

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2453 Session of 2012

INTRODUCED BY KAMPF, SACCONI, STEPHENS, BENNINGHOFF, GABLER, AUMENT, BARRAR, BEAR, BLOOM, CLYMER, CUTLER, DENLINGER, EMRICK, EVANKOVICH, GINGRICH, GROVE, HACKETT, HARPER, HARRIS, HENNESSEY, HUTCHINSON, KAUFFMAN, F. KELLER, KILLION, LAWRENCE, MAHER, MALONEY, MASSER, MILLER, MOUL, MUSTIO, O'NEILL, PERRY, QUIGLEY, ROSS, SCHMOTZER, SWANGER, TALLMAN, TOBASH, TOEPEL, TOOIL, TRUITT, TURZAI AND WATSON, JUNE 13, 2012

REFERRED TO COMMITTEE ON FINANCE, JUNE 13, 2012

AN ACT

1 Amending Titles 51 (Military Affairs) and 71 (State Government)
 2 of the Pennsylvania Consolidated Statutes, in Title 51, in
 3 employment preferences and pensions, further providing for
 4 military leaves of absence; in Title 71, in retirement for
 5 state employees and officers, further providing for
 6 definitions, for preliminary provisions and for membership,
 7 credited service, classes of service, and eligibility
 8 benefits, providing for State Employees' Defined Contribution
 9 Plan, further providing for contributions, for benefits and
 10 for administration, funds and accounts; and making editorial
 11 changes.

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

14 Section 1. Section 7306(a) introductory paragraph of Title 51
 15 of the Pennsylvania Consolidated Statutes is amended and the
 16 section is amended by adding a subsection to read:

17 § 7306. Retirement rights.

18 (a) Options available to employees.--Any employee who is a
 19 member of a retirement system, other than an active participant

1 or inactive participant on leave without pay of the State
2 Employees' Defined Contribution Plan, at the time he is granted
3 a military leave of absence shall be entitled to exercise any
4 one of the following options in regard thereto:

5 * * *

6 (d) Participants of the State Employees' Defined
7 Contribution Plan.--An employee who is an active participant or
8 inactive participant on leave without pay of the State
9 Employees' Defined Contribution Plan at the time he is granted a
10 military leave of absence shall be entitled to make
11 contributions to the State Employees' Defined Contribution Trust
12 for such leave as provided in 71 Pa.C.S. Pt. XXV (relating to
13 retirement for State employees and officers).

14 Section 2. The definitions of "alternate payee," "average
15 noncovered salary," "beneficiary," "compensation," "creditable
16 nonstate service," "credited service," "date of termination of
17 service," "distribution," "domestic relations order," "final
18 average salary," "inactive member," "intervening military
19 service," "irrevocable beneficiary," "previous State service,"
20 "retirement counselor," "salary deductions," "special vestee,"
21 "State employee," "superannuation age," "survivor annuitant" and
22 "valuation interest" in section 5102 of Title 71 are amended and
23 the section is amended by adding definitions to read:

24 § 5102. Definitions.

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

28 * * *

29 "Accumulated employer defined contributions." The total of
30 the employer defined contributions paid into the trust on

1 account of a participant's State service together with any
2 investment earnings and losses and adjustment for fees, costs
3 and expenses credited or charged thereon.

4 "Accumulated mandatory participant contributions." The total
5 of the mandatory pickup participant contributions paid into the
6 trust on account of a participant's State service together with
7 any investment earnings and losses and adjustments for fees,
8 costs and expenses credited or charged thereon.

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

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

21 * * *

22 "Active participant." A State employee for whom mandatory
23 pickup participant contributions are being made to the trust or
24 for whom such contributions otherwise required for current State
25 service are not being made solely by reason of any provision of
26 this part relating to the limitations under section 401(a)(17)
27 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
28 26 U.S.C. § 401(a)(17) or § 415).

29 * * *

30 "Alternate payee." Any spouse, former spouse, child or

1 dependent of a member or participant who is recognized by a
2 domestic relations order as having a right to receive all or a
3 portion of the moneys payable to that member or participant
4 under this part.

5 * * *

6 "Average noncovered salary." The average of the amounts of
7 compensation received by an active member each calendar year
8 since January 1, 1956, exclusive of the amount which was or
9 could have been covered by the Federal Social Security Act[,]
10 (42 U.S.C. § 301 et seq.), during that portion of the member's
11 service since January 1, 1956, for which he has received social
12 security integration credit.

13 * * *

14 "Beneficiary." The person or persons last designated in
15 writing to the board by a member to receive his accumulated
16 deductions or a lump sum benefit upon the death of such member.
17 A participant's spouse shall be his beneficiary unless a
18 participant is not married or the spouse consents to the person
19 or persons last designated in writing to the board by a
20 participant to receive the participant's accumulated total
21 defined contributions or a lump sum benefit upon the death of
22 such participant. A combined service employee may designate
23 different beneficiaries for his benefits from the system and the
24 plan.

25 * * *

26 "Combined service employee." A current or former State
27 employee who is both a member of the system and a participant in
28 the plan.

