMBERS AND THE BOARD MAY INCLUDE A DEFERRAL
28 OF PAYMENT AMOUNTS AND STATUTORY INTEREST UNTIL THE TERMINATION
29 OF SCHOOL SERVICE OR STATE SERVICE, AS THE BOARD, IN ITS SOLE
30 DISCRETION, DECIDES TO ALLOW. THE BOARD MAY LIMIT SALARY

1 DEDUCTION AMORTIZATION PLANS TO SUCH TERMS AS THE BOARD, IN ITS
2 SOLE DISCRETION, DETERMINES. IN THE CASE OF AN ELIGIBLE STATE
3 EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE STATE EMPLOYEES'
4 RETIREMENT SYSTEM, THE AGREED UPON SALARY DEDUCTIONS SHALL BE
5 REMITTED TO THE STATE EMPLOYEES' RETIREMENT BOARD, WHICH SHALL
6 CERTIFY AND TRANSFER TO THE BOARD THE AMOUNTS PAID. APPLICATION
7 MAY BE FILED FOR ALL SUCH MILITARY SERVICE CREDIT UPON
8 COMPLETION OF THREE YEARS OF SUBSEQUENT CREDITED SCHOOL SERVICE
9 AND SHALL BE CREDITED AS CLASS T-C SERVICE.

10 (C) INTERVENING MILITARY SERVICE.--CONTRIBUTIONS ON ACCOUNT
11 OF CREDIT FOR INTERVENING MILITARY SERVICE SHALL BE DETERMINED
12 BY THE MEMBER'S BASIC CONTRIBUTION RATE AND COMPENSATION AT THE
13 TIME OF ENTRY OF THE MEMBER INTO ACTIVE MILITARY SERVICE,
14 TOGETHER WITH STATUTORY INTEREST DURING ALL PERIODS OF
15 SUBSEQUENT SCHOOL AND STATE SERVICE TO DATE OF PURCHASE. UPON
16 APPLICATION FOR SUCH CREDIT THE AMOUNT DUE SHALL BE CERTIFIED IN
17 THE CASE OF EACH MEMBER BY THE BOARD, IN ACCORDANCE WITH METHODS
18 APPROVED BY THE ACTUARY, AND CONTRIBUTIONS MAY BE MADE BY ONE OF
19 THE FOLLOWING METHODS:

20 (1) REGULAR MONTHLY PAYMENTS DURING ACTIVE MILITARY
21 SERVICE.

22 (2) A LUMP SUM PAYMENT WITHIN 90 DAYS OF CERTIFICATION
23 OF THE AMOUNT DUE.

24 (3) SALARY DEDUCTIONS [OR PERSONAL CHECKS] IN AMOUNTS
25 AGREED UPON BY THE MEMBER AND THE BOARD. THE SALARY DEDUCTION
26 AMORTIZATION PLANS AGREED TO BY THE MEMBERS AND THE BOARD MAY
27 INCLUDE A DEFERRAL OF PAYMENT AMOUNTS AND STATUTORY INTEREST
28 UNTIL THE TERMINATION OF SCHOOL SERVICE OR STATE SERVICE, AS
29 THE BOARD, IN ITS SOLE DISCRETION, DECIDES TO ALLOW. THE
30 BOARD MAY LIMIT SALARY DEDUCTION AMORTIZATION PLANS TO SUCH

1 TERMS AS THE BOARD, IN ITS SOLE DISCRETION, DETERMINES. IN
2 THE CASE OF AN ELIGIBLE STATE EMPLOYEE WHO IS AN ACTIVE
3 MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM, THE AGREED
4 UPON SALARY DEDUCTIONS SHALL BE REMITTED TO THE STATE
5 EMPLOYEES' RETIREMENT BOARD, WHICH SHALL CERTIFY AND TRANSFER
6 TO THE BOARD THE AMOUNTS PAID.

7 (D) OTHER CREDITABLE NONSCHOOL SERVICE.--CONTRIBUTIONS ON
8 ACCOUNT OF CLASS T-C CREDIT FOR CREDITABLE NONSCHOOL SERVICE
9 OTHER THAN MILITARY SERVICE SHALL BE DETERMINED BY APPLYING THE
10 MEMBER'S BASIC CONTRIBUTION RATE PLUS THE NORMAL CONTRIBUTION
11 RATE AS PROVIDED IN SECTION 8328 AT THE TIME OF THE MEMBER'S
12 ENTRY INTO SCHOOL SERVICE SUBSEQUENT TO SUCH CREDITABLE
13 NONSCHOOL SERVICE TO HIS TOTAL COMPENSATION RECEIVED DURING THE
14 FIRST YEAR OF SUBSEQUENT CREDITED SCHOOL SERVICE AND MULTIPLYING
15 THE PRODUCT BY THE NUMBER OF YEARS AND FRACTIONAL PART OF A YEAR
16 OF CREDITABLE NONSCHOOL SERVICE BEING PURCHASED TOGETHER WITH
17 STATUTORY INTEREST DURING ALL PERIODS OF SUBSEQUENT SCHOOL OR
18 STATE SERVICE TO THE DATE OF PURCHASE, EXCEPT THAT IN THE CASE
19 OF PURCHASE OF CREDIT FOR CREDITABLE NONSCHOOL SERVICE AS SET
20 FORTH IN SECTION 8304(B)(5) (RELATING TO CREDITABLE NONSCHOOL
21 SERVICE) THE MEMBER SHALL PAY ONLY THE EMPLOYEE'S SHARE UNLESS
22 OTHERWISE PROVIDED BY LAW. UPON CERTIFICATION OF THE AMOUNT DUE,
23 PAYMENT MAY BE MADE IN A LUMP SUM WITHIN 90 DAYS OR IN THE CASE
24 OF AN ACTIVE MEMBER OR AN ELIGIBLE STATE EMPLOYEE WHO IS AN
25 ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM IT MAY
26 BE AMORTIZED WITH STATUTORY INTEREST THROUGH SALARY DEDUCTIONS
27 [OR BY PERSONAL CHECKS] IN AMOUNTS AGREED UPON BY THE MEMBER AND
28 THE BOARD. THE SALARY DEDUCTION AMORTIZATION PLANS AGREED TO BY
29 THE MEMBERS AND THE BOARD MAY INCLUDE A DEFERRAL OF PAYMENT
30 AMOUNTS AND STATUTORY INTEREST UNTIL THE TERMINATION OF SCHOOL

1 SERVICE OR STATE SERVICE, AS THE BOARD, IN ITS SOLE DISCRETION,
2 DECIDES TO ALLOW. THE BOARD MAY LIMIT SALARY DEDUCTION
3 AMORTIZATION PLANS TO SUCH TERMS AS THE BOARD, IN ITS SOLE
4 DISCRETION, DETERMINES. IN THE CASE OF AN ELIGIBLE STATE
5 EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE STATE EMPLOYEES'
6 RETIREMENT SYSTEM, THE AGREED UPON SALARY DEDUCTIONS SHALL BE
7 REMITTED TO THE STATE EMPLOYEES' RETIREMENT BOARD, WHICH SHALL
8 CERTIFY AND TRANSFER TO THE BOARD THE AMOUNTS PAID.

9 * * *

10 § 8325. INCOMPLETE PAYMENTS.

11 IN THE EVENT THAT A MEMBER TERMINATES SCHOOL SERVICE OR A
12 MULTIPLE SERVICE MEMBER WHO IS AN ACTIVE MEMBER OF THE STATE
13 EMPLOYEES' RETIREMENT SYSTEM TERMINATES STATE SERVICE BEFORE ANY
14 AGREED UPON PAYMENTS OR RETURN OF BENEFITS ON ACCOUNT OF
15 RETURNING TO SCHOOL SERVICE OR ENTERING STATE SERVICE AND
16 ELECTING MULTIPLE SERVICE HAVE BEEN COMPLETED THE MEMBER OR
17 MULTIPLE SERVICE MEMBER WHO IS AN ACTIVE MEMBER OF THE STATE
18 EMPLOYEES' RETIREMENT SYSTEM SHALL HAVE THE RIGHT TO PAY WITHIN
19 30 DAYS OF TERMINATION OF SCHOOL SERVICE OR STATE SERVICE THE
20 BALANCE DUE, INCLUDING INTEREST, IN A LUMP SUM AND THE ANNUITY
21 SHALL BE CALCULATED INCLUDING FULL CREDIT FOR THE PREVIOUS
22 SCHOOL SERVICE, CREDITABLE NONSCHOOL SERVICE, OR FULL-COVERAGE
23 MEMBERSHIP. IN THE EVENT A MEMBER DOES NOT PAY THE BALANCE DUE
24 WITHIN 30 DAYS OF TERMINATION OF SCHOOL SERVICE OR IN THE EVENT
25 A MEMBER DIES IN SCHOOL SERVICE OR WITHIN 30 DAYS OF TERMINATION
26 OF SCHOOL SERVICE OR IN THE CASE OF A MULTIPLE SERVICE MEMBER
27 WHO IS AN ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT
28 SYSTEM, DOES NOT PAY THE BALANCE DUE WITHIN 30 DAYS OF
29 TERMINATION OF STATE SERVICE OR DIES IN STATE SERVICE OR WITHIN
30 30 DAYS OF TERMINATION OF STATE SERVICE AND BEFORE THE AGREED

1 UPON PAYMENTS HAVE BEEN COMPLETED, THE PRESENT VALUE OF THE
2 BENEFIT OTHERWISE PAYABLE SHALL BE REDUCED BY THE BALANCE DUE,
3 INCLUDING INTEREST, AND THE BENEFIT PAYABLE SHALL BE CALCULATED
4 AS THE ACTUARIAL EQUIVALENT OF SUCH REDUCED PRESENT VALUE.

5 § 8327. PAYMENTS BY EMPLOYERS.

6 * * *

7 (B) DEDUCTION FROM APPROPRIATIONS.--

8 (1) TO FACILITATE THE PAYMENT OF AMOUNTS DUE FROM ANY
9 EMPLOYER TO THE FUND THROUGH THE STATE TREASURER AND TO
10 PERMIT THE EXCHANGE OF CREDITS BETWEEN THE STATE TREASURER
11 AND ANY EMPLOYER, THE SECRETARY OF EDUCATION AND THE STATE
12 TREASURER SHALL CAUSE TO BE DEDUCTED AND PAID INTO THE FUND
13 FROM THE AMOUNT OF ANY MONEYS DUE TO ANY EMPLOYER ON ACCOUNT
14 OF ANY APPROPRIATION FOR SCHOOLS OR OTHER PURPOSES [SUCH
15 AMOUNT DUE], AMOUNTS EQUAL TO THE EMPLOYER AND PICKUP
16 CONTRIBUTIONS WHICH AN EMPLOYER IS REQUIRED TO PAY TO THE
17 FUND, AS CERTIFIED BY THE BOARD, AND AS REMAINS UNPAID ON THE
18 DATE SUCH APPROPRIATIONS WOULD OTHERWISE BE PAID TO THE
19 EMPLOYER[, AND SUCH]. SUCH AMOUNT SHALL BE CREDITED TO THE
20 [EMPLOYER'S ACCOUNT] APPROPRIATE ACCOUNTS IN THE FUND.

21 (2) TO FACILITATE THE PAYMENTS OF AMOUNTS DUE FROM ANY
22 CHARTER SCHOOL, AS DEFINED IN ARTICLE XVII-A OF THE ACT OF
23 MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS THE PUBLIC SCHOOL
24 CODE OF 1949, TO THE FUND THROUGH THE STATE TREASURER AND TO
25 PERMIT THE EXCHANGE OF CREDITS BETWEEN THE STATE TREASURER
26 AND ANY EMPLOYER, THE SECRETARY OF EDUCATION AND THE STATE
27 TREASURER SHALL CAUSE TO BE DEDUCTED AND PAID INTO THE FUND
28 FROM ANY FUNDS APPROPRIATED TO THE DEPARTMENT OF EDUCATION
29 FOR BASIC EDUCATION OF THE CHARTERING SCHOOL DISTRICT OF A
30 CHARTER SCHOOL AND PUBLIC SCHOOL EMPLOYEES' RETIREMENT

1 CONTRIBUTIONS, AMOUNTS EQUAL TO THE EMPLOYER AND PICKUP
2 CONTRIBUTIONS WHICH A CHARTER SCHOOL IS REQUIRED TO PAY TO
3 THE FUND, AS CERTIFIED BY THE BOARD, AND AS REMAINS UNPAID ON
4 THE DATE SUCH APPROPRIATIONS WOULD OTHERWISE BE PAID TO THE
5 CHARTERING SCHOOL DISTRICT OR CHARTER SCHOOL. SUCH AMOUNTS
6 SHALL BE CREDITED TO THE APPROPRIATE ACCOUNTS IN THE FUND.
7 ANY REDUCTION IN PAYMENTS TO A CHARTERING SCHOOL DISTRICT
8 MADE PURSUANT TO THIS SECTION SHALL BE DEDUCTED FROM THE
9 AMOUNT DUE TO THE CHARTER SCHOOL DISTRICT PURSUANT TO THE
10 PUBLIC SCHOOL CODE OF 1949.

11 * * *

12 § 8328. ACTUARIAL COST METHOD.

13 * * *

14 (B) NORMAL CONTRIBUTION RATE.--THE NORMAL CONTRIBUTION RATE
15 SHALL BE DETERMINED AFTER EACH ACTUARIAL VALUATION. UNTIL ALL
16 ACCRUED LIABILITY CONTRIBUTIONS HAVE BEEN COMPLETED, THE NORMAL
17 CONTRIBUTION RATE SHALL BE DETERMINED, ON THE BASIS OF AN ANNUAL
18 INTEREST RATE AND SUCH MORTALITY AND OTHER TABLES AS SHALL BE
19 ADOPTED BY THE BOARD IN ACCORDANCE WITH GENERALLY ACCEPTED
20 ACTUARIAL PRINCIPLES, AS A LEVEL PERCENTAGE OF THE COMPENSATION
21 OF THE AVERAGE NEW ACTIVE MEMBER, WHICH PERCENTAGE, IF
22 CONTRIBUTED ON THE BASIS OF HIS PROSPECTIVE COMPENSATION THROUGH
23 THE ENTIRE PERIOD OF ACTIVE SCHOOL SERVICE, WOULD BE SUFFICIENT
24 TO FUND THE LIABILITY FOR ANY PROSPECTIVE BENEFIT PAYABLE TO
25 HIM, IN EXCESS OF THAT PORTION FUNDED BY HIS PROSPECTIVE MEMBER
26 CONTRIBUTIONS, EXCEPT FOR THE SUPPLEMENTAL BENEFITS PROVIDED IN
27 SECTIONS 8348 (RELATING TO SUPPLEMENTAL ANNUITIES), 8348.1
28 (RELATING TO ADDITIONAL SUPPLEMENTAL ANNUITIES), 8348.2
29 (RELATING TO FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES) [AND],
30 8348.3 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1994),

1 8348.4 (RELATING TO SPECIAL SUPPLEMENTAL POSTRETIREMENT
2 ADJUSTMENT) AND 8348.5 (RELATING TO SUPPLEMENTAL ANNUITIES
3 COMMENCING 1998).

4 (C) ACCRUED LIABILITY CONTRIBUTION RATE.--FOR THE FISCAL
5 YEAR BEGINNING JULY 1, [1991] 2002, THE ACCRUED LIABILITY
6 CONTRIBUTION RATE SHALL BE COMPUTED AS THE RATE OF TOTAL
7 COMPENSATION OF ALL ACTIVE MEMBERS WHICH SHALL BE CERTIFIED BY
8 THE ACTUARY AS SUFFICIENT TO FUND OVER A PERIOD OF [20] TEN
9 YEARS FROM JULY 1, [1991] 2002, THE PRESENT VALUE OF THE
10 LIABILITIES FOR ALL PROSPECTIVE BENEFITS OF ACTIVE MEMBERS,
11 EXCEPT FOR THE SUPPLEMENTAL BENEFITS PROVIDED IN SECTIONS 8348,
12 8348.1, 8348.2 [AND], 8348.3, 8348.4 AND 8348.5, IN EXCESS OF
13 THE TOTAL ASSETS IN THE FUND, EXCLUDING THE BALANCE IN THE
14 ANNUITY RESERVE ACCOUNT, AND OF THE PRESENT VALUE OF NORMAL
15 CONTRIBUTIONS AND OF MEMBER CONTRIBUTIONS PAYABLE WITH RESPECT
16 TO ALL ACTIVE MEMBERS ON JULY 1, [1991] 2002, DURING THE
17 REMAINDER OF THEIR ACTIVE SERVICE. THEREAFTER, THE AMOUNT OF
18 EACH ANNUAL ACCRUED LIABILITY CONTRIBUTION SHALL BE [5% GREATER
19 THAN] EQUAL TO THE AMOUNT OF SUCH CONTRIBUTION FOR THE
20 [PREVIOUS] FISCAL YEAR, BEGINNING JULY 1, 2002, EXCEPT THAT, IF
21 THE ACCRUED LIABILITY IS INCREASED BY LEGISLATION ENACTED
22 SUBSEQUENT TO [JULY 1, 1991] JUNE 30, 2002, SUCH ADDITIONAL
23 LIABILITY SHALL BE FUNDED OVER A PERIOD OF [20] TEN YEARS FROM
24 THE FIRST DAY OF JULY, COINCIDENT WITH OR NEXT FOLLOWING THE
25 EFFECTIVE DATE OF THE INCREASE[, PROVIDED THAT THE LIABILITY FOR
26 ANY ADDITIONAL BENEFITS CREATED BY THIS ACT, EXCEPT FOR THE
27 HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM ESTABLISHED IN
28 SECTION 8509 (RELATING TO HEALTH INSURANCE PREMIUM ASSISTANCE
29 PROGRAM), SHALL BE FUNDED OVER A PERIOD OF 20 YEARS COMMENCING
30 JULY 1, 1992]. THE AMOUNT OF EACH ANNUAL ACCRUED LIABILITY

1 CONTRIBUTION FOR SUCH ADDITIONAL LEGISLATIVE LIABILITIES SHALL
2 BE [5% GREATER THAN] EQUAL TO THE AMOUNT OF SUCH CONTRIBUTION
3 FOR THE [PREVIOUS FISCAL YEAR] FIRST ANNUAL PAYMENT.

4 (D) SUPPLEMENTAL ANNUITY CONTRIBUTION RATE.--CONTRIBUTIONS
5 FROM THE COMMONWEALTH AND OTHER EMPLOYERS REQUIRED TO PROVIDE
6 FOR THE PAYMENT OF THE SUPPLEMENTAL ANNUITIES PROVIDED FOR IN
7 SECTIONS 8348, 8348.1 [AND], 8348.2, 8348.4 AND 8348.5 SHALL BE
8 PAID OVER A PERIOD OF [20] TEN YEARS FROM JULY 1, [1991] 2002.
9 THE AMOUNT OF EACH ANNUAL SUPPLEMENTAL ANNUITIES CONTRIBUTION
10 SHALL BE [5% GREATER THAN] EQUAL TO THE AMOUNT OF SUCH
11 CONTRIBUTION FOR THE [PREVIOUS] FISCAL YEAR BEGINNING JULY 1,
12 2002. IN THE EVENT THAT SUPPLEMENTAL ANNUITIES ARE INCREASED BY
13 LEGISLATION ENACTED SUBSEQUENT TO [JULY 1, 1991] JUNE 30, 2002,
14 THE ADDITIONAL LIABILITY FOR THE INCREASED BENEFITS SHALL BE
15 FUNDED IN EQUAL DOLLAR ANNUAL INSTALLMENTS [INCREASING BY 5%
16 EACH YEAR] OVER A PERIOD OF [20] TEN YEARS FROM THE JULY 1,
17 COINCIDENT WITH OR NEXT FOLLOWING THE EFFECTIVE DATE OF SUCH
18 LEGISLATION. [NOTWITHSTANDING THE PRECEDING, THE FUNDING FOR THE
19 SUPPLEMENTAL ANNUITIES COMMENCING 1994 PROVIDED FOR IN SECTION
20 8348.3 SHALL BE AS PROVIDED IN SECTION 8348.3(F).]

21 (E) EXPERIENCE ADJUSTMENT FACTOR.--FOR EACH YEAR AFTER THE
22 ESTABLISHMENT OF THE ACCRUED LIABILITY CONTRIBUTION RATE FOR THE
23 FISCAL YEAR BEGINNING JULY 1, [1991] 2002, ANY INCREASE OR
24 DECREASE IN THE ACCRUED LIABILITY (INCLUDING LIABILITY FOR
25 SUPPLEMENTAL ANNUITIES) DUE TO ACTUAL EXPERIENCE DIFFERING FROM
26 ASSUMED EXPERIENCE, CHANGES IN ACTUARIAL ASSUMPTIONS, CHANGES IN
27 THE TERMS AND CONDITIONS OF THE BENEFITS PROVIDED BY THE SYSTEM
28 BY JUDICIAL, ADMINISTRATIVE OR OTHER PROCESSES OTHER THAN
29 LEGISLATION, INCLUDING, BUT NOT LIMITED TO, REINTERPRETATION OF
30 THE PROVISIONS OF THIS PART, SHALL BE AMORTIZED IN EQUAL DOLLAR

1 ANNUAL INSTALLMENTS [INCREASING BY 5% EACH YEAR] OVER A PERIOD
2 OF [20] TEN YEARS BEGINNING WITH THE JULY 1 SECOND SUCCEEDING
3 THE ACTUARIAL VALUATION.

4 * * *

5 SECTION 2.1. SECTIONS 8342 AND 8344 OF TITLE 24 ARE AMENDED
6 BY ADDING SUBSECTIONS TO READ:

7 § 8342. MAXIMUM SINGLE LIFE ANNUITY.

8 * * *

9 (C) LIMITATION REGARDING ANNUAL BENEFIT UNDER IRC §
10 415(B).--NOTWITHSTANDING ANY PROVISION OF THIS PART TO THE
11 CONTRARY, NO BENEFIT SHALL BE PAYABLE TO THE EXTENT THAT SUCH
12 BENEFIT EXCEEDS ANY LIMITATION UNDER IRC § 415(B) IN EFFECT WITH
13 RESPECT TO GOVERNMENTAL PLANS, AS SUCH TERM IS DEFINED IN IRC §
14 414(D), ON THE DATE THE BENEFIT PAYMENT BECOMES EFFECTIVE.

15 § 8344. DISABILITY ANNUITIES.

16 * * *

17 (E) LIMITATION REGARDING ANNUAL BENEFIT UNDER IRC §
18 415(B).--NOTWITHSTANDING ANY PROVISION OF THIS PART TO THE
19 CONTRARY, NO BENEFIT SHALL BE PAYABLE TO THE EXTENT THAT SUCH
20 BENEFIT EXCEEDS ANY LIMITATION UNDER IRC § 415(B) IN EFFECT WITH
21 RESPECT TO GOVERNMENTAL PLANS, AS SUCH TERM IS DEFINED IN IRC §
22 414(D), ON THE DATE THE BENEFIT PAYMENT BECOMES EFFECTIVE.

23 SECTION 2.2. SECTION 8345(A) OF TITLE 24 IS AMENDED TO READ:

24 § 8345. MEMBER'S OPTIONS.

25 (A) GENERAL RULE.--ANY VESTEE WITH [TEN] FIVE OR MORE
26 ELIGIBILITY POINTS OR ANY OTHER ELIGIBLE MEMBER UPON TERMINATION
27 OF SCHOOL SERVICE WHO HAS NOT WITHDRAWN HIS ACCUMULATED
28 DEDUCTIONS AS PROVIDED IN SECTION 8341 (RELATING TO RETURN OF
29 ACCUMULATED DEDUCTIONS) MAY APPLY FOR AND ELECT TO RECEIVE
30 EITHER A MAXIMUM SINGLE LIFE ANNUITY, AS CALCULATED IN

1 ACCORDANCE WITH THE PROVISIONS OF SECTION 8342 (RELATING TO
2 MAXIMUM SINGLE LIFE ANNUITY), OR A REDUCED ANNUITY CERTIFIED BY
3 THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE MAXIMUM SINGLE
4 LIFE ANNUITY AND IN ACCORDANCE WITH ONE OF THE FOLLOWING
5 OPTIONS, EXCEPT THAT NO MEMBER SHALL ELECT AN ANNUITY PAYABLE TO
6 ONE OR MORE SURVIVOR ANNUITANTS OTHER THAN HIS SPOUSE OR
7 ALTERNATE PAYEE OF SUCH A MAGNITUDE THAT THE PRESENT VALUE OF
8 THE ANNUITY PAYABLE TO HIM FOR LIFE PLUS ANY LUMP SUM PAYMENT HE
9 MAY HAVE ELECTED TO RECEIVE IS LESS THAN 50% OF THE PRESENT
10 VALUE OF HIS MAXIMUM SINGLE LIFE ANNUITY.

11 (1) OPTION 1.--A LIFE ANNUITY TO THE MEMBER WITH A
12 GUARANTEED TOTAL PAYMENT EQUAL TO THE PRESENT VALUE OF THE
13 MAXIMUM SINGLE LIFE ANNUITY ON THE EFFECTIVE DATE OF
14 RETIREMENT WITH THE PROVISION THAT, IF, AT HIS DEATH, HE HAS
15 RECEIVED LESS THAN SUCH PRESENT VALUE, THE UNPAID BALANCE
16 SHALL BE PAYABLE TO HIS BENEFICIARY.

17 (2) OPTION 2.--A JOINT AND SURVIVOR ANNUITY PAYABLE
18 DURING THE LIFETIME OF THE MEMBER WITH THE FULL AMOUNT OF
19 SUCH ANNUITY PAYABLE THEREAFTER TO HIS SURVIVOR ANNUITANT, IF
20 LIVING AT HIS DEATH.

21 (3) OPTION 3.--A JOINT AND FIFTY PERCENT (50%) SURVIVOR
22 ANNUITY PAYABLE DURING THE LIFETIME OF THE MEMBER WITH ONE-
23 HALF OF SUCH ANNUITY PAYABLE THEREAFTER TO HIS SURVIVOR
24 ANNUITANT, IF LIVING AT HIS DEATH.

25 (4) OPTION 4.--SOME OTHER BENEFIT WHICH SHALL BE
26 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE
27 MAXIMUM SINGLE LIFE ANNUITY, SUBJECT TO THE FOLLOWING
28 RESTRICTIONS:

29 (I) ANY ANNUITY SHALL BE PAYABLE WITHOUT REDUCTION
30 DURING THE LIFETIME OF THE MEMBER.

(II) THE SUM OF ALL ANNUITIES PAYABLE TO THE DESIGNATED SURVIVOR ANNUITANTS SHALL NOT BE GREATER THAN ONE AND ONE-HALF TIMES THE ANNUITY PAYABLE TO THE MEMBER.

(III) A PORTION OF THE BENEFIT MAY BE PAYABLE AS A LUMP SUM, EXCEPT THAT SUCH LUMP SUM PAYMENT SHALL NOT EXCEED AN AMOUNT EQUAL TO THE ACCUMULATED DEDUCTIONS STANDING TO THE CREDIT OF THE MEMBER. THE BALANCE OF THE PRESENT VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY ADJUSTED IN ACCORDANCE WITH SECTION 8342(B) SHALL BE PAID IN THE FORM OF AN ANNUITY WITH A GUARANTEED TOTAL PAYMENT, A SINGLE LIFE ANNUITY, OR A JOINT AND SURVIVOR ANNUITY OR ANY COMBINATION THEREOF BUT SUBJECT TO THE RESTRICTIONS OF SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH.

* * *

SECTION 3. SECTION 8346(A) AND (D) OF TITLE 24 IS AMENDED AND THE SECTION IS AMENDED BY ADDING A SUBSECTION TO READ:
§ 8346. TERMINATION OF ANNUITIES.

(A) GENERAL RULE.--IF AN ANNUITANT RETURNS TO SCHOOL SERVICE OR ENTERS OR HAS ENTERED STATE SERVICE AND ELECTS MULTIPLE SERVICE MEMBERSHIP, ANY ANNUITY PAYABLE TO HIM UNDER THIS PART SHALL CEASE EFFECTIVE UPON THE DATE OF HIS RETURN TO SCHOOL SERVICE OR ENTERING STATE SERVICE AND IN THE CASE OF AN ANNUITY OTHER THAN A DISABILITY ANNUITY THE PRESENT VALUE OF SUCH ANNUITY, ADJUSTED FOR FULL COVERAGE IN THE CASE OF A JOINT COVERAGE MEMBER WHO MAKES THE APPROPRIATE BACK CONTRIBUTIONS FOR FULL COVERAGE, SHALL BE FROZEN AS OF THE DATE SUCH ANNUITY CEASES. AN ANNUITANT WHO IS CREDITED WITH AN ADDITIONAL 10% OF MEMBERSHIP SERVICE AS PROVIDED IN SECTION 8302(B.2) (RELATING TO CREDITED SCHOOL SERVICE) AND WHO RETURNS TO SCHOOL SERVICE, EXCEPT AS PROVIDED IN SUBSECTION (B), SHALL FORFEIT SUCH

1 CREDITED SERVICE AND SHALL HAVE HIS FROZEN PRESENT VALUE
2 ADJUSTED AS IF HIS 10% RETIREMENT INCENTIVE HAD NOT BEEN APPLIED
3 TO HIS ACCOUNT. IN THE EVENT THAT THE COST-OF-LIVING INCREASE
4 ENACTED DECEMBER 18, 1979, OCCURRED DURING THE PERIOD OF SUCH
5 STATE OR SCHOOL EMPLOYMENT, THE FROZEN PRESENT VALUE SHALL BE
6 INCREASED, ON OR AFTER THE MEMBER ATTAINS SUPERANNUATION AGE, BY
7 THE PERCENT APPLICABLE HAD HE NOT RETURNED TO SERVICE.

8 (A.1) RETURN OF BENEFITS.--IN THE EVENT AN ANNUITANT WHOSE
9 ANNUITY CEASES PURSUANT TO THIS SECTION RECEIVES ANY ANNUITY
10 PAYMENT, INCLUDING A LUMP SUM PAYMENT PURSUANT TO SECTION 8345
11 (RELATING TO MEMBER'S OPTIONS) ON OR AFTER THE DATE OF HIS
12 RETURN TO SCHOOL SERVICE OR ENTERING STATE SERVICE, THE
13 ANNUITANT SHALL RETURN TO THE BOARD THE AMOUNT SO RECEIVED PLUS
14 STATUTORY INTEREST. THE AMOUNT PAYABLE SHALL BE CERTIFIED IN
15 EACH CASE BY THE BOARD IN ACCORDANCE WITH METHODS APPROVED BY
16 THE ACTUARY AND SHALL BE PAID IN A LUMP SUM WITHIN 90 DAYS OR IN
17 THE CASE OF AN ACTIVE MEMBER OR A STATE EMPLOYEE WHO IS AN
18 ACTIVE MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM MAY BE
19 AMORTIZED WITH STATUTORY INTEREST THROUGH SALARY DEDUCTIONS IN
20 AMOUNTS AGREED UPON BY THE MEMBER AND THE BOARD. IN THE CASE OF
21 A STATE EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE STATE EMPLOYEES'
22 RETIREMENT SYSTEM, THE AGREED UPON SALARY DEDUCTIONS SHALL BE
23 REMITTED TO THE STATE EMPLOYEES' RETIREMENT BOARD, WHICH SHALL
24 CERTIFY AND TRANSFER TO THE BOARD THE AMOUNTS PAID.

25 * * *

26 (D) ELIMINATION OF THE EFFECT OF FROZEN PRESENT VALUE.--

27 (1) AN ANNUITANT WHO RETURNS TO SCHOOL SERVICE AND EARNS
28 THREE ELIGIBILITY POINTS BY PERFORMING CREDITED SCHOOL
29 SERVICE FOLLOWING THE MOST RECENT PERIOD OF RECEIPT OF AN
30 ANNUITY UNDER THIS PART, OR AN ANNUITANT WHO ENTERS STATE

SERVICE AND:

(I) IS A MULTIPLE SERVICE MEMBER; OR

(II) WHO ELECTS MULTIPLE SERVICE MEMBERSHIP, AND EARNs THREE ELIGIBILITY POINTS BY PERFORMING CREDITED STATE SERVICE OR CREDITED SCHOOL SERVICE FOLLOWING THE MOST RECENT PERIOD OF RECEIPT OF AN ANNUITY UNDER THIS PART, AND WHO HAD THE PRESENT VALUE OF HIS ANNUITY FROZEN IN ACCORDANCE WITH SUBSECTION (A), SHALL QUALIFY TO HAVE THE EFFECT OF THE FROZEN PRESENT VALUE RESULTING FROM ALL PREVIOUS PERIODS OF RETIREMENT ELIMINATED, PROVIDED THAT ALL PAYMENTS UNDER OPTION 4 AND ANNUITY PAYMENTS PAYABLE DURING PREVIOUS PERIODS OF RETIREMENT PLUS INTEREST AS SET FORTH IN PARAGRAPH (3) SHALL BE RETURNED TO THE FUND IN THE FORM OF AN ACTUARIAL ADJUSTMENT TO HIS SUBSEQUENT BENEFITS OR IN SUCH FORM AS THE BOARD MAY OTHERWISE DIRECT.

(2) UPON SUBSEQUENT DISCONTINUANCE OF SERVICE AND THE FILING OF AN APPLICATION FOR AN ANNUITY, A FORMER ANNUITANT WHO QUALIFIES TO HAVE THE EFFECT OF A FROZEN PRESENT VALUE ELIMINATED UNDER THIS SUBSECTION SHALL BE ENTITLED TO RECEIVE THE HIGHER OF EITHER:

(I) AN ANNUITY (PRIOR TO OPTIONAL MODIFICATION) CALCULATED AS IF THE FREEZING OF THE FORMER ANNUITANT'S ACCOUNT PURSUANT TO SUBSECTION (A) HAD NOT OCCURRED, ADJUSTED BY CREDITING CLASS T-C SCHOOL SERVICE AS CLASS T-D SERVICE AS PROVIDED FOR IN SECTION 8305(C) (RELATING TO CLASSES OF SERVICE) AND FURTHER ADJUSTED ACCORDING TO PARAGRAPH (3), PROVIDED THAT A FORMER ANNUITANT OF THE SYSTEM OR A FORMER ANNUITANT OF THE STATE EMPLOYEES' RETIREMENT SYSTEM WHO RETIRED UNDER A PROVISION OF LAW GRANTING ADDITIONAL SERVICE CREDIT IF TERMINATION OF

SCHOOL OR STATE SERVICE OR RETIREMENT OCCURRED DURING A
SPECIFIC PERIOD OF TIME SHALL NOT BE PERMITTED TO RETAIN
THE ADDITIONAL SERVICE CREDIT UNDER THE PRIOR LAW WHEN
THE ANNUITY IS COMPUTED FOR HIS MOST RECENT RETIREMENT;
OR

(II) AN ANNUITY (PRIOR TO OPTIONAL MODIFICATION)
CALCULATED AS IF THE FORMER ANNUITANT DID NOT QUALIFY TO
HAVE THE EFFECT ON THE FROZEN PRESENT VALUE ELIMINATED,
UNLESS THE FORMER ANNUITANT NOTIFIES THE BOARD IN WRITING BY
THE LATER OF THE DATE THE APPLICATION FOR ANNUITY IS FILED OR
THE EFFECTIVE DATE OF RETIREMENT THAT THE FORMER ANNUITANT
WISHES TO RECEIVE THE LOWER ANNUITY.