29 * * *

30 "Compensation." Pickup contributions and mandatory pickup

1 participant contributions plus remuneration actually received as
2 a State employee excluding refunds for expenses, contingency and
3 accountable expense allowances, and excluding any severance
4 payments or payments for unused vacation or sick leave, and for
5 participants excluding payments for military leave and any other
6 payments made by an employer while on USERRA leave, leave of
7 absence granted under 51 Pa.C.S. § 4102 (relating to leaves of
8 absence for certain government employees), military leave of
9 absence granted under 51 Pa.C.S. § 7302 (relating to granting
10 military leaves of absence) or other types of military leave,
11 including other types of leave payments, stipends, differential
12 wage payments as defined in section 414(u)(12) of the Internal
13 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 414(u)(12))
14 and any other payments: Provided, however, That compensation
15 received prior to January 1, 1973, shall be subject to the
16 limitations for retirement purposes in effect December 31, 1972,
17 if any: Provided further, That the limitation under section
18 [401(a)(17) of the Internal Revenue Code of 1986 (Public Law
19 99-514, 26 U.S.C.)IRC § 401(a)(17)) taken into account for the
20 purpose of member contributions, including any additional member
21 contributions in addition to regular or joint coverage member
22 contributions and Social Security integration contributions,
23 regardless of class of service, shall apply to each member who
24 first became a member of the State Employees' Retirement System
25 on or after January 1, 1996, and who by reason of such fact is a
26 noneligible member subject to the application of the provisions
27 of section 5506.1(a) (relating to annual compensation limit
28 under IRC § 401(a)(17)) and shall apply to each participant.

29 * * *

30 "Creditable nonstate service." Service other than:

- 1 (1) service as a State employee;
- 2 (2) service converted to State service pursuant to
- 3 section 5303.1 (relating to election to convert county
- 4 service to State service); or
- 5 (3) school service converted to State service pursuant
- 6 to section 5303.2 (relating to election to convert school
- 7 service to State service) for which an active member may
- 8 obtain credit in the system.

9 "Credited service." State or creditable nonstate service for

10 which the required contributions have been made to the fund or

11 for which the contributions otherwise required for such service

12 were not made solely by reason of section 5502.1 (relating to

13 waiver of regular member contributions and Social Security

14 integration member contributions) or any provision of this part

15 relating to the limitations under section 401(a)(17) or 415(b)

16 of the Internal Revenue Code of 1986 (Public Law 99-514, 26

17 U.S.C. § 401(a)(17) or 415(b)), or for which salary deductions

18 to the system or lump sum payments have been agreed upon in

19 writing.

20 "Date of termination of service." The last day of service

21 for which:

22 (1) pickup contributions are made for an active member

23 [or] ;

24 (2) in the case of an inactive member on leave without

25 pay, the date of his resignation or the date his employment

26 is formally discontinued by his employer;

27 (3) mandatory pickup participant contributions are made

28 for an active participant;

29 (4) in the case of an inactive participant on leave

30 without pay, the date of his resignation or the date his

1 employment is formally discontinued by his employer; or
2 (5) in the case of a combined service employee, the
3 latest of the dates in paragraphs (1), (2), (3) and (4).

4 * * *

5 "Distribution." Payment of all or any portion of a person's
6 interest in the State Employees' Retirement Fund or the State
7 Employees' Defined Contribution Trust which is payable under
8 this part.

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

22 * * *

23 "Employer defined contributions."

24 (1) Unless paragraph (2) applies, contributions equal to
25 4% of an active participant's compensation which are made by
26 the Commonwealth or other employer for current service to the
27 trust to be credited in the participant's individual
28 investment account.

29 (2) For active participants who elected to be
30 participants under section 5416 (relating to elections by

1 members to be participants), contributions equal to 7% of an
2 active participant's compensation which are made by the
3 Commonwealth or other employer for current service to the
4 trust to be credited in the participant's individual
5 investment account. This paragraph shall apply to a
6 participant only until termination of service such that the
7 participant is eligible for benefits under section 5407
8 (relating to eligibility for benefits) without regard to
9 whether or not a participant actually receives benefits. For
10 subsequent State service as an active participant, the
11 employer defined contributions shall equal 4% of an active
12 participant's compensation.

13 * * *

14 "Final average salary." The highest average compensation
15 received as a member during any three nonoverlapping periods of
16 four consecutive calendar quarters during which the member was a
17 State employee, with the compensation for part-time service
18 being annualized on the basis of the fractional portion of the
19 year for which credit is received; except if the employee was
20 not a member for three nonoverlapping periods of four
21 consecutive calendar quarters, the total compensation received
22 as a member, annualized in the case of part-time service,
23 divided by the number of nonoverlapping periods of four
24 consecutive calendar quarters of membership; in the case of a
25 member with multiple service, the final average salary shall be
26 determined on the basis of the compensation received by him as a
27 [State employee] member of the system or as a school employee
28 other than as a participant in the School Employees' Defined
29 Contribution Plan, or both; in the case of a member with Class
30 A-3 or Class A-4 service and service in one or more other

1 classes of service, the final average salary shall be determined
2 on the basis of the compensation received by him in all classes
3 of State service credited in the system; and, in the case of a
4 member who first became a member on or after January 1, 1996,
5 the final average salary shall be determined as hereinabove
6 provided but subject to the application of the provisions of
7 section 5506.1(a) (relating to annual compensation limit under
8 IRC § 401(a) (17)).

9 * * *

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

23 "Inactive participant." A participant for whom no mandatory
24 pickup participant contributions are being made to the trust,
25 except in the case of an active participant for whom such
26 contributions otherwise required for current State service are
27 not being made solely by reason of any provision of this part
28 relating to limitations under section 401(a) (17) or 415 of the
29 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
30 401(a) (17) or 415), but who has accumulated total defined

1 contributions standing to his credit in the trust and who has
2 not filed an application for an annuity.

3 "Individual investment account." The account in the trust to
4 which are credited the amounts of the contributions made by a
5 participant and the participant's employer in accordance with
6 the provisions of this part, together with all interest and
7 investment earnings after deduction for fees, costs, expenses
8 and investment losses and charges for distributions.

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

16 * * *

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

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

28 * * *

29 "Mandatory pickup participant contributions." Contributions
30 equal to 4% of compensation that are made by the Commonwealth or

1 other employer for active participants for current service which
2 are picked up by the employer.

3 * * *

4 "Participant." An active participant, inactive participant
5 or participant receiving distributions.

6 "Participant receiving distributions." A participant in the
7 plan who has commenced receiving distributions from his
8 individual investment account but who has not received a total
9 distribution of his interest in the account.

10 * * *

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

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

18 "Previous State service." Service rendered as a State
19 employee prior to his most recent entrance in the system,
20 provided that the State employee was not a participant in the
21 plan, was not eligible to be an optional participant in the plan
22 under section 5302(b.1) (relating to credited State service) or
23 was not prohibited from being a participant under section
24 5302(c.1) during such service.

25 * * *

26 "Reemployed from USERRA leave." Resumption of active
27 participation as a State employee after a period of USERRA
28 leave, provided however, that the resumption of active
29 participation was within the time period and under conditions
30 and circumstances such that the State employee was entitled to

1 reemployment rights under 38 U.S.C. Ch. 43 (relating to
2 employment and reemployment rights of members of the uniformed
3 services).

4 * * *

5 "Required beginning date." The latest date by which
6 distributions of a participant's interest in his individual
7 investment account must commence under section 401(a)(9) of the
8 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
9 401(a)(9)).

10 "Retirement counselor." The State Employees' Retirement
11 System or State Employees' Defined Contribution Plan employee
12 whose duty it shall be to advise each employee of his rights and
13 duties as a member of the system or as a participant of the
14 plan.

15 "Salary deductions." The amounts certified by the board,
16 deducted from the compensation of an active member or active
17 participant, or the school service compensation of a multiple
18 service member who is an active member of the Public School
19 Employees' Retirement System, and paid into the fund or trust.

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

23 * * *

24 "Special vestee." An employee of The Pennsylvania State
25 University who is a member of the State Employees' Retirement
26 System with five or more but less than ten eligibility points
27 and who has a date of termination of service from The
28 Pennsylvania State University of June 30, 1997, because of the
29 transfer of his job position or duties to a controlled
30 organization of the Penn State Geisinger Health System or

1 because of the elimination of his job position or duties due to
2 the transfer of other job positions or duties to a controlled
3 organization of the Penn State Geisinger Health System, provided
4 that:

5 (1) subsequent to termination of State service as an
6 employee of The Pennsylvania State University, the member has
7 not returned to State service in any other capacity or
8 position as a State employee;

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

11 (3) the member files an application to vest the member's
12 retirement rights pursuant to section 5907(f) (relating to
13 rights and duties of State employees [and], members and
14 participants) on or before September 30, 1997; and

15 (4) the member elects to leave the member's total
16 accumulated deductions in the fund and to defer receipt of an
17 annuity until attainment of superannuation age.

18 * * *

19 "State employee." Any person holding a State office or
20 position under the Commonwealth, employed by the State
21 Government of the Commonwealth, in any capacity whatsoever,
22 except an independent contractor or any person compensated on a
23 fee basis or any person paid directly by an entity other than a
24 State Employees' Retirement System employer, and shall include
25 members of the General Assembly, and any officer or employee of
26 the following:

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

28 (ii) State-owned educational institutions.

29 (iii) Community colleges.

30 (iv) The Pennsylvania State University, except an

1 employee in the College of Agriculture who is paid wholly
2 from Federal funds or an employee who is participating in
3 the Federal Civil Service Retirement System. The
4 university shall be totally responsible for all employer
5 contributions under [section] sections 5507 (relating to
6 contributions to the system by the Commonwealth and other
7 [employers]) employers before July 1, 2015) and 5507.1
8 (relating to contributions to the system by the
9 Commonwealth and other employers starting July 1, 2015).

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

29 (3) Any separate independent public corporation created
30 by statute, not including any municipal or quasi-municipal

1 corporation, so long as he remains an officer or employee of
2 such public corporation, and provided that such officer or
3 employee of such public corporation was an employee of the
4 Commonwealth immediately prior to his employment by such
5 corporation, and further provided such public corporation
6 shall agree to contribute and contributes to the fund or to
7 the trust, from time to time, the moneys required to build up
8 the reserves necessary for the payment of the annuities or
9 other benefits of such officers and employees without any
10 liability on the part of the Commonwealth to make
11 appropriations for such purposes.