(3) IN ADDITION TO ANY OTHER ADJUSTMENT TO THE PRESENT
VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY THAT A MEMBER MAY BE
ENTITLED TO RECEIVE THAT OCCURS AS A RESULT OF ANY OTHER
PROVISION OF LAW, THE PRESENT VALUE OF THE MAXIMUM SINGLE
LIFE ANNUITY SHALL BE REDUCED BY ALL AMOUNTS PAID OR PAYABLE
TO HIM DURING ALL PREVIOUS PERIODS OF RETIREMENT PLUS
INTEREST ON THESE AMOUNTS UNTIL THE DATE OF SUBSEQUENT
RETIREMENT. THE INTEREST FOR EACH YEAR SHALL BE CALCULATED
BASED UPON THE ANNUAL INTEREST RATE ADOPTED FOR THAT SCHOOL
YEAR BY THE BOARD FOR THE CALCULATION OF THE NORMAL
CONTRIBUTION RATE PURSUANT TO SECTION 8328(B) (RELATING TO
ACTUARIAL COST METHOD).

SECTION 4. SECTIONS 8348.1(F), 8348.2(F), 8348.3(F),
8348.5(F), 8501(A) AND (B), 8502(M) AND 8502.1 OF TITLE 24 ARE
AMENDED TO READ:

§ 8348.1. ADDITIONAL SUPPLEMENTAL ANNUITIES.

* * *

(F) FUNDING.--THE ACTUARY SHALL ANNUALLY CERTIFY THE AMOUNT

1 OF COMMONWEALTH APPROPRIATIONS FOR THE NEXT FISCAL YEAR NEEDED
2 TO FUND, OVER A PERIOD OF [20] TEN YEARS FROM JULY 1, [1991]
3 2002, THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY PROVIDED FOR
4 IN THIS SECTION. THE BOARD SHALL SUBMIT THE ACTUARY'S
5 CERTIFICATION TO THE SECRETARY OF THE BUDGET ON OR BEFORE
6 NOVEMBER 1 OF EACH YEAR. IF, IN ANY YEAR AFTER 1984, THE AMOUNT
7 CERTIFIED IS DISAPPROVED UNDER SECTION 610 OF THE ACT OF APRIL
8 9, 1929 (P.L.177, NO.175), KNOWN AS THE ADMINISTRATIVE CODE OF
9 1929, AS INSUFFICIENT TO MEET THE FUNDING REQUIREMENTS OF THIS
10 SUBSECTION OR IS NOT APPROPRIATED ON OR BEFORE JULY 1, THE
11 ADDITIONAL SUPPLEMENTAL ANNUITY PROVIDED FOR IN THIS SECTION
12 SHALL BE SUSPENDED UNTIL SUCH TIME AS AN AMOUNT CERTIFIED AND
13 APPROVED AS SUFFICIENT IS APPROPRIATED.

14 * * *

15 § 8348.2. FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES.

16 * * *

17 (F) FUNDING.--THE ACTUARY SHALL ANNUALLY ESTIMATE THE AMOUNT
18 OF COMMONWEALTH APPROPRIATIONS FOR THE NEXT FISCAL YEAR NEEDED
19 TO FUND, OVER A PERIOD OF [20] TEN YEARS FROM JULY 1, [1991]
20 2002, THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY PROVIDED FOR
21 IN THIS SECTION. THE BOARD SHALL SUBMIT THE ACTUARY'S ESTIMATION
22 TO THE SECRETARY OF THE BUDGET ON OR BEFORE NOVEMBER 1 OF EACH
23 YEAR. IF, IN ANY YEAR AFTER 1988, THE AMOUNT ESTIMATED IS
24 DISAPPROVED UNDER SECTION 610 OF THE ACT OF APRIL 9, 1929
25 (P.L.177, NO.175), KNOWN AS THE ADMINISTRATIVE CODE OF 1929, AS
26 INSUFFICIENT TO MEET THE FUNDING REQUIREMENTS OF THIS SUBSECTION
27 OR IS NOT APPROPRIATED ON OR BEFORE JULY 1, THE ADDITIONAL
28 SUPPLEMENTAL ANNUITY PROVIDED FOR IN THIS SECTION SHALL BE
29 SUSPENDED UNTIL SUCH TIME AS AN AMOUNT CERTIFIED AND APPROVED AS
30 SUFFICIENT IS APPROPRIATED.

1 * * *

2 § 8348.3. SUPPLEMENTAL ANNUITIES COMMENCING 1994.

3 * * *

4 (F) FUNDING.--[NOTWITHSTANDING SECTION 8328(D) (RELATING TO
5 ACTUARIAL COST METHOD), THE] THE ADDITIONAL LIABILITY FOR THE
6 INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN
7 EQUAL DOLLAR ANNUAL INSTALLMENTS [INCREASING BY 5% EACH YEAR]
8 OVER A PERIOD OF [20] TEN YEARS BEGINNING JULY 1, [1995] 2002.

9 * * *

10 § 8348.5. SUPPLEMENTAL ANNUITIES COMMENCING 1998.

11 * * *

12 (F) FUNDING.--[NOTWITHSTANDING SECTION 8328 (RELATING TO
13 ACTUARIAL COST METHOD), THE] THE ADDITIONAL LIABILITY FOR THE
14 INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN
15 EQUAL DOLLAR ANNUAL INSTALLMENTS [INCREASING BY 5% EACH YEAR]
16 OVER A PERIOD OF [20] TEN YEARS BEGINNING JULY 1, [1998] 2002.
17 NOTWITHSTANDING THE PROVISIONS OF SECTION 212 OF THE ACT OF
18 APRIL 22, 1998 [(P.L. , NO.6A)] (P.L.1341, NO.6A), KNOWN AS THE
19 GENERAL APPROPRIATION ACT OF 1998, REGARDING PAYMENT FOR COST-
20 OF-LIVING INCREASES FOR ANNUITANTS, PAYMENTS FOR COST-OF-LIVING
21 INCREASES FOR ANNUITANTS SHALL BE MADE UNDER SECTION 8535
22 (RELATING TO PAYMENTS TO SCHOOL ENTITIES BY COMMONWEALTH).

23 * * *

24 § 8501. PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD.

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

1 THE GOVERNOR, AT LEAST ONE OF WHOM SHALL NOT BE A SCHOOL
2 EMPLOYEE OR AN OFFICER OR EMPLOYEE OF THE STATE; THREE TO BE
3 ELECTED BY THE ACTIVE PROFESSIONAL MEMBERS OF THE SYSTEM FROM
4 AMONG THEIR NUMBER; ONE TO BE ELECTED BY ANNUITANTS FROM AMONG
5 THEIR NUMBER; ONE TO BE ELECTED BY THE ACTIVE NONPROFESSIONAL
6 MEMBERS OF THE SYSTEM FROM AMONG THEIR NUMBER; AND ONE TO BE
7 ELECTED BY MEMBERS OF PENNSYLVANIA PUBLIC SCHOOL BOARDS FROM
8 AMONG THEIR NUMBER. THE APPOINTMENTS MADE BY THE GOVERNOR SHALL
9 BE CONFIRMED BY THE SENATE AND EACH ELECTION SHALL BE CONDUCTED
10 IN A MANNER APPROVED BY THE BOARD. THE TERMS OF THE APPOINTED
11 AND NONLEGISLATIVE ELECTED MEMBERS SHALL BE THREE YEARS. THE
12 MEMBERS FROM THE SENATE SHALL BE APPOINTED BY THE PRESIDENT PRO
13 TEMPORE OF THE SENATE AND SHALL CONSIST OF ONE MEMBER FROM THE
14 MAJORITY AND ONE MEMBER FROM THE MINORITY. THE MEMBERS FROM THE
15 HOUSE OF REPRESENTATIVES SHALL BE APPOINTED BY THE SPEAKER OF
16 THE HOUSE OF REPRESENTATIVES AND SHALL CONSIST OF ONE MEMBER
17 FROM THE MAJORITY AND ONE MEMBER FROM THE MINORITY. THE
18 LEGISLATIVE MEMBERS SHALL SERVE ON THE BOARD FOR THE DURATION OF
19 [THE TERMS FOR WHICH THEY WERE ELECTED.] THEIR LEGISLATIVE TERMS
20 AND SHALL CONTINUE TO SERVE UNTIL 30 DAYS AFTER THE CONVENING OF
21 THE NEXT REGULAR SESSION OF THE GENERAL ASSEMBLY AFTER THE
22 EXPIRATION OF THEIR RESPECTIVE LEGISLATIVE TERMS, OR UNTIL A
23 SUCCESSOR IS APPOINTED FOR THE NEW TERM, WHICHEVER OCCURS FIRST.
24 THE CHAIRMAN OF THE BOARD SHALL BE ELECTED BY THE BOARD MEMBERS.
25 EACH EX OFFICIO MEMBER OF THE BOARD AND EACH LEGISLATIVE MEMBER
26 OF THE BOARD MAY APPOINT A DULY AUTHORIZED DESIGNEE TO ACT IN
27 HIS STEAD.

28 (B) [APPOINTMENT AND TERMS OF INITIAL MEMBERS.--FOR THE
29 PURPOSES OF SECURING AN ORDERLY TRANSITION AND STAGGERED TERMS,
30 THE ELECTED MEMBERS OF THE BOARD SERVING ON THE EFFECTIVE DATE

1 OF THIS PART SHALL SERVE UNTIL THE EXPIRATION OF THEIR
2 RESPECTIVE TERMS. THE BOARD MEMBER INITIALLY ELECTED BY MEMBERS
3 OF PENNSYLVANIA PUBLIC SCHOOL BOARDS SHALL SERVE UNTIL JANUARY
4 1, 1976. THE BOARD MEMBER INITIALLY ELECTED BY THE ACTIVE
5 NONPROFESSIONAL MEMBERS OF THE SYSTEM SHALL SERVE UNTIL JANUARY
6 1, 1977. ONE OF THE INITIAL BOARD MEMBERS APPOINTED BY THE
7 GOVERNOR AFTER THE EFFECTIVE DATE OF THIS PART SHALL SERVE UNTIL
8 JANUARY 1, 1976 AND THE SECOND APPOINTED BOARD MEMBER SHALL
9 SERVE UNTIL JANUARY 1, 1977.] VACANCIES.--A VACANCY OCCURRING
10 DURING THE TERM OF ANY MEMBER SHALL BE FILLED FOR THE UNEXPIRED
11 TERM BY A SUCCESSOR APPOINTED OR ELECTED AS THE CASE MAY BE IN
12 THE SAME MANNER AS HIS PREDECESSOR.

13 * * *

14 § 8502. ADMINISTRATIVE DUTIES OF BOARD.

15 * * *

16 (M) MEMBER CONTRIBUTIONS AND INTEREST.--THE BOARD SHALL
17 CAUSE EACH MEMBER'S CONTRIBUTIONS, INCLUDING PAYROLL DEDUCTIONS,
18 PICKUP CONTRIBUTIONS AND ALL OTHER PAYMENTS, INCLUDING, BUT NOT
19 LIMITED TO, AMOUNTS COLLECTED BY THE STATE EMPLOYEES' RETIREMENT
20 SYSTEM FOR THE REINSTATEMENT OF PREVIOUS SCHOOL SERVICE OR
21 CREDITABLE NONSCHOOL SERVICE, AND AMOUNTS PAID TO RETURN
22 BENEFITS PAID AFTER THE DATE OF RETURN TO SCHOOL SERVICE OR
23 ENTERING STATE SERVICE REPRESENTING LUMP SUM PAYMENTS MADE
24 PURSUANT TO SECTION 8345(A)(4)(III) (RELATING TO MEMBER'S
25 OPTIONS) AND MEMBER'S ANNUITY PAYMENTS, BUT NOT INCLUDING OTHER
26 BENEFITS RETURNED PURSUANT TO SECTION 8346(A.1) (RELATING TO
27 TERMINATION OF ANNUITIES) TO BE CREDITED TO THE ACCOUNT OF SUCH
28 MEMBER AND SHALL PAY ALL SUCH AMOUNTS INTO THE FUND. SUCH
29 CONTRIBUTIONS SHALL BE CREDITED WITH STATUTORY INTEREST UNTIL
30 DATE OF TERMINATION OF SERVICE, EXCEPT IN THE CASE OF A VESTEE,

1 WHO SHALL HAVE SUCH INTEREST CREDITED UNTIL THE EFFECTIVE DATE
2 OF RETIREMENT OR UNTIL THE RETURN OF HIS ACCUMULATED DEDUCTIONS,
3 IF HE SO ELECTS; AND IN THE CASE OF A MULTIPLE SERVICE MEMBER
4 WHO SHALL HAVE SUCH INTEREST CREDITED UNTIL TERMINATION OF
5 SERVICE IN BOTH THE SCHOOL AND THE STATE SYSTEMS.

6 * * *

7 [§ 8502.1. HEALTH INSURANCE.

8 (A) AUTHORITY.--THE BOARD MAY SPONSOR A PARTICIPANT-FUNDED
9 GROUP HEALTH INSURANCE PROGRAM FOR ANNUITANTS, SPOUSES OF
10 ANNUITANTS, SURVIVOR ANNUITANTS AND THEIR DEPENDENTS. THE BOARD
11 MAY PROMULGATE REGULATIONS REGARDING THE PRUDENT AND EFFICIENT
12 OPERATION OF THE PROGRAM, INCLUDING, BUT NOT LIMITED TO:

13 (1) ESTABLISHMENT OF AN ANNUAL BUDGET AND DISBURSEMENTS
14 IN ACCORDANCE WITH THE BUDGET.

15 (2) DETERMINATION OF THE BENEFITS STRUCTURE.

16 (3) DETERMINATION OF ENROLLMENT PROCEDURES.

17 (4) ESTABLISHMENT OF PREMIUM RATES SUFFICIENT TO FULLY
18 FUND THE PROGRAM, INCLUDING ADMINISTRATIVE EXPENSES.

19 (5) CONTRACTING FOR GOODS, EQUIPMENT, SERVICES,
20 CONSULTANTS AND OTHER PROFESSIONAL PERSONNEL AS NEEDED TO
21 OPERATE THE PROGRAM.

22 (B) SEPARATE ACCOUNT.--ALL FUNDS RELATED TO THE HEALTH
23 INSURANCE PROGRAM SHALL BE MAINTAINED AND ACCOUNTED FOR
24 SEPARATELY FROM THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND.

25 (C) OPERATION.--THE BOARD MAY ESTABLISH AND OPERATE THE
26 PROGRAM THROUGH A LAWFULLY AUTHORIZED ENTITY.

27 (D) ADDITIONAL REQUIREMENTS.--THE ASSETS OF THE FUND SHALL
28 NOT BE LIABLE OR UTILIZED FOR PAYMENT OF ANY EXPENSES OR CLAIMS
29 INCURRED BY THE HEALTH INSURANCE PROGRAM. THE PROGRAM SHALL BE
30 AN APPROVED HEALTH INSURANCE PROGRAM FOR PURPOSES OF SECTION

1 8505(I) (RELATING TO DUTIES OF BOARD REGARDING APPLICATIONS AND
2 ELECTIONS OF MEMBERS) AND AN APPROVED INSURANCE CARRIER FOR
3 PURPOSES OF SECTION 8509 (RELATING TO HEALTH INSURANCE PREMIUM
4 ASSISTANCE PROGRAM). THE PROGRAM SHALL NOT BE SUBJECT TO THE
5 PROVISIONS OF SECTION 8531 (RELATING TO STATE GUARANTEE).]

6 SECTION 4.1. TITLE 24 IS AMENDED BY ADDING A SECTION TO
7 READ:

8 § 8502.2. HEALTH INSURANCE.

9 (A) AUTHORITY.--THE BOARD MAY SPONSOR A PARTICIPANT-FUNDED
10 GROUP HEALTH INSURANCE PROGRAM FOR ANNUITANTS, SPOUSES OF
11 ANNUITANTS, SURVIVOR ANNUITANTS AND THEIR DEPENDENTS. THE BOARD
12 MAY PROMULGATE REGULATIONS REGARDING THE PRUDENT AND EFFICIENT
13 OPERATION OF THE PROGRAM, INCLUDING, BUT NOT LIMITED TO:

14 (1) ESTABLISHMENT OF AN ANNUAL BUDGET AND DISBURSEMENTS
15 IN ACCORDANCE WITH THE BUDGET.

16 (2) DETERMINATION OF THE BENEFITS STRUCTURE.

17 (3) DETERMINATION OF ENROLLMENT PROCEDURES.

18 (4) ESTABLISHMENT OF PREMIUM RATES SUFFICIENT TO FULLY
19 FUND THE PROGRAM, INCLUDING ADMINISTRATIVE EXPENSES.

20 (5) CONTRACTING FOR GOODS, EQUIPMENT, SERVICES,
21 CONSULTANTS AND OTHER PROFESSIONAL PERSONNEL AS NEEDED TO
22 OPERATE THE PROGRAM.

23 (B) SEPARATE ACCOUNT.--ALL FUNDS RELATED TO THE HEALTH
24 INSURANCE PROGRAM SHALL BE MAINTAINED AND ACCOUNTED FOR
25 SEPARATELY FROM THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND.

26 (C) OPERATION.--THE BOARD MAY ESTABLISH AND OPERATE THE
27 PROGRAM THROUGH A LAWFULLY AUTHORIZED ENTITY.

28 (D) ADDITIONAL REQUIREMENTS.--THE ASSETS OF THE FUND SHALL
29 NOT BE LIABLE OR UTILIZED FOR PAYMENT OF ANY EXPENSES OR CLAIMS
30 INCURRED BY THE HEALTH INSURANCE PROGRAM. THE PROGRAM SHALL BE

1 AN APPROVED HEALTH INSURANCE PROGRAM FOR PURPOSES OF SECTION
2 8505(I) (RELATING TO DUTIES OF BOARD REGARDING APPLICATIONS AND
3 ELECTIONS OF MEMBERS) AND AN APPROVED INSURANCE CARRIER FOR
4 PURPOSES OF SECTION 8509 (RELATING TO HEALTH INSURANCE PREMIUM
5 ASSISTANCE PROGRAM). THE PROGRAM SHALL NOT BE SUBJECT TO THE
6 PROVISIONS OF SECTION 8531 (RELATING TO STATE GUARANTEE).

7 SECTION 4.2. SECTIONS 8503(A) AND 8504(B) OF TITLE 24 ARE
8 AMENDED TO READ:

9 § 8503. DUTIES OF BOARD TO ADVISE AND REPORT TO EMPLOYERS AND
10 MEMBERS.

11 (A) MANUAL OF REGULATIONS.--THE BOARD SHALL, WITH THE ADVICE
12 OF THE ATTORNEY GENERAL AND THE ACTUARY, PREPARE WITHIN 90 DAYS
13 OF THE EFFECTIVE DATE OF THIS PART, A MANUAL INCORPORATING RULES
14 AND REGULATIONS CONSISTENT WITH THE PROVISIONS OF THIS PART FOR
15 THE EMPLOYERS WHO SHALL MAKE INFORMATION CONTAINED THEREIN
16 AVAILABLE TO THE GENERAL MEMBERSHIP. THE BOARD SHALL THEREAFTER
17 ADVISE THE EMPLOYERS WITHIN 90 DAYS OF ANY CHANGES IN SUCH RULES
18 AND REGULATIONS DUE TO CHANGES IN THE LAW OR DUE TO CHANGES IN
19 ADMINISTRATIVE POLICIES. AS SOON AS PRACTICABLE AFTER THE
20 COMMISSIONER'S PUBLICATION WITH RESPECT THERETO, THE BOARD SHALL
21 ALSO ADVISE THE EMPLOYERS AS TO ANY COST-OF-LIVING ADJUSTMENT
22 FOR THE SUCCEEDING CALENDAR YEAR IN THE AMOUNT OF THE LIMITATION
23 UNDER IRC § 401(A)(17) AND THE DOLLAR AMOUNTS OF THE LIMITATIONS
24 UNDER IRC § 415(B).

25 * * *

26 § 8504. DUTIES OF BOARD TO REPORT TO STATE EMPLOYEES'
27 RETIREMENT BOARD.

28 * * *

29 (B) MULTIPLE SERVICE MEMBERSHIP OF STATE EMPLOYEES.--UPON
30 RECEIPT OF NOTIFICATION FROM THE STATE EMPLOYEES' RETIREMENT

1 BOARD THAT A FORMER SCHOOL EMPLOYEE HAS BECOME AN ACTIVE MEMBER
2 IN THE STATE EMPLOYEES' RETIREMENT SYSTEM AND HAS ELECTED TO
3 RECEIVE CREDIT FOR MULTIPLE SERVICE, THE BOARD SHALL CERTIFY TO
4 THE STATE EMPLOYEES' RETIREMENT BOARD AND CONCURRENTLY TO THE
5 MEMBER:

6 (1) THE TOTAL CREDITED SERVICE IN THE SYSTEM AND THE
7 NUMBER OF YEARS AND FRACTIONAL PART OF A YEAR OF SERVICE
8 CREDITED IN EACH CLASS OF SERVICE.

9 (2) THE ANNUAL COMPENSATION RECEIVED EACH SCHOOL YEAR BY
10 THE MEMBER FOR CREDITED SCHOOL SERVICE.

11 (3) THE AMOUNT OF THE DEDUCTIONS AND THE PERIOD OVER
12 WHICH THEY ARE TO BE MADE. IF THE MEMBER HAS ELECTED PAYROLL
13 DEDUCTIONS PURSUANT TO SECTION 8323 (RELATING TO MEMBER
14 CONTRIBUTIONS FOR CREDITABLE SCHOOL SERVICE) OR 8324
15 (RELATING TO CONTRIBUTIONS FOR PURCHASE OF CREDIT FOR
16 CREDITABLE NONSCHOOL SERVICE).

17 * * *

18 SECTION 5. SECTION 8505(B) OF TITLE 24 IS AMENDED AND THE
19 SECTION IS AMENDED BY ADDING A SUBSECTION TO READ:

20 § 8505. DUTIES OF BOARD REGARDING APPLICATIONS AND ELECTIONS OF
21 MEMBERS.

22 * * *

23 (B) STATE EMPLOYEES ELECTING MULTIPLE SERVICE STATUS.--UPON
24 RECEIPT OF NOTIFICATION FROM THE STATE EMPLOYEES' RETIREMENT
25 BOARD THAT A FORMER SCHOOL EMPLOYEE HAS BECOME AN ACTIVE MEMBER
26 IN THE STATE EMPLOYEES' RETIREMENT SYSTEM AND HAS ELECTED TO
27 BECOME A MEMBER WITH MULTIPLE SERVICE STATUS, THE BOARD SHALL:

28 (1) IN CASE OF A MEMBER WHO IS RECEIVING AN ANNUITY FROM
29 THE SYSTEM[, DISCONTINUE]:

30 (I) DISCONTINUE PAYMENTS, TRANSFER THE PRESENT

1 VALUE[, AT THAT TIME,] OF THE MEMBER'S ANNUITY AT THE
2 TIME OF ENTERING STATE SERVICE, PLUS THE AMOUNT WITHDRAWN
3 IN A LUMP SUM PAYMENT, ON OR AFTER THE DATE OF ENTERING
4 STATE SERVICE, PURSUANT TO SECTION 8345 (RELATING TO
5 MEMBER'S OPTIONS), WITH STATUTORY INTEREST TO DATE OF
6 TRANSFER, MINUS THE AMOUNT TO BE RETURNED TO THE BOARD ON
7 ACCOUNT OF RETURN TO SERVICE THAT THE BOARD HAS
8 DETERMINED IS TO BE CREDITED IN THE MEMBERS' SAVINGS
9 ACCOUNT, FROM THE ANNUITY RESERVE ACCOUNT TO THE MEMBERS'
10 SAVINGS ACCOUNT AND RESUME CREDITING OF STATUTORY
11 INTEREST ON THE AMOUNT RESTORED TO HIS CREDIT [AND
12 TRANSFER].

13 (II) TRANSFER THE BALANCE OF THE PRESENT VALUE OF
14 THE TOTAL ANNUITY, MINUS THE AMOUNT TO BE RETURNED TO THE
15 BOARD ON ACCOUNT OF RETURN TO SERVICE THAT THE BOARD HAS
16 DETERMINED IS TO BE CREDITED IN THE STATE ACCUMULATION
17 ACCOUNT, FROM THE ANNUITY RESERVE ACCOUNT TO THE STATE
18 ACCUMULATION ACCOUNT.

19 (III) CERTIFY TO THE MEMBER THE AMOUNT OF LUMP SUM
20 AND ANNUITY PAYMENTS WITH STATUTORY INTEREST THE MEMBER
21 IS TO RETURN TO THE BOARD, AND OF THOSE AMOUNTS, WHICH
22 AMOUNT SHALL BE CREDITED TO THE MEMBERS' SAVINGS ACCOUNT
23 AND CREDITED WITH STATUTORY INTEREST AS SUCH PAYMENTS ARE
24 RETURNED AND WHICH AMOUNT SHALL BE CREDITED TO THE STATE
25 ACCUMULATION ACCOUNT.

26 (2) IN CASE OF A MEMBER WHO IS NOT RECEIVING AN ANNUITY
27 FROM THE SYSTEM AND WHO HAS NOT WITHDRAWN HIS ACCUMULATED
28 DEDUCTIONS, CONTINUE OR RESUME THE CREDITING OF STATUTORY
29 INTEREST ON HIS ACCUMULATED DEDUCTIONS.

30 (3) IN CASE OF A MEMBER WHO IS NOT RECEIVING AN ANNUITY

FROM THE SYSTEM AND HIS ACCUMULATED DEDUCTIONS WERE
WITHDRAWN, CERTIFY TO THE MEMBER THE ACCUMULATED DEDUCTIONS
AS THEY WOULD HAVE BEEN AT THE TIME OF HIS SEPARATION HAD HE
BEEN A FULL COVERAGE MEMBER TOGETHER WITH STATUTORY INTEREST
FOR ALL PERIODS OF SUBSEQUENT STATE AND SCHOOL SERVICE TO THE
DATE OF REPAYMENT. SUCH AMOUNT SHALL BE RESTORED BY HIM AND
SHALL BE CREDITED WITH STATUTORY INTEREST AS SUCH PAYMENTS
ARE RESTORED.

* * *

(K) SCHOOL EMPLOYEES ELECTING MULTIPLE SERVICE STATUS.--UPON
RECEIPT OF NOTIFICATION FROM THE STATE EMPLOYEES' RETIREMENT
BOARD THAT A MEMBER WHO HAS ELECTED MULTIPLE SERVICE MEMBERSHIP
HAS ELECTED TO RESTORE STATE SERVICE OR PURCHASE CREDITABLE
NONSTATE SERVICE IN THE STATE EMPLOYEES' RETIREMENT SYSTEM OR IS
OBLIGATED TO RETURN BENEFITS TO THE STATE EMPLOYEES' RETIREMENT
BOARD ON ACCOUNT OF ELECTING MULTIPLE SERVICE MEMBERSHIP HAS
ELECTED TO PAY ALL OR PART OF THE AMOUNT DUE TO THE STATE
EMPLOYEES' RETIREMENT BOARD BY SALARY DEDUCTIONS, THE BOARD
SHALL COLLECT FROM THE EMPLOYEE THE AMOUNTS CERTIFIED BY THE
STATE EMPLOYEES' RETIREMENT BOARD AS DUE AND OWING BY THE MEMBER
AND SHALL CERTIFY AND TRANSFER TO THE STATE EMPLOYEES'
RETIREMENT BOARD THE AMOUNTS SO COLLECTED.

SECTION 6. SECTIONS 8506(C), (G) AND (H), 8507(C) AND (G),
8509(B), 8521(H), (I) AND (J) AND 8525(A) OF TITLE 24 ARE
AMENDED TO READ:

§ 8506. DUTIES OF EMPLOYERS.

* * *

(C) MEMBER AND EMPLOYER CONTRIBUTIONS.--THE EMPLOYER SHALL
CERTIFY TO ITS TREASURER THE REQUIRED MEMBER CONTRIBUTIONS
PICKED UP AND ANY OTHER CONTRIBUTIONS, INCLUDING, BUT NOT

1 LIMITED TO, AMOUNTS COLLECTED FOR THE STATE EMPLOYEES'
2 RETIREMENT BOARD FOR THE REINSTATEMENT OF PREVIOUS STATE SERVICE
3 OR CREDITABLE NONSTATE SERVICE AND AMOUNTS PAID TO RETURN
4 BENEFITS PAID AFTER THE DATE OF RETURN TO STATE SERVICE OR
5 ENTERING SCHOOL SERVICE, DEDUCTED FROM EACH PAYROLL. ON JULY 1,
6 1996, AND UPON ANY LATER EFFECTIVE DATE OF EMPLOYMENT OF ANY
7 NONELIGIBLE MEMBER TO WHOM [LIMITATION] LIMITATIONS UNDER IRC §
8 401(A)(17) OR 415(B) APPLIES OR IS EXPECTED TO APPLY, THE
9 EMPLOYER SHALL IDENTIFY TO ITS TREASURER OR OTHER PAYROLL
10 ADMINISTRATOR THE MEMBER OR MEMBERS TO WHOM SUCH LIMIT APPLIES
11 OR MAY APPLY AND SHALL CAUSE ANY SUCH MEMBER'S CONTRIBUTIONS
12 DEDUCTED FROM PAYROLL AND THE EMPLOYER'S CONTRIBUTION ON HIS
13 BEHALF TO CEASE AT THE [LIMITATION] LIMITATIONS UNDER IRC §
14 401(A)(17) OR 415(B) ON THE PAYROLL DATE IF AND WHEN SUCH LIMIT
15 SHALL BE REACHED. THE TREASURER SHALL REMIT TO THE SECRETARY OF
16 THE BOARD EACH MONTH THE TOTAL OF THE MEMBER CONTRIBUTIONS AND
17 THE AMOUNT DUE FROM THE EMPLOYER DETERMINED IN ACCORDANCE WITH
18 SECTION 8327 (RELATING TO PAYMENTS BY EMPLOYERS). IF, UPON
19 CREDITING THE REMITTANCE OF A NONELIGIBLE MEMBER'S CONTRIBUTIONS
20 TO THE MEMBER'S SAVINGS ACCOUNT, THE BOARD SHALL DETERMINE THAT
21 SUCH ACCOUNT SHALL HAVE BEEN CREDITED WITH PICKUP CONTRIBUTIONS
22 ATTRIBUTABLE TO COMPENSATION WHICH IS IN EXCESS OF THE ANNUAL
23 COMPENSATION LIMIT UNDER IRC § 401(A)(17) OR 415(B), OR WITH
24 TOTAL MEMBER CONTRIBUTIONS FOR SUCH MEMBER WHICH WOULD CAUSE
25 SUCH MEMBER'S CONTRIBUTIONS OR BENEFITS TO EXCEED ANY APPLICABLE
26 LIMITATION ON CONTRIBUTIONS OR BENEFITS UNDER IRC § 401(A)(17)
27 OR 415(B), THE BOARD SHALL AS SOON AS PRACTICABLE REFUND TO THE
28 MEMBER FROM HIS INDIVIDUAL MEMBER ACCOUNT SUCH AMOUNT, TOGETHER
29 WITH THE STATUTORY INTEREST THEREON, AS WILL CAUSE THE MEMBER'S
30 TOTAL MEMBER CONTRIBUTIONS NOT TO EXCEED THE APPLICABLE LIMIT.

1 THE PAYMENT OF ANY SUCH REFUND TO THE MEMBER SHALL BE CHARGED TO
2 THE MEMBER'S SAVINGS ACCOUNT.

3 * * *

4 (G) FORMER STATE EMPLOYEE CONTRIBUTORS.--THE EMPLOYER SHALL,
5 UPON THE EMPLOYMENT OF A FORMER MEMBER OF THE STATE EMPLOYEES'
6 RETIREMENT SYSTEM WHO IS NOT AN ANNUITANT OF THE STATE
7 EMPLOYEES' RETIREMENT SYSTEM, ADVISE SUCH EMPLOYEE OF HIS RIGHT
8 TO ELECT MULTIPLE SERVICE MEMBERSHIP WITHIN [30] 365 DAYS OF
9 ENTRY INTO THE SYSTEM AND, IN THE CASE ANY SUCH EMPLOYEE WHO SO
10 ELECTS HAS WITHDRAWN HIS ACCUMULATED DEDUCTIONS, REQUIRE HIM TO
11 RESTORE HIS ACCUMULATED DEDUCTIONS AS THEY WOULD HAVE BEEN AT
12 THE TIME OF HIS SEPARATION HAD HE BEEN A FULL COVERAGE MEMBER,
13 TOGETHER WITH STATUTORY INTEREST FOR ALL PERIODS OF SUBSEQUENT
14 STATE AND SCHOOL SERVICE TO DATE OF REPAYMENT. THE EMPLOYER
15 SHALL ADVISE THE BOARD OF SUCH ELECTION.

16 (H) FORMER STATE EMPLOYEE ANNUITANTS.--THE EMPLOYER SHALL,
17 UPON THE EMPLOYMENT OF AN ANNUITANT OF THE STATE EMPLOYEES'
18 RETIREMENT SYSTEM WHO APPLIES FOR MEMBERSHIP IN THE SYSTEM,
19 ADVISE SUCH EMPLOYEE THAT HE MAY ELECT MULTIPLE SERVICE
20 MEMBERSHIP WITHIN [30] 365 DAYS OF ENTRY INTO THE SYSTEM AND
21 THAT IF HE SO ELECTS HIS ANNUITY FROM THE STATE EMPLOYEES'
22 RETIREMENT SYSTEM WILL BE DISCONTINUED EFFECTIVE UPON THE DATE
23 OF HIS RETURN TO SCHOOL SERVICE AND, UPON TERMINATION OF SCHOOL
24 SERVICE AND APPLICATION FOR AN ANNUITY, THE ANNUITY WILL BE
25 ADJUSTED IN ACCORDANCE WITH SECTION 8346 (RELATING TO
26 TERMINATION OF ANNUITIES). THE EMPLOYER SHALL ADVISE THE BOARD
27 OF SUCH ELECTION.