12 * * *

13 "Successor payee." The person or persons last designated by
14 a participant receiving distributions in writing to the board to
15 receive one or more distributions upon the death of such
16 participant. A combined service employee may designate different
17 persons to be successor payees for his benefits in the plan and
18 beneficiaries or survivor annuitants for his benefits from the
19 system.

20 "Superannuation age." For classes of service in the system
21 other than Class A-3 and Class A-4, any age upon accrual of 35
22 eligibility points or age 60, except for a member of the General
23 Assembly, an enforcement officer, a correction officer, a
24 psychiatric security aide, a Delaware River Port Authority
25 policeman or an officer of the Pennsylvania State Police, age
26 50, and, except for a member with Class G, Class H, Class I,
27 Class J, Class K, Class L, Class M or Class N service, age 55
28 upon accrual of 20 eligibility points. For Class A-3 and Class
29 A-4 service, any age upon attainment of a superannuation score
30 of 92, provided the member has accrued 35 eligibility points, or

1 age 65, or for park rangers or capitol police officers, age 55
2 with 20 years of service as a park ranger or capitol police
3 officer, except for a member of the General Assembly, an
4 enforcement officer, a correction officer, a psychiatric
5 security aide, a Delaware River Port Authority policeman or an
6 officer of the Pennsylvania State Police, age 55. A vestee with
7 Class A-3 or Class A-4 service credit attains superannuation age
8 on the birthday the vestee attains the age resulting in a
9 superannuation score of 92, provided that the vestee has at
10 least 35 eligibility points, or attains another applicable
11 superannuation age, whichever occurs first.

12 * * *

13 "Survivor annuitant." The person or persons last designated
14 by a member under a joint and survivor annuity option to receive
15 an annuity upon the death of such member. A combined service
16 employee may designate different persons to be survivor
17 annuitants for his benefits from the system and beneficiaries or
18 successor payees for his benefits in the plan.

19 * * *

20 "Trust." The State Employees' Defined Contribution Trust
21 established under Chapter 54 (relating to State Employees'
22 Defined Contribution Plan).

23 "USERRA leave." Any period of time for service in the
24 uniformed services, as defined in 38 U.S.C. Ch. 43 (relating to
25 employment and reemployment rights of members of the uniformed
26 services), by a participant or former participant who terminated
27 State service to perform such service in the uniformed services,
28 if such current or former participant is entitled to
29 reemployment rights under 38 U.S.C. Ch. 43 with respect to such
30 uniformed service.

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

4 * * *

5 "Voluntary contributions." Contributions made by a
6 participant to the trust and credited to his individual
7 investment account in excess of his mandatory pickup participant
8 contributions, by salary deductions paid through the
9 Commonwealth or other employer, or by an eligible rollover or
10 direct trustee-to-trustee transfer.

11 Section 3. Section 5103 of Title 71 is amended to read:

12 § 5103. Notice to members and participants.

13 Notice by publication, including, without being limited to,
14 newsletters, newspapers, forms, first class mail, letters,
15 manuals and, to the extent authorized by a policy adopted by the
16 board, electronically, including, without being limited to, e-
17 mail or [World Wide Web] Internet sites, distributed or made
18 available to members and participants in a manner reasonably
19 calculated to give actual notice of those sections of the State
20 Employees' Retirement Code that require notice to members or
21 participants shall be deemed sufficient notice for all purposes.

22 Section 4. Title 71 is amended by adding a section to read:

23 § 5104. Reference to State Employees' Retirement System.

24 As of the effective date of this section, unless the context
25 clearly indicates otherwise, any reference to the State
26 Employees' Retirement System in a statutory provision other than
27 this part and 24 Pa.C.S. Pt. IV (relating to retirement for
28 school employees) shall include a reference to the State
29 Employees' Defined Contribution Plan and any reference to the
30 State Employees' Retirement Fund shall include a reference to

1 the State Employees' Defined Contribution Trust.

2 Section 5. Sections 5301 heading, (a), (b), (c) and (d) and
3 5302(a), (b), (d) and (e) of Title 71 are amended and the
4 sections are amended by adding subsections to read:

5 § 5301. Mandatory and optional membership in the system and
6 participation in the plan.

7 (a) Mandatory membership.--[Membership] Unless an election
8 to be a participant in the plan is made, membership in the
9 system shall be mandatory as of the effective date of employment
10 for all State employees except the following:

- 11 (1) Governor.
- 12 (2) Lieutenant Governor.
- 13 (3) Members of the General Assembly.
- 14 (4) Heads or deputy heads of administrative departments.
- 15 (5) Members of any independent administrative board or
16 commission.
- 17 (6) Members of any departmental board or commission.
- 18 (7) Members of any advisory board or commission.
- 19 (8) Secretary to the Governor.
- 20 (9) Budget Secretary.
- 21 (10) Legislative employees.
- 22 (11) School employees who have elected membership in the
23 Public School Employees' Retirement System.
- 24 (12) School employees who have elected membership in an
25 independent retirement program approved by the employer,
26 provided that in no case, except as hereinafter provided,
27 shall the employer contribute on account of such elected
28 membership at a rate greater than the employer normal
29 contribution rate as determined in section 5508(b) (relating
30 to actuarial cost method for fiscal years ending before July

1 1, 2015). For the fiscal year 1986-1987 an employer may
2 contribute on account of such elected membership at a rate
3 which is the greater of 7% or the employer normal
4 contribution rate as determined in section 5508(b) and for
5 the fiscal year 1992-1993 and all years after that at a rate
6 of 9.29%.