28 * * *

29 § 8507. RIGHTS AND DUTIES OF SCHOOL EMPLOYEES AND MEMBERS.

30 * * *

(C) MULTIPLE SERVICE MEMBERSHIP.--ANY ACTIVE MEMBER WHO WAS FORMERLY AN ACTIVE MEMBER IN THE STATE EMPLOYEES' RETIREMENT SYSTEM MAY ELECT TO BECOME A MULTIPLE SERVICE MEMBER. SUCH ELECTION SHALL OCCUR NO LATER THAN [30] 365 DAYS AFTER BECOMING AN ACTIVE MEMBER IN THIS SYSTEM.

* * *

(G) VESTING OF RETIREMENT RIGHTS.--IF A MEMBER ELECTS TO VEST HIS RETIREMENT RIGHTS, HE SHALL NOMINATE A BENEFICIARY BY WRITTEN DESIGNATION FILED WITH THE BOARD AND HE MAY ANYTIME THEREAFTER WITHDRAW THE ACCUMULATED DEDUCTIONS STANDING TO HIS CREDIT OR, IF HE HAS [TEN] FIVE OR MORE ELIGIBILITY POINTS, APPLY FOR AN ANNUITY.

* * *

§ 8509. HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM.

* * *

(B) AMOUNT OF PREMIUM ASSISTANCE.--[EFFECTIVE JULY 1, 1992, PARTICIPATING] PARTICIPATING ELIGIBLE ANNUITANTS SHALL RECEIVE PREMIUM ASSISTANCE PAYMENTS [OF \$55 PER MONTH OR THE ACTUAL MONTHLY PREMIUM, WHICHEVER IS LESS] AS PROVIDED IN PARAGRAPHS (1) AND (2). SUCH PAYMENTS SHALL BE MADE BY THE BOARD TO THE PARTICIPATING ELIGIBLE ANNUITANTS FOR THEIR PAYMENT DIRECTLY TO THEIR APPROVED INSURANCE CARRIERS. SUCH PAYMENTS MAY ALSO BE PAID BY THE BOARD, AT THE BOARD'S DISCRETION, DIRECTLY TO THE PARTICIPATING ELIGIBLE ANNUITANTS' APPROVED INSURANCE CARRIERS. THE BOARD SHALL HAVE THE RIGHT TO VERIFY THE APPLICATION AND RECEIPT OF THE PAYMENTS BY THE PARTICIPATING ELIGIBLE ANNUITANTS AND THEIR APPROVED INSURANCE CARRIERS. THE PREMIUM ASSISTANCE PAYMENTS ARE AS FOLLOWS:

(1) EFFECTIVE JULY 1, 1992, \$55 PER MONTH OR THE ACTUAL MONTHLY PREMIUM, WHICHEVER IS LESS.

(2) EFFECTIVE JANUARY 1, 2002, \$100 PER MONTH OR THE
ACTUAL MONTHLY PREMIUM, WHICHEVER IS LESS.

* * *

§ 8521. MANAGEMENT OF FUND AND ACCOUNTS.

* * *

(H) VENTURE CAPITAL[.--VENTURE CAPITAL INVESTMENTS SHALL BE LIMITED TO NOT MORE THAN 2% OF THE BOOK VALUE OF THE TOTAL ASSETS OF THE FUND AS DETERMINED FOR FINANCIAL STATEMENT PURPOSES AS OF JUNE 30 NEXT PRECEDING THE DATE OF INVESTMENT. AN INVESTMENT SHALL BE DEEMED A VENTURE CAPITAL INVESTMENT IF IT RESULTS IN THE ACQUISITION OF EQUITY INTERESTS OR A COMBINATION OF DEBT AND EQUITY INTERESTS IN A BUSINESS WHICH IS EXPECTED TO GROW SUBSTANTIALLY IN THE FUTURE AND IN WHICH THE EXPECTED RETURN ON INVESTMENT IS TO COME PREDOMINANTLY FROM AN INCREASE IN VALUE OF THE EQUITY INTERESTS AND ARE NOT INTERESTS IN OR SECURED BY REAL ESTATE. A VENTURE CAPITAL INVESTMENT MAY BE MADE ONLY IF, IN THE JUDGMENT OF THE BOARD, THE INVESTMENT IS REASONABLY LIKELY TO ENHANCE THE GENERAL WELFARE OF THIS COMMONWEALTH AND ITS CITIZENS AND MEETS THE STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A). IN DETERMINING WHETHER THE INVESTMENT MEETS THE STANDARD OF PRUDENCE, THE BOARD MAY CONSIDER, TOGETHER WITH THE EXPECTED RETURN ON AND THE RISK CHARACTERISTICS OF THE PARTICULAR INVESTMENT, THE ACTUAL AND EXPECTED FUTURE RETURNS AND THE RISK CHARACTERISTICS OF THE TOTAL VENTURE CAPITAL INVESTMENTS HELD BY THE BOARD AT THE TIME AND THE DEGREE TO WHICH THE PROPOSED NEW INVESTMENT WOULD PROMOTE FURTHER DIVERSIFICATION WITHIN THE VENTURE CAPITAL ASSET CLASS.], PRIVATE PLACEMENT AND ALTERNATIVE INVESTMENTS.--THE BOARD IN ITS PRUDENT DISCRETION MAY MAKE ANY VENTURE CAPITAL INVESTMENT, PRIVATE PLACEMENT INVESTMENT OR OTHER ALTERNATIVE

1 INVESTMENT OF ANY KIND, STRUCTURE OR MANNER WHICH MEETS THE
2 STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A).

3 (I) VEHICLES FOR AUTHORIZED INVESTMENTS.--THE BOARD IN ITS
4 PRUDENT DISCRETION MAY MAKE ANY INVESTMENTS WHICH MEET THE
5 STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A) BY [BECOMING A
6 LIMITED PARTNER IN PARTNERSHIPS THAT WILL HOLD SUCH INVESTMENTS,
7 OR BY ACQUIRING SHARES OR UNITS OF PARTICIPATION OR OTHERWISE
8 PARTICIPATING BENEFICIALLY IN BANK COLLECTIVE TRUSTS OR IN THE
9 SEPARATE ACCOUNTS OF ANY INSURANCE COMPANY AUTHORIZED TO DO
10 BUSINESS IN THIS COMMONWEALTH, OR BY ACQUIRING STOCKS OR SHARES
11 OR UNITS OF PARTICIPATION OR OTHERWISE PARTICIPATING
12 BENEFICIALLY IN THE FUND OF ANY CORPORATION OR TRUST ORGANIZED
13 OR CREATED AND EXISTING UNDER THE LAWS OF THE UNITED STATES OR
14 OF ANY STATE, DISTRICT OR TERRITORY THEREOF WHICH FUND IS
15 MAINTAINED FOR AND CONSISTS OF ASSETS OF EMPLOYEES' BENEFIT
16 TRUSTS, INCLUDING GOVERNMENTAL PLANS AS DEFINED IN IRC § 414(D)
17 OR WHICH MEET THE REQUIREMENTS FOR QUALIFICATION UNDER IRC §
18 401] ACQUIRING ANY TYPE OF INTEREST IN A BUSINESS ORGANIZATION
19 EXISTING UNDER THE LAWS OF ANY JURISDICTION, PROVIDED THAT, IN
20 ANY SUCH CASE, THE LIABILITY OF THE PUBLIC SCHOOL EMPLOYEES'
21 RETIREMENT FUND SHALL BE LIMITED TO THE AMOUNT OF ITS
22 INVESTMENT.

23 (J) LEGISLATIVE DECLARATION CONCERNING CERTAIN AUTHORIZED
24 INVESTMENTS.--THE GENERAL ASSEMBLY FINDS AND DECLARES THAT
25 AUTHORIZED INVESTMENTS OF THE FUND MADE BY OR ON BEHALF OF THE
26 BOARD UNDER THIS SECTION WHEREBY THE BOARD BECOMES A JOINT OWNER
27 OR STOCKHOLDER IN ANY COMPANY, CORPORATION [OR] ASSOCIATION OR
28 OTHER LAWFUL BUSINESS ORGANIZATION ARE OUTSIDE THE SCOPE OF THE
29 ORIGINAL INTENT OF AND [THEREFOR] THEREFORE DO NOT VIOLATE THE
30 PROHIBITION SET FORTH IN SECTION 8 OF ARTICLE VIII OF THE

1 CONSTITUTION OF PENNSYLVANIA.

2 § 8525. ANNUITY RESERVE ACCOUNT.

3 (A) CREDITS AND CHARGES TO ACCOUNT.--THE ANNUITY RESERVE
4 ACCOUNT SHALL BE THE LEDGER ACCOUNT TO WHICH SHALL BE CREDITED
5 THE RESERVES HELD FOR THE PAYMENT OF ANNUITIES AND DEATH
6 BENEFITS ON ACCOUNT OF ALL ANNUITANTS AND THE CONTRIBUTIONS FROM
7 THE COMMONWEALTH AND OTHER EMPLOYERS AS DETERMINED IN ACCORDANCE
8 WITH SECTION 8328 (RELATING TO ACTUARIAL COST METHOD) FOR THE
9 PAYMENT OF THE SUPPLEMENTAL ANNUITIES PROVIDED IN SECTIONS 8348
10 (RELATING TO SUPPLEMENTAL ANNUITIES), 8348.1 (RELATING TO
11 ADDITIONAL SUPPLEMENTAL ANNUITIES) [AND], 8348.2 (RELATING TO
12 FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES), 8348.3 (RELATING TO
13 SUPPLEMENTAL ANNUITIES COMMENCING 1994), 8348.4 (RELATING TO
14 SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT) AND 8348.5
15 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1998). THE
16 ANNUITY RESERVE ACCOUNT SHALL BE CREDITED WITH VALUATION
17 INTEREST. AFTER THE TRANSFERS PROVIDED IN SECTIONS 8523
18 (RELATING TO MEMBERS' SAVINGS ACCOUNT) AND 8524 (RELATING TO
19 STATE ACCUMULATION ACCOUNT), ALL ANNUITY AND DEATH BENEFIT
20 PAYMENTS SHALL BE CHARGED TO THE ANNUITY RESERVE ACCOUNT AND
21 PAID FROM THE FUND.

22 * * *

23 SECTION 7. TITLE 24 IS AMENDED BY ADDING A PART TO READ:

24 PART V

25 HEALTH INSURANCE FOR RETIRED SCHOOL EMPLOYEES

26 CHAPTER

27 87. PRELIMINARY PROVISIONS

28 89. GROUP HEALTH INSURANCE PROGRAM

29 91. MISCELLANEOUS PROVISIONS

30 CHAPTER 87

PRELIMINARY PROVISIONS

SEC.

8701. SHORT TITLE OF PART.

8702. DEFINITIONS.

§ 8701. SHORT TITLE OF PART.

THIS PART SHALL BE KNOWN AND MAY BE CITED AS THE PUBLIC
SCHOOL RETIREES' HEALTH INSURANCE ACT.

§ 8702. DEFINITIONS.

(A) GENERAL RULE.--SUBJECT TO ADDITIONAL DEFINITIONS
CONTAINED IN SUBSEQUENT PROVISIONS OF THIS PART WHICH ARE
APPLICABLE TO SPECIFIC PROVISIONS OF THIS PART, THE FOLLOWING
WORDS AND PHRASES WHEN USED IN THIS PART SHALL HAVE THE MEANINGS
GIVEN TO THEM IN THIS SECTION UNLESS THE CONTEXT CLEARLY
INDICATES OTHERWISE:

"ELIGIBLE PERSON." AN INDIVIDUAL WHO IS AN ANNUITANT OR
SURVIVOR ANNUITANT, OR THE SPOUSE OR DEPENDENT OF AN ANNUITANT
OR SURVIVOR ANNUITANT.

"FUND." THE PUBLIC SCHOOL RETIREES' HEALTH INSURANCE FUND.

"PLAN YEAR." THE PERIOD JULY 1, 2001, THROUGH DECEMBER 31,
2001, SHALL BE THE FIRST PLAN YEAR. AFTER DECEMBER 31, 2001, THE
PLAN YEAR SHALL BE THE CALENDAR YEAR.

"PROGRAM." THE GROUP HEALTH INSURANCE PROGRAM THAT MAY BE
SPONSORED BY THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD UNDER
THIS PART.

"RESERVE ACCOUNT." THE RESTRICTED RECEIPT ACCOUNT
ESTABLISHED IN SECTION 8902(B) (RELATING TO PUBLIC SCHOOL
RETIREES' HEALTH INSURANCE FUND).

(B) ADDITIONAL TERMS.--ANY TERM USED IN THIS PART NOT
DEFINED IN SUBSECTION (A) SHALL BE GOVERNED BY THE DEFINITIONS
GIVEN IN PART IV (RELATING TO RETIREMENT FOR SCHOOL EMPLOYEES)

1 AND THE DEFINITIONS SET FORTH IN PART IV SHALL BE DEEMED TO BE
2 INCORPORATED INTO THIS PART.

3 CHAPTER 89

4 GROUP HEALTH INSURANCE PROGRAM

5 SEC.

6 8901. ADMINISTRATION.

7 8902. PUBLIC SCHOOL RETIREES' HEALTH INSURANCE FUND.

8 8903. MANAGEMENT OF FUND.

9 § 8901. ADMINISTRATION.

10 THE BOARD MAY SPONSOR A GROUP HEALTH INSURANCE PROGRAM TO BE
11 FUNDED BY AND FOR ELIGIBLE PERSONS. THE BOARD MAY ADMINISTER THE
12 PROGRAM ITSELF OR THROUGH ANY LEGAL ENTITY AUTHORIZED BY LAW TO
13 DO SO. THE PROGRAM MAY ALSO BE ADMINISTERED IN WHOLE OR IN PART
14 ON A FULLY INSURED OR SELF-FUNDED BASIS AT THE BOARD'S SOLE
15 DISCRETION. IN ADDITION TO THE POWERS GRANTED BY OTHER
16 PROVISIONS OF THIS PART, THE BOARD SHALL HAVE THE POWERS
17 NECESSARY OR CONVENIENT TO CARRY OUT THIS PART, INCLUDING, BUT
18 NOT LIMITED TO, THE POWER TO:

19 (1) SET AND ADJUST PREMIUM RATES SUFFICIENT TO MAINTAIN
20 THE ADEQUACY OF THE RESERVE ESTABLISHED BY THIS PART AND TO
21 FULLY FUND THE BENEFITS OFFERED BY AND TO PAY FOR THE
22 ADMINISTRATIVE EXPENSES RELATED TO THE PROGRAM.

23 (2) DETERMINE AND MAKE NECESSARY CHANGES TO THE BENEFIT
24 STRUCTURE FOR THE PROGRAM.

25 (3) DETERMINE ENROLLMENT PROCEDURES.

26 (4) IMPOSE AND COLLECT NECESSARY FEES AND CHARGES.

27 (5) ESTABLISH AN ANNUAL BUDGET FOR THE PROGRAM AND MAKE
28 DISBURSEMENTS FROM THE FUND THAT ARE CONSISTENT WITH THE
29 BUDGET.

30 (6) CONTRACT FOR GOODS, EQUIPMENT, SERVICES, CONSULTANTS

1 AND OTHER PROFESSIONAL PERSONNEL AS NEEDED TO OPERATE THE
2 PROGRAM.

3 (7) PROVIDE FOR AN ANNUAL AUDIT OF THE FUND AND THE
4 PROGRAM BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM.

5 (8) TERMINATE THE PROGRAM OR ANY PORTION OF THE PROGRAM,
6 AT ANY TIME IF, IN THE BOARD'S DISCRETION, IT IS PRUDENT TO
7 DO SO.

8 (9) SOLICIT AND ACCEPT GIFTS, GRANTS, LOANS AND OTHER
9 AID FROM ANY PERSON, CORPORATION OR OTHER LEGAL ENTITY OR
10 FROM THE FEDERAL, STATE OR LOCAL GOVERNMENT AND PARTICIPATE
11 IN ANY FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAM IF
12 NECESSARY FOR PRUDENT MANAGEMENT OF THE PROGRAM.

13 (10) HEAR AND DETERMINE ANY CLAIMS AND CONTROVERSIES
14 UNDER THIS PART UNDER 2 PA.C.S. CH. 5 SUBCH. A (RELATING TO
15 PRACTICE AND PROCEDURE OF COMMONWEALTH AGENCIES) AND CH. 7
16 SUBCH. A (RELATING TO JUDICIAL REVIEW OF COMMONWEALTH AGENCY
17 ACTION). THE BOARD'S JURISDICTION UNDER THIS PARAGRAPH SHALL
18 BE EXCLUSIVE.

19 (11) PROMULGATE RULES AND REGULATIONS REGARDING THE
20 PROGRAM.

21 § 8902. PUBLIC SCHOOL RETIREES' HEALTH INSURANCE FUND.

22 (A) ESTABLISHMENT OF FUND.--THE PUBLIC SCHOOL RETIREES'
23 HEALTH INSURANCE FUND IS ESTABLISHED IN THE STATE TREASURY. THE
24 MONEYS OF THE FUND ARE APPROPRIATED ON A CONTINUING BASIS AND
25 SHALL BE USED EXCLUSIVELY FOR THE PURPOSES SET FORTH IN THIS
26 PART. ALL OF THE ASSETS OF THE FUND SHALL BE MAINTAINED AND
27 ACCOUNTED FOR, SEPARATE FROM ALL OTHER FUNDS AND MONEYS OF THE
28 COMMONWEALTH AND THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND
29 IDENTIFIED IN SECTION 8522 (RELATING TO PUBLIC SCHOOL EMPLOYEES'
30 RETIREMENT FUND).

(B) RESERVE ACCOUNT.--

(1) A RESTRICTED RESERVE ACCOUNT IS ESTABLISHED WITHIN THE FUND FOR THE PURPOSE OF ESTABLISHING AND MAINTAINING A RESERVE SUFFICIENT TO PAY THE EXPECTED CLAIMS EXPERIENCE OF THE PROGRAM IN THE EVENT THE BOARD ELECTS TO SELF-FUND ALL OR A PORTION OF THE PROGRAM FOR ANY PLAN YEARS. FOR THE PLAN YEAR 2002 AND EACH PLAN YEAR THEREAFTER, THE BOARD SHALL ANNUALLY ESTABLISH THROUGH AN ACTUARY RETAINED BY THE BOARD THE AMOUNT NECESSARY, IF ANY, TO MAINTAIN THIS RESERVE IN THE EVENT THE BOARD ELECTS TO SELF-FUND ALL OR A PORTION OF THE PROGRAM FOR ANY PLAN YEARS. ANY MONEYS NEEDED TO MAINTAIN THE RESERVE ESTABLISHED BY THIS SUBSECTION SHALL BE COLLECTED THROUGH THE ADJUSTMENT OF PREMIUM RATES OR THROUGH OTHER AVAILABLE SOURCES.

(2) THE MONEYS IN THE RESERVE ACCOUNT MAY BE INVESTED BY THE BOARD SEPARATE FROM OTHER MONEYS OF THE FUND. ALL EARNINGS DERIVED FROM INVESTMENT OF THE ASSETS OF THE RESERVE ACCOUNT SHALL BE CREDITED TO THE RESERVE ACCOUNT.

(C) TRANSFERS.--THE BOARD MAY TRANSFER MONEYS AMONG THE VARIOUS ACCOUNTS OF THE FUND, INCLUDING THE RESERVE ACCOUNT ESTABLISHED BY THE SUBSECTION (B), AS MAY BE NECESSARY TO SATISFY THE PROVISIONS OF THIS PART. TRANSFERS FROM THE RESERVE ACCOUNT MAY BE MADE ONLY FOR THE PAYMENT OF CLAIMS OR EXPECTED CLAIMS AS DETERMINED BY THE ACTUARY RETAINED BY THE BOARD.

(D) ADMINISTRATION.--THE ASSETS OF THE FUND SHALL BE PRESERVED, INVESTED AND EXPENDED SOLELY PURSUANT TO AND FOR THE PURPOSES SET FORTH IN THIS PART.

(E) COMPOSITION.--THE FUND SHALL CONSIST OF:

(1) ALL PAYMENTS MADE BY ELIGIBLE PERSONS OR RECEIVED FROM THE HEALTH INSURANCE ACCOUNT ESTABLISHED BY SECTION 8526

(RELATING TO HEALTH INSURANCE ACCOUNT) AND ALL INTEREST,
EARNINGS AND ADDITIONS THERETO.

(2) ANY OTHER MONEY, PUBLIC OR PRIVATE, APPROPRIATED OR
MADE AVAILABLE TO THE BOARD FOR THE FUND OR THE RESERVE
ACCOUNT FROM ANY SOURCE AND ALL INTEREST, EARNINGS AND
ADDITIONS THERETO.

§ 8903. MANAGEMENT OF FUND.

(A) CONTROL AND MANAGEMENT OF FUND.--THE MEMBERS OF THE
BOARD SHALL BE THE TRUSTEES OF THE FUND. REGARDLESS OF ANY OTHER
PROVISIONS OF LAW GOVERNING THE INVESTMENT OF FUNDS UNDER THE
CONTROL OF AN ADMINISTRATIVE BOARD OF THE STATE GOVERNMENT, THE
TRUSTEES SHALL HAVE EXCLUSIVE CONTROL AND MANAGEMENT OF THE FUND
AND FULL POWER TO INVEST THE FUND IN ACCORDANCE WITH THE
PROVISIONS OF THIS SECTION, SUBJECT, HOWEVER, TO THE EXERCISE OF
THAT DEGREE OF JUDGMENT, SKILL AND CARE UNDER THE CIRCUMSTANCES
THEN PREVAILING WHICH PERSONS OF PRUDENCE, DISCRETION AND
INTELLIGENCE WHO ARE FAMILIAR WITH SUCH MATTERS EXERCISE IN THE
MANAGEMENT OF THEIR OWN AFFAIRS NOT IN REGARD TO SPECULATION,
BUT IN REGARD TO THE PERMANENT DISPOSITION OF THE FUND,
CONSIDERING THE PROBABLE INCOME TO BE DERIVED THEREFROM AS WELL
AS THE PROBABLE SAFETY OF THEIR CAPITAL. THE TRUSTEES SHALL HAVE
THE POWER TO HOLD, PURCHASE, SELL, LEND, ASSIGN, TRANSFER OR
DISPOSE OF ANY OF THE SECURITIES AND INVESTMENTS IN WHICH ANY OF
THE MONEYS IN THE FUND SHALL HAVE BEEN INVESTED, AS WELL AS OF
THE PROCEEDS OF THE INVESTMENTS, INCLUDING, BUT NOT LIMITED TO,
DIRECTED COMMISSIONS WHICH HAVE ACCRUED TO THE BENEFIT OF THE
FUND AS A CONSEQUENCE OF THE INVESTMENTS AND OF THE MONEYS
BELONGING TO THE FUND, SUBJECT IN EVERY CASE TO MEETING THE
STANDARD OF PRUDENCE SET FORTH IN THIS SECTION.

(B) CUSTODIAN OF FUND.--THE STATE TREASURER SHALL BE THE

1 CUSTODIAN OF THE FUND.

2 (C) PAYMENT 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 THE SECRETARY'S
5 DESIGNEES AND RATIFIED BY RESOLUTION OF THE BOARD. THE BOARD
6 SHALL REIMBURSE THE STATE TREASURER FOR THE COST OF MAKING
7 DISBURSEMENTS FROM THE FUND IN THE MANNER PROVIDED BY LAW.

8 CHAPTER 91

9 MISCELLANEOUS PROVISIONS

10 SEC.

11 9101. STATUS OF PROGRAM RELATIVE TO PUBLIC SCHOOL EMPLOYEES'
12 RETIREMENT CODE.

13 9102. CONSTRUCTION OF PART.

14 § 9101. STATUS OF PROGRAM RELATIVE TO PUBLIC SCHOOL EMPLOYEES'
15 RETIREMENT CODE.

16 (A) GENERAL RULE.--THE PROGRAM SHALL BE AN APPROVED HEALTH
17 INSURANCE PROGRAM FOR PURPOSES OF SECTION 8505(I) (RELATING TO
18 DUTIES OF BOARD REGARDING APPLICATIONS AND ELECTIONS OF MEMBERS)
19 AND SHALL BE AN APPROVED INSURANCE CARRIER FOR PURPOSES OF
20 SECTION 8509 (RELATING TO HEALTH INSURANCE PREMIUM ASSISTANCE
21 PROGRAM).

22 (B) STATE GUARANTEE.--THE PROGRAM SHALL NOT BE SUBJECT TO
23 THE PROVISIONS OF SECTION 8531 (RELATING TO STATE GUARANTEE).

24 (C) HOLD HARMLESS.--NEITHER THE COMMONWEALTH NOR THE BOARD,
25 INCLUDING THEIR RESPECTIVE OFFICERS, DIRECTORS AND EMPLOYEES,
26 SHALL BE LIABLE FOR ANY CLAIMS, DEMANDS, ACTIONS OR LIABILITY OF
27 ANY NATURE, INCLUDING, BUT NOT LIMITED TO, ATTORNEY FEES AND
28 COURT COSTS, BASED UPON OR ARISING OUT OF THE OPERATION OF THE
29 PROGRAM, WHETHER INCURRED DIRECTLY OR INDIRECTLY. THE ELIGIBLE
30 PARTICIPANTS WHO ENROLL AND PARTICIPATE IN THE PROGRAM SHALL BE

1 DEEMED TO AGREE, ON BEHALF OF THEMSELVES AND THEIR HEIRS,
2 SUCCESSORS AND ASSIGNS, TO HOLD HARMLESS THE COMMONWEALTH AND
3 THE BOARD, INCLUDING THEIR RESPECTIVE OFFICERS, DIRECTORS AND
4 EMPLOYEES, FROM ANY CLAIMS, DEMANDS, ACTIONS OR LIABILITY OF ANY
5 NATURE, WHETHER DIRECTLY OR INDIRECTLY, INCLUDING ATTORNEY FEES
6 AND COURT COSTS, BASED UPON OR ARISING OUT OF THE OPERATION OF
7 THE PROGRAM.

8 (D) NO RECOURSE.--UNDER NO CIRCUMSTANCES SHALL THE ASSETS OF
9 THE COMMONWEALTH OR THOSE THAT COMPRISE THE PUBLIC SCHOOL
10 EMPLOYEES' RETIREMENT FUND AS SET FORTH IN SECTION 8522
11 (RELATING TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND), BE
12 LIABLE FOR OR USED TO PAY ANY CLAIMS, DEMANDS, ACTIONS OR
13 LIABILITY OF ANY NATURE, WHETHER DIRECTLY OR INDIRECTLY,
14 INCLUDING, BUT NOT LIMITED TO, ATTORNEY FEES AND COURT COSTS,
15 BASED UPON OR ARISING OUT OF THE OPERATION OF THE PROGRAM.

16 (E) RESERVATION OF IMMUNITIES.--NOTHING CONTAINED IN THIS
17 ACT SHALL BE CONSTRUED AS A WAIVER OF THE COMMONWEALTH'S OR
18 BOARD'S IMMUNITIES, DEFENSES, RIGHTS OR ACTIONS ARISING OUT OF
19 THEIR SOVEREIGN STATUS OR FROM THE ELEVENTH AMENDMENT TO THE
20 CONSTITUTION OF THE UNITED STATES.

21 § 9102. CONSTRUCTION OF PART.

22 (A) GENERAL RULE.--NO PROVISION OF THIS PART SHALL BE
23 CONSTRUED AS A CANCELLATION OF ANY EXISTING HEALTH INSURANCE
24 PROGRAM OPERATED BY THE BOARD OR REFERENCED IN SECTION 32 OF THE
25 ACT OF AUGUST 5, 1991 (P.L.183, NO.23), ENTITLED "AN ACT
26 AMENDING TITLES 24 (EDUCATION) AND 71 (STATE GOVERNMENT) OF THE
27 PENNSYLVANIA CONSOLIDATED STATUTES, FURTHER PROVIDING FOR THE
28 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND THE STATE
29 EMPLOYEES' RETIREMENT SYSTEM; ADDING AND AMENDING CERTAIN
30 DEFINITIONS; FURTHER PROVIDING FOR MEMBERSHIP IN THE SYSTEMS,

1 FOR CREDITABLE NONSCHOOL AND NONSTATE SERVICE AND THE PURCHASE
2 OF CREDIT, FOR INCENTIVES FOR SPECIAL EARLY RETIREMENT, FOR
3 CONTRIBUTIONS TO THE RETIREMENT FUNDS, FOR ANNUITIES AND THE
4 RIGHTS AND DUTIES OF ANNUITANTS, FOR HEALTH INSURANCE PREMIUM
5 ASSISTANCE, FOR BOARD MEMBERSHIP AND FOR THE RE-AMORTIZATION AND
6 MANAGEMENT OF THE RETIREMENT FUNDS."

7 (B) NATURE OF RIGHTS.--ANY TERMINATION OR OTHER MODIFICATION
8 OF THE PROGRAM, INCLUDING, BUT NOT LIMITED TO, A CHANGE IN
9 PREMIUM RATES, BENEFIT OPTIONS OR STRUCTURE OR INSURANCE
10 PROVIDERS, SHALL NOT GIVE RISE TO ANY CONTRACTUAL RIGHTS OR
11 CLAIMS BY ANY ELIGIBLE PERSONS OR ANY OTHER PERSON CLAIMING AN
12 INTEREST, EITHER DIRECTLY OR INDIRECTLY, IN THE PROGRAM. NO
13 PROVISION OF THIS PART, NOR ANY RULE OR REGULATION ADOPTED
14 PURSUANT TO THIS PART, SHALL CREATE IN ANY PERSON A CONTRACTUAL
15 RIGHT IN THAT PROVISION.

16 SECTION 8. THE DEFINITIONS OF "ACTIVE MEMBER," "CLASS OF
17 SERVICE MULTIPLIER," "CREDITED SERVICE," "INACTIVE MEMBER,"
18 "SALARY DEDUCTIONS" AND "VESTEE" IN SECTION 5102 OF TITLE 71 ARE
19 AMENDED AND THE SECTION IS AMENDED BY ADDING DEFINITIONS TO
20 READ:

21 § 5102. DEFINITIONS.

22 THE FOLLOWING WORDS AND PHRASES AS USED IN THIS PART, UNLESS
23 A DIFFERENT MEANING IS PLAINLY REQUIRED BY THE CONTEXT, SHALL
24 HAVE THE FOLLOWING MEANINGS:

25 * * *

26 "ACTIVE MEMBER." A STATE EMPLOYEE, OR A MEMBER ON LEAVE
27 WITHOUT PAY, FOR WHOM PICKUP CONTRIBUTIONS ARE BEING MADE TO THE
28 FUND OR FOR WHOM SUCH CONTRIBUTIONS OTHERWISE REQUIRED FOR
29 CURRENT STATE SERVICE ARE NOT BEING MADE SOLELY BY REASON OF
30 SECTION 5502.1 (RELATING TO WAIVER OF REGULAR MEMBER

1 CONTRIBUTIONS AND SOCIAL SECURITY INTEGRATION MEMBER
2 CONTRIBUTIONS) OR ANY PROVISION OF THIS PART RELATING TO THE
3 [LIMITATION] LIMITATIONS UNDER SECTION 401(A)(17) OR SECTION
4 415(B) OF THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514,
5 26 U.S.C. § 401(A)(17) OR § 415(B)).

6 * * *

7 "ACTUARIAL INCREASE FACTOR." A FACTOR CALCULATED AT THE
8 MEMBER'S BIRTHDAY BY DIVIDING THE COST OF A DOLLAR ANNUITY BASED
9 ON THE AGE OF THE MEMBER ON THE MEMBER'S IMMEDIATELY PREVIOUS
10 BIRTHDAY BY THE COST OF A ONE-YEAR DEFERRED DOLLAR ANNUITY
11 CALCULATED AT THAT SAME AGE. UNLESS THE MEMBER TERMINATES STATE
12 OR SCHOOL SERVICE ON THE MEMBER'S BIRTHDAY, THE ACTUARIAL
13 INCREASE FACTOR FOR THE YEAR OF TERMINATION SHALL BE ADJUSTED
14 BY:

15 (1) SUBTRACTING ONE FROM THE CALCULATED FACTOR; THEN
16 (2) DIVIDING THE DIFFERENCE BY TWELVE; THEN
17 (3) MULTIPLYING THE RESULTING QUOTIENT BY THE NUMBER OF
18 WHOLE MONTHS BETWEEN THE MEMBER'S IMMEDIATELY PREVIOUS
19 BIRTHDAY AND THE DATE OF TERMINATION OF SERVICE; THEN
20 (4) ADDING ONE TO THE RESULTING PRODUCT.

21 * * *

22 "CLASS OF SERVICE MULTIPLIER."

23 CLASS OF SERVICE MULTIPLIER

24 A 1

25 AA FOR ALL PURPOSES

26 EXCEPT

27 CALCULATING REGULAR

28 MEMBER CONTRIBUTIONS

29 ON COMPENSATION

30 PAID PRIOR TO

1 JANUARY 1, 2002 1.25

2 AA FOR PURPOSES

3 OF CALCULATING

4 REGULAR MEMBER

5 CONTRIBUTIONS

6 ON COMPENSATION

7 PAID PRIOR TO

8 JANUARY 1, 2002 1

9 B .625

10 C 1

11 D 1.25

12 D-1 PRIOR TO

13 JANUARY 1, 1973 1.875

14 D-1 ON AND

15 SUBSEQUENT TO

16 JANUARY 1, 1973 1.731

17 D-2 PRIOR TO

18 JANUARY 1, 1973 2.5

19 D-2 ON AND

20 SUBSEQUENT TO

21 JANUARY 1, 1973 1.731

22 D-3 PRIOR TO

23 JANUARY 1, 1973 3.75

24 D-3 ON AND

25 SUBSEQUENT TO

26 JANUARY 1, 1973 1.731 EXCEPT PRIOR TO DECEMBER

27 1, 1974 AS APPLIED TO ANY

28 ADDITIONAL LEGISLATIVE

29 COMPENSATION AS AN OFFICER

30 OF THE GENERAL ASSEMBLY

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0

EXCEPT
CALCULATING
REGULAR MEMBER
CONTRIBUTIONS
ON COMPENSATION

D-4 FOR PURPOSES OF

CALCULATING
REGULAR MEMBER
CONTRIBUTIONS
ON COMPENSATION

E, E-1 PRIOR TO

2

E, E-1 ON AND

SUBSEQUENT TO

1.50

E-2 PRIOR TO

1		SEPTEMBER 1, 1973	1.5
2	E-2	ON AND	
3		SUBSEQUENT TO	
4		SEPTEMBER 1, 1973	1.125
5	G		0.417
6	H		0.500
7	I		0.625
8	J		0.714
9	K		0.834
10	L		1.000
11	M		1.100
12	N		1.250
13	T-C (PUBLIC SCHOOL		1

14 EMPLOYEES '
15 RETIREMENT CODE)

16 * * *

17 "CREDITED SERVICE." STATE OR CREDITABLE NONSTATE SERVICE FOR
18 WHICH THE REQUIRED CONTRIBUTIONS HAVE BEEN MADE, OR FOR WHICH
19 THE CONTRIBUTIONS OTHERWISE REQUIRED FOR SUCH SERVICE WERE NOT
20 MADE SOLELY BY REASON OF SECTION 5502.1 (RELATING TO WAIVER OF
21 REGULAR MEMBER CONTRIBUTIONS AND SOCIAL SECURITY INTEGRATION
22 MEMBER CONTRIBUTIONS) OR ANY PROVISION OF THIS PART RELATING TO
23 THE [LIMITATION] LIMITATIONS UNDER SECTION 401(A)(17) OR 415(B)
24 OF THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26
25 U.S.C. § 401(A)(17) OR § 415(B)), OR FOR WHICH SALARY DEDUCTIONS
26 OR LUMP SUM PAYMENTS HAVE BEEN AGREED UPON IN WRITING.

27 * * *

28 "INACTIVE MEMBER." A MEMBER FOR WHOM NO PICKUP CONTRIBUTIONS
29 ARE BEING MADE, EXCEPT IN THE CASE OF AN ACTIVE MEMBER FOR WHOM
30 SUCH CONTRIBUTIONS OTHERWISE REQUIRED FOR CURRENT STATE SERVICE

1 ARE NOT BEING MADE SOLELY BY REASON OF SECTION 5502.1 (RELATING
2 TO WAIVER OF REGULAR MEMBER CONTRIBUTIONS AND SOCIAL SECURITY
3 INTEGRATION MEMBER CONTRIBUTIONS) OR ANY PROVISION OF THIS PART
4 RELATING TO THE [LIMITATION] LIMITATIONS UNDER SECTION
5 401(A)(17) OR 415(B) OF THE INTERNAL REVENUE CODE OF 1986
6 (PUBLIC LAW 99-514, 26 U.S.C. § 401(A)(17) OR § 415(B)), BUT WHO
7 HAS ACCUMULATED DEDUCTIONS STANDING TO HIS CREDIT IN THE FUND
8 AND WHO IS NOT ELIGIBLE TO BECOME OR HAS NOT ELECTED TO BECOME A
9 VESTEE OR HAS NOT FILED AN APPLICATION FOR AN ANNUITY.

10 * * *

11 "SALARY DEDUCTIONS." THE AMOUNTS CERTIFIED BY THE BOARD,
12 DEDUCTED FROM THE COMPENSATION OF AN ACTIVE MEMBER OR THE SCHOOL
13 SERVICE COMPENSATION OF A MULTIPLE SERVICE MEMBER WHO IS AN
14 ACTIVE MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
15 AND PAID INTO THE FUND.

16 * * *

17 "STATE POLICE OFFICER." ANY OFFICER OR MEMBER OF THE
18 PENNSYLVANIA STATE POLICE WHO, ON OR AFTER JULY 1, 1989, SHALL
19 HAVE BEEN SUBJECT TO THE TERMS OF A COLLECTIVE BARGAINING
20 AGREEMENT OR BINDING INTEREST ARBITRATION AWARD ESTABLISHED
21 PURSUANT TO THE ACT OF JUNE 24, 1968 (P.L. 237, NO. 111),
22 REFERRED TO AS THE POLICEMEN AND FIREMEN COLLECTIVE BARGAINING
23 ACT.

24 * * *

25 "VESTEE." A MEMBER WITH [TEN] FIVE OR MORE ELIGIBILITY
26 POINTS, OR A MEMBER WITH CLASS G, CLASS H, CLASS I, CLASS J,
27 CLASS K, CLASS L, CLASS M OR CLASS N SERVICE WITH [EIGHT] FIVE
28 OR MORE ELIGIBILITY POINTS, WHO HAS TERMINATED STATE SERVICE AND
29 HAS ELECTED TO LEAVE HIS TOTAL ACCUMULATED DEDUCTIONS IN THE
30 FUND AND TO DEFER RECEIPT OF AN ANNUITY.

1 SECTION 9. SECTIONS 5302(A), 5303(B), 5304(A) AND 5305(B) OF
2 TITLE 71 ARE AMENDED TO READ:

3 § 5302. CREDITED STATE SERVICE.

4 (A) COMPUTATION OF CREDITED SERVICE.--IN COMPUTING CREDITED
5 STATE SERVICE OF A MEMBER FOR THE DETERMINATION OF BENEFITS, A
6 FULL-TIME SALARIED STATE EMPLOYEE INCLUDING ANY MEMBER OF THE
7 GENERAL ASSEMBLY, SHALL RECEIVE CREDIT FOR SERVICE IN EACH
8 PERIOD FOR WHICH CONTRIBUTIONS AS REQUIRED ARE MADE, OR FOR
9 WHICH CONTRIBUTIONS OTHERWISE REQUIRED FOR SUCH SERVICE WERE NOT
10 MADE SOLELY BY REASON OF SECTION 5502.1 (RELATING TO WAIVER OF
11 REGULAR MEMBER CONTRIBUTIONS AND SOCIAL SECURITY INTEGRATION
12 MEMBER CONTRIBUTIONS) OR ANY PROVISION OF THIS PART RELATING TO
13 THE [LIMITATION] LIMITATIONS UNDER IRC § 401(A)(17) OR § 415(B),
14 BUT IN NO CASE SHALL HE RECEIVE MORE THAN ONE YEAR'S CREDIT FOR
15 ANY 12 CONSECUTIVE MONTHS OR 26 CONSECUTIVE BIWEEKLY PAY
16 PERIODS. A PER DIEM OR HOURLY STATE EMPLOYEE SHALL RECEIVE ONE
17 YEAR OF CREDITED SERVICE FOR EACH NONOVERLAPPING PERIOD OF 12
18 CONSECUTIVE MONTHS OR 26 CONSECUTIVE BIWEEKLY PAY PERIODS IN
19 WHICH HE IS EMPLOYED AND FOR WHICH CONTRIBUTIONS ARE MADE OR
20 WOULD HAVE BEEN MADE BUT FOR SUCH [LIMITATION] WAIVER UNDER
21 SECTION 5502.1 OR LIMITATIONS UNDER THE IRC FOR AT LEAST 220
22 DAYS OR 1,650 HOURS OF EMPLOYMENT. IF THE MEMBER WAS EMPLOYED
23 AND CONTRIBUTIONS WERE MADE FOR LESS THAN 220 DAYS OR 1,650
24 HOURS, HE SHALL BE CREDITED WITH A FRACTIONAL PORTION OF A YEAR
25 DETERMINED BY THE RATIO OF THE NUMBER OF DAYS OR HOURS OF
26 SERVICE ACTUALLY RENDERED TO 220 DAYS OR 1,650 HOURS, AS THE
27 CASE MAY BE. A PART-TIME SALARIED EMPLOYEE SHALL BE CREDITED
28 WITH THE FRACTIONAL PORTION OF THE YEAR WHICH CORRESPONDS TO THE
29 NUMBER OF HOURS OR DAYS OF SERVICE ACTUALLY RENDERED IN RELATION
30 TO 1,650 HOURS OR 220 DAYS, AS THE CASE MAY BE. IN NO CASE SHALL

1 A MEMBER WHO HAS ELECTED MULTIPLE SERVICE RECEIVE AN AGGREGATE
2 IN THE TWO SYSTEMS OF MORE THAN ONE YEAR OF CREDITED SERVICE FOR
3 ANY 12 CONSECUTIVE MONTHS.

4 * * *

5 § 5303. RETENTION AND REINSTATEMENT OF SERVICE CREDITS.

6 * * *

7 (B) ELIGIBILITY POINTS FOR PROSPECTIVE CREDITED SERVICE.--

8 (1) EVERY ACTIVE MEMBER OF THE SYSTEM OR A MULTIPLE
9 SERVICE MEMBER WHO IS A SCHOOL EMPLOYEE AND A MEMBER OF THE
10 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM ON OR AFTER THE
11 EFFECTIVE DATE OF THIS PART SHALL RECEIVE ELIGIBILITY POINTS
12 IN ACCORDANCE WITH SECTION 5307 FOR CURRENT STATE SERVICE,
13 PREVIOUS STATE SERVICE, OR CREDITABLE NONSTATE SERVICE UPON
14 COMPLIANCE WITH SECTIONS 5501 (RELATING TO REGULAR MEMBER
15 CONTRIBUTIONS FOR CURRENT SERVICE), 5504 (RELATING TO MEMBER
16 CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR PREVIOUS STATE
17 SERVICE OR TO BECOME A FULL COVERAGE MEMBER), 5505 (RELATING
18 TO CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR CREDITABLE
19 NONSTATE SERVICE), 5505.1 (RELATING TO ADDITIONAL MEMBER
20 CONTRIBUTIONS) OR 5506 (RELATING TO INCOMPLETE PAYMENTS).
21 [THE] SUBJECT TO THE LIMITATIONS IN SECTIONS 5306.1 (RELATING
22 TO ELECTION TO BECOME A CLASS AA MEMBER) AND 5306.2 (RELATING
23 TO ELECTIONS BY MEMBERS OF THE GENERAL ASSEMBLY), THE CLASS
24 OR CLASSES OF SERVICE IN WHICH THE MEMBER MAY BE CREDITED FOR
25 PREVIOUS STATE SERVICE PRIOR TO THE EFFECTIVE DATE OF THIS
26 PART SHALL BE THE CLASS OR CLASSES IN WHICH HE WAS OR COULD
27 HAVE AT ANY TIME ELECTED TO BE CREDITED FOR SUCH SERVICE. THE
28 CLASS OF SERVICE IN WHICH A MEMBER SHALL BE CREDITED FOR
29 SERVICE SUBSEQUENT TO THE EFFECTIVE DATE OF THIS PART SHALL
30 BE DETERMINED IN ACCORDANCE WITH SECTION 5306 (RELATING TO

1 CLASSES OF SERVICE).

2 (1.1) EVERY ACTIVE MEMBER OF THE SYSTEM WHO ELECTS TO
3 CONVERT COUNTY SERVICE TO STATE SERVICE PURSUANT TO SECTION
4 5303.1 (RELATING TO ELECTION TO CONVERT COUNTY SERVICE TO
5 STATE SERVICE) SHALL RECEIVE ELIGIBILITY POINTS IN ACCORDANCE
6 WITH SECTION 5307 FOR CONVERTED COUNTY SERVICE UPON
7 COMPLIANCE WITH SECTION 5303.1(B). THE CLASS OR CLASSES OF
8 SERVICE IN WHICH THE MEMBER MAY BE CREDITED FOR CONVERTED
9 COUNTY SERVICE SHALL BE DETERMINED IN ACCORDANCE WITH SECTION
10 5306(C).

11 (2) A SPECIAL VESTEE OR PERSON OTHERWISE ELIGIBLE TO BE
12 A SPECIAL VESTEE WHO RETURNS TO STATE SERVICE OR WITHDRAWS
13 HIS ACCUMULATED DEDUCTIONS PURSUANT TO SECTION 5311 (RELATING
14 TO ELIGIBILITY FOR REFUNDS) OR 5701 (RELATING TO RETURN OF
15 TOTAL ACCUMULATED DEDUCTIONS) SHALL RECEIVE OR RETAIN
16 ELIGIBILITY POINTS IN ACCORDANCE WITH PARAGRAPH (1) BUT UPON
17 SUBSEQUENT TERMINATION OF STATE SERVICE SHALL ONLY BE
18 ELIGIBLE TO BE AN ANNUITANT VESTEE OR INACTIVE MEMBER WITHOUT
19 REGARD TO PREVIOUS STATUS AS A SPECIAL VESTEE AND WITHOUT
20 REGARD TO THE PROVISIONS OF THIS PART PROVIDING FOR SPECIAL
21 VESTES.

22 (3) A SPECIAL VESTEE OR PERSON OTHERWISE ELIGIBLE TO BE
23 A SPECIAL VESTEE WHO BECOMES AN ACTIVE MEMBER OF THE PUBLIC
24 SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND ELECTS MULTIPLE
25 SERVICE SHALL RECEIVE OR RETAIN ELIGIBILITY POINTS AS
26 OTHERWISE PROVIDED FOR IN THIS PART AND 24 PA.C.S. PT. IV
27 (RELATING TO RETIREMENT FOR SCHOOL EMPLOYEES) BUT UPON
28 SUBSEQUENT TERMINATION OF SCHOOL SERVICE SHALL ONLY BE
29 ELIGIBLE TO BE AN ANNUITANT, VESTEE OR INACTIVE MEMBER AS
30 OTHERWISE ELIGIBLE AS A MULTIPLE SERVICE MEMBER WITHOUT

REGARD TO PREVIOUS STATUS AS A SPECIAL VESTEE AND WITHOUT
REGARD TO THE PROVISIONS OF THIS PART PROVIDING FOR SPECIAL
VESTEES.

* * *

§ 5304. CREDITABLE NONSTATE SERVICE.

(A) ELIGIBILITY.--AN ACTIVE MEMBER OR A MULTIPLE SERVICE
MEMBER WHO IS A SCHOOL EMPLOYEE AND AN ACTIVE MEMBER OF THE
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM SHALL BE ELIGIBLE FOR
CLASS A SERVICE CREDIT FOR CREDITABLE NONSTATE SERVICE AS SET
FORTH IN SUBSECTIONS (B) AND (C) EXCEPT THAT INTERVENING
MILITARY SERVICE SHALL BE CREDITED IN THE CLASS OF SERVICE FOR
WHICH THE MEMBER WAS ELIGIBLE AT THE TIME OF ENTERING INTO
MILITARY SERVICE AND FOR WHICH HE MAKES THE REQUIRED
CONTRIBUTIONS AND EXCEPT THAT A MULTIPLE SERVICE MEMBER WHO IS A
SCHOOL EMPLOYEE AND AN ACTIVE MEMBER OF THE PUBLIC SCHOOL
EMPLOYEES' RETIREMENT SYSTEM SHALL NOT BE ELIGIBLE TO PURCHASE
SERVICE CREDIT FOR CREDITABLE NONSTATE SERVICE SET FORTH IN
SUBSECTION (C)(5).

* * *

§ 5305. SOCIAL SECURITY INTEGRATION CREDITS.

* * *

(B) ACCRUAL OF SUBSEQUENT CREDITS.--ANY MEMBER WHO HAS
SOCIAL SECURITY INTEGRATION ACCUMULATED DEDUCTIONS TO HIS CREDIT
OR IS RECEIVING A BENEFIT ON ACCOUNT OF SOCIAL SECURITY
INTEGRATION CREDITS MAY ACCRUE ONE SOCIAL SECURITY INTEGRATION
CREDIT FOR EACH YEAR OF SERVICE AS A STATE EMPLOYEE ON OR
SUBSEQUENT TO MARCH 1, 1974 AND A FRACTIONAL CREDIT FOR A
CORRESPONDING FRACTIONAL YEAR OF SERVICE PROVIDED THAT
CONTRIBUTIONS ARE MADE, OR WOULD HAVE BEEN MADE BUT FOR SECTION
5502.1 (RELATING TO WAIVER OF REGULAR MEMBER CONTRIBUTIONS AND

1 SOCIAL SECURITY INTEGRATION MEMBER CONTRIBUTIONS) OR THE
2 LIMITATIONS UNDER IRC § 401(A)(17) OR § 415(B), IN ACCORDANCE
3 WITH SECTION 5502 (RELATING TO [SOCIAL SECURITY] SOCIAL SECURITY
4 INTEGRATION MEMBER CONTRIBUTIONS), AND HE:

5 (1) CONTINUES SUBSEQUENT TO MARCH 1, 1974 AS AN ACTIVE
6 MEMBER IN EITHER THE STATE OR SCHOOL SYSTEM;

7 (2) TERMINATES SUCH CONTINUOUS SERVICE IN THE STATE OR
8 SCHOOL SYSTEM AND RETURNS TO ACTIVE MEMBERSHIP IN THE STATE
9 SYSTEM WITHIN SIX MONTHS; OR

10 (3) TERMINATES HIS STATUS AS A VESTEE OR AN ANNUITANT
11 AND RETURNS TO STATE SERVICE.

12 * * *

13 SECTION 10. TITLE 71 IS AMENDED BY ADDING A SECTION TO READ:
14 § 5305.1. ELIGIBILITY FOR ACTUARIAL INCREASE FACTOR.

15 A PERSON WHO IS:

16 (1) AN ACTIVE MEMBER;

17 (2) AN INACTIVE MEMBER ON LEAVE WITHOUT PAY; OR

18 (3) A MULTIPLE SERVICE MEMBER WHO IS A SCHOOL EMPLOYEE
19 AND AN ACTIVE MEMBER OF THE PUBLIC SCHOOL EMPLOYEES'
20 RETIREMENT SYSTEM,

21 WHO TERMINATES STATE SERVICE OR SCHOOL SERVICE, AS THE CASE MAY
22 BE, AFTER ATTAINING AGE 70 AND WHO APPLIES FOR A SUPERANNUATION
23 ANNUITY WITH AN EFFECTIVE DATE OF RETIREMENT THE DAY AFTER THE
24 DATE OF TERMINATION OF STATE SERVICE OR SCHOOL SERVICE, SHALL
25 HAVE THAT PERSON'S MAXIMUM SINGLE LIFE ANNUITY CALCULATED
26 PURSUANT TO SECTION 5702(A.1) (RELATING TO MAXIMUM SINGLE LIFE
27 ANNUITY).

28 SECTION 11. SECTION 5306(A) AND (B) OF TITLE 71 ARE AMENDED
29 AND THE SECTION IS AMENDED BY ADDING SUBSECTIONS TO READ:

30 § 5306. CLASSES OF SERVICE.

1 (A) CLASS A MEMBERSHIP.--A STATE EMPLOYEE WHO IS A MEMBER OF
2 CLASS A ON THE EFFECTIVE DATE OF THIS PART OR WHO BECOMES A
3 MEMBER OF THE SYSTEM SUBSEQUENT TO THE EFFECTIVE DATE OF THIS
4 PART SHALL BE CLASSIFIED AS A CLASS A MEMBER AND RECEIVE CREDIT
5 FOR CLASS A SERVICE UPON PAYMENT OF REGULAR AND ADDITIONAL
6 MEMBER CONTRIBUTIONS FOR CLASS A SERVICE[.], PROVIDED THAT THE
7 STATE EMPLOYEE DOES NOT BECOME A MEMBER OF CLASS AA PURSUANT TO
8 SUBSECTION (A.1) OR A MEMBER OF CLASS D-4 PURSUANT TO SUBSECTION
9 (A.2).

10 (A.1) CLASS AA MEMBERSHIP.--

11 (1) A PERSON WHO BECOMES A STATE EMPLOYEE AND AN ACTIVE
12 MEMBER OF THE SYSTEM AFTER JUNE 30, 2001, AND WHO IS NOT A
13 STATE POLICE OFFICER AND NOT EMPLOYED IN A POSITION FOR WHICH
14 A CLASS OF SERVICE OTHER THAN CLASS A IS CREDITED OR COULD BE
15 ELECTED, SHALL BE CLASSIFIED AS A CLASS AA MEMBER AND RECEIVE
16 CREDIT FOR CLASS AA STATE SERVICE UPON PAYMENT OF REGULAR
17 MEMBER CONTRIBUTIONS FOR CLASS AA SERVICE AND, SUBJECT TO THE
18 LIMITATIONS CONTAINED IN PARAGRAPH (7), IF PREVIOUSLY A
19 MEMBER OF CLASS A, OR PREVIOUSLY EMPLOYED IN A POSITION FOR
20 WHICH CLASS A SERVICE COULD HAVE BEEN EARNED, SHALL HAVE ALL
21 CLASS A STATE SERVICE (OTHER THAN STATE SERVICE PERFORMED AS
22 A STATE POLICE OFFICER OR FOR WHICH A CLASS OF SERVICE OTHER
23 THAN CLASS A WAS EARNED OR COULD HAVE BEEN ELECTED)
24 CLASSIFIED AS CLASS AA SERVICE.

25 (2) A PERSON WHO IS A STATE EMPLOYEE ON JUNE 30, 2001,
26 AND JULY 1, 2001, BUT IS NOT AN ACTIVE MEMBER OF THE SYSTEM
27 BECAUSE MEMBERSHIP IN THE SYSTEM IS OPTIONAL OR PROHIBITED
28 PURSUANT TO SECTION 5301 (RELATING TO MANDATORY AND OPTIONAL
29 MEMBERSHIP) AND WHO BECOMES AN ACTIVE MEMBER AFTER JUNE 30,
30 2001, AND WHO IS NOT A STATE POLICE OFFICER AND NOT EMPLOYED

1 IN A POSITION FOR WHICH A CLASS OF SERVICE OTHER THAN CLASS A
2 IS CREDITED OR COULD BE ELECTED, SHALL BE CLASSIFIED AS A
3 CLASS AA MEMBER AND RECEIVE CREDIT FOR CLASS AA STATE SERVICE
4 UPON PAYMENT OF REGULAR MEMBER CONTRIBUTIONS FOR CLASS AA
5 SERVICE AND, SUBJECT TO THE LIMITATIONS CONTAINED IN
6 PARAGRAPH (7), IF PREVIOUSLY A MEMBER OF CLASS A, OR
7 PREVIOUSLY EMPLOYED IN A POSITION FOR WHICH CLASS A SERVICE
8 COULD HAVE BEEN EARNED, SHALL HAVE ALL CLASS A STATE SERVICE
9 (OTHER THAN STATE SERVICE PERFORMED AS A STATE POLICE OFFICER
10 OR FOR WHICH A CLASS OF SERVICE OTHER THAN CLASS A WAS EARNED
11 OR COULD HAVE BEEN ELECTED) CLASSIFIED AS CLASS AA SERVICE.

12 (3) PROVIDED THAT AN ELECTION TO BECOME A CLASS AA
13 MEMBER IS MADE PURSUANT TO SECTION 5306.1 (RELATING TO
14 ELECTION TO BECOME A CLASS AA MEMBER), A STATE EMPLOYEE,
15 OTHER THAN A STATE EMPLOYEE WHO IS A STATE POLICE OFFICER ON
16 OR AFTER JULY 1, 1989, WHO ON JUNE 30, 2001, AND JULY 1,
17 2001, IS:

18 (I) A MEMBER OF CLASS A, OTHER THAN A MEMBER OF
19 CLASS A WHO COULD HAVE ELECTED MEMBERSHIP IN A CLASS C,
20 CLASS D-3, CLASS E-1 OR CLASS E-2; OR

21 (II) AN INACTIVE MEMBER ON A LEAVE WITHOUT PAY FROM
22 A POSITION IN WHICH THE STATE EMPLOYEE WOULD BE A CLASS A
23 ACTIVE MEMBER IF THE EMPLOYEE WAS NOT ON LEAVE WITHOUT
24 PAY, OTHER THAN A POSITION IN WHICH THE STATE EMPLOYEE
25 COULD ELECT MEMBERSHIP IN CLASS C, CLASS D-3, CLASS E-1
26 OR CLASS E-2,

27 SHALL BE CLASSIFIED AS A CLASS AA MEMBER AND RECEIVE CREDIT
28 FOR CLASS AA STATE SERVICE PERFORMED AFTER JUNE 30, 2001,
29 UPON PAYMENT OF REGULAR MEMBER CONTRIBUTIONS FOR CLASS AA
30 SERVICE AND, SUBJECT TO THE LIMITATIONS CONTAINED IN

1 PARAGRAPH (7), SHALL RECEIVE CLASS AA SERVICE CREDIT FOR ALL
2 CLASS A STATE SERVICE, OTHER THAN STATE SERVICE PERFORMED AS
3 A STATE POLICE OFFICER OR AS A STATE EMPLOYEE IN A POSITION
4 FOR WHICH THE MEMBER COULD HAVE ELECTED MEMBERSHIP IN CLASS
5 C, CLASS D-3, CLASS E-1 OR CLASS E-2, PERFORMED BEFORE JULY
6 1, 2001.

7 (4) PROVIDED THAT AN ELECTION TO BECOME A CLASS AA
8 MEMBER IS MADE PURSUANT TO SECTION 5306.1 (RELATING TO
9 ELECTION TO BECOME A CLASS AA MEMBER), A FORMER STATE
10 EMPLOYEE, OTHER THAN A FORMER STATE EMPLOYEE WHO WAS A STATE
11 POLICE OFFICER ON OR AFTER JULY 1, 1989, WHO ON JUNE 30,
12 2001, AND JULY 1, 2001, IS A MULTIPLE SERVICE MEMBER AND A
13 SCHOOL EMPLOYEE AND A MEMBER OF THE PUBLIC SCHOOL EMPLOYEES'
14 RETIREMENT SYSTEM, SUBJECT TO THE LIMITATIONS CONTAINED IN
15 PARAGRAPH (7), SHALL RECEIVE CLASS AA SERVICE CREDIT FOR ALL
16 CLASS A STATE SERVICE, OTHER THAN STATE SERVICE PERFORMED AS
17 A STATE POLICE OFFICER OR AS A STATE EMPLOYEE IN A POSITION
18 IN WHICH THE FORMER STATE EMPLOYEE COULD HAVE ELECTED A CLASS
19 OF SERVICE OTHER THAN CLASS A, PERFORMED BEFORE JULY 1, 2001.

20 (5) A FORMER STATE EMPLOYEE, OTHER THAN A FORMER STATE
21 EMPLOYEE WHO WAS A STATE POLICE OFFICER ON OR AFTER JULY 1,
22 1989, WHO IS A SCHOOL EMPLOYEE AND WHO ON OR AFTER JULY 1,
23 2001, BECOMES A MULTIPLE SERVICE MEMBER, SUBJECT TO THE
24 LIMITATIONS CONTAINED IN PARAGRAPH (7), SHALL RECEIVE CLASS
25 AA SERVICE CREDIT FOR ALL CLASS A STATE SERVICE OTHER THAN
26 STATE SERVICE PERFORMED AS A STATE EMPLOYEE IN A POSITION IN
27 WHICH THE FORMER STATE EMPLOYEE COULD HAVE ELECTED A CLASS OF
28 SERVICE OTHER THAN CLASS A.

29 (6) A STATE EMPLOYEE WHO AFTER JUNE 30, 2001, BECOMES A
30 STATE POLICE OFFICER OR WHO IS EMPLOYED IN A POSITION IN

1 WHICH THE MEMBER COULD ELECT MEMBERSHIP IN A CLASS OF SERVICE
2 OTHER THAN CLASS AA OR CLASS D-4 SHALL RETAIN ANY CLASS AA
3 SERVICE CREDITED PRIOR TO BECOMING A STATE POLICE OFFICER OR
4 BEING SO EMPLOYED, BUT SHALL BE INELIGIBLE TO RECEIVE CLASS
5 AA CREDIT THEREAFTER, AND INSTEAD SHALL RECEIVE CLASS A
6 CREDIT UNLESS A CLASS OF MEMBERSHIP OTHER THAN CLASS A IS
7 ELECTED.

8 (7) (I) STATE SERVICE PERFORMED AS CLASS A SERVICE
9 BEFORE JULY 1, 2001, AND STATE SERVICE FOR WHICH CLASS A
10 SERVICE COULD HAVE BEEN CREDITED BUT WAS NOT CREDITED
11 BECAUSE MEMBERSHIP IN THE SYSTEM WAS OPTIONAL OR
12 PROHIBITED PURSUANT TO SECTION 5301, SHALL BE CREDITED AS
13 CLASS AA SERVICE ONLY UPON THE COMPLETION OF ALL ACTS
14 NECESSARY FOR THE STATE SERVICE TO BE CREDITED AS CLASS A
15 SERVICE HAD THIS SUBSECTION NOT BEEN ENACTED AND UPON
16 PAYMENT OF REQUIRED CLASS AA MEMBER CONTRIBUTIONS AS
17 PROVIDED IN SECTION 5504 (RELATING TO MEMBER
18 CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR PREVIOUS
19 STATE SERVICE OR TO BECOME A FULL COVERAGE MEMBER).

20 (II) A PERSON WHO IS NOT A STATE EMPLOYEE OR A
21 SCHOOL EMPLOYEE ON JUNE 30, 2001, AND JULY 1, 2001, AND
22 WHO HAS PREVIOUS STATE SERVICE (EXCEPT A DISABILITY
23 ANNUITANT WHO RETURNS TO STATE SERVICE AFTER JUNE 30,
24 2001, UPON TERMINATION OF THE DISABILITY ANNUITY) SHALL
25 NOT RECEIVE CLASS AA SERVICE CREDIT FOR STATE SERVICE
26 PERFORMED BEFORE JULY 1, 2001, UNTIL SUCH PERSON BECOMES
27 AN ACTIVE MEMBER, OR AN ACTIVE MEMBER OF THE PUBLIC
28 SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND A MULTIPLE
29 SERVICE MEMBER, AND EARNS THREE ELIGIBILITY POINTS BY
30 PERFORMING CREDITED STATE SERVICE OR CREDITED SCHOOL

SERVICE AFTER JUNE 30, 2001.

(A.2) CLASS OF MEMBERSHIP FOR MEMBERS OF THE GENERAL
ASSEMBLY.--

(1) A PERSON WHO:

(I) BECOMES A MEMBER OF THE GENERAL ASSEMBLY AND AN
ACTIVE MEMBER OF THE SYSTEM AFTER JUNE 30, 2001; OR

(II) IS A MEMBER OF THE GENERAL ASSEMBLY ON JULY 1,
2001, BUT IS NOT AN ACTIVE MEMBER OF THE SYSTEM BECAUSE
MEMBERSHIP IN THE SYSTEM IS OPTIONAL PURSUANT TO SECTION
5301 AND WHO BECOMES AN ACTIVE MEMBER AFTER JUNE 30,
2001,

AND WHO WAS NOT A STATE POLICE OFFICER ON OR AFTER JULY 1,
1989, SHALL BE CLASSIFIED AS A CLASS D-4 MEMBER AND RECEIVE
CREDIT AS A CLASS D-4 MEMBER FOR ALL STATE SERVICE AS A
MEMBER OF THE GENERAL ASSEMBLY UPON PAYMENT OF REGULAR MEMBER
CONTRIBUTIONS FOR CLASS D-4 SERVICE AND, SUBJECT TO THE
LIMITATIONS CONTAINED IN SUBSECTION (A.1)(7), IF PREVIOUSLY A
MEMBER OF CLASS A, OR EMPLOYED IN A POSITION FOR WHICH CLASS
A SERVICE COULD HAVE BEEN EARNED, SHALL RECEIVE CLASS AA
SERVICE CREDIT FOR ALL CLASS A STATE SERVICE, OTHER THAN
STATE SERVICE PERFORMED AS A STATE POLICE OFFICER OR FOR
WHICH A CLASS OF SERVICE OTHER THAN CLASS A OR CLASS D-4 WAS
OR COULD HAVE BEEN ELECTED OR CREDITED.

(2) PROVIDED AN ELECTION TO BECOME A CLASS D-4 MEMBER IS
MADE PURSUANT TO SECTION 5306.2, A STATE EMPLOYEE WHO WAS NOT
A STATE POLICE OFFICER ON OR AFTER JULY 1, 1989, WHO ON JULY
1, 2001, IS A MEMBER OF THE GENERAL ASSEMBLY AND AN ACTIVE
MEMBER OF THE SYSTEM, AND NOT A MEMBER OF CLASS D-3, SHALL BE
CLASSIFIED AS A CLASS D-4 MEMBER AND RECEIVE CREDIT AS A
CLASS D-4 MEMBER FOR ALL STATE SERVICE PERFORMED AS A MEMBER

1 OF THE GENERAL ASSEMBLY NOT CREDITED AS ANOTHER CLASS OTHER
2 THAN CLASS A UPON PAYMENT OF REGULAR MEMBER CONTRIBUTIONS FOR
3 CLASS D-4 SERVICE AND, SUBJECT TO THE LIMITATIONS CONTAINED
4 IN PARAGRAPH (A.1)(7), SHALL RECEIVE CLASS AA SERVICE CREDIT
5 FOR ALL CLASS A STATE SERVICE, OTHER THAN STATE SERVICE
6 PERFORMED AS A STATE POLICE OFFICER OR AS A STATE EMPLOYEE IN
7 A POSITION IN WHICH THE MEMBER COULD HAVE ELECTED A CLASS OF
8 SERVICE OTHER THAN CLASS A, PERFORMED BEFORE JULY 1, 2001.

9 (3) A MEMBER OF THE GENERAL ASSEMBLY WHO AFTER JUNE 30,
10 2001, BECOMES A STATE POLICE OFFICER SHALL RETAIN ANY CLASS
11 AA SERVICE OR CLASS D-4 SERVICE CREDITED PRIOR TO BECOMING A
12 STATE POLICE OFFICER OR BEING SO EMPLOYED, BUT SHALL BE
13 INELIGIBLE TO RECEIVE CLASS AA OR CLASS D-4 CREDIT
14 THEREAFTER, AND INSTEAD SHALL RECEIVE CLASS A CREDIT.

15 (B) OTHER CLASS MEMBERSHIP.--A STATE EMPLOYEE WHO IS A
16 MEMBER OF A CLASS SERVICE OTHER THAN CLASS A ON THE EFFECTIVE
17 DATE OF THIS PART SHALL RETAIN HIS MEMBERSHIP IN THAT CLASS
18 UNTIL SUCH SERVICE IS DISCONTINUED; ANY SERVICE THEREAFTER SHALL
19 BE CREDITED AS CLASS A SERVICE, CLASS AA SERVICE OR CLASS D-4
20 SERVICE AS PROVIDED FOR IN THIS SECTION.