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

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

14 (15) Employees of the Philadelphia Regional Port
15 Authority who have elected to retain membership in the
16 pension plan or retirement system in which they were enrolled
17 as employees of the predecessor Philadelphia Port Corporation
18 prior to the creation of the Philadelphia Regional Port
19 Authority.

20 (16) Employees of the Juvenile Court Judges' Commission
21 who, before the effective date of this paragraph, were
22 transferred from the State System of Higher Education to the
23 Juvenile Court Judges' Commission as a result of an
24 interagency transfer of staff approved by the Office of
25 Administration and who, while employees of the State System
26 of Higher Education, had elected membership in an independent
27 retirement program approved by the employer.

28 (17) State employees who are in a position covered by
29 Social Security and whose most recent period of State service
30 starts on or after January 1, 2015. For purposes of this

1 paragraph, a State employee who is furloughed under section
2 802 of the act of August 5, 1941 (P.L.752, No.286), known as
3 the Civil Service Act, and reemployed in any class or civil
4 service status which was previously held shall not be treated
5 as having a break in State service.

6 (a.1) Mandatory participation in the plan.--State employees
7 listed in subsection (a) (17) who are not listed in subsection
8 (a) (1) through (13) shall be mandatory participants as of the
9 most recent effective date of State service.

10 (b) Optional membership in the system.--The State employees
11 listed in subsection (a) (1) through (11) shall have the right to
12 elect membership in the system on or before December 31, 2014;
13 once such election is exercised, membership shall continue until
14 the termination of State service or until the State employee
15 elects to be a participant of the plan.

16 (b.1) Optional participation in the plan.--The State
17 employees listed in subsection (a) (17) who also are listed in
18 subsection (a) (1) through (10) shall have the right to elect
19 participation in the plan; once such election is exercised,
20 participation will be effective as of the date of election and
21 shall continue until the termination of State service.

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

26 (c.1) Prohibited participation in the plan.--The State
27 employees listed in subsection (a) (17) who also are listed in
28 subsection (a) (13) and (15) or who are employees of The
29 Pennsylvania State University, the State System of Higher
30 Education, State-owned educational institutions or community

1 colleges shall not be eligible to participate in the plan.

2 (d) Return to service.--An annuitant who returns to service
3 as a State employee before January 1, 2015, or if on or after
4 January 1, 2015, to a position not covered by Social Security
5 shall resume active membership in the system as of the effective
6 date of employment, except as otherwise provided in section
7 5706(a) (relating to termination of annuities), regardless of
8 the optional membership category of the position. An annuitant,
9 inactive participant or a participant receiving distributions
10 who returns to service as a State employee on or after January
11 1, 2015, shall be an active participant of the plan as of the
12 effective date of employment unless the position is not covered
13 by Social Security, is eligible for optional participation or is
14 not eligible for participation in the plan, or except as
15 otherwise provided in section 5706(a).

16 * * *

17 § 5302. Credited State service.

18 (a) Computation of credited service.--In computing credited
19 State service of a member for the determination of benefits, a
20 full-time salaried State employee, including any member of the
21 General Assembly, shall receive credit for service in each
22 period for which contributions as required are made to the fund,
23 or for which contributions otherwise required for such service
24 were not made solely by reason of section 5502.1 (relating to
25 waiver of regular member contributions and Social Security
26 integration member contributions) or any provision of this part
27 relating to the limitations under IRC § 401(a)(17) or 415(b),
28 but in no case shall he receive more than one year's credit for
29 any 12 consecutive months or 26 consecutive biweekly pay
30 periods. A per diem or hourly State employee shall receive one

1 year of credited service for each nonoverlapping period of 12
2 consecutive months or 26 consecutive biweekly pay periods in
3 which he is employed and for which contributions are made to the
4 fund or would have been made to the fund but for such waiver
5 under section 5502.1 or limitations under the IRC for at least
6 220 days or 1,650 hours of employment. If the member was
7 employed and contributions were made to the fund for less than
8 220 days or 1,650 hours, he shall be credited with a fractional
9 portion of a year determined by the ratio of the number of days
10 or hours of service actually rendered to 220 days or 1,650
11 hours, as the case may be. A part-time salaried employee shall
12 be credited with the fractional portion of the year which
13 corresponds to the number of hours or days of service actually
14 rendered and for which contributions are made to the fund in
15 relation to 1,650 hours or 220 days, as the case may be. In no
16 case shall a member who has elected multiple service receive an
17 aggregate in the two systems of more than one year of credited
18 service for any 12 consecutive months.

19 (b) Creditable leaves of absence.--

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

1 (relating to additional member contributions) [and], 5507
2 (relating to contributions to the system by the Commonwealth
3 and other employers before July 1, 2015) and 5507.1 (relating
4 to contributions to the system by the Commonwealth and other
5 employers starting July 1, 2015), the member returns from
6 leave without pay to active State service as a member of the
7 system for a period of at least one year, and he is not
8 entitled to retirement benefits for such service under a
9 retirement system administered by any other governmental
10 agency.

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

1 organization shall fully reimburse the employer for all
2 expenses and costs of such paid leave, including, but not
3 limited to, contributions and payment in accordance with
4 [sections] section 5404 (relating to participant
5 contributions), 5405 (relating to mandatory pickup
6 participant contributions), 5501, 5501.1, 5505.1 [and], 5507
7 or 5507.1, if the employee organization either directly pays,
8 or reimburses the Commonwealth or other employer for,
9 contributions made in accordance with [section] sections
10 5405, 5507 and 5507.1.

11 * * *

12 (d) Enlargement of coverage of Military Code.--For purposes
13 of determining whether a member is eligible to receive credited
14 service for active military service rendered after the date of
15 this act, other than active duty service to meet periodic
16 training requirements, the provisions of 51 Pa.C.S. Ch. 73
17 (relating to military leave of absence) shall apply to all
18 individuals who were active members of the system when they
19 entered active military service, even if not defined as an
20 employee pursuant to 51 Pa.C.S. § 7301 (relating to
21 definitions).

22 * * *

23 (e) Cancellation of credited service.--All credited service
24 in the system shall be cancelled if a member withdraws his total
25 accumulated deductions, except that a member with Class A-3 or
26 Class A-4 service credit and one or more other classes of
27 service credit shall not have his service credit as a member of
28 any classes of service other than as a member of Class A-3 or
29 Class A-4 cancelled when the member receives a lump sum payment
30 of accumulated deductions resulting from Class A-3 or Class A-4

1 service pursuant to section 5705.1 (relating to payment of
2 accumulated deductions resulting from Class A-3 and Class A-4
3 service). A partial or total distribution of accumulated total
4 defined contributions to a combined service employee shall not
5 cancel service credited in the system.

6 (f) Military service by a participant.--A participant who
7 has performed USERRA leave shall be treated and may make
8 contributions as follows:

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

30 (2) A participant who is reemployed from USERRA leave

1 who does not make the mandatory pickup participant
2 contributions or makes only part of the mandatory pickup
3 participant contributions within the allowed payment period
4 shall not be eligible to make mandatory pickup participant
5 contributions or voluntary contributions at a later date for
6 the period of USERRA leave for which the mandatory pickup
7 participant contributions were not timely made.

8 (3) A participant employee who performs USERRA leave
9 from which the employee could have been reemployed from
10 USERRA leave had the State employee returned to State service
11 in the time frames required by 38 U.S.C. Ch. 43 for
12 reemployment rights, but was not reemployed, shall not be
13 eligible to make mandatory pickup participant contributions
14 or voluntary contributions for the period of USERRA leave
15 should the employee later return to State service and be a
16 participant in the plan.

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

1 Pa.C.S. Ch. 73.

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

9 Section 6. Sections 5303(b) (2), (d) (1), (e) (1) and (4),
10 5303.2(a) and (e), 5304(a) and (b), 5305(b) introductory
11 paragraph and (3) and 5305.1 of Title 71 are amended to read:
12 § 5303. Retention and reinstatement of service credits.

13 * * *

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

15 * * *

16 (2) A special vestee or person otherwise eligible to be
17 a special vestee who returns to State service, other than as
18 a participant in the plan, or withdraws his accumulated
19 deductions pursuant to section 5311 (relating to eligibility
20 for refunds) or 5701 (relating to return of total accumulated
21 deductions) shall receive or retain eligibility points in
22 accordance with paragraph (1) but upon subsequent termination
23 of State service shall only be eligible to be an annuitant,
24 vestee or inactive member without regard to previous status
25 as a special vestee and without regard to the provisions of
26 this part providing for special vestees.

27 * * *

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

29 (1) Any person who was an employee of any county in this
30 Commonwealth on the personal staff of an appellate court

1 judge prior to September 9, 1985, and who had that employment
2 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
3 (relating to local chamber facilities) shall be a member of
4 the system for all service rendered as an employee of the
5 Commonwealth on the personal staff of an appellate court
6 judge subsequent to the date of the transfer unless
7 specifically prohibited pursuant to section 5301(c) (relating
8 to mandatory and optional membership in the system and
9 participation in the plan). The employee shall be entitled to
10 have any prior service credit in that county or other
11 municipal pension plan or retirement system transferred to
12 the system and deemed to be State service for all purposes
13 under this part. However, for those employees who were in
14 continuous county employment which commenced prior to July
15 22, 1983, section 5505.1 shall not apply. The transfer of
16 prior service credit to the system shall occur upon the
17 transfer, by the member, county or other municipal pension
18 plan or retirement system, to the system of the amount of
19 accumulated member contributions, pick-up contributions and
20 credited interest standing in the employee's county or
21 municipal pension plan or retirement system account as of the
22 date that these funds are transferred to the system. In the
23 event that these funds have been refunded to the member, the
24 transfer of service credit shall occur when the member
25 transfers an amount equal to either the refund which the
26 member received from the county or municipal pension plan or
27 retirement system or the amount due under section 5504, if
28 less. In the case of a transfer by the member, the transfer
29 shall occur by December 31, 1987, in order for the member to
30 receive credit for the prior service. In the case of a