21 * * *

22 SECTION 12. TITLE 71 IS AMENDED BY ADDING SECTIONS TO READ:
23 § 5306.1. ELECTION TO BECOME A CLASS AA MEMBER.

24 (A) GENERAL RULE.--A PERSON WHO IS:

25 (1) A MEMBER OF THE SYSTEM; OR

26 (2) A MULTIPLE SERVICE MEMBER WHO IS A SCHOOL EMPLOYEE
27 AND A MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
28 SYSTEM

29 WHO ON JULY 1, 2001, IS ELIGIBLE FOR CLASS AA MEMBERSHIP MAY
30 ELECT TO BECOME A MEMBER OF CLASS AA.

1 (B) TIME FOR MAKING ELECTION.--THE ELECTION TO BECOME A
2 CLASS AA MEMBER MUST BE MADE BY THE MEMBER FILING WRITTEN NOTICE
3 WITH THE BOARD BEFORE JANUARY 1, 2002, OR BEFORE THE MEMBER
4 TERMINATES STATE SERVICE, OR, IF A SCHOOL EMPLOYEE, TERMINATES
5 SCHOOL SERVICE, WHICHEVER OCCURS FIRST.

6 (C) EFFECT OF ELECTION.--AN ELECTION TO BECOME A CLASS AA
7 MEMBER SHALL BECOME EFFECTIVE THE LATER OF JULY 1, 2001, OR THE
8 DATE WHEN THE ELECTION IS FILED WITH THE BOARD AND SHALL REMAIN
9 IN EFFECT UNTIL THE TERMINATION OF EMPLOYMENT. UPON TERMINATION
10 AND SUBSEQUENT REEMPLOYMENT, THE MEMBER'S CLASS OF SERVICE SHALL
11 BE CREDITED IN THE CLASS OF SERVICE OTHERWISE PROVIDED FOR IN
12 THIS PART.

13 (D) EFFECT OF FAILURE TO MAKE ELECTION.--FAILURE TO ELECT TO
14 BECOME A CLASS AA MEMBER WITHIN THE ELECTION PERIOD SET FORTH IN
15 SUBSECTION (B) SHALL RESULT IN ALL OF THE MEMBER'S CLASS A STATE
16 SERVICE OTHER THAN SERVICE PERFORMED AS A STATE POLICE OFFICER
17 OR IN A POSITION IN WHICH THE MEMBER COULD ELECT A CLASS OF
18 MEMBERSHIP OTHER THAN CLASS A BEING CREDITED AS CLASS A SERVICE
19 AND NOT SUBJECT TO FURTHER ELECTION OR CREDITING AS CLASS AA
20 SERVICE UPON TERMINATION AND SUBSEQUENT EMPLOYMENT.

21 § 5306.2. ELECTIONS BY MEMBERS OF THE GENERAL ASSEMBLY.

22 (A) GENERAL RULE.--A MEMBER OF THE GENERAL ASSEMBLY WHO ON
23 THE EFFECTIVE DATE OF THIS SECTION, IS ELIGIBLE FOR CLASS D-4
24 MEMBERSHIP MAY ELECT TO BECOME A MEMBER OF CLASS D-4. THE
25 ELECTION TO BECOME A CLASS D-4 MEMBER MUST BE MADE BY THE MEMBER
26 OF THE GENERAL ASSEMBLY BY FILING WRITTEN NOTICE WITH THE BOARD
27 BEFORE JULY 1, 2001, OR BEFORE THE MEMBER TERMINATES STATE
28 SERVICE AS A MEMBER OF THE GENERAL ASSEMBLY, WHICHEVER OCCURS
29 FIRST.

30 (B) EFFECT OF ELECTION.--MEMBERSHIP AS A CLASS D-4 MEMBER

1 SHALL BECOME EFFECTIVE ON JULY 1, 2001, AND SHALL REMAIN IN
2 EFFECT UNTIL THE TERMINATION OF SERVICE AS A MEMBER OF THE
3 GENERAL ASSEMBLY. UPON TERMINATION AND SUBSEQUENT REEMPLOYMENT,
4 THE MEMBER'S CLASS OF SERVICE SHALL BE CREDITED IN THE CLASS OF
5 SERVICE OTHERWISE PROVIDED FOR IN THIS PART.

6 (C) EFFECT OF FAILURE TO MAKE ELECTION.--A MEMBER OF THE
7 GENERAL ASSEMBLY WHO IS A MEMBER OF CLASS A AS A RESULT OF
8 FAILURE TO ELECT TO BECOME A MEMBER OF ANOTHER CLASS OR WHO IS A
9 MEMBER OF ANOTHER CLASS OTHER THAN CLASS D-4 AS A RESULT OF
10 ELECTING MEMBERSHIP IN SUCH CLASS FOR LEGISLATIVE SERVICE, SHALL
11 NOT BE ELIGIBLE TO RECEIVE OR ELECT A DIFFERENT CLASS OF SERVICE
12 FOR SUCH LEGISLATIVE SERVICE EITHER DURING THE PERIOD OF
13 LEGISLATIVE SERVICE, OR UPON TERMINATION AND SUBSEQUENT
14 EMPLOYMENT.

15 SECTION 13. SECTIONS 5307, 5308(B), 5309, 5501 AND 5502 OF
16 TITLE 71 ARE AMENDED TO READ:

17 § 5307. ELIGIBILITY POINTS.

18 (A) GENERAL RULE.--AN ACTIVE MEMBER OF THE SYSTEM SHALL
19 ACCRUE ONE ELIGIBILITY POINT FOR EACH YEAR OF CREDITED SERVICE
20 AS A MEMBER OF THE STATE OR THE PUBLIC SCHOOL EMPLOYEES'
21 RETIREMENT SYSTEM. A MEMBER SHALL ACCRUE AN ADDITIONAL TWO-
22 THIRDS OF AN ELIGIBILITY POINT FOR EACH YEAR OF CLASS D-3
23 CREDITED SERVICE. IN THE CASE OF A FRACTIONAL PART OF A YEAR OF
24 CREDITED SERVICE, A MEMBER SHALL ACCRUE THE CORRESPONDING
25 FRACTIONAL PORTION OF ELIGIBILITY POINTS TO WHICH THE CLASS OF
26 SERVICE ENTITLES HIM.

27 (B) TRANSITIONAL RULE.--

28 (1) IN DETERMINING WHETHER A MEMBER WHO IS NOT A STATE
29 EMPLOYEE OR SCHOOL EMPLOYEE ON JUNE 30, 2001, AND JULY 1,
30 2001, AND WHO HAS PREVIOUS STATE SERVICE (EXCEPT A DISABILITY

1 ANNUITANT WHO RETURNS TO STATE SERVICE AFTER JUNE 30, 2001,
2 UPON TERMINATION OF THE DISABILITY ANNUITY) HAS THE FIVE
3 ELIGIBILITY POINTS REQUIRED BY SECTION 5102 (RELATING TO
4 DEFINITIONS), 5308(B) (RELATING TO ELIGIBILITY FOR
5 ANNUITIES), 5309 (RELATING TO ELIGIBILITY FOR VESTING),
6 5704(B) (RELATING TO DISABILITY ANNUITIES) AND 5705(A)
7 (RELATING TO MEMBER'S OPTIONS), ONLY ELIGIBILITY POINTS
8 EARNED BY PERFORMING CREDITED STATE SERVICE OR CREDITED
9 SCHOOL SERVICE AFTER JUNE 30, 2001, SHALL BE COUNTED UNTIL
10 SUCH MEMBER EARNS ONE ELIGIBILITY POINT BY PERFORMING
11 CREDITED STATE SERVICE OR CREDITED SCHOOL SERVICE AFTER JUNE
12 30, 2001, AT WHICH TIME ALL ELIGIBILITY POINTS AS DETERMINED
13 PURSUANT TO SUBSECTION (A) SHALL BE COUNTED.

14 (2) ANY MEMBER TO WHOM PARAGRAPH (1) APPLIES SHALL BE
15 CONSIDERED TO HAVE SATISFIED ANY REQUIREMENT FOR FIVE
16 ELIGIBILITY POINTS CONTAINED IN THIS PART IF THE MEMBER:

17 (I) HAS TEN OR MORE ELIGIBILITY POINTS AS DETERMINED
18 PURSUANT TO SUBSECTION (A); OR

19 (II) HAS CLASS G, CLASS H, CLASS I, CLASS J, CLASS
20 L, CLASS M OR CLASS N SERVICE AND HAS EIGHT OR MORE
21 ELIGIBILITY POINTS AS DETERMINED PURSUANT TO SUBSECTION
22 (A).

23 § 5308. ELIGIBILITY FOR ANNUITIES.

24 * * *

25 (B) WITHDRAWAL ANNUITY.--ANY VESTEE OR ANY ACTIVE MEMBER OR
26 INACTIVE MEMBER ON LEAVE WITHOUT PAY WHO TERMINATES STATE
27 SERVICE HAVING [TEN] FIVE OR MORE ELIGIBILITY POINTS, OR WHO HAS
28 CLASS G, CLASS H, CLASS I, CLASS J, CLASS K, CLASS L, CLASS M OR
29 CLASS N SERVICE AND TERMINATES STATE SERVICE HAVING [EIGHT] FIVE
30 OR MORE ELIGIBILITY POINTS, UPON COMPLIANCE WITH SECTION

1 5907(F), (G) OR (H) SHALL BE ENTITLED TO RECEIVE AN ANNUITY.

2 * * *

3 § 5309. ELIGIBILITY FOR VESTING.

4 ANY MEMBER WHO TERMINATES STATE SERVICE WITH [TEN] FIVE OR
5 MORE ELIGIBILITY POINTS, OR ANY MEMBER WITH CLASS G, CLASS H,
6 CLASS I, CLASS J, CLASS K, CLASS L, CLASS M OR CLASS N SERVICE
7 WITH [EIGHT] FIVE OR MORE ELIGIBILITY POINTS, SHALL BE ELIGIBLE
8 UNTIL ATTAINMENT OF SUPERANNUATION AGE TO VEST HIS RETIREMENT
9 BENEFITS.

10 § 5501. REGULAR MEMBER CONTRIBUTIONS FOR CURRENT SERVICE.

11 REGULAR MEMBER CONTRIBUTIONS SHALL BE MADE TO THE FUND ON
12 BEHALF OF EACH ACTIVE MEMBER FOR CURRENT SERVICE EXCEPT FOR ANY
13 PERIOD OF CURRENT SERVICE IN WHICH THE MAKING OF SUCH
14 CONTRIBUTIONS HAS CEASED SOLELY BY REASON OF SECTION 5502.1
15 (RELATING TO WAIVER OF REGULAR MEMBER CONTRIBUTIONS AND SOCIAL
16 SECURITY INTEGRATION MEMBER CONTRIBUTIONS) OR ANY PROVISION OF
17 THIS PART RELATING TO THE [ANNUAL COMPENSATION LIMIT UNDER IRC §
18 401(A)(17)] LIMITATIONS UNDER IRC § 401(A)(17) OR 415(B).

19 § 5502. SOCIAL SECURITY INTEGRATION MEMBER CONTRIBUTIONS.

20 [CONTRIBUTIONS] EXCEPT FOR ANY PERIOD OF CURRENT SERVICE IN
21 WHICH THE MAKING OF REGULAR MEMBER CONTRIBUTIONS HAS CEASED
22 SOLELY BY REASON OF SECTION 5502.1 (RELATING TO WAIVER OF
23 REGULAR MEMBER CONTRIBUTIONS AND SOCIAL SECURITY INTEGRATION
24 MEMBER CONTRIBUTIONS) OR ANY PROVISION OF THIS PART RELATING TO
25 LIMITATIONS UNDER IRC § 401(A)(17) OR 415(B), CONTRIBUTIONS
26 SHALL BE MADE ON BEHALF OF A MEMBER OF ANY CLASS WHO PRIOR TO
27 MARCH 1, 1974, HAS ELECTED SOCIAL SECURITY INTEGRATION COVERAGE.
28 THE AMOUNT OF SUCH CONTRIBUTIONS SHALL BE 6 1/4% OF THAT PORTION
29 OF HIS COMPENSATION IN EXCESS OF THE MAXIMUM WAGES TAXABLE UNDER
30 THE PROVISIONS OF THE SOCIAL SECURITY ACT (49 STAT. 620, 42

U.S.C. § 301 ET SEQ.), IN ADDITION TO THE REGULAR MEMBER CONTRIBUTIONS WHICH, AFTER SUCH ELECTION, SHALL BE DETERMINED ON THE BASIS OF THE BASIC CONTRIBUTION RATE OF 5% AND THE ADDITIONAL MEMBER CONTRIBUTION OF 1 1/4%: PROVIDED, THAT A MEMBER MAY ELECT TO DISCONTINUE SOCIAL SECURITY INTEGRATION COVERAGE AND SHALL THEREAFTER BE INELIGIBLE TO ACCRUE ANY FURTHER SOCIAL SECURITY INTEGRATION CREDITS OR ANY ADDITIONAL BENEFITS ON ACCOUNT OF SOCIAL SECURITY INTEGRATION MEMBERSHIP.

SECTION 14. TITLE 71 IS AMENDED BY ADDING A SECTION TO READ:

§ 5502.1. WAIVER OF REGULAR MEMBER CONTRIBUTIONS AND SOCIAL SECURITY INTEGRATION MEMBER CONTRIBUTIONS.

NOTWITHSTANDING THE PROVISIONS OF SECTIONS 5501 (RELATING TO REGULAR MEMBER CONTRIBUTIONS FOR CURRENT SERVICE) AND 5502 (RELATING TO SOCIAL SECURITY INTEGRATION MEMBER CONTRIBUTIONS), NO REGULAR MEMBER CONTRIBUTIONS OR SOCIAL SECURITY INTEGRATION MEMBER CONTRIBUTIONS SHALL BE MADE BY AN ACTIVE MEMBER FOR THE PERIOD FROM JULY 1 TO THE FOLLOWING JUNE 30 IF THE MAXIMUM SINGLE LIFE ANNUITY TO WHICH THE MEMBER WOULD HAVE BEEN ENTITLED TO RECEIVE HAD THE MEMBER RETIRED WITH AN EFFECTIVE DATE OF RETIREMENT ON THE PRECEDING JANUARY 1 IS GREATER THAN 110% OF THE HIGHEST CALENDAR YEAR COMPENSATION OF THE MEMBER, PROVIDED THE MEMBER FILES A WRITTEN ELECTION AS PRESCRIBED BY THE BOARD.

SECTION 15. SECTIONS 5504(B), 5505(B), (C) AND (D), 5506, 5507(B) AND 5508(B), (C), (E) AND (F) OF TITLE 71 ARE AMENDED TO READ:

§ 5504. MEMBER CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR PREVIOUS STATE SERVICE OR TO BECOME A FULL COVERAGE MEMBER.

* * *

(B) CERTIFICATION AND METHOD OF PAYMENT.--THE AMOUNT PAYABLE

1 SHALL BE CERTIFIED IN EACH CASE BY THE BOARD IN ACCORDANCE WITH
2 METHODS APPROVED BY THE ACTUARY AND SHALL BE PAID IN A LUMP SUM
3 WITHIN 30 DAYS OR IN THE CASE OF AN ACTIVE MEMBER OR ELIGIBLE
4 SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE PUBLIC SCHOOL
5 EMPLOYEES' RETIREMENT SYSTEM MAY BE AMORTIZED WITH STATUTORY
6 INTEREST THROUGH SALARY DEDUCTIONS IN AMOUNTS AGREED UPON BY THE
7 MEMBER AND THE BOARD. THE SALARY DEDUCTION AMORTIZATION PLANS
8 AGREED TO BY MEMBERS AND THE BOARD MAY INCLUDE A DEFERRAL OF
9 PAYMENT AMOUNTS AND STATUTORY INTEREST UNTIL THE TERMINATION OF
10 SCHOOL SERVICE OR STATE SERVICE, AS THE BOARD, IN ITS SOLE
11 DISCRETION, DECIDES TO ALLOW. THE BOARD MAY LIMIT THE SALARY
12 DEDUCTION AMORTIZATION PLANS TO SUCH TERMS AS THE BOARD, IN ITS
13 SOLE DISCRETION, DETERMINES. IN THE CASE OF AN ELIGIBLE SCHOOL
14 EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE PUBLIC SCHOOL EMPLOYEES'
15 RETIREMENT SYSTEM, THE AGREED UPON SALARY DEDUCTIONS SHALL BE
16 REMITTED TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD, WHICH
17 SHALL CERTIFY AND TRANSFER TO THE BOARD THE AMOUNTS PAID.

18 § 5505. CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR CREDITABLE
19 NONSTATE SERVICE.

20 * * *

21 (B) NONINTERVENING MILITARY SERVICE.--

22 (1) THE AMOUNT DUE FOR THE PURCHASE OF CREDIT FOR
23 MILITARY SERVICE OTHER THAN INTERVENING MILITARY SERVICE
24 SHALL BE DETERMINED BY APPLYING THE MEMBER'S BASIC
25 CONTRIBUTION RATE, THE ADDITIONAL CONTRIBUTION RATE PLUS THE
26 COMMONWEALTH NORMAL CONTRIBUTION RATE FOR ACTIVE MEMBERS AT
27 THE TIME OF ENTRY, SUBSEQUENT TO SUCH MILITARY SERVICE, OF
28 THE MEMBER INTO STATE SERVICE TO HIS AVERAGE ANNUAL RATE OF
29 COMPENSATION OVER THE FIRST THREE YEARS OF SUCH SUBSEQUENT
30 STATE SERVICE AND MULTIPLYING THE RESULT BY THE NUMBER OF

1 YEARS AND FRACTIONAL PART OF A YEAR OF CREDITABLE
2 NONINTERVENING MILITARY SERVICE BEING PURCHASED TOGETHER WITH
3 STATUTORY INTEREST DURING ALL PERIODS OF SUBSEQUENT STATE AND
4 SCHOOL SERVICE TO DATE OF PURCHASE. UPON APPLICATION FOR
5 CREDIT FOR SUCH SERVICE, PAYMENT SHALL BE MADE IN A LUMP SUM
6 WITHIN 30 DAYS OR IN THE CASE OF AN ACTIVE MEMBER OR ELIGIBLE
7 SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE PUBLIC SCHOOL
8 EMPLOYEES' RETIREMENT SYSTEM IT MAY BE AMORTIZED WITH
9 STATUTORY INTEREST THROUGH SALARY DEDUCTIONS IN AMOUNTS
10 AGREED UPON BY THE MEMBER AND THE BOARD. THE SALARY DEDUCTION
11 AMORTIZATION PLANS AGREED TO BY MEMBERS AND THE BOARD MAY
12 INCLUDE A DEFERRAL OF PAYMENT AMOUNTS AND STATUTORY INTEREST
13 UNTIL THE TERMINATION OF SCHOOL SERVICE OR STATE SERVICE, AS
14 THE BOARD, IN ITS SOLE DISCRETION, DECIDES TO ALLOW. THE
15 BOARD MAY LIMIT SALARY DEDUCTION AMORTIZATION PLANS TO SUCH
16 TERMS AS THE BOARD, IN ITS SOLE DISCRETION, DETERMINES. IN
17 THE CASE OF AN ELIGIBLE SCHOOL EMPLOYEE WHO IS AN ACTIVE
18 MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, THE
19 AGREED UPON SALARY DEDUCTIONS SHALL BE REMITTED TO THE PUBLIC
20 SCHOOL EMPLOYEES' RETIREMENT BOARD WHICH SHALL CERTIFY AND
21 TRANSFER TO THE BOARD THE AMOUNTS PAID. APPLICATION MAY BE
22 FILED FOR ALL SUCH MILITARY SERVICE CREDIT UPON COMPLETION OF
23 THREE YEARS OF SUBSEQUENT STATE SERVICE AND SHALL BE CREDITED
24 AS CLASS A SERVICE.

25 (2) APPLICANTS MAY PURCHASE CREDIT AS FOLLOWS:

26 (I) ONE PURCHASE OF THE TOTAL AMOUNT OF CREDITABLE
27 NONINTERVENING MILITARY SERVICE; OR

28 (II) ONE PURCHASE PER 12-MONTH PERIOD OF A PORTION
29 OF CREDITABLE NONINTERVENING MILITARY SERVICE.

30 THE AMOUNT OF EACH PURCHASE SHALL BE NOT LESS THAN ONE YEAR

1 OF CREDITABLE NONINTERVENING MILITARY SERVICE. ANNUITY
2 RESERVE ACCOUNT).

3 (C) INTERVENING MILITARY SERVICE.--CONTRIBUTIONS ON ACCOUNT
4 OF CREDIT FOR INTERVENING MILITARY SERVICE SHALL BE DETERMINED
5 BY THE MEMBER'S CONTRIBUTION RATE, THE ADDITIONAL CONTRIBUTION
6 RATE WHICH SHALL BE APPLIED ONLY TO THOSE MEMBERS WHO BEGAN
7 SERVICE ON OR AFTER THE EFFECTIVE DATE OF THIS AMENDATORY ACT
8 AND COMPENSATION AT THE TIME OF ENTRY OF THE MEMBER INTO ACTIVE
9 MILITARY SERVICE, TOGETHER WITH STATUTORY INTEREST DURING ALL
10 PERIODS OF SUBSEQUENT STATE AND SCHOOL SERVICE TO DATE OF
11 PURCHASE. UPON APPLICATION FOR SUCH CREDIT THE AMOUNT DUE SHALL
12 BE CERTIFIED IN THE CASE OF EACH MEMBER BY THE BOARD IN
13 ACCORDANCE WITH METHODS APPROVED BY THE ACTUARY, AND
14 CONTRIBUTIONS MAY BE MADE BY:

15 (1) REGULAR MONTHLY PAYMENTS DURING ACTIVE MILITARY
16 SERVICE; OR

17 (2) A LUMP SUM PAYMENT WITHIN 30 DAYS OF CERTIFICATION;
18 OR

19 (3) SALARY DEDUCTIONS IN AMOUNTS AGREED UPON BY THE
20 MEMBER OR ELIGIBLE SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF
21 THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND THE BOARD.
22 THE SALARY DEDUCTION AMORTIZATION PLANS AGREED TO BY MEMBERS AND
23 THE BOARD MAY INCLUDE A DEFERRAL OF PAYMENT AMOUNTS AND
24 STATUTORY INTEREST UNTIL THE TERMINATION OF SCHOOL SERVICE OR
25 STATE SERVICE, AS THE BOARD, IN ITS SOLE DISCRETION, DECIDES TO
26 ALLOW. THE BOARD MAY LIMIT SALARY DEDUCTION AMORTIZATION PLANS
27 TO SUCH TERMS AS THE BOARD, IN ITS SOLE DISCRETION, DETERMINES.
28 IN THE CASE OF AN ELIGIBLE SCHOOL EMPLOYEE WHO IS AN ACTIVE
29 MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, THE
30 AGREED UPON SALARY DEDUCTIONS SHALL BE REMITTED TO THE PUBLIC

SCHOOL EMPLOYEES' RETIREMENT BOARD, WHICH SHALL CERTIFY AND
TRANSFER TO THE BOARD THE AMOUNTS PAID.

(D) NONMILITARY AND NONMAGISTERIAL SERVICE.--CONTRIBUTIONS
ON ACCOUNT OF CREDIT FOR CREDITABLE NONSTATE SERVICE OTHER THAN
MILITARY AND MAGISTERIAL SERVICE SHALL BE DETERMINED BY APPLYING
THE MEMBER'S BASIC CONTRIBUTION RATE, THE ADDITIONAL
CONTRIBUTION RATE PLUS THE COMMONWEALTH NORMAL CONTRIBUTION RATE
FOR ACTIVE MEMBERS AT THE TIME OF ENTRY SUBSEQUENT TO SUCH
CREDITABLE NONSTATE SERVICE OF THE MEMBER INTO STATE SERVICE TO
HIS COMPENSATION AT THE TIME OF ENTRY INTO STATE SERVICE AND
MULTIPLYING THE RESULT BY THE NUMBER OF YEARS AND FRACTIONAL
PART OF A YEAR OF CREDITABLE NONSTATE SERVICE BEING PURCHASED
TOGETHER WITH STATUTORY INTEREST DURING ALL PERIODS OF
SUBSEQUENT STATE AND SCHOOL SERVICE TO THE DATE OF PURCHASE.

UPON APPLICATION FOR CREDIT FOR SUCH SERVICE PAYMENT SHALL BE
MADE IN A LUMP SUM WITHIN 30 DAYS OR IN THE CASE OF AN ACTIVE
MEMBER OR ELIGIBLE SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF
THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM IT MAY BE
AMORTIZED WITH STATUTORY INTEREST THROUGH SALARY DEDUCTIONS IN
AMOUNTS AGREED UPON BY THE MEMBER AND THE BOARD. THE SALARY
DEDUCTION AMORTIZATION PLANS AGREED TO BY MEMBERS AND THE BOARD
MAY INCLUDE A DEFERRAL OF PAYMENT AMOUNTS AND STATUTORY INTEREST
UNTIL THE TERMINATION OF SCHOOL SERVICE OR STATE SERVICE AS THE
BOARD, IN ITS SOLE DISCRETION, DECIDES TO ALLOW. THE BOARD MAY
LIMIT SALARY DEDUCTION AMORTIZATION PLANS TO SUCH TERMS AS THE
BOARD, IN ITS SOLE DISCRETION, DETERMINES. IN THE CASE OF AN
ELIGIBLE SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE PUBLIC
SCHOOL EMPLOYEES' RETIREMENT SYSTEM, THE AGREED UPON SALARY
DEDUCTION SHALL BE REMITTED TO THE PUBLIC SCHOOL EMPLOYEES'
RETIREMENT BOARD, WHICH SHALL CERTIFY AND TRANSFER TO THE BOARD

1 THE AMOUNTS PAID.

2 * * *

3 § 5506. INCOMPLETE PAYMENTS.

4 IN THE EVENT THAT A MEMBER TERMINATES STATE SERVICE OR A
5 MULTIPLE SERVICE MEMBER WHO IS AN ACTIVE MEMBER OF THE PUBLIC
6 SCHOOL EMPLOYEES' RETIREMENT SYSTEM TERMINATES SCHOOL SERVICE
7 BEFORE THE AGREED UPON PAYMENTS FOR CREDIT FOR PREVIOUS STATE
8 SERVICE, CREDITABLE NONSTATE SERVICE, SOCIAL SECURITY
9 INTEGRATION, [OR] FULL COVERAGE MEMBERSHIP OR RETURN OF BENEFITS
10 ON ACCOUNT OF RETURNING TO STATE SERVICE OR ENTERING SCHOOL
11 SERVICE AND ELECTING MULTIPLE SERVICE HAVE BEEN COMPLETED, THE
12 MEMBER OR MULTIPLE SERVICE MEMBER WHO IS AN ACTIVE MEMBER OF THE
13 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM SHALL HAVE THE RIGHT
14 TO PAY WITHIN 30 DAYS OF TERMINATION OF STATE SERVICE OR SCHOOL
15 SERVICE THE BALANCE DUE, INCLUDING INTEREST, IN A LUMP SUM AND
16 THE ANNUITY SHALL BE CALCULATED INCLUDING FULL CREDIT FOR THE
17 PREVIOUS STATE SERVICE, CREDITABLE NONSTATE SERVICE, SOCIAL
18 SECURITY INTEGRATION, OR FULL COVERAGE MEMBERSHIP. IN THE EVENT
19 A MEMBER DOES NOT PAY THE BALANCE DUE WITHIN 30 DAYS OF
20 TERMINATION OF STATE SERVICE OR IN THE EVENT A MEMBER DIES IN
21 STATE SERVICE OR WITHIN 30 DAYS OF TERMINATION OF STATE SERVICE
22 OR IN THE CASE OF A MULTIPLE SERVICE MEMBER WHO IS AN ACTIVE
23 MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, DOES
24 NOT PAY THE BALANCE DUE WITHIN 30 DAYS OF TERMINATION OF SCHOOL
25 SERVICE OR DIES IN SCHOOL SERVICE OR WITHIN 30 DAYS OF
26 TERMINATION OF SCHOOL SERVICE AND BEFORE THE AGREED UPON
27 PAYMENTS HAVE BEEN COMPLETED, THE PRESENT VALUE OF THE BENEFIT
28 OTHERWISE PAYABLE SHALL BE REDUCED BY THE BALANCE DUE, INCLUDING
29 INTEREST, AND THE BENEFIT PAYABLE SHALL BE CALCULATED AS THE
30 ACTUARIAL EQUIVALENT OF SUCH REDUCED PRESENT VALUE.

1 § 5507. CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER EMPLOYERS.

2 * * *

3 (B) CONTRIBUTIONS ON BEHALF OF ANNUITANTS.--THE COMMONWEALTH
4 SHALL MAKE CONTRIBUTIONS ON BEHALF OF ANNUITANTS IN SUCH AMOUNTS
5 AS SHALL BE CERTIFIED BY THE BOARD AS NECESSARY TO FUND THE
6 LIABILITIES FOR SUPPLEMENTAL ANNUITIES IN ACCORDANCE WITH THE
7 ACTUARIAL COST METHOD PROVIDED IN [SECTIONS] SECTION 5508(E)
8 (RELATING TO ACTUARIAL COST METHOD)[, 5708.3(F) (RELATING TO
9 SUPPLEMENTAL ANNUITIES COMMENCING 1994) AND 5708.5(F) (RELATING
10 TO SUPPLEMENTAL ANNUITIES COMMENCING 1998)].

11 * * *

12 § 5508. ACTUARIAL COST METHOD.

13 * * *

14 (B) EMPLOYER NORMAL CONTRIBUTION RATE.--THE EMPLOYER NORMAL
15 CONTRIBUTION RATE SHALL BE DETERMINED AFTER EACH ACTUARIAL
16 VALUATION ON THE BASIS OF AN ANNUAL INTEREST RATE AND SUCH
17 MORTALITY AND OTHER TABLES AS SHALL BE ADOPTED BY THE BOARD IN
18 ACCORDANCE WITH GENERALLY ACCEPTED ACTUARIAL PRINCIPLES. THE
19 EMPLOYER NORMAL CONTRIBUTION RATE SHALL BE DETERMINED AS A LEVEL
20 PERCENTAGE OF THE COMPENSATION OF THE AVERAGE NEW ACTIVE MEMBER,
21 WHICH PERCENTAGE, IF CONTRIBUTED ON THE BASIS OF HIS PROSPECTIVE
22 COMPENSATION THROUGH HIS ENTIRE PERIOD OF ACTIVE STATE SERVICE,
23 WOULD BE SUFFICIENT TO FUND THE LIABILITY FOR ANY PROSPECTIVE
24 BENEFIT PAYABLE TO HIM, EXCEPT FOR THE SUPPLEMENTAL BENEFITS
25 PROVIDED FOR IN SECTIONS 5708 (RELATING TO SUPPLEMENTAL
26 ANNUITIES), 5708.1 (RELATING TO ADDITIONAL SUPPLEMENTAL
27 ANNUITIES), 5708.2 (RELATING TO FURTHER ADDITIONAL SUPPLEMENTAL
28 ANNUITIES) [AND]_ 5708.3 (RELATING TO SUPPLEMENTAL ANNUITIES
29 COMMENCING 1994), 5708.4 (RELATING TO SPECIAL SUPPLEMENTAL
30 POSTRETIREMENT ADJUSTMENT) AND 5708.5 (RELATING TO SUPPLEMENTAL

1 ANNUITIES COMMENCING 1998) IN EXCESS OF THAT PORTION FUNDED BY
2 HIS PROSPECTIVE MEMBER CONTRIBUTIONS.

3 (C) ACCRUED LIABILITY CONTRIBUTION RATE.--FOR THE FISCAL
4 YEAR BEGINNING JULY 1, [1991] 2002, THE ACCRUED LIABILITY
5 CONTRIBUTION RATE SHALL BE COMPUTED AS THE RATE OF TOTAL
6 COMPENSATION OF ALL ACTIVE MEMBERS WHICH SHALL BE CERTIFIED BY
7 THE ACTUARY AS SUFFICIENT TO FUND OVER A PERIOD OF [20] 10 YEARS
8 FROM JULY 1, [1991] 2002, THE PRESENT VALUE OF THE LIABILITIES
9 FOR ALL PROSPECTIVE BENEFITS, EXCEPT FOR THE SUPPLEMENTAL
10 BENEFITS AS PROVIDED IN SECTIONS 5708, 5708.1, 5708.2 [AND],
11 5708.3, 5708.4 (RELATING TO SPECIAL SUPPLEMENTAL POSTRETIREMENT
12 ADJUSTMENT) AND 5708.5 (RELATING TO SUPPLEMENTAL ANNUITIES
13 COMMENCING 1998), IN EXCESS OF THE TOTAL ASSETS IN THE FUND
14 (CALCULATED RECOGNIZING ALL INVESTMENT GAINS AND LOSSES OVER A
15 FIVE-YEAR PERIOD), EXCLUDING THE BALANCE IN THE SUPPLEMENTAL
16 ANNUITY ACCOUNT, AND THE PRESENT VALUE OF EMPLOYER NORMAL
17 CONTRIBUTIONS AND OF MEMBER CONTRIBUTIONS PAYABLE WITH RESPECT
18 TO ALL ACTIVE MEMBERS ON JULY 1, [1991,] 2002, AND EXCLUDING
19 CONTRIBUTION TO BE TRANSFERRED BY COUNTY RETIREMENT SYSTEMS OR
20 PENSION PLANS PURSUANT SECTION 5507(C). THE AMOUNT OF EACH
21 ANNUAL ACCRUED LIABILITY CONTRIBUTION SHALL BE [5% GREATER THAN]
22 EQUAL TO THE AMOUNT OF SUCH CONTRIBUTION FOR THE [PREVIOUS]
23 FISCAL YEAR BEGINNING JULY 1, 2002, EXCEPT THAT, IF THE ACCRUED
24 LIABILITY IS INCREASED BY LEGISLATION ENACTED SUBSEQUENT TO
25 [JULY 1, 1991] JUNE 30, 2002, SUCH ADDITIONAL LIABILITY SHALL BE
26 FUNDED OVER A PERIOD OF [20] 10 YEARS FROM THE FIRST DAY OF
27 JULY, COINCIDENT WITH OR NEXT FOLLOWING THE EFFECTIVE DATE OF
28 THE INCREASE[, PROVIDED THAT THE LIABILITY FOR ANY ADDITIONAL
29 BENEFITS CREATED BY THIS ACT SHALL BE FUNDED OVER A PERIOD OF 20
30 YEARS COMMENCING JULY 1, 1992]. THE AMOUNT OF EACH ANNUAL

1 ACCRUED LIABILITY CONTRIBUTION FOR SUCH ADDITIONAL LEGISLATIVE
2 LIABILITIES SHALL BE [5% GREATER THAN] EQUAL TO THE AMOUNT OF
3 SUCH CONTRIBUTION FOR THE [PREVIOUS FISCAL YEAR] FIRST ANNUAL
4 PAYMENT.