1 transfer by the county or other municipal pension plan or
2 retirement system, the transfer shall also occur by December
3 31, 1987. If the amount transferred to the system by the
4 member of a county or municipal pension plan or retirement
5 system is greater than the amount that would have accumulated
6 in the member's account if the employee had been a member of
7 the system, all excess funds shall be returned to the
8 employee within 90 days of the date on which such funds are
9 credited to the member's account in the system. Within 60
10 days of receipt of written notice that an employee has
11 elected to transfer credits under the provisions of this
12 subsection, the county or other municipal pension plans or
13 retirement systems shall be required to transfer to the
14 system an amount, excluding contributions due under section
15 5504(a), equal to the liability of the prior service in
16 accordance with county or other municipal pension plan or
17 retirement system benefit provisions, multiplied by the ratio
18 of system actuarial value of assets for active members to the
19 system actuarial accrued liability for active members. The
20 Public Employee Retirement Study Commission shall determine
21 the appropriate amount of employer contributions to be
22 transferred to the system by the county or other municipal
23 pension plans or retirement systems.

24 * * *

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

27 (1) Any employee of the Philadelphia Regional Port
28 Authority who becomes a State employee, as defined in section
29 5102 (relating to definitions), and an active member of the
30 system shall be eligible to obtain retirement credit for

1 prior uncredited service with the Philadelphia Port
2 Corporation, a Pennsylvania not-for-profit corporation
3 ("predecessor corporation"), provided that the Commonwealth
4 does not incur any liability for the funding of the annuities
5 attributable to the prior, uncredited "predecessor
6 corporation" service, the cost of which shall be determined
7 according to paragraph (2).

8 * * *

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

17 * * *

18 § 5303.2. Election to convert school service to State service.

19 (a) Eligibility.--An active member or inactive member on
20 leave without pay who was an employee transferred from the
21 Department of Education to the Department of Corrections
22 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
23 No.175), known as The Administrative Code of 1929, and who on
24 the effective date of that transfer did not participate in an
25 independent retirement program approved by the Department of
26 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
27 and optional membership) or section 5301(a)(12) (relating to
28 mandatory and optional membership in the system and
29 participation in the plan), notwithstanding any other provision
30 of law or any collective bargaining agreement, arbitration

1 award, contract or term or conditions of any retirement system
2 or pension plan, may make a one-time election to convert all
3 service credited in the Public School Employees' Retirement
4 System as of June 30, 1999, and transfer to the system all
5 accumulated member contributions and statutory interest credited
6 in the members' savings account in the Public School Employees'
7 Retirement System as of June 30, 1999, plus statutory interest
8 on that amount credited by the Public School Employees'
9 Retirement System from July 1, 1999, to the date of transfer to
10 the system.

11 * * *

12 (e) Transfer.--Within 180 days after the effective date of
13 this subsection, the Public School Employees' Retirement System
14 shall transfer to the board for each member electing to convert
15 under this section the accumulated member contributions and
16 statutory interest credited in the Public School Employees'
17 Retirement System, plus an amount equal to the value of all
18 annual employer contributions made to the Public School
19 Employees' Retirement System with interest at the annual rate
20 adopted by the board for the calculation of the normal
21 contribution rate under section 5508(b) (relating to actuarial
22 cost method for fiscal year ending before July 1, 2015), from
23 the date of each contribution to the date of the transfer of the
24 funds to the board. Any debt owed by a member to the Public
25 School Employees' Retirement System for whatever reason shall be
26 transferred to the system and shall be paid in a manner and in
27 accordance with conditions prescribed by the board.

28 * * *

29 § 5304. Creditable nonstate service.

30 (a) Eligibility.--

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

18 (2) An active member who first becomes an active member
19 on or after January 1, 2011, or on or after December 1, 2010,
20 as a member of the General Assembly, or a multiple service
21 member who first becomes an active member on or after January
22 1, 2011, or on or after December 1, 2010, as a member of the
23 General Assembly, and who is a school employee and an active
24 member of the Public School Employees' Retirement System
25 shall be eligible for Class A-3 service credit for creditable
26 nonstate service as set forth in subsections (b) and (c)
27 except that intervening military service shall be credited in
28 the class of service for which the member was eligible at the
29 time of entering into military service and for which he makes
30 the required contributions to the fund and except that a

1 multiple service member who is a school employee and an
2 active member of the Public School Employees' Retirement
3 System shall not be eligible to purchase service credit for
4 creditable nonstate service set forth in subsection (c) (5).

5 * * *

6 (b) Limitations on eligibility.--An active member or a
7 multiple service member who is a school employee and an active
8 member of the Public School Employees' Retirement System shall
9 be eligible to receive credit for nonstate service provided that
10 he does not have credit for such service in the system or in the
11 school system and is not entitled to receive, eligible to
12 receive now or in the future, or is receiving retirement
13 benefits for such service in the system or under a retirement
14 system administered and wholly or partially paid for by any
15 other governmental agency or by any private employer, or a
16 retirement program approved by the employer in accordance with
17 section 5301(a) (12) (relating to mandatory and optional
18 membership in the system and participation in the plan), and
19 further provided, that such service is certified by the previous
20 employer and contributions are agreed upon and made in
21 accordance with section 5505 (relating to contributions for the
22 purchase of credit for creditable nonstate service).

23 * * *

24 § 5305. Social security integration credits.