5 * * *

6 (E) SUPPLEMENTAL ANNUITY CONTRIBUTION RATE.--CONTRIBUTIONS
7 FROM THE COMMONWEALTH REQUIRED TO PROVIDE FOR THE PAYMENT OF
8 SUPPLEMENTAL ANNUITIES AS PROVIDED IN SECTIONS 5708, 5708.1
9 [AND], 5708.2, 5708.3, 5708.4 AND 5708.5 SHALL BE PAID OVER A
10 PERIOD OF [20] 10 YEARS FROM JULY 1, [1991] 2002. THE AMOUNT OF
11 EACH ANNUAL SUPPLEMENTAL ANNUITIES CONTRIBUTION SHALL BE [5%
12 GREATER THAN] EQUAL TO THE AMOUNT OF SUCH CONTRIBUTION FOR THE
13 [PREVIOUS] FISCAL YEAR BEGINNING JULY 1, 2002. IN THE EVENT THAT
14 SUPPLEMENTAL ANNUITIES ARE INCREASED BY LEGISLATION ENACTED
15 SUBSEQUENT TO [JULY 1, 1991] JUNE 30, 2002, THE ADDITIONAL
16 LIABILITY FOR THE INCREASE IN BENEFITS SHALL BE FUNDED IN EQUAL
17 DOLLAR ANNUAL INSTALLMENTS [INCREASING BY 5% EACH YEAR] OVER A
18 PERIOD OF [20] 10 YEARS FROM THE JULY FIRST, COINCIDENT WITH OR
19 NEXT FOLLOWING THE EFFECTIVE DATE OF SUCH LEGISLATION.

20 [NOTWITHSTANDING THE PRECEDING, THE FUNDING FOR THE SUPPLEMENTAL
21 ANNUITIES COMMENCING 1994 PROVIDED FOR IN SECTION 5708.3 SHALL
22 BE AS PROVIDED IN SECTION 5708.3(F).]

23 (F) EXPERIENCE ADJUSTMENT FACTOR.--FOR EACH YEAR AFTER THE
24 ESTABLISHMENT OF THE ACCRUED LIABILITY CONTRIBUTION RATE FOR THE
25 FISCAL YEAR BEGINNING JULY 1, [1991] 2002, ANY INCREASE OR
26 DECREASE IN THE ACCRUED LIABILITY, INCLUDING LIABILITY FOR
27 SUPPLEMENTAL ANNUITIES, DUE TO ACTUAL EXPERIENCE DIFFERING FROM
28 ASSUMED EXPERIENCE, CHANGES IN ACTUARIAL ASSUMPTIONS, CHANGES IN
29 THE TERMS AND CONDITIONS OF THE BENEFITS PROVIDED BY THE SYSTEM
30 BY JUDICIAL, ADMINISTRATIVE OR OTHER PROCESSES OTHER THAN

1 LEGISLATION, INCLUDING, BUT NOT LIMITED TO, REINTERPRETATION OF
2 THE PROVISIONS OF THIS PART, SHALL BE AMORTIZED IN EQUAL DOLLAR
3 ANNUAL INSTALLMENTS [INCREASING BY 5% EACH YEAR] OVER A PERIOD
4 OF [20] 10 YEARS BEGINNING WITH THE JULY 1 SUCCEEDING THE
5 ACTUARIAL VALUATION.

6 * * *

7 SECTION 16. SECTIONS 5702(A) AND (C) AND 5704(B) AND (F) OF
8 TITLE 71 ARE AMENDED AND THE SECTIONS ARE AMENDED BY ADDING
9 SUBSECTIONS TO READ:

10 § 5702. MAXIMUM SINGLE LIFE ANNUITY.

11 (A) GENERAL RULE.--ANY FULL COVERAGE MEMBER WHO IS ELIGIBLE
12 TO RECEIVE AN ANNUITY PURSUANT TO THE PROVISIONS OF SECTION
13 5308(A) OR (B) (RELATING TO ELIGIBILITY FOR ANNUITIES) WHO
14 TERMINATES STATE SERVICE, OR IF A MULTIPLE SERVICE MEMBER WHO IS
15 A SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE PUBLIC SCHOOL
16 EMPLOYEES' RETIREMENT SYSTEM WHO TERMINATES SCHOOL SERVICE,
17 BEFORE ATTAINING AGE 70 SHALL BE ENTITLED TO RECEIVE A MAXIMUM
18 SINGLE LIFE ANNUITY ATTRIBUTABLE TO HIS CREDITED SERVICE AND
19 EQUAL TO THE SUM OF THE FOLLOWING SINGLE LIFE ANNUITIES
20 BEGINNING AT THE EFFECTIVE DATE OF RETIREMENT:

21 (1) A STANDARD SINGLE LIFE ANNUITY MULTIPLIED BY THE SUM
22 OF THE PRODUCTS, DETERMINED SEPARATELY FOR EACH CLASS OF
23 SERVICE, OBTAINED BY MULTIPLYING THE APPROPRIATE CLASS OF
24 SERVICE MULTIPLIER BY THE RATIO OF YEARS OF SERVICE CREDITED
25 IN THAT CLASS TO THE TOTAL CREDITED SERVICE. IN CASE THE
26 MEMBER ON THE EFFECTIVE DATE OF RETIREMENT IS UNDER
27 SUPERANNUATION AGE FOR ANY SERVICE, A REDUCTION FACTOR
28 CALCULATED TO PROVIDE BENEFITS ACTUARIALLY EQUIVALENT TO AN
29 ANNUITY STARTING AT SUPERANNUATION AGE SHALL BE APPLIED TO
30 THE PRODUCT DETERMINED FOR THAT SERVICE. THE CLASS OF SERVICE

1 MULTIPLIER FOR ANY PERIOD OF CONCURRENT SERVICE SHALL BE
2 MULTIPLIED BY THE PROPORTION OF TOTAL STATE AND SCHOOL
3 COMPENSATION DURING SUCH PERIOD ATTRIBUTABLE TO STATE
4 SERVICE. IN THE EVENT A MEMBER HAS TWO MULTIPLIERS FOR ONE
5 CLASS OF SERVICE THE CLASS OF SERVICE MULTIPLIER TO BE USED
6 FOR CALCULATING BENEFITS FOR THAT CLASS SHALL BE THE AVERAGE
7 OF THE TWO MULTIPLIERS WEIGHTED BY THE PROPORTION OF
8 COMPENSATION ATTRIBUTABLE TO EACH MULTIPLIER DURING THE THREE
9 YEARS OF HIGHEST ANNUAL COMPENSATION IN THAT CLASS OF
10 SERVICE: PROVIDED, THAT IN THE CASE OF A MEMBER OF CLASS E-1,
11 A PORTION BUT NOT ALL OF WHOSE THREE YEARS OF HIGHEST ANNUAL
12 JUDICIAL COMPENSATION IS PRIOR TO JANUARY 1, 1973, TWO CLASS
13 OF SERVICE MULTIPLIERS SHALL BE CALCULATED ON THE BASIS OF
14 HIS ENTIRE JUDICIAL SERVICE, THE ONE APPLYING THE JUDICIAL
15 CLASS OF SERVICE MULTIPLIERS EFFECTIVE PRIOR TO JANUARY 1,
16 1973 AND THE SECOND APPLYING THE CLASS OF SERVICE MULTIPLIERS
17 EFFECTIVE SUBSEQUENT TO JANUARY 1, 1973. THE AVERAGE CLASS OF
18 SERVICE MULTIPLIER TO BE USED FOR CALCULATING BENEFITS FOR
19 HIS JUDICIAL SERVICE SHALL BE THE AVERAGE OF THE TWO
20 CALCULATED MULTIPLIERS WEIGHTED BY THE PROPORTION OF
21 COMPENSATION ATTRIBUTABLE TO EACH OF THE CALCULATED
22 MULTIPLIERS DURING THE THREE YEARS OF HIGHEST ANNUAL
23 COMPENSATION IN THAT CLASS OF SERVICE.

24 (2) IF ELIGIBLE, A SINGLE LIFE ANNUITY OF 2% OF HIS
25 AVERAGE NONCOVERED SALARY FOR EACH YEAR OF SOCIAL SECURITY
26 INTEGRATION CREDIT AS PROVIDED FOR IN SECTION 5305 (RELATING
27 TO SOCIAL SECURITY INTEGRATION CREDITS) MULTIPLIED, IF ON THE
28 EFFECTIVE DATE OF RETIREMENT THE MEMBER IS UNDER
29 SUPERANNUATION AGE FOR ANY SERVICE, BY THE ACTUARIALLY
30 DETERMINED REDUCTION FACTOR FOR THAT SERVICE.

1 (3) IF ELIGIBLE, A SINGLE LIFE ANNUITY WHICH IS
2 ACTUARIALLY EQUIVALENT TO THE REGULAR AND ADDITIONAL
3 ACCUMULATED DEDUCTIONS ATTRIBUTABLE TO CONTRIBUTIONS AS A
4 MEMBER OF CLASS C, BUT NOT LESS THAN SUCH ANNUITY DETERMINED
5 AS IF THE MEMBER WERE AGE 60 ON THE EFFECTIVE DATE OF
6 RETIREMENT, ACTUARIALLY REDUCED IN THE EVENT THE MEMBER IS
7 UNDER SUPERANNUATION AGE ON THE EFFECTIVE DATE OF RETIREMENT.

8 (4) IF ELIGIBLE, A SINGLE LIFE ANNUITY WHICH IS
9 ACTUARIALLY EQUIVALENT TO THE AMOUNT BY WHICH HIS REGULAR AND
10 ADDITIONAL ACCUMULATED DEDUCTIONS ATTRIBUTABLE TO ANY
11 CREDITED SERVICE OTHER THAN AS A MEMBER OF CLASS C ARE
12 GREATER THAN ONE-HALF OF THE ACTUARIALLY EQUIVALENT VALUE ON
13 THE EFFECTIVE DATE OF RETIREMENT OF THE ANNUITY AS PROVIDED
14 IN PARAGRAPH (1) ATTRIBUTABLE TO SERVICE OTHER THAN CLASS C
15 FOR WHICH REGULAR OR JOINT COVERAGE MEMBER CONTRIBUTIONS WERE
16 MADE.

17 (5) IF ELIGIBLE, A SINGLE LIFE ANNUITY WHICH IS
18 ACTUARIALLY EQUIVALENT TO THE AMOUNT BY WHICH HIS SOCIAL
19 SECURITY INTEGRATION ACCUMULATED DEDUCTIONS ARE GREATER THAN
20 ONE-HALF OF THE ACTUARIALLY EQUIVALENT VALUE ON THE EFFECTIVE
21 DATE OF RETIREMENT OF THE ANNUITY PROVIDED FOR UNDER
22 PARAGRAPH (2).

23 (6) IF ELIGIBLE, A SINGLE LIFE ANNUITY SUFFICIENT
24 TOGETHER WITH THE ANNUITY PROVIDED FOR IN PARAGRAPH (1) AS A
25 CLASS A AND CLASS AA MEMBER AND THE HIGHEST ANNUITY PROVIDED
26 FOR IN PARAGRAPH (2) TO WHICH HE IS ENTITLED, OR AT HIS
27 OPTION COULD HAVE BEEN ENTITLED, TO PRODUCE THAT PERCENTAGE
28 OF A STANDARD SINGLE LIFE ANNUITY ON THE EFFECTIVE DATE OF
29 RETIREMENT AS DETERMINED BY HIS TOTAL YEARS OF CREDITED
30 SERVICE AS A MEMBER OF CLASS A AND CLASS AA AND BY THE

FOLLOWING TABLE:

TOTAL YEARS OF CREDITED SERVICE AS A MEMBER OF CLASS A <u>AND</u> CLASS AA	PERCENTAGE OF STANDARD SINGLE LIFE ANNUITY
35-40	100%
41	102%
42	104%
43	106%
44	108%
45 OR MORE	110%

(A.1) RULE FOR TERMINATIONS AFTER ATTAINING AGE 70.--

(1) ANY FULL COVERAGE MEMBER WHO IS ELIGIBLE TO RECEIVE AN ANNUITY PURSUANT TO THE PROVISIONS OF SECTION 5308(A) WHO TERMINATES STATE SERVICE, OR IF A MULTIPLE SERVICE MEMBER WHO IS A SCHOOL EMPLOYEE AND AN ACTIVE MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM WHO TERMINATES SCHOOL SERVICE, ON OR AFTER ATTAINING AGE 70 AND WHO APPLIES FOR A SUPERANNUATION ANNUITY TO BE EFFECTIVE THE DAY AFTER THE TERMINATION OF STATE SERVICE OR SCHOOL SERVICE, AS THE CASE MAY BE, SHALL BE ENTITLED TO RECEIVE A MAXIMUM SINGLE LIFE ANNUITY AS OF A DETERMINATION DATE THAT IS EQUAL TO THE GREATER OF SUBPARAGRAPH (I) OR (II):

(I) THE SUM OF THE ANNUITIES PROVIDED IN SUBSECTION (A)(1) THROUGH (6) CALCULATED AS OF THE DETERMINATION DATE; AND

(II) THE GREATER OF CLAUSE (A) OR (B):

1 (A) THE SUM OF THE ANNUITIES PROVIDED IN
2 SUBSECTION (A)(1), (3), (4) AND (6) AS OF THE
3 PRECEDING DETERMINATION DATE ADJUSTED BY THE
4 ACTUARIAL INCREASE FACTOR, PLUS THE ANNUITIES
5 PROVIDED IN SUBSECTION (A)(2) AND (5) AS OF THE
6 DETERMINATION DATE; AND

7 (B) THE MAXIMUM SINGLE LIFE ANNUITY AS OF THE
8 PRECEDING DETERMINATION DATE ADJUSTED BY THE
9 ACTUARIAL INCREASE FACTOR.

10 THE MAXIMUM SINGLE LIFE ANNUITY SHALL BE CALCULATED FOR EACH
11 DETERMINATION DATE.

12 (2) FOR PURPOSES OF THIS SUBSECTION, THE DETERMINATION
13 DATE SHALL BE:

14 (I) THE MEMBER'S BIRTHDAY, PROVIDED THAT AS OF SUCH
15 DATE THE MEMBER QUALIFIES FOR A MAXIMUM SINGLE LIFE
16 ANNUITY UNDER THIS SUBSECTION; OR

17 (II) IF THE MEMBER'S MAXIMUM SINGLE LIFE ANNUITY IS
18 BEING DETERMINED AS OF THE MEMBER'S EFFECTIVE DATE OF
19 RETIREMENT, THEN THE DETERMINATION DATE SHALL BE THE
20 MEMBER'S EFFECTIVE DATE OF RETIREMENT.

21 (3) IN THE EVENT AN ACTIVE MEMBER, AN INACTIVE MEMBER ON
22 LEAVE WITHOUT PAY OR A MULTIPLE SERVICE MEMBER WHO IS A
23 SCHOOL EMPLOYEE AND AN ACTIVE MEMBER OF THE PUBLIC SCHOOL
24 EMPLOYEES' RETIREMENT SYSTEM HAS ATTAINED AGE 70 BEFORE THE
25 EFFECTIVE DATE OF THIS SUBSECTION, OR ENTERS STATE SERVICE OR
26 SCHOOL SERVICE, AS THE CASE MAY BE, AFTER ATTAINING AGE 70,
27 THEN SECTION 5305.1 AND SUBSECTIONS (A) AND (A.1) SHALL BE
28 EFFECTIVE PROSPECTIVELY WITH RESPECT TO SUCH MEMBER AT THE
29 MEMBER'S NEXT BIRTHDAY AFTER THE EFFECTIVE DATE OF THIS
30 SUBSECTION, ENTRY INTO STATE SERVICE, OR SCHOOL SERVICE.

1 NOTHING IN THIS SUBSECTION SHALL BE CONSTRUED TO PROVIDE AN
2 ACTUARIAL INCREASE FACTOR FOR ANY PERIOD OF SERVICE PRIOR TO THE
3 EFFECTIVE DATE OF THIS SUBSECTION.

4 * * *

5 (C) LIMITATION ON AMOUNT OF ANNUITY.--THE ANNUITY PAID TO A
6 MEMBER UNDER SUBSECTION (A) AND REDUCED IN ACCORDANCE WITH THE
7 OPTION ELECTED UNDER SECTION 5705 (RELATING TO MEMBER'S OPTIONS)
8 SHALL NOT EXCEED THE HIGHEST COMPENSATION RECEIVED DURING ANY
9 PERIOD OF TWELVE CONSECUTIVE MONTHS OF CREDITED SERVICE[:

10 PROVIDED, THAT THE PORTION OF ANY ANNUITY PAID TO A MEMBER ON
11 ACCOUNT OF CLASS D-3 SERVICE UNDER SUBSECTION (A)(1) AND REDUCED
12 IN ACCORDANCE WITH THE OPTION ELECTED UNDER SECTION 5705 SHALL
13 NOT EXCEED THE GREATER OF \$12,000 OR HIS HIGHEST ANNUAL
14 COMPENSATION AS A MEMBER OF THE GENERAL ASSEMBLY]. NO LIMIT ON
15 THE TOTAL ANNUITY PAID TO A MEMBER WITH CLASS D-3 SERVICE SHALL
16 BE APPLIED IN THE CASE OF A MEMBER WHO SERVED AS A
17 CONSTITUTIONAL OFFICER OF THE GENERAL ASSEMBLY [PRIOR TO JANUARY
18 1, 1973].

19 (D) LIMITATION REGARDING ANNUAL BENEFIT UNDER IRC SECTION
20 415.--NOTWITHSTANDING ANY PROVISION OF THIS PART TO THE
21 CONTRARY, INCLUDING, BUT NOT LIMITED TO, SUBSECTION (C), NO
22 BENEFIT SHALL BE PAYABLE TO THE EXTENT THAT SUCH BENEFIT EXCEEDS
23 ANY LIMITATIONS UNDER IRC § 415(B) IN EFFECT WITH RESPECT TO
24 GOVERNMENTAL PLANS AS SUCH TERM IS DEFINED IN IRC § 414(D) ON
25 THE DATE THE BENEFIT PAYMENT BECOMES EFFECTIVE.

26 § 5704. DISABILITY ANNUITIES.

27 * * *

28 (B) BENEFIT ATTRIBUTABLE TO SOCIAL SECURITY INTEGRATION
29 CREDIT.--IF THE MEMBER HAS BEEN FOUND TO BE ELIGIBLE FOR A
30 DISABILITY ANNUITY AND HAS SOCIAL SECURITY INTEGRATION CREDITS

1 AS PROVIDED IN SECTION 5305 (RELATING TO SOCIAL SECURITY
2 INTEGRATION CREDITS), HE MAY ELECT TO WITHDRAW HIS SOCIAL
3 SECURITY INTEGRATION ACCUMULATED DEDUCTIONS OR IF HE HAS [TEN]
4 FIVE OR MORE ELIGIBILITY POINTS TO HIS CREDIT AND DOES NOT
5 WITHDRAW HIS SOCIAL SECURITY INTEGRATION ACCUMULATED DEDUCTIONS
6 HE MAY EXECUTE AN APPLICATION TO BE FILED WITH THE BOARD TO
7 RECEIVE, IN ADDITION TO HIS DISABILITY ANNUITY, AN ANNUITY
8 CALCULATED IN ACCORDANCE WITH SECTION 5702(A)(2).

9 * * *

10 (F) SUPPLEMENT FOR SERVICE CONNECTED DISABILITY.--IF A
11 MEMBER HAS BEEN FOUND TO BE ELIGIBLE FOR A DISABILITY ANNUITY
12 AND IF THE DISABILITY HAS BEEN FOUND TO BE A SERVICE CONNECTED
13 DISABILITY, SUCH MEMBER SHALL RECEIVE A SUPPLEMENT EQUAL TO 70%
14 OF HIS FINAL AVERAGE SALARY LESS THE SUM OF THE ANNUITY AS
15 DETERMINED UNDER SUBSECTION (A) AND ANY PAYMENTS PAID OR PAYABLE
16 ON ACCOUNT OF SUCH DISABILITY UNDER THE ACT OF JUNE 2, 1915
17 (P.L.736, NO.338), KNOWN AS ["THE PENNSYLVANIA WORKMEN'S
18 COMPENSATION ACT"] THE WORKERS' COMPENSATION ACT, THE ACT OF
19 JUNE 21, 1939 (P.L.566, NO.284), KNOWN AS ["]THE PENNSYLVANIA
20 OCCUPATIONAL DISEASE ACT["] AND THE [FEDERAL] SOCIAL SECURITY
21 ACT[, 42 U.S.C.A. § 301 ET SEQ.] (49 STAT. 620, 42 U.S.C. § 301
22 ET SEQ.). SUCH SUPPLEMENT SHALL CONTINUE AS LONG AS HE IS
23 DETERMINED TO BE DISABLED ON ACCOUNT OF HIS SERVICE CONNECTED
24 DISABILITY IN ACCORDANCE WITH ["THE PENNSYLVANIA WORKMEN'S] THE
25 WORKERS' COMPENSATION ACT["], OR ["]THE PENNSYLVANIA
26 OCCUPATIONAL DISEASE ACT["].

27 (G) LIMITATION REGARDING ANNUAL BENEFIT UNDER IRC § 415.--
28 NOTWITHSTANDING ANY PROVISIONS OF THIS PART TO THE CONTRARY, NO
29 BENEFIT SHALL BE PAYABLE TO THE EXTENT THAT SUCH BENEFIT EXCEEDS
30 ANY LIMITATION UNDER IRC § 415(B) AS IN EFFECT WITH RESPECT TO

1 GOVERNMENTAL PLANS, AS SUCH TERM IS DEFINED IN IRC § 414(D), ON
2 THE DATE THE BENEFIT PAYMENT BECOMES EFFECTIVE.

3 SECTION 17. SECTION 5705(A) OF TITLE 71 IS AMENDED TO READ:

4 § 5705. MEMBER'S OPTIONS.

5 (A) GENERAL RULE.--ANY SPECIAL VESTEE WHO HAS ATTAINED
6 SUPERANNUATION AGE, ANY VESTEE HAVING [TEN] FIVE OR MORE
7 ELIGIBILITY POINTS, ANY MEMBER WITH CLASS G, CLASS H, CLASS I,
8 CLASS J, CLASS K, CLASS L, CLASS M OR CLASS N SERVICE HAVING
9 [EIGHT] FIVE OR MORE ELIGIBILITY POINTS OR ANY OTHER ELIGIBLE
10 MEMBER UPON TERMINATION OF STATE SERVICE WHO HAS NOT WITHDRAWN
11 HIS TOTAL ACCUMULATED DEDUCTIONS AS PROVIDED IN SECTION 5701
12 (RELATING TO RETURN OF TOTAL ACCUMULATED DEDUCTIONS) MAY APPLY
13 FOR AND ELECT TO RECEIVE EITHER A MAXIMUM SINGLE LIFE ANNUITY,
14 AS CALCULATED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 5702
15 (RELATING TO MAXIMUM SINGLE LIFE ANNUITY), OR A REDUCED ANNUITY
16 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE
17 MAXIMUM SINGLE LIFE ANNUITY AND IN ACCORDANCE WITH ONE OF THE
18 FOLLOWING OPTIONS; EXCEPT THAT NO MEMBER SHALL ELECT AN ANNUITY
19 PAYABLE TO ONE OR MORE SURVIVOR ANNUITANTS OTHER THAN HIS SPOUSE
20 OR ALTERNATE PAYEE OF SUCH A MAGNITUDE THAT THE PRESENT VALUE OF
21 THE ANNUITY PAYABLE TO HIM FOR LIFE PLUS ANY LUMP SUM PAYMENT HE
22 MAY HAVE ELECTED TO RECEIVE IS LESS THAN 50% OF THE PRESENT
23 VALUE OF HIS MAXIMUM SINGLE LIFE ANNUITY:

24 (1) OPTION 1.--A LIFE ANNUITY TO THE MEMBER WITH A
25 GUARANTEED TOTAL PAYMENT EQUAL TO THE PRESENT VALUE OF THE
26 MAXIMUM SINGLE LIFE ANNUITY ON THE EFFECTIVE DATE OF
27 RETIREMENT WITH THE PROVISION THAT, IF, AT HIS DEATH, HE HAS
28 RECEIVED LESS THAN SUCH PRESENT VALUE, THE UNPAID BALANCE
29 SHALL BE PAYABLE TO HIS BENEFICIARY.

30 (2) OPTION 2.--A JOINT AND SURVIVOR ANNUITY PAYABLE

1 DURING THE LIFETIME OF THE MEMBER WITH THE FULL AMOUNT OF
2 SUCH ANNUITY PAYABLE THEREAFTER TO HIS SURVIVOR ANNUITANT, IF
3 LIVING AT HIS DEATH.

4 (3) OPTION 3.--A JOINT AND FIFTY PERCENT (50%) SURVIVOR
5 ANNUITY PAYABLE DURING THE LIFETIME OF THE MEMBER WITH ONE-
6 HALF OF SUCH ANNUITY PAYABLE THEREAFTER TO HIS SURVIVOR
7 ANNUITANT, IF LIVING AT HIS DEATH.

8 (4) OPTION 4.--SOME OTHER BENEFIT WHICH SHALL BE
9 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE
10 MAXIMUM SINGLE LIFE ANNUITY, SUBJECT TO THE FOLLOWING
11 RESTRICTIONS:

12 (I) ANY ANNUITY SHALL BE PAYABLE WITHOUT REDUCTION
13 DURING THE LIFETIME OF THE MEMBER;

14 (II) THE SUM OF ALL ANNUITIES PAYABLE TO THE
15 DESIGNATED SURVIVOR ANNUITANTS SHALL NOT BE GREATER THAN
16 ONE AND ONE-HALF TIMES THE ANNUITY PAYABLE TO THE MEMBER;
17 AND

18 (III) A PORTION OF THE BENEFIT MAY BE PAYABLE AS A
19 LUMP SUM, EXCEPT THAT SUCH LUMP SUM PAYMENT SHALL NOT
20 EXCEED AN AMOUNT EQUAL TO THE TOTAL ACCUMULATED
21 DEDUCTIONS STANDING TO THE CREDIT OF THE MEMBER. THE
22 BALANCE OF THE PRESENT VALUE OF THE MAXIMUM SINGLE LIFE
23 ANNUITY ADJUSTED IN ACCORDANCE WITH SECTION 5702(B) SHALL
24 BE PAID IN THE FORM OF AN ANNUITY WITH A GUARANTEED TOTAL
25 PAYMENT, A SINGLE LIFE ANNUITY, OR A JOINT AND SURVIVOR
26 ANNUITY OR ANY COMBINATION THEREOF BUT SUBJECT TO THE
27 RESTRICTIONS OF SUBPARAGRAPHS (I) AND (II) UNDER THIS
28 OPTION.

29 * * *

30 SECTION 18. SECTION 5706(A), (A.1) AND (C) OF TITLE 71 ARE

1 AMENDED AND THE SECTION IS AMENDED BY A ADDING A SUBSECTION TO
2 READ:

3 § 5706. TERMINATION OF ANNUITIES.

4 (A) GENERAL RULE.--IF THE ANNUITANT RETURNS TO STATE SERVICE
5 OR ENTERS OR HAS ENTERED SCHOOL SERVICE AND ELECTS MULTIPLE
6 SERVICE MEMBERSHIP, ANY ANNUITY PAYABLE TO HIM UNDER THIS PART
7 SHALL CEASE EFFECTIVE UPON THE DATE OF HIS RETURN TO STATE
8 SERVICE OR ENTERING SCHOOL SERVICE AND IN THE CASE OF AN ANNUITY
9 OTHER THAN A DISABILITY ANNUITY THE PRESENT VALUE OF SUCH
10 ANNUITY, ADJUSTED FOR FULL COVERAGE IN THE CASE OF A JOINT
11 COVERAGE MEMBER WHO MAKES THE APPROPRIATE BACK CONTRIBUTIONS FOR
12 FULL COVERAGE, SHALL BE FROZEN AS OF THE DATE SUCH ANNUITY
13 CEASES. AN ANNUITANT WHO IS CREDITED WITH AN ADDITIONAL 10% OF
14 CLASS A AND CLASS C SERVICE AS PROVIDED IN SECTION 5302(C)
15 (RELATING TO CREDITED STATE SERVICE) AND WHO RETURNS TO STATE
16 SERVICE SHALL FORFEIT SUCH CREDITED SERVICE AND SHALL HAVE HIS
17 FROZEN PRESENT VALUE ADJUSTED AS IF HIS 10% RETIREMENT INCENTIVE
18 HAD NOT BEEN APPLIED TO HIS ACCOUNT. IN THE EVENT THAT THE COST-
19 OF-LIVING INCREASE ENACTED DECEMBER 18, 1979 OCCURRED DURING THE
20 PERIOD OF SUCH STATE OR SCHOOL EMPLOYMENT, THE FROZEN PRESENT
21 VALUE SHALL BE INCREASED, ON OR AFTER THE MEMBER ATTAINS
22 SUPERANNUATION AGE, BY THE PERCENT APPLICABLE HAD HE NOT
23 RETURNED TO SERVICE. THIS SUBSECTION SHALL NOT APPLY IN THE CASE
24 OF ANY ANNUITANT WHO MAY RENDER SERVICES TO THE COMMONWEALTH IN
25 THE CAPACITY OF AN INDEPENDENT CONTRACTOR OR AS A MEMBER OF AN
26 INDEPENDENT BOARD OR COMMISSION OR AS A MEMBER OF A DEPARTMENTAL
27 ADMINISTRATIVE OR ADVISORY BOARD OR COMMISSION WHEN SUCH MEMBERS
28 OF INDEPENDENT OR DEPARTMENTAL BOARDS OR COMMISSIONS ARE
29 COMPENSATED ON A PER DIEM BASIS FOR NOT MORE THAN 150 DAYS PER
30 CALENDAR YEAR[.] OR AS A MEMBER OF AN INDEPENDENT BOARD OR

1 COMMISSION REQUIRING APPOINTMENT BY THE GOVERNOR, WITH ADVICE
2 AND CONSENT OF THE SENATE, WHERE THE ANNUAL SALARY PAYABLE TO
3 THE MEMBER DOES NOT EXCEED \$35,000 AND WHERE THE MEMBER HAS BEEN
4 AN ANNUITANT FOR AT LEAST SIX MONTHS IMMEDIATELY PRECEDING THE
5 APPOINTMENT. SUCH SERVICE SHALL NOT BE SUBJECT TO MEMBER
6 CONTRIBUTIONS OR BE ELIGIBLE FOR QUALIFICATION AS CREDITABLE
7 STATE SERVICE.

8 (A.1) RETURN TO STATE SERVICE DURING EMERGENCY.--WHEN, IN
9 THE JUDGMENT OF THE EMPLOYER, AN EMERGENCY CREATES AN INCREASE
10 IN THE WORK LOAD SUCH THAT THERE IS SERIOUS IMPAIRMENT OF
11 SERVICE TO THE PUBLIC, AN ANNUITANT MAY BE RETURNED TO STATE
12 SERVICE FOR A PERIOD NOT TO EXCEED 95 DAYS IN ANY [FISCAL]
13 CALENDAR YEAR WITHOUT LOSS OF HIS ANNUITY. IN COMPUTING THE
14 NUMBER OF DAYS AN ANNUITANT HAS RETURNED TO STATE SERVICE, ANY
15 AMOUNT OF TIME LESS THAN ONE-HALF OF A DAY SHALL BE COUNTED AS
16 ONE-HALF OF A DAY. FOR AGENCIES, BOARDS AND COMMISSIONS UNDER
17 THE GOVERNOR'S JURISDICTION, THE APPROVAL OF THE GOVERNOR THAT
18 AN EMERGENCY EXISTS SHALL BE REQUIRED BEFORE AN ANNUITANT MAY BE
19 RETURNED TO STATE SERVICE.

20 (A.2) RETURN OF BENEFITS.--IN THE EVENT AN ANNUITANT WHOSE
21 ANNUITY CEASES PURSUANT TO THIS SECTION RECEIVES ANY ANNUITY
22 PAYMENT, INCLUDING A LUMP SUM PAYMENT PURSUANT TO SECTION 5705
23 (RELATING TO MEMBER'S OPTIONS) ON OR AFTER THE DATE OF HIS
24 RETURN TO STATE SERVICE OR ENTERING SCHOOL SERVICE, THE
25 ANNUITANT SHALL RETURN TO THE BOARD THE AMOUNT SO RECEIVED PLUS
26 STATUTORY INTEREST. THE AMOUNT PAYABLE SHALL BE CERTIFIED IN
27 EACH CASE BY THE BOARD IN ACCORDANCE WITH METHODS APPROVED BY
28 THE ACTUARY AND SHALL BE PAID IN A LUMP SUM WITHIN 30 DAYS OR IN
29 THE CASE OF AN ACTIVE MEMBER OR SCHOOL EMPLOYEE WHO IS AN ACTIVE
30 MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM MAY BE

1 AMORTIZED WITH STATUTORY INTEREST THROUGH SALARY DEDUCTIONS IN
2 AMOUNTS AGREED UPON BY THE MEMBER AND THE BOARD. IN THE CASE OF
3 A SCHOOL EMPLOYEE WHO IS AN ACTIVE MEMBER OF THE PUBLIC SCHOOL
4 EMPLOYEES' RETIREMENT SYSTEM, THE AGREED UPON SALARY DEDUCTIONS
5 SHALL BE REMITTED TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
6 BOARD, WHICH SHALL CERTIFY AND TRANSFER TO THE BOARD THE AMOUNTS
7 PAID.

8 * * *

9 (C) ELIMINATION OF THE EFFECT OF FROZEN PRESENT VALUE.--

10 (1) AN ANNUITANT WHO RETURNS TO STATE SERVICE AND EARNS
11 THREE ELIGIBILITY POINTS BY PERFORMING CREDITED STATE SERVICE
12 FOLLOWING THE MOST RECENT PERIOD OF RECEIPT OF AN ANNUITY
13 UNDER THIS PART, OR AN ANNUITANT WHO ENTERS SCHOOL SERVICE
14 AND:

15 (I) IS A MULTIPLE SERVICE MEMBER; OR

16 (II) WHO ELECTS MULTIPLE SERVICE MEMBERSHIP, AND
17 EARNS THREE ELIGIBILITY POINTS BY PERFORMING CREDITED STATE
18 SERVICE OR CREDITED SCHOOL SERVICE FOLLOWING THE MOST RECENT
19 PERIOD OF RECEIPT OF AN ANNUITY UNDER THIS PART, AND WHO HAD
20 THE PRESENT VALUE OF HIS ANNUITY FROZEN IN ACCORDANCE WITH
21 SUBSECTION (A), SHALL QUALIFY TO HAVE THE EFFECT OF THE
22 FROZEN PRESENT VALUE RESULTING FROM ALL PREVIOUS PERIODS OF
23 RETIREMENT ELIMINATED, PROVIDED THAT ALL PAYMENTS UNDER
24 OPTION 4 AND ANNUITY PAYMENTS PAYABLE DURING PREVIOUS PERIODS
25 OF RETIREMENT PLUS INTEREST AS SET FORTH IN PARAGRAPH (3)
26 SHALL BE RETURNED TO THE FUND IN THE FORM OF AN ACTUARIAL
27 ADJUSTMENT TO HIS SUBSEQUENT BENEFITS OR IN SUCH FORM AS THE
28 BOARD MAY OTHERWISE DIRECT.

29 (2) UPON SUBSEQUENT DISCONTINUANCE OF SERVICE AND THE
30 FILING OF AN APPLICATION FOR AN ANNUITY, A FORMER ANNUITANT

1 WHO QUALIFIES TO HAVE THE EFFECT OF A FROZEN PRESENT VALUE
2 ELIMINATED UNDER THIS SUBSECTION SHALL BE ENTITLED TO RECEIVE
3 THE HIGHER OF EITHER:

4 (I) AN ANNUITY (PRIOR TO OPTIONAL MODIFICATION)
5 CALCULATED AS IF THE FREEZING OF THE FORMER ANNUITANT'S
6 ACCOUNT PURSUANT TO SUBSECTION (A) HAD NOT OCCURRED,
7 ADJUSTED BY CREDITING CLASS A STATE SERVICE AS CLASS AA
8 SERVICE AS PROVIDED FOR IN SECTION 5306(A.1) (RELATING TO
9 CLASSES OF SERVICE) AND FURTHER ADJUSTED ACCORDING TO
10 PARAGRAPH (3), PROVIDED THAT A FORMER ANNUITANT OF THE
11 SYSTEM OR A FORMER ANNUITANT OF THE PUBLIC SCHOOL
12 EMPLOYEES' RETIREMENT SYSTEM WHO RETIRED UNDER A
13 PROVISION OF LAW GRANTING ADDITIONAL SERVICE CREDIT IF
14 TERMINATION OF STATE OR SCHOOL SERVICE OR RETIREMENT
15 OCCURRED DURING A SPECIFIC PERIOD OF TIME SHALL NOT BE
16 PERMITTED TO RETAIN THE ADDITIONAL SERVICE CREDIT UNDER
17 THE PRIOR LAW WHEN THE ANNUITY IS COMPUTED FOR HIS MOST
18 RECENT RETIREMENT; OR

19 (II) AN ANNUITY (PRIOR TO OPTIONAL MODIFICATION)
20 CALCULATED AS IF THE FORMER ANNUITANT DID NOT QUALIFY TO
21 HAVE THE EFFECT OF THE FROZEN PRESENT VALUE ELIMINATED,
22 UNLESS THE FORMER ANNUITANT NOTIFIES THE BOARD IN WRITING BY
23 THE LATER OF THE DATE THE APPLICATION FOR ANNUITY IS FILED OR
24 THE EFFECTIVE DATE OF RETIREMENT THAT THE FORMER ANNUITANT
25 WISHES TO RECEIVE THE LOWER ANNUITY.

26 (3) IN ADDITION TO ANY OTHER ADJUSTMENT TO THE PRESENT
27 VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY THAT A MEMBER MAY BE
28 ENTITLED TO RECEIVE THAT OCCURS AS A RESULT OF ANY OTHER
29 PROVISION OF LAW, THE PRESENT VALUE OF THE MAXIMUM SINGLE
30 LIFE ANNUITY SHALL BE REDUCED BY ALL AMOUNTS PAID OR PAYABLE

TO HIM DURING ALL PREVIOUS PERIODS OF RETIREMENT PLUS
INTEREST ON THESE AMOUNTS UNTIL THE DATE OF SUBSEQUENT
RETIREMENT. THE INTEREST FOR EACH YEAR SHALL BE CALCULATED
BASED UPON THE ANNUAL INTEREST RATE ADOPTED FOR THAT FISCAL
YEAR BY THE BOARD FOR THE CALCULATION OF THE NORMAL
CONTRIBUTION RATE PURSUANT TO SECTION 5508(B) (RELATING TO
ACTUARIAL COST METHOD).

SECTION 18.1. SECTION 5707 OF TITLE 71 IS AMENDED BY ADDING
A SUBSECTION TO READ:

§ 5707. DEATH BENEFITS.

* * *

(F) MEMBERS SUBJECT TO LIMITATIONS UNDER SECTION 5702(C).--
SUBJECT TO THE LIMITATIONS CONTAINED IN SECTION 401(A)(9) OF THE
INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. §
401(A)(9)) THE PRESENT VALUE OF ANY ANNUITY IN EXCESS OF THAT
PAYABLE UNDER SECTION 5702 (RELATING TO MAXIMUM SINGLE LIFE
ANNUITY) THAT IS NOT SUBJECT TO THE LIMITATIONS UNDER SECTION
415(B) OF THE INTERNAL REVENUE CODE OF 1986 SHALL BE PAID IN A
LUMP SUM TO THE BENEFICIARY DESIGNATED BY THE MEMBER AFTER THE
DEATH OF THE MEMBER. A BENEFICIARY RECEIVING A BENEFIT UNDER
THIS SUBSECTION SHALL NOT BE ABLE TO ELECT A PAYMENT METHOD
OTHERWISE ALLOWED UNDER SECTION 5709(B)(2) AND (3) (RELATING TO
PAYMENT OF BENEFITS).

SECTION 19. SECTIONS 5708.1(F), 5708.2(F), 5708.3(F),
5708.5(F), 5901(A) AND (B), 5902(L), 5903(A) AND 5904(B) OF
TITLE 71 ARE AMENDED TO READ:

§ 5708.1. ADDITIONAL SUPPLEMENTAL ANNUITIES.

* * *

(F) FUNDING.--THE ACTUARY SHALL ANNUALLY CERTIFY THE AMOUNT
OF APPROPRIATIONS FOR THE NEXT FISCAL YEAR NEEDED TO FUND, OVER

1 A PERIOD OF [20] TEN YEARS FROM JULY 1, [1991] 2002, THE
2 ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY PROVIDED FOR IN THIS
3 SECTION. THE BOARD SHALL SUBMIT THE ACTUARY'S CERTIFICATION TO
4 THE SECRETARY OF THE BUDGET ON OR BEFORE NOVEMBER 1 OF EACH
5 YEAR. IF, IN ANY YEAR AFTER 1984, THE AMOUNT CERTIFIED IS
6 DISAPPROVED UNDER SECTION 610 OF THE ACT OF APRIL 9, 1929
7 (P.L.177, NO.175), KNOWN AS THE ADMINISTRATIVE CODE OF 1929, AS
8 INSUFFICIENT TO MEET THE FUNDING REQUIREMENTS OF THIS SUBSECTION
9 OR IS NOT APPROPRIATED ON OR BEFORE JULY 1, THE ADDITIONAL
10 SUPPLEMENTAL ANNUITY PROVIDED FOR IN THIS SECTION SHALL BE
11 SUSPENDED UNTIL SUCH TIME AS AN AMOUNT CERTIFIED AND APPROVED AS
12 SUFFICIENT IS APPROPRIATED.

13 * * *

14 § 5708.2. FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES.

15 * * *

16 (F) FUNDING.--THE ACTUARY SHALL ANNUALLY ESTIMATE THE AMOUNT
17 OF COMMONWEALTH APPROPRIATIONS FOR THE NEXT FISCAL YEAR NEEDED
18 TO FUND, OVER A PERIOD OF [20] TEN YEARS FROM JULY 1, [1991]
19 2002, THE ADDITIONAL MONTHLY SUPPLEMENTAL ANNUITY PROVIDED FOR
20 IN THIS SECTION. THE BOARD SHALL SUBMIT THE ACTUARY'S ESTIMATION
21 TO THE SECRETARY OF THE BUDGET ON OR BEFORE NOVEMBER 1 OF EACH
22 YEAR. IF, IN ANY YEAR AFTER 1988, THE AMOUNT ESTIMATED IS
23 DISAPPROVED UNDER SECTION 610 OF THE ACT OF APRIL 9, 1929
24 (P.L.177, NO.175), KNOWN AS THE ADMINISTRATIVE CODE OF 1929, AS
25 INSUFFICIENT TO MEET THE FUNDING REQUIREMENTS OF THIS SUBSECTION
26 OR IS NOT APPROPRIATED ON OR BEFORE JULY 1, THE ADDITIONAL
27 SUPPLEMENTAL ANNUITY PROVIDED FOR IN THIS SECTION SHALL BE
28 SUSPENDED UNTIL SUCH TIME AS AN AMOUNT CERTIFIED AND APPROVED AS
29 SUFFICIENT IS APPROPRIATED.

30 * * *

1 § 5708.3. SUPPLEMENTAL ANNUITIES COMMENCING 1994.

2 * * *

3 (F) FUNDING.--[NOTWITHSTANDING SECTION 5508(E) (RELATING TO
4 ACTUARIAL COST METHOD), THE] THE ADDITIONAL LIABILITY FOR THE
5 INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN
6 EQUAL DOLLAR ANNUAL INSTALLMENTS [INCREASING BY 5% EACH YEAR]
7 OVER A PERIOD OF [20] TEN YEARS BEGINNING JULY 1, [1995] 2002.

8 * * *

9 § 5708.5. SUPPLEMENTAL ANNUITIES COMMENCING 1998.

10 * * *

11 (F) FUNDING.--[NOTWITHSTANDING SECTION 5508(E) (RELATING TO
12 ACTUARIAL COST METHOD), THE] THE ADDITIONAL LIABILITY FOR THE
13 INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN
14 EQUAL DOLLAR ANNUAL INSTALLMENTS [INCREASING BY 5% EACH YEAR]
15 OVER A PERIOD OF [20] TEN YEARS BEGINNING JULY 1, [1998] 2002.

16 * * *

17 § 5901. THE STATE EMPLOYEES' RETIREMENT BOARD.

18 (A) STATUS AND MEMBERSHIP.--THE BOARD SHALL BE AN
19 INDEPENDENT ADMINISTRATIVE BOARD AND CONSIST OF 11 MEMBERS: THE
20 STATE TREASURER, EX OFFICIO, TWO SENATORS [OR FORMER SENATORS],
21 TWO MEMBERS [OR FORMER MEMBERS] OF THE HOUSE OF REPRESENTATIVES
22 AND SIX MEMBERS APPOINTED BY THE GOVERNOR, ONE OF WHOM SHALL BE
23 AN ANNUITANT OF THE SYSTEM, FOR TERMS OF FOUR YEARS, SUBJECT TO
24 CONFIRMATION BY THE SENATE. AT LEAST FIVE BOARD MEMBERS SHALL BE
25 ACTIVE MEMBERS OF THE SYSTEM, AND AT LEAST TWO SHALL HAVE TEN OR
26 MORE YEARS OF CREDITED STATE SERVICE. THE CHAIRMAN OF THE BOARD
27 SHALL BE DESIGNATED BY THE GOVERNOR FROM AMONG THE MEMBERS OF
28 THE BOARD. EACH MEMBER OF THE BOARD WHO IS A MEMBER OF THE
29 GENERAL ASSEMBLY MAY APPOINT A DULY AUTHORIZED DESIGNEE TO ACT
30 IN HIS STEAD.

(B) APPOINTMENTS AND TERMS.--THE TWO MEMBERS ELECTED BY THE BOARD AND SERVING ON THE EFFECTIVE DATE OF THIS TITLE SHALL CONTINUE TO SERVE UNTIL THE EXPIRATION OF THEIR RESPECTIVE TERMS. THE MEMBERS [OR FORMER MEMBERS] OF THE SENATE SHALL BE APPOINTED BY THE PRESIDENT PRO TEMPORE OF THE SENATE AND SHALL CONSIST OF A MAJORITY AND A MINORITY MEMBER [OR FORMER MEMBER]. THE MEMBERS [OR FORMER MEMBERS] OF THE HOUSE OF REPRESENTATIVES SHALL BE APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND SHALL CONSIST OF A MAJORITY AND A MINORITY MEMBER [OR FORMER MEMBER]. THE LEGISLATIVE MEMBERS SHALL SERVE ON THE BOARD FOR THE DURATION OF [THE TERMS FOR WHICH THEY WERE ELECTED AND FORMER LEGISLATIVE MEMBERS SHALL SERVE A TERM OF TWO YEARS.] THEIR LEGISLATIVE TERMS AND SHALL CONTINUE TO SERVE UNTIL 30 DAYS AFTER THE CONVENING OF THE NEXT REGULAR SESSION OF THE GENERAL ASSEMBLY AFTER THE EXPIRATION OF THEIR RESPECTIVE LEGISLATIVE TERMS, OR UNTIL A SUCCESSOR IS APPOINTED FOR THE NEW TERM, WHICHEVER OCCURS FIRST. OF THE REMAINING FOUR APPOINTEES, ONE SHALL BE APPOINTED FOR AN INITIAL TERM OF TWO YEARS, ONE FOR AN INITIAL TERM OF THREE YEARS, AND TWO FOR AN INITIAL TERM OF FOUR YEARS. A VACANCY OCCURRING DURING THE TERM OF AN APPOINTED MEMBER SHALL BE FILLED FOR THE UNEXPIRED TERM BY THE APPOINTMENT AND CONFIRMATION OF A SUCCESSOR IN THE SAME MANNER AS HIS PREDECESSOR.

* * *

§ 5902. ADMINISTRATIVE DUTIES OF THE BOARD.

* * *

(L) MEMBER CONTRIBUTIONS.--THE BOARD SHALL CAUSE ALL PICKUP CONTRIBUTIONS MADE ON BEHALF OF A MEMBER TO BE CREDITED TO THE ACCOUNT OF THE MEMBER AND CREDIT TO HIS ACCOUNT ANY OTHER PAYMENT MADE BY SUCH MEMBER, INCLUDING, BUT NOT LIMITED TO,

1 AMOUNTS COLLECTED BY THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
2 SYSTEM FOR THE REINSTATEMENT OF PREVIOUS STATE SERVICE OR
3 CREDITABLE NONSTATE SERVICE, AND AMOUNTS PAID TO RETURN BENEFITS
4 PAID AFTER THE DATE OF RETURN TO STATE SERVICE OR ENTERING
5 SCHOOL SERVICE REPRESENTING LUMP SUM PAYMENTS MADE PURSUANT TO
6 SECTION 5705(A)(4)(III) (RELATING TO MEMBER'S OPTIONS) AND
7 MEMBER'S ANNUITY PAYMENTS, BUT NOT INCLUDING OTHER BENEFITS
8 RETURNED PURSUANT TO SECTION 5706(A.2) (RELATING TO TERMINATION
9 OF ANNUITIES) AND SHALL PAY ALL SUCH AMOUNTS INTO THE FUND.

10 * * *

11 § 5903. DUTIES OF THE BOARD TO ADVISE AND REPORT TO HEADS OF
12 DEPARTMENTS AND MEMBERS.

13 (A) MANUAL OF REGULATIONS.--THE BOARD SHALL, WITH THE ADVICE
14 OF THE ATTORNEY GENERAL AND THE ACTUARY, PREPARE AND PROVIDE,
15 WITHIN 90 DAYS OF THE EFFECTIVE DATE OF THIS PART, A MANUAL
16 INCORPORATING RULES AND REGULATIONS CONSISTENT WITH THE
17 PROVISIONS OF THIS PART TO THE HEADS OF DEPARTMENTS WHO SHALL
18 MAKE THE INFORMATION CONTAINED THEREIN AVAILABLE TO THE GENERAL
19 MEMBERSHIP. THE BOARD SHALL THEREAFTER ADVISE THE HEADS OF
20 DEPARTMENTS WITHIN 90 DAYS OF ANY CHANGES IN SUCH RULES AND
21 REGULATIONS DUE TO CHANGES IN THE LAW OR DUE TO CHANGES IN
22 ADMINISTRATIVE POLICIES. AS SOON AS PRACTICABLE AFTER THE
23 COMMISSIONER'S ANNOUNCEMENT WITH RESPECT THERETO, THE BOARD
24 SHALL ALSO ADVISE THE HEADS OF DEPARTMENTS AS TO ANY COST-OF-
25 LIVING ADJUSTMENT FOR THE SUCCEEDING CALENDAR YEAR IN THE AMOUNT
26 OF THE LIMITATION UNDER IRC § 401(A)(17)[.] AND THE DOLLAR
27 AMOUNTS OF THE LIMITATIONS UNDER IRC § 415(B). AS SOON AS
28 PRACTICABLE AFTER JANUARY 1 OF EACH YEAR, THE BOARD SHALL ALSO
29 ADVISE THE HEADS OF DEPARTMENTS OF THE EMPLOYEES FOR WHOM,
30 PURSUANT TO SECTION 5502.1 (RELATING TO WAIVER OF REGULAR MEMBER

1 CONTRIBUTIONS AND SOCIAL SECURITY INTEGRATION MEMBER

2 CONTRIBUTIONS), PICKUP CONTRIBUTIONS ARE NOT TO BE MADE.

3 * * *

4 § 5904. DUTIES OF THE BOARD TO REPORT TO THE PUBLIC SCHOOL
5 EMPLOYEES' RETIREMENT BOARD.

6 * * *

7 (B) MULTIPLE SERVICE MEMBERSHIP OF SCHOOL EMPLOYEES.--UPON
8 RECEIPT OF NOTIFICATION FROM THE PUBLIC SCHOOL EMPLOYEES'
9 RETIREMENT BOARD THAT A FORMER STATE EMPLOYEE HAS BECOME AN
10 ACTIVE MEMBER IN THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
11 AND HAS ELECTED TO RECEIVE CREDIT FOR MULTIPLE SERVICE, THE
12 BOARD SHALL CERTIFY TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
13 BOARD AND CONCURRENTLY TO THE MEMBER:

14 (1) THE TOTAL CREDITED SERVICE IN THE SYSTEM AND THE
15 NUMBER OF YEARS AND FRACTIONAL PART OF A YEAR OF SERVICE
16 CREDITED IN EACH CLASS OF SERVICE;

17 (2) THE ANNUAL COMPENSATION RECEIVED EACH CALENDAR YEAR
18 BY THE MEMBER FOR CREDITED STATE SERVICE; [AND]

19 (3) THE SOCIAL SECURITY INTEGRATION CREDITED SERVICE TO
20 WHICH THE MEMBER IS ENTITLED AND THE AVERAGE NONCOVERED
21 SALARY UPON WHICH THE SINGLE LIFE ANNUITY ATTRIBUTABLE TO
22 SUCH SERVICE WILL BE COMPUTED[.]; AND

23 (4) THE AMOUNT OF THE DEDUCTIONS AND THE PERIOD OVER
24 WHICH THEY ARE TO BE MADE, IF THE MEMBER HAS ELECTED PAYROLL
25 DEDUCTIONS PURSUANT TO SECTION 5504 (RELATING TO MEMBER
26 CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR PREVIOUS STATE
27 SERVICE OR TO BECOME A FULL COVERAGE MEMBER) OR 5505
28 (RELATING TO CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR
29 CREDITABLE NONSTATE SERVICE).

30 * * *

SECTION 20. SECTION 5905(B) OF TITLE 71 IS AMENDED AND THE
SECTION IS AMENDED BY ADDING A SUBSECTION TO READ:

§ 5905. DUTIES OF THE BOARD REGARDING APPLICATIONS AND
ELECTIONS OF MEMBERS.

* * *

(B) SCHOOL EMPLOYEES ELECTING MULTIPLE SERVICE STATUS.--UPON
RECEIPT OF NOTIFICATION FROM THE PUBLIC SCHOOL EMPLOYEES'
RETIREMENT BOARD THAT A FORMER STATE EMPLOYEE HAS BECOME AN
ACTIVE MEMBER IN THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AND HAS ELECTED TO BECOME A MEMBER WITH MULTIPLE SERVICE STATUS
THE BOARD SHALL:

(1) IN CASE OF A MEMBER RECEIVING AN ANNUITY FROM THE
SYSTEM[, DISCONTINUE]:

(I) DISCONTINUE PAYMENTS, TRANSFER THE PRESENT
VALUE[, AT THAT TIME,] OF THE MEMBER'S ANNUITY AT THE
TIME OF ENTERING SCHOOL SERVICE, PLUS THE AMOUNT
WITHDRAWN IN A LUMP SUM PAYMENT, ON OR AFTER THE DATE OF
ENTERING SCHOOL SERVICE, PURSUANT TO SECTION 5705
(RELATING TO MEMBER'S OPTIONS), WITH STATUTORY INTEREST
TO DATE OF TRANSFER, MINUS THE AMOUNT TO BE RETURNED TO
THE BOARD ON ACCOUNT OF RETURN TO SERVICE, THAT THE BOARD
HAS DETERMINED IS TO BE CREDITED IN THE MEMBERS' SAVINGS
ACCOUNT, FROM THE ANNUITY RESERVE ACCOUNT TO THE MEMBERS'
SAVINGS ACCOUNT AND RESUME CREDITING OF STATUTORY
INTEREST ON THE AMOUNT RESTORED TO HIS CREDIT [AND
TRANSFER];

(II) TRANSFER THE BALANCE OF THE PRESENT VALUE OF
THE TOTAL ANNUITY, MINUS THE AMOUNT TO BE RETURNED TO THE
BOARD ON ACCOUNT OF RETURN TO SERVICE THAT THE BOARD HAS
DETERMINED IS TO BE CREDITED IN THE STATE ACCUMULATION

1 ACCOUNT, FROM THE ANNUITY RESERVE ACCOUNT TO THE STATE
2 ACCUMULATION ACCOUNT; [OR] AND

3 (III) CERTIFY TO THE MEMBER THE AMOUNT OF LUMP SUM
4 AND ANNUITY PAYMENTS WITH STATUTORY INTEREST THE MEMBER
5 IS TO RETURN TO THE BOARD, AND OF THOSE AMOUNTS, WHICH
6 AMOUNT SHALL BE CREDITED TO THE MEMBERS' SAVINGS ACCOUNT
7 AND CREDITED WITH STATUTORY INTEREST AS SUCH PAYMENTS ARE
8 RETURNED AND WHICH AMOUNT SHALL BE CREDITED TO THE STATE
9 ACCUMULATION ACCOUNT; OR

10 (2) IN CASE OF A MEMBER WHO IS NOT RECEIVING AN ANNUITY
11 AND HAS NOT WITHDRAWN HIS TOTAL ACCUMULATED DEDUCTIONS,
12 CONTINUE OR RESUME THE CREDITING OF STATUTORY INTEREST ON HIS
13 TOTAL ACCUMULATED DEDUCTIONS DURING THE PERIOD HIS TOTAL
14 ACCUMULATED DEDUCTIONS REMAIN IN THE FUND; OR

15 (3) IN CASE OF A FORMER STATE EMPLOYEE WHO IS NOT
16 RECEIVING AN ANNUITY FROM THE SYSTEM AND HIS TOTAL
17 ACCUMULATED DEDUCTIONS WERE WITHDRAWN, CERTIFY TO THE FORMER
18 STATE EMPLOYEE THE ACCUMULATED DEDUCTIONS AS THEY WOULD HAVE
19 BEEN AT THE TIME OF HIS SEPARATION HAD HE BEEN A FULL
20 COVERAGE MEMBER TOGETHER WITH STATUTORY INTEREST FOR ALL
21 PERIODS OF SUBSEQUENT STATE AND SCHOOL SERVICE TO THE DATE OF
22 REPAYMENT. SUCH AMOUNT SHALL BE RESTORED BY HIM AND SHALL BE
23 CREDITED WITH STATUTORY INTEREST AS SUCH PAYMENTS ARE
24 RESTORED.

25 * * *

26 (J) STATE EMPLOYEES ELECTING MULTIPLE SERVICE STATUS.--UPON
27 RECEIPT OF NOTIFICATION FROM THE PUBLIC SCHOOL EMPLOYEES'
28 RETIREMENT BOARD THAT A MEMBER WHO HAS ELECTED MULTIPLE SERVICE
29 MEMBERSHIP HAS ELECTED TO RESTORE SCHOOL SERVICE OR PURCHASE
30 CREDITABLE NONSCHOOL SERVICE IN THE PUBLIC SCHOOL EMPLOYEES'

1 RETIREMENT SYSTEM OR IS OBLIGATED TO RETURN BENEFITS TO THE
2 PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD ON ACCOUNT OF ELECTING
3 MULTIPLE SERVICE MEMBERSHIP HAS ELECTED TO PAY ALL OR PART OF
4 THE AMOUNT DUE TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD
5 BY SALARY DEDUCTIONS, THE BOARD SHALL COLLECT FROM THE EMPLOYEE
6 THE AMOUNTS CERTIFIED BY THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
7 BOARD AS DUE AND OWING BY THE MEMBER AND CERTIFY AND TRANSFER TO
8 THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD THE AMOUNTS SO
9 COLLECTED.

10 SECTION 21. SECTIONS 5906(C), (G) AND (H), 5931(H), (I) AND
11 (J), 5937 AND 5938 OF TITLE 71 ARE AMENDED TO READ:

12 § 5906. DUTIES OF HEADS OF DEPARTMENTS.

13 * * *

14 (C) MEMBER CONTRIBUTIONS.--THE HEAD OF DEPARTMENT SHALL
15 CAUSE THE REQUIRED PICKUP CONTRIBUTIONS FOR CURRENT SERVICE TO
16 BE MADE AND SHALL CAUSE TO BE DEDUCTED ANY OTHER REQUIRED MEMBER
17 CONTRIBUTIONS, INCLUDING, BUT NOT LIMITED TO, CONTRIBUTIONS OWED
18 BY AN ACTIVE MEMBER WITH MULTIPLE SERVICE MEMBERSHIP FOR SCHOOL
19 SERVICE AND CREDITABLE NONSCHOOL SERVICE IN THE PUBLIC SCHOOL
20 EMPLOYEES' RETIREMENT SYSTEM, AND AMOUNTS CERTIFIED BY THE
21 PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD AS DUE AND OWING ON
22 ACCOUNT OF TERMINATION OF ANNUITIES FROM EACH PAYROLL. THE HEAD
23 OF DEPARTMENT SHALL NOTIFY THE BOARD AT TIMES AND IN A MANNER
24 PRESCRIBED BY THE BOARD OF THE COMPENSATION OF ANY NONELIGIBLE
25 MEMBER TO WHOM THE LIMITATION UNDER IRC § 401(A)(17) EITHER
26 APPLIES OR IS EXPECTED TO APPLY AND SHALL CAUSE SUCH MEMBER'S
27 CONTRIBUTIONS DEDUCTED FROM PAYROLL TO CEASE AT THE LIMITATION
28 UNDER IRC § 401(A)(17) ON THE PAYROLL DATE IF AND WHEN SUCH
29 LIMIT SHALL BE REACHED. THE HEAD OF DEPARTMENT SHALL CERTIFY TO
30 THE STATE TREASURER THE AMOUNTS PICKED UP AND DEDUCTED AND SHALL

1 SEND THE TOTAL AMOUNT PICKED UP AND DEDUCTED TOGETHER WITH A
2 DUPLICATE OF SUCH VOUCHER TO THE SECRETARY OF THE BOARD EVERY
3 PAY PERIOD. THE HEAD OF DEPARTMENT SHALL PAY PICKUP
4 CONTRIBUTIONS FROM THE SAME SOURCE OF FUNDS WHICH IS USED TO PAY
5 OTHER COMPENSATION TO THE EMPLOYEE. ON OR BEFORE JANUARY 31,
6 1997, AND ON OR BEFORE JANUARY 31 OF EACH YEAR THEREAFTER, THE
7 HEAD OF DEPARTMENT SHALL, AT THE TIME WHEN THE INCOME AND
8 WITHHOLDING INFORMATION REQUIRED BY LAW IS FURNISHED TO EACH
9 MEMBER, ALSO FURNISH THE AMOUNT OF PICKUP CONTRIBUTIONS MADE ON
10 HIS BEHALF AND NOTIFY THE BOARD, IF IT HAS NOT BEEN PREVIOUSLY
11 NOTIFIED, OF ANY NONELIGIBLE MEMBER WHOSE COMPENSATION IN THE
12 PRECEDING YEAR EXCEEDED THE ANNUAL COMPENSATION LIMIT UNDER IRC
13 § 401(A)(17). IF THE BOARD SHALL DETERMINE THAT THE MEMBER'S
14 SAVINGS ACCOUNT SHALL HAVE BEEN CREDITED WITH PICKUP
15 CONTRIBUTIONS FOR A NONELIGIBLE MEMBER IN THE PRECEDING YEAR
16 WHICH ARE ATTRIBUTABLE TO COMPENSATION IN EXCESS OF THE
17 LIMITATION UNDER IRC § 401(A)(17), OR WITH TOTAL MEMBER
18 CONTRIBUTIONS FOR SUCH MEMBER WHICH WOULD CAUSE SUCH MEMBER'S
19 CONTRIBUTIONS OR BENEFITS TO EXCEED ANY APPLICABLE LIMITATION
20 UNDER IRC § 401(A)(17) OR 415(B), THE BOARD SHALL AS SOON AS
21 PRACTICABLE REFUND TO THE MEMBER FROM HIS INDIVIDUAL MEMBER
22 ACCOUNT SUCH AMOUNT, TOGETHER WITH THE STATUTORY INTEREST
23 THEREON, AS WILL CAUSE THE MEMBER'S TOTAL MEMBER CONTRIBUTIONS
24 IN THE PRECEDING YEAR NOT TO EXCEED THE APPLICABLE LIMIT. THE
25 PAYMENT OF ANY SUCH REFUND TO THE MEMBER SHALL BE CHARGED TO THE
26 MEMBER'S SAVINGS ACCOUNT.

27 * * *

28 (G) FORMER SCHOOL EMPLOYEE CONTRIBUTORS.--THE HEAD OF
29 DEPARTMENT SHALL, UPON THE EMPLOYMENT OF A FORMER CONTRIBUTOR TO
30 THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM WHO IS NOT AN

1 ANNUITANT OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM,
2 ADVISE SUCH EMPLOYEE OF HIS RIGHT TO ELECT WITHIN [30] 365 DAYS
3 OF ENTRY INTO THE SYSTEM TO BECOME A MULTIPLE SERVICE MEMBER,
4 AND IN THE CASE OF ANY SUCH EMPLOYEE WHO SO ELECTS AND HAS
5 WITHDRAWN HIS ACCUMULATED DEDUCTIONS, REQUIRE HIM TO REINSTATE
6 HIS CREDIT IN THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM.
7 THE HEAD OF THE DEPARTMENT SHALL ADVISE THE BOARD OF SUCH
8 ELECTION.

9 (H) FORMER SCHOOL EMPLOYEE ANNUITANTS.--THE HEAD OF
10 DEPARTMENT SHALL, UPON THE EMPLOYMENT OF AN ANNUITANT OF THE
11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM WHO APPLIES FOR
12 MEMBERSHIP IN THE SYSTEM, ADVISE SUCH EMPLOYEE THAT HE MAY ELECT
13 MULTIPLE SERVICE MEMBERSHIP WITHIN [30] 365 DAYS OF ENTRY INTO
14 THE SYSTEM AND IF HE SO ELECTS HIS PUBLIC SCHOOL EMPLOYEE'S
15 ANNUITY WILL BE DISCONTINUED EFFECTIVE UPON THE DATE OF HIS
16 RETURN TO STATE SERVICE AND, UPON TERMINATION OF STATE SERVICE
17 AND APPLICATION FOR AN ANNUITY, THE ANNUITY WILL BE ADJUSTED IN
18 ACCORDANCE WITH SECTION 5706 (RELATING TO TERMINATION OF
19 ANNUITIES). THE HEAD OF DEPARTMENT SHALL ADVISE THE BOARD OF
20 SUCH ELECTION.

21 * * *

22 § 5931. MANAGEMENT OF FUND AND ACCOUNTS.

23 * * *

24 (H) VENTURE CAPITAL[.--VENTURE CAPITAL INVESTMENTS SHALL BE
25 LIMITED TO NOT MORE THAN 2% OF THE BOOK VALUE OF THE TOTAL
26 ASSETS OF THE FUND AS DETERMINED FOR FINANCIAL STATEMENT
27 PURPOSES AS OF DECEMBER 31 NEXT PRECEDING THE DATE OF
28 INVESTMENT. AN INVESTMENT SHALL BE DEEMED A VENTURE CAPITAL
29 INVESTMENT IF IT RESULTS IN THE ACQUISITION OF EQUITY INTERESTS
30 OR A COMBINATION OF DEBT AND EQUITY INTERESTS IN A BUSINESS

1 WHICH IS EXPECTED TO GROW SUBSTANTIALLY IN THE FUTURE AND IN
2 WHICH THE EXPECTED RETURN ON INVESTMENT IS TO COME PREDOMINANTLY
3 FROM AN INCREASE IN VALUE OF THE EQUITY INTERESTS AND ARE NOT
4 INTERESTS IN OR SECURED BY REAL ESTATE. A VENTURE CAPITAL
5 INVESTMENT MAY BE MADE ONLY IF, IN THE JUDGMENT OF THE BOARD,
6 THE INVESTMENT IS REASONABLY LIKELY TO ENHANCE THE GENERAL
7 WELFARE OF THIS COMMONWEALTH AND ITS CITIZENS AND MEETS THE
8 STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A). IN DETERMINING
9 WHETHER THE INVESTMENT MEETS THE STANDARD OF PRUDENCE, THE BOARD
10 MAY CONSIDER, TOGETHER WITH THE EXPECTED RETURN ON AND THE RISK
11 CHARACTERISTICS OF THE PARTICULAR INVESTMENT, THE ACTUAL AND
12 EXPECTED FUTURE RETURNS AND THE RISK CHARACTERISTICS OF THE
13 TOTAL VENTURE CAPITAL INVESTMENTS HELD BY THE BOARD AT THE TIME
14 AND THE DEGREE TO WHICH THE PROPOSED NEW INVESTMENT WOULD
15 PROMOTE FURTHER DIVERSIFICATION WITHIN THE VENTURE CAPITAL ASSET
16 CLASS.], PRIVATE PLACEMENT AND ALTERNATIVE INVESTMENTS.--THE
17 BOARD IN ITS PRUDENT DISCRETION MAY MAKE ANY VENTURE CAPITAL
18 INVESTMENT, PRIVATE PLACEMENT INVESTMENT OR OTHER ALTERNATIVE
19 INVESTMENT OF ANY KIND, STRUCTURE OR MANNER WHICH MEETS THE
20 STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A).

21 (I) VEHICLES FOR AUTHORIZED INVESTMENTS.--THE BOARD IN ITS
22 PRUDENT DISCRETION MAY MAKE ANY INVESTMENTS WHICH MEET THE
23 STANDARD OF PRUDENCE SET FORTH IN SUBSECTION (A) BY [BECOMING A
24 LIMITED PARTNER IN PARTNERSHIPS THAT WILL HOLD SUCH INVESTMENTS;
25 OR BY ACQUIRING SHARES OR UNITS OF PARTICIPATION OR OTHERWISE
26 PARTICIPATING BENEFICIALLY IN BANK COLLECTIVE TRUSTS OR IN THE
27 SEPARATE ACCOUNTS OF ANY INSURANCE COMPANY AUTHORIZED TO DO
28 BUSINESS IN THIS COMMONWEALTH; OR BY ACQUIRING STOCKS OR SHARES
29 OR UNITS OF PARTICIPATION OR OTHERWISE PARTICIPATING
30 BENEFICIALLY IN THE FUND OF ANY CORPORATION OR TRUST ORGANIZED

1 OR CREATED AND EXISTING UNDER THE LAWS OF THE UNITED STATES OR
2 OF ANY STATE, DISTRICT OR TERRITORY THEREOF, WHICH FUND IS
3 MAINTAINED FOR AND CONSISTS OF ASSETS OF EMPLOYEES' BENEFIT
4 TRUSTS, INCLUDING GOVERNMENTAL PLANS AS DEFINED IN IRC § 414(D)
5 OR WHICH MEET THE REQUIREMENTS FOR QUALIFICATION UNDER IRC §
6 401] ACQUIRING ANY TYPE OF INTEREST IN A BUSINESS ORGANIZATION
7 EXISTING UNDER THE LAWS OF ANY JURISDICTION, PROVIDED THAT, IN
8 ANY SUCH CASE, THE LIABILITY OF THE STATE EMPLOYEES' RETIREMENT
9 FUND SHALL BE LIMITED TO THE AMOUNT OF ITS INVESTMENT.

10 (J) LEGISLATIVE DECLARATION CONCERNING CERTAIN AUTHORIZED
11 INVESTMENTS.--THE GENERAL ASSEMBLY FINDS AND DECLARES THAT
12 AUTHORIZED INVESTMENTS OF THE FUND MADE BY OR ON BEHALF OF THE
13 BOARD UNDER THIS SECTION WHEREBY THE BOARD BECOMES A JOINT OWNER
14 OR STOCKHOLDER IN ANY COMPANY, CORPORATION [OR], ASSOCIATION OR
15 OTHER LAWFUL BUSINESS ORGANIZATION ARE OUTSIDE THE SCOPE OF THE
16 ORIGINAL INTENT OF AND THEREFORE DO NOT VIOLATE THE PROHIBITION
17 SET FORTH IN SECTION 8 OF ARTICLE VIII OF THE CONSTITUTION OF
18 PENNSYLVANIA.

19 § 5937. ENFORCEMENT OFFICERS' BENEFIT ACCOUNT.

20 (A) CREDITS AND CHARGES TO ACCOUNT.--THE ENFORCEMENT
21 OFFICERS' BENEFIT ACCOUNT SHALL BE THE LEDGER ACCOUNT TO WHICH
22 SHALL BE CREDITED MONEYS TRANSFERRED FROM THE ENFORCEMENT
23 OFFICERS' RETIREMENT ACCOUNT IN THE STATE STORES FUND ACCORDING
24 TO THE PROVISIONS OF THE [LIQUOR CODE,] ACT OF APRIL 12, 1951
25 (P.L.90, NO.21) KNOWN AS THE LIQUOR CODE, AND ANY ADDITIONAL
26 COMMONWEALTH OR OTHER EMPLOYER CONTRIBUTIONS PROVIDED FOR IN
27 SECTION 5507 (RELATING TO CONTRIBUTIONS BY THE COMMONWEALTH AND
28 OTHER EMPLOYERS) WHICH ARE CREDITABLE TO THE ENFORCEMENT
29 OFFICERS' BENEFIT ACCOUNT. THE ENFORCEMENT OFFICERS' BENEFIT
30 ACCOUNT SHALL BE CREDITED WITH THE REQUIRED INTEREST. IN

1 ADDITION, UPON THE FILING OF AN APPLICATION FOR AN ANNUITY BY A
2 MEMBER WHO IS AN ENFORCEMENT OFFICER OF THE PENNSYLVANIA LIQUOR
3 CONTROL BOARD, THE TOTAL ACCUMULATED DEDUCTIONS STANDING TO THE
4 CREDIT OF THE MEMBER IN THE MEMBERS' SAVINGS ACCOUNT AND THE
5 NECESSARY RESERVES FROM THE STATE ACCUMULATION ACCOUNT SHALL BE
6 TRANSFERRED TO THE ENFORCEMENT OFFICERS' BENEFIT ACCOUNT.
7 THEREAFTER, THE TOTAL ANNUITY OF SUCH ANNUITANT SHALL BE CHARGED
8 TO THE ENFORCEMENT OFFICERS' BENEFIT ACCOUNT AND PAID FROM THE
9 FUND.

10 (B) TRANSFERS FROM ACCOUNT.--SHOULD THE SAID ANNUITANT BE
11 SUBSEQUENTLY RESTORED TO ACTIVE SERVICE, THE PRESENT VALUE OF
12 THE MEMBER'S ANNUITY AT THE TIME OF REENTRY INTO STATE SERVICE
13 SHALL BE TRANSFERRED FROM THE ENFORCEMENT OFFICERS' BENEFIT
14 ACCOUNT AND PLACED TO HIS INDIVIDUAL CREDIT IN THE MEMBERS'
15 SAVINGS ACCOUNT. IN ADDITION, THE ACTUARIAL RESERVE FOR HIS
16 ANNUITY CALCULATED AS IF HE HAD BEEN A MEMBER OF CLASS A IF THE
17 ANNUITANT DOES NOT HAVE ANY CLASS AA SERVICE CREDITED AND
18 CALCULATED AS IF HE HAD BEEN A MEMBER OF CLASS AA IF THE
19 ANNUITANT DOES HAVE CLASS AA SERVICE CREDITED LESS THE AMOUNT
20 TRANSFERRED TO THE MEMBERS' SAVINGS ACCOUNT SHALL BE TRANSFERRED
21 FROM THE ENFORCEMENT OFFICERS' BENEFIT ACCOUNT TO THE STATE
22 ACCUMULATION ACCOUNT. UPON SUBSEQUENT RETIREMENT OTHER THAN AS
23 AN ENFORCEMENT OFFICER THE ACTUARIAL RESERVE REMAINING IN THE
24 ENFORCEMENT OFFICERS' BENEFIT ACCOUNT SHALL BE TRANSFERRED TO
25 THE APPROPRIATE RESERVE ACCOUNT.

26 § 5938. SUPPLEMENTAL ANNUITY ACCOUNT.

27 THE SUPPLEMENTAL ANNUITY ACCOUNT SHALL BE THE LEDGER ACCOUNT
28 TO WHICH SHALL BE CREDITED ALL CONTRIBUTIONS FROM THE
29 COMMONWEALTH IN ACCORDANCE WITH [SECTIONS] SECTION 5507(B)
30 (RELATING TO CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER

1 EMPLOYERS)[, 5708.3(F) (RELATING TO FUNDING FOR SUPPLEMENTAL
2 ANNUITIES COMMENCING 1994) AND 5708.5(F) (RELATING TO FUNDING
3 FOR SUPPLEMENTAL ANNUITIES COMMENCING 1998)] FOR THE PAYMENT OF
4 THE SUPPLEMENTAL ANNUITIES PROVIDED IN SECTIONS 5708 (RELATING
5 TO SUPPLEMENTAL ANNUITIES), 5708.1 (RELATING TO ADDITIONAL
6 SUPPLEMENTAL ANNUITIES), 5708.2 (RELATING TO FURTHER ADDITIONAL
7 SUPPLEMENTAL ANNUITIES), 5708.3 (RELATING TO SUPPLEMENTAL
8 ANNUITIES COMMENCING 1994), 5708.4 (RELATING TO SPECIAL
9 SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT) AND 5708.5 (RELATING TO
10 SUPPLEMENTAL ANNUITIES COMMENCING 1998). THE SUPPLEMENTAL
11 ANNUITY ACCOUNT SHALL BE CREDITED WITH VALUATION INTEREST. THE
12 RESERVES NECESSARY FOR THE PAYMENT OF SUCH SUPPLEMENTAL
13 ANNUITIES SHALL BE TRANSFERRED FROM THE SUPPLEMENTAL ANNUITY
14 ACCOUNT TO THE ANNUITY RESERVE ACCOUNT AS PROVIDED IN SECTION
15 5935 (RELATING TO ANNUITY RESERVE ACCOUNT).

16 SECTION 22. (A) SERVICE PERFORMED BY A MEMBER OF THE PUBLIC
17 SCHOOL EMPLOYEES' RETIREMENT SYSTEM PRIOR TO DECEMBER 31, 2001,
18 SHALL NOT BE INCLUDED WHEN CALCULATING THE 95 DAYS AN ANNUITANT
19 MAY RETURN TO SERVICE UNDER 24 PA.C.S. § 8346(B).

20 (B) SERVICE PERFORMED BY A MEMBER OF THE STATE EMPLOYEES'
21 RETIREMENT SYSTEM PRIOR TO JULY 1, 2001, SHALL NOT BE INCLUDED
22 WHEN CALCULATING THE 95 DAYS AN ANNUITANT MAY RETURN TO SERVICE
23 IN A CALENDAR YEAR WITHOUT LOSS OF ANNUITY PURSUANT TO 71
24 PA.C.S. § 5706.

25 SECTION 23. (A) A MEMBER WHOSE MOST RECENT PERIOD OF
26 EMPLOYMENT BEGAN BEFORE THE EFFECTIVE DATE OF THIS SECTION SHALL
27 NOT HAVE BENEFITS FROM THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
28 SYSTEM REDUCED BY THE LIMITATIONS ON BENEFITS UNDER SECTION 415
29 OF THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26
30 U.S.C. § 415), AS AMENDED, TO LESS THAN THE MEMBER OTHERWISE

1 WOULD HAVE RECEIVED HAD THIS ACT NOT BEEN ENACTED.

2 (B) A MEMBER WHOSE MOST RECENT PERIOD OF EMPLOYMENT BEGAN
3 BEFORE THE EFFECTIVE DATE OF THIS SECTION SHALL NOT HAVE HIS OR
4 HER BENEFITS FROM THE STATE EMPLOYEES' RETIREMENT SYSTEM REDUCED
5 BY THE LIMITATIONS ON BENEFITS UNDER SECTION 415 OF THE INTERNAL
6 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 415), AS
7 AMENDED, TO LESS THAN HE OR SHE OTHERWISE WOULD HAVE RECEIVED
8 HAD THIS ACT NOT BEEN ENACTED.

9 SECTION 24. ANY AND ALL INVESTMENTS OF THE PUBLIC SCHOOL
10 EMPLOYEES' RETIREMENT BOARD AND THE STATE EMPLOYEES' RETIREMENT
11 BOARD, WHICH ON THE EFFECTIVE DATE OF THIS SECTION ARE OWNED OR
12 HELD THROUGH A VEHICLE AS DESCRIBED IN 24 PA.C.S § 8521(I) OR 71
13 PA.C.S § 5931(I), AS APPLICABLE, SHALL BE DEEMED TO HAVE BEEN
14 LAWFULLY MADE THROUGH SUCH VEHICLE AT INCEPTION.

15 SECTION 25. IF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD
16 DETERMINES THAT ITS AUTHORITY OVER HEALTH INSURANCE IS IMPAIRED
17 BECAUSE OF A JUDICIAL DECISION RELATING TO 24 PA.C.S. PART V,
18 WHICH HAS BECOME FINAL, THE BOARD SHALL TRANSMIT NOTICE OF ITS
19 DETERMINATION TO THE LEGISLATIVE REFERENCE BUREAU FOR
20 PUBLICATION IN THE PENNSYLVANIA BULLETIN.

21 SECTION 26. EXCEPT AS MAY BE OTHERWISE SPECIFICALLY
22 PROVIDED, REFERENCES IN THIS ACT TO PROVISIONS OF THE INTERNAL
23 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 1 ET SEQ.),
24 INCLUDING FOR THIS PURPOSE ADMINISTRATIVE REGULATIONS
25 PROMULGATED THEREUNDER, ARE INTENDED TO INCLUDE SUCH LAWS AND
26 REGULATIONS IN EFFECT ON THE EFFECTIVE DATE OF THIS SECTION AND
27 AS THEY MAY HEREAFTER BE AMENDED OR SUPPLEMENTED OR SUPPLANTED
28 BY SUCCESSOR PROVISIONS.

29 SECTION 27. (A) NOTWITHSTANDING THE PROVISIONS OF 24
30 PA.C.S. § 8503(B), THE STATEMENT FOR EACH MEMBER PREPARED BY THE

1 PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD FOR THE PERIODS ENDING
2 JUNE 30, 2001, AND JUNE 30, 2002, AND ANY OTHER STATEMENTS OR
3 ESTIMATES OF BENEFITS PREPARED BY THE BOARD PURSUANT TO THE
4 PUBLIC SCHOOL EMPLOYEES' RETIREMENT CODE FROM THE EFFECTIVE DATE
5 OF THIS SECTION TO JUNE 30, 2002, NEED NOT REFLECT PROVISIONS OF
6 THIS ACT.

7 (B) NOTWITHSTANDING THE PROVISIONS OF 71 PA.C.S. § 5903(B),
8 THE STATEMENT FOR EACH MEMBER PREPARED BY THE STATE EMPLOYEES'
9 RETIREMENT BOARD FOR THE PERIOD ENDING DECEMBER 31, 2001, AND
10 ANY OTHER STATEMENTS OR ESTIMATES OF BENEFITS PREPARED BY THE
11 BOARD PURSUANT TO THE STATE EMPLOYEES' RETIREMENT CODE FROM THE
12 EFFECTIVE DATE OF THIS SECTION TO JUNE 30, 2002, NEED NOT
13 REFLECT PROVISIONS OF THIS ACT.

14 SECTION 28. (A) NOTWITHSTANDING THE PROVISIONS OF 24
15 PA.C.S. PT. IV, THE OBLIGATION OF THE PUBLIC SCHOOL EMPLOYEES'
16 RETIREMENT BOARD TO MAKE PAYMENTS WITHIN SPECIFIED TIME PERIODS
17 OF THE RECEIPT OF APPLICATIONS FOR BENEFITS OR OTHER INFORMATION
18 SHALL NOT APPLY FROM THE EFFECTIVE DATE OF THIS SECTION TO JULY
19 2, 2002.

20 (B) NOTWITHSTANDING THE PROVISIONS OF 71 PA.C.S. PT. XXV,
21 THE OBLIGATION OF THE STATE EMPLOYEES' RETIREMENT BOARD TO MAKE
22 PAYMENTS WITHIN SPECIFIED TIME PERIODS OF THE RECEIPT OF
23 APPLICATIONS FOR BENEFITS OR OTHER INFORMATION SHALL NOT APPLY
24 FROM THE EFFECTIVE DATE OF THIS SECTION TO JUNE 30, 2002.

25 SECTION 29. NOTWITHSTANDING THE LIMITATION CONTAINED IN 24
26 PA.C.S. § 8507(C), ANY ACTIVE MEMBER OF THE PUBLIC SCHOOL
27 EMPLOYEES' RETIREMENT SYSTEM WHO WAS FORMERLY AN ACTIVE MEMBER
28 IN THE STATE EMPLOYEES' RETIREMENT SYSTEM AND WHOSE SERVICE
29 CREDIT IN THE STATE EMPLOYEES' RETIREMENT SYSTEM HAS NOT BEEN
30 CONVERTED TO SERVICE CREDITED IN ANOTHER PUBLIC PENSION PLAN OR

1 RETIREMENT SYSTEM IN THIS COMMONWEALTH MAY ELECT TO BECOME A
2 MULTIPLE SERVICE MEMBER ON OR BEFORE DECEMBER 31, 2003.

3 SECTION 30. NOTWITHSTANDING THE LIMITATION CONTAINED IN 71
4 PA.C.S. § 5907(C), ANY ACTIVE MEMBER OF THE STATE EMPLOYEES'
5 RETIREMENT SYSTEM WHO WAS FORMERLY AN ACTIVE MEMBER OF THE
6 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND WHOSE SERVICE
7 CREDIT IN THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM HAS NOT
8 BEEN CONVERTED TO SERVICE CREDITED IN ANOTHER PUBLIC PENSION
9 PLAN OR RETIREMENT SYSTEM IN THIS COMMONWEALTH MAY ELECT TO
10 BECOME A MULTIPLE SERVICE MEMBER ON OR BEFORE DECEMBER 31, 2003.

11 SECTION 31. NOTWITHSTANDING ANY OTHER PROVISIONS OF LAW, THE
12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD SHALL, EFFECTIVE FOR
13 THE FISCAL YEAR BEGINNING JULY 1, 2001, RECERTIFY TO THE
14 SECRETARY OF THE BUDGET AND THE EMPLOYERS, WITHIN 15 DAYS OF THE
15 EFFECTIVE DATE OF THIS SECTION, THE CONTRIBUTIONS, RATES,
16 FACTORS AND AMOUNTS SET FORTH IN 24 PA.C.S. § 8502(K) TO REFLECT
17 THE IMPACT OF THE AMENDMENT OF 24 PA.C.S. § 8509(B). THE BOARD'S
18 RECERTIFICATION SHALL REFLECT ALL CHANGES IN THE CONTRIBUTIONS,
19 RATES AND AMOUNTS PREVIOUSLY CERTIFIED BY THE BOARD PRIOR TO THE
20 EFFECTIVE DATE OF THIS SECTION FOR THE FISCAL YEAR BEGINNING
21 JULY 1, 2001, REQUIRED TO COMPLY WITH 24 PA.C.S. § 8328 CAUSED BY
22 THE AMENDMENT OF 24 PA.C.S. § 8509(B). THIS RECERTIFICATION
23 SHALL SUPERSEDE THE PRIOR CERTIFICATION FOR ALL PURPOSES.

24 SECTION 32. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE
25 LIABILITY FOR ANY ADDITIONAL BENEFITS ESTABLISHED BY THIS ACT
26 SHALL BE FUNDED IN EQUAL DOLLAR ANNUAL PAYMENTS OVER A PERIOD OF
27 TEN YEARS COMMENCING JULY 1, 2002.

28 SECTION 33. (A) NOTHING IN THIS ACT WHICH AMENDS OR
29 SUPPLEMENTS PROVISIONS OF 24 PA.C.S. PT. IV IN RELATION TO
30 REQUIREMENTS FOR QUALIFICATION OF THE PUBLIC SCHOOL EMPLOYEES'

1 RETIREMENT SYSTEM AS A QUALIFIED PENSION PLAN UNDER THE INTERNAL
2 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 401(A) OR
3 415(B)), AS AMENDED, NOR ANY CONSTRUCTION OF SUCH PROVISIONS AS
4 SO AMENDED OR SUPPLEMENTED OR ANY RULES OR REGULATIONS ADOPTED
5 UNDER SUCH PART SHALL CREATE IN ANY MEMBER OF THE SYSTEM OR IN
6 ANY OTHER PERSON CLAIMING AN INTEREST IN THE ACCOUNT OF ANY
7 MEMBER A CONTRACTUAL RIGHT, EITHER EXPRESS OR IMPLIED IN SUCH
8 PROVISION. SUCH PROVISION SHALL REMAIN SUBJECT TO THE INTERNAL
9 REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER AS
10 THE SAME MAY HEREAFTER BE AMENDED, AND THE GENERAL ASSEMBLY
11 RESERVES TO ITSELF SUCH FURTHER EXERCISE OF ITS LEGISLATIVE
12 POWER TO AMEND OR SUPPLEMENT SUCH PROVISIONS AS MAY FROM TIME TO
13 TIME BE REQUIRED TO MAINTAIN THE QUALIFICATION OF SUCH SYSTEM AS
14 A QUALIFIED PENSION PLAN UNDER SECTION 401(A) OF THE INTERNAL
15 REVENUE CODE OF 1986.

16 (B) NOTHING IN THIS ACT WHICH AMENDS OR SUPPLEMENTS
17 PROVISIONS OF 71 PA.C.S. PT. XXV IN RELATION TO REQUIREMENTS FOR
18 QUALIFICATION OF THE STATE EMPLOYEES' RETIREMENT SYSTEM AS A
19 QUALIFIED PENSION PLAN UNDER THE INTERNAL REVENUE CODE OF 1986
20 (PUBLIC LAW 99-514, 26 U.S.C. § 401(A) AND § 415(B)) NOR ANY
21 CONSTRUCTION OF 71 PA.C.S. PT. XXV, AS SO AMENDED OR
22 SUPPLEMENTED OR ANY RULES OR REGULATIONS ADOPTED UNDER 71
23 PA.C.S. PT. XXV SHALL CREATE IN ANY MEMBER OF THE SYSTEM OR IN
24 OF ANY OTHER PERSON CLAIMING AN INTEREST IN THE ACCOUNT OF ANY
25 SUCH MEMBER A CONTRACTUAL RIGHT, EITHER EXPRESS OR IMPLIED. THE
26 PROVISIONS OF 71 PA.C.S. PT. XXV SHALL REMAIN SUBJECT TO THE
27 INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS
28 THEREUNDER AS THE SAME MAY HEREAFTER BE AMENDED, AND THE GENERAL
29 ASSEMBLY RESERVES TO ITSELF SUCH FURTHER EXERCISE OF ITS
30 LEGISLATIVE POWER TO AMEND OR SUPPLEMENT SUCH PROVISIONS AS MAY

1 FROM TIME TO TIME BE REQUIRED IN ORDER TO MAINTAIN THE
2 QUALIFICATION OF SUCH SYSTEM AS A QUALIFIED PENSION PLAN UNDER
3 SECTION 401(A) OF THE INTERNAL REVENUE CODE OF 1986.

4 SECTION 34. (A) NOTHING IN THIS ACT SHALL BE CONSTRUED OR
5 DEEMED TO IMPLY THAT, BUT FOR THE EXPRESSED APPLICATIONS OF THE
6 LIMITATIONS ON BENEFITS UNDER SECTION 415 OF THE INTERNAL
7 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 415), AS
8 AMENDED, THOSE LIMITATIONS WOULD NOT OTHERWISE APPLY TO MEMBERS
9 OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND THE
10 BENEFITS PAYABLE PURSUANT TO 24 PA.C.S. PT. IV.

11 (B) NOTHING IN THIS ACT SHALL BE CONSTRUED OR DEEMED TO
12 IMPLY THAT, BUT FOR THE EXPRESSED APPLICATIONS OF THE
13 LIMITATIONS ON BENEFITS UNDER SECTION 401(A) OR 415 OF THE
14 INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. §
15 401 OR 415), THOSE LIMITATIONS WOULD NOT OTHERWISE APPLY TO
16 MEMBERS OF THE STATE EMPLOYEES' RETIREMENT SYSTEM AND THE
17 BENEFITS PAYABLE PURSUANT TO 71 PA.C.S. PT. XXV.

18 SECTION 35. (A) EXCEPT AS PROVIDED IN SECTION 23(A), THIS
19 ACT SHALL BE CONSTRUED AND ADMINISTERED IN SUCH MANNER THAT THE
20 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM WILL SATISFY THE
21 REQUIREMENTS NECESSARY TO QUALIFY AS A QUALIFIED PENSION PLAN
22 UNDER SECTION 415(B) OF THE INTERNAL REVENUE CODE OF 1986
23 (PUBLIC LAW 99-514, 26 U.S.C. § 415(B)).

24 (B) EXCEPT AS PROVIDED IN SECTION 23(B), THIS ACT SHALL BE
25 CONSTRUED AND ADMINISTERED IN SUCH MANNER THAT THE STATE
26 EMPLOYEES' RETIREMENT SYSTEM WILL SATISFY THE REQUIREMENTS
27 NECESSARY TO QUALIFY AS A QUALIFIED PENSION PLAN UNDER SECTION
28 415(B) OF THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514,
29 26 U.S.C. §415(B)).

30 SECTION 36. SEVERABILITY OF THIS ACT SHALL BE AS FOLLOWS:

1 (1) EXCEPT AS SET FORTH IN PARAGRAPH (2), IF ANY
2 PROVISION OF THIS ACT OR ITS APPLICATION TO ANY PERSON OR
3 CIRCUMSTANCE IS HELD INVALID, THE INVALIDITY SHALL NOT AFFECT
4 OTHER PROVISIONS OR APPLICATIONS OF THIS ACT WHICH CAN BE
5 GIVEN EFFECT WITHOUT THE INVALID PROVISION OR APPLICATION.

6 (2) IF ANY OF THE FOLLOWING PROVISIONS OF THIS ACT IS
7 HELD INVALID, INDEPENDENT OF ITS APPLICATION TO ANY PERSON OR
8 CIRCUMSTANCE, ALL OF THE FOLLOWING PROVISIONS OF THIS ACT ARE
9 VOID:

10 (I) THE AMENDMENT OF THE DEFINITIONS OF "BASIC
11 CONTRIBUTION RATE," "CLASS OF SERVICE MULTIPLIER,"
12 "STANDARD SINGLE LIFE ANNUITY" AND "SUPERANNUATION OR
13 NORMAL RETIREMENT AGE" IN 24 PA.C.S. § 8102.

14 (II) THE AMENDMENT OR ADDITION OF 24 PA.C.S. §§
15 8303; 8304; 8305, EXCEPT FOR SUBSECTION (C)(4)(II);
16 8305.1; 8323(A), (C) AND (C.1); 8328; 8346(D)(2)(I);
17 8348.1; 8348.2; 8348.3; 8348.5; AND 8525.

18 (III) EXCEPT INsofar AS RELATES TO SECTION 415(B) OF
19 THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26
20 U.S.C. § 1 ET SEQ.), THE AMENDMENT OF THE DEFINITIONS OF
21 "ACTIVE MEMBER," "CLASS OF SERVICE MULTIPLIER," "CREDITED
22 SERVICE" AND "INACTIVE MEMBER" IN 71 PA.C.S. § 5102.

23 (IV) EXCEPT INsofar AS RELATES TO SECTION 415(B) OF
24 THE INTERNAL REVENUE CODE OF 1986, THE AMENDMENT OF 71
25 PA.C.S. §§ 5302, 5305, 5501 AND 5502.

26 (V) THE AMENDMENT OR ADDITION OF 71 PA.C.S. §§ 5303;
27 5306, EXCEPT FOR SUBSECTION (A.1)(7)(II); 5306.1; 5306.2;
28 5502.1; 5507; 5508; 5702(C); 5706(C)(2)(I); 5707(F);
29 5708.1; 5708.2; 5708.3; 5708.5; 5937; AND 5938.

30 SECTION 36.1. THE AMENDMENT OF THE DEFINITION OF "VESTEE" IN

1 24 PA.C.S. §§ 8102, 8307, 8308, 8345(A) AND 8507(G) SHALL APPLY
2 TO ALL MEMBERS OF THE SCHOOL EMPLOYEES' RETIREMENT SYSTEM WHO
3 ARE ACTIVE OR INACTIVE ON LEAVE WITHOUT PAY ON THE EFFECTIVE
4 DATE OF THIS SECTION, AND TO ANY FORMER SCHOOL EMPLOYEE WHO IS A
5 MULTIPLE SERVICE MEMBER, IS A STATE EMPLOYEE AND IS A MEMBER OF
6 THE STATE EMPLOYEES' RETIREMENT SYSTEM ON THE EFFECTIVE DATE OF
7 THIS SECTION.

8 SECTION 37. THE AMENDMENT OF THE DEFINITION OF "VESTEE" IN
9 71 PA.C.S. § 5102 AND 71 PA.C.S. §§ 5308(B), 5309, 5704(B) AND
10 5705(A) SHALL APPLY TO ALL MEMBERS OF THE STATE EMPLOYEES'
11 RETIREMENT SYSTEM WHO ARE ACTIVE OR INACTIVE ON LEAVE WITHOUT
12 PAY ON JULY 1, 2001, AND TO ANY FORMER STATE EMPLOYEE WHO IS A
13 MULTIPLE SERVICE MEMBER, IS A SCHOOL EMPLOYEE AND IS A MEMBER OF
14 THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM ON JULY 1, 2001.

15 SECTION 38. (A) ELECTIONS TO BECOME A CLASS T-D MEMBER MAY
16 BE FILED WITH THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD
17 BEFORE JULY 1, 2001, BUT WILL NOT BE EFFECTIVE UNTIL JULY 1,
18 2001, AND WILL BE EFFECTIVE ONLY IF THE MEMBER IS ELIGIBLE TO
19 MAKE THE ELECTION ON JULY 1, 2001.

20 (B) ELECTIONS TO BECOME A CLASS AA MEMBER MAY BE FILED WITH
21 THE STATE EMPLOYEES' RETIREMENT BOARD BEFORE JULY 1, 2001, BUT
22 WILL NOT BE EFFECTIVE UNTIL JULY 1, 2001, AND WILL BE EFFECTIVE
23 ONLY IF THE MEMBER IS ELIGIBLE TO MAKE THE ELECTION ON JULY 1,
24 2001.

25 SECTION 39. THIS ACT SHALL TAKE EFFECT AS FOLLOWS:

26 (1) THE FOLLOWING PROVISIONS SHALL TAKE EFFECT
27 IMMEDIATELY:

28 (I) SECTION 1 OF THIS ACT.

29 (II) THE AMENDMENT OF THE DEFINITIONS OF "ACTIVE
30 MEMBER," "CREDITED SERVICE" AND "INACTIVE MEMBER" IN 24

1 PA.C.S. § 8102.

2 (III) THE AMENDMENT OF 24 PA.C.S. § 8302(A).

3 (IV) THE AMENDMENT OF 24 PA.C.S. § 8321.

4 (V) THE AMENDMENT OR ADDITION OF 24 PA.C.S. §
5 8327(B)(1) AND (2).

6 (VI) THE ADDITION OF 24 PA.C.S. § 8342(C).

7 (VII) THE ADDITION OF 24 PA.C.S. § 8344(E).

8 (VIII) THE AMENDMENT OF 24 PA.C.S. § 8501(A) AND
9 (B).

10 (IX) THE REPEAL OF 24 PA.C.S. § 8502.1.

11 (X) THE AMENDMENT OF 24 PA.C.S. § 8503(A).

12 (XI) THE AMENDMENT OF 24 PA.C.S. § 8506(C).

13 (XII) THE AMENDMENT OF 24 PA.C.S. § 8509(B).

14 (XIII) THE AMENDMENT OF 24 PA.C.S. § 8521(H), (I)
15 AND (J).

16 (XIV) THE ADDITION OF 24 PA.C.S. PT. V.

17 (XV) THE AMENDMENT OF THE DEFINITIONS OF "ACTIVE
18 MEMBER," "CREDITED SERVICE" AND "INACTIVE MEMBER" IN 71
19 PA.C.S. § 5102.

20 (XVI) THE AMENDMENT OF 71 PA.C.S. § 5302(A).

21 (XVII) THE AMENDMENT OF 71 PA.C.S. § 5304(A).

22 (XVIII) THE AMENDMENT OF 71 PA.C.S. § 5305(B).

23 (XIX) THE ADDITION OF 71 PA.C.S. § 5306.2.

24 (XX) THE AMENDMENT OF 71 PA.C.S. § 5501.

25 (XXI) THE AMENDMENT OF 71 PA.C.S. § 5502.

26 (XXII) THE ADDITION OF 71 PA.C.S. § 5502.1.

27 (XXIII) THE AMENDMENT OR ADDITION OF 71 PA.C.S. §
28 5702(C) AND (D).

29 (XXIV) THE AMENDMENT OR ADDITION OF 71 PA.C.S. §
30 5704(F) AND (G).

(XXV) THE ADDITION OF 71 PA.C.S. § 5707(F).

(XXVI) THE AMENDMENT OF 71 PA.C.S. § 5901(A) AND
(B).

(XXVII) THE AMENDMENT OF 71 PA.C.S. § 5903(A).

(XXVIII) AS MUCH OF THE AMENDMENT OF 71 PA.C.S. §
5906(C) AS RELATES TO SECTION 415 OF THE INTERNAL REVENUE
CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 415).

(XXIX) THE AMENDMENT OF 71 PA.C.S. § 5931(H), (I)
AND (J).

(XXX) THE AMENDMENT OF 71 PA.C.S. § 5937.

(XXXI) SECTION 23 OF THIS ACT.

(XXXII) SECTION 24 OF THIS ACT.

(XXXIII) SECTION 25 OF THIS ACT.

(XXXIV) SECTION 26 OF THIS ACT.

(XXXV) SECTION 27 OF THIS ACT.

(XXXVI) SECTION 28 OF THIS ACT.

(XXXVII) SECTION 31 OF THIS ACT.

(XXXVIII) SECTION 32 OF THIS ACT.

(XXXIX) SECTION 33 OF THIS ACT.

(XL) SECTION 34 OF THIS ACT.

(XLI) SECTION 35 OF THIS ACT.

(XLII) SECTION 36 OF THIS ACT.

(XLIII) SECTION 38 OF THIS ACT.

(XLIV) THIS SECTION.

(2) THE FOLLOWING PROVISIONS SHALL TAKE EFFECT SEPTEMBER
1, 2001:

(I) THE ADDITION OF THE DEFINITION OF "ACTUARIAL
INCREASE FACTOR" IN 71 PA.C.S. § 5102.

(II) THE ADDITION OF 71 PA.C.S. § 5305.1.

(III) THE AMENDMENT OR ADDITION OF 71 PA.C.S. §

1 5702(A) INTRODUCTORY PARAGRAPH AND (A.1).

2 (3) THE FOLLOWING PROVISIONS SHALL TAKE EFFECT JULY 1,
3 2002:

4 (I) THE AMENDMENT OF 71 PA.C.S. § 5507(B).

5 (II) THE AMENDMENT OF 71 PA.C.S. § 5508(B), (C), (E)
6 AND (F).

7 (III) THE AMENDMENT OF 71 PA.C.S. § 5708.1(F).

8 (IV) THE AMENDMENT OF 71 PA.C.S. § 5708.2(F).

9 (V) THE AMENDMENT OF 71 PA.C.S. § 5708.3(F).

10 (VI) THE AMENDMENT OF 71 PA.C.S. § 5708.5(F).

11 (VII) THE AMENDMENT OF 71 PA.C.S. § 5938.

12 (4) THE ADDITION OF 24 PA.C.S § 8502.2 SHALL TAKE EFFECT
13 UPON PUBLICATION OF THE NOTICE UNDER SECTION 25.

14 (5) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT JULY 1,
15 2001, OR IMMEDIATELY, WHICHEVER IS LATER.