25 * * *

26 (b) Accrual of subsequent credits.--Any active member who
27 has social security integration accumulated deductions to his
28 credit or is receiving a benefit on account of social security
29 integration credits may accrue one social security integration
30 credit for each year of service as a State employee on or

1 subsequent to March 1, 1974 and a fractional credit for a
2 corresponding fractional year of service provided that
3 contributions are made to the fund, or would have been made to
4 the fund but for section 5502.1 (relating to waiver of regular
5 member contributions and Social Security integration member
6 contributions) or the limitations under IRC § 401(a)(17) or
7 415(b), in accordance with section 5502 (relating to Social
8 Security integration member contributions), and he:

9 * * *

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

13 * * *

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[;] or

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

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

30 Section 7. Section 5306(a), (a.1)(2) and (6) and (b) of

1 Title 71 are amended and the section is amended by adding a
2 subsection to read:

3 § 5306. Classes of service.

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

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

16 (2) A State employee who first becomes a member of the
17 system on or after January 1, 2011, or on or after December
18 1, 2010, as a member of the General Assembly and who is
19 employed in a position covered by Social Security, shall be
20 classified as a Class A-3 member and receive credit for Class
21 A-3 service upon payment of regular member contributions and
22 shared-risk member contributions for Class A-3 service
23 provided that the State employee does not become a member of
24 Class A-4 pursuant to subsection (a.3), except that a member
25 of the judiciary shall be classified as a member of such
26 other class of service for which the member of the judiciary
27 is eligible, shall elect and make regular member
28 contributions and further provided that the State employee
29 does not become a participant in the plan.

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

1 * * *

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

22 * * *

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

1 judiciary if such judicial service begins before January 1,
2 2015, or if he first became a member before January 1, 2011,
3 or December 1, 2010, as a member of the General Assembly, or
4 Class A-3 credit for service other than as a member of the
5 judiciary if such nonjudicial service begins before January
6 1, 2015, and he first became a member on or after January 1,
7 2011, or December 1, 2010, as a member of the General
8 Assembly, unless a class of membership other than Class A is
9 elected.

10 * * *

11 (b) Other class membership.--

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

18 (2) Notwithstanding any other provision of this section,
19 a State employee who before January 1, 2015, is appointed
20 bail commissioner of the Philadelphia Municipal Court under
21 42 Pa.C.S. § 1123(a) (5) (relating to jurisdiction and venue)
22 may, within 30 days of the effective date of this sentence or
23 within 30 days of his initial appointment as a bail
24 commissioner, whichever is later, elect Class E-2 service
25 credit for service performed as a bail commissioner. This
26 class of service multiplier for E-2 service as a bail
27 commissioner shall be 1.5.

28 * * *

29 (e) Ineligibility for active membership and classes of
30 service.--An individual who elects to be a participant in the

1 plan and who first becomes a State employee on or after January
2 1, 2015, or who returns to State service after a termination of
3 State service, without regard to whether the termination
4 occurred before or after January 1, 2015, unless employed in a
5 position not covered by Social Security, shall be ineligible for
6 active membership in the system or the several classes of State
7 service as otherwise provided for under this section. Any such
8 State employee, if eligible, may be a participant in the plan as
9 a result of such State service.

10 Section 8. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
11 (d) of Title 71 are amended to read:

12 § 5306.1. Election to become a Class AA member.

13 * * *

14 (c) Effect of election.--An election to become a Class AA
15 member shall become effective the later of July 1, 2001, or the
16 date when the election is filed with the board and shall remain
17 in effect until the termination of employment. Upon termination
18 and a subsequent reemployment that occurs before January 1,
19 2015, the member's class of service shall be credited in the
20 class of service otherwise provided for in this part. If the
21 reemployment occurs on or after January 1, 2015, the State
22 employee's eligibility for membership in the system or
23 participation in the plan shall be as provided in this part.

24 * * *

25 § 5306.2. Elections by members of the General Assembly.

26 * * *

27 (b) Effect of election.--Membership as a Class D-4 member
28 shall become effective on July 1, 2001, and shall remain in
29 effect until the termination of service as a member of the
30 General Assembly. Upon termination and a subsequent reemployment

1 that occurs before January 1, 2015, the member's class of
2 service shall be credited in the class of service otherwise
3 provided for in this part. If the reemployment occurs on or
4 after January 1, 2015, the State employee's eligibility for
5 membership in the system or participation in the plan shall be
6 as provided in this part.

7 * * *

8 § 5306.3. Election to become a Class A-4 member.

9 * * *

10 (c) Effect of election.--An election to become a Class A-4
11 member shall be irrevocable and shall become effective on the
12 effective date of membership in the system and shall remain in
13 effect for all future [creditable] State service creditable in
14 the system, other than service performed as a member of the
15 judiciary and service performed after a termination and a
16 reemployment when the reemployment occurs on or after January 1,
17 2015, unless in a position not covered by Social Security.
18 Payment of regular member contributions for Class A-4 State
19 service performed prior to the election of Class A-4 membership
20 shall be made in a form, manner and time determined by the
21 board. Upon termination and a subsequent reemployment before
22 January 1, 2015, a member who elected Class A-4 membership shall
23 be credited as a Class A-4 member for creditable State service
24 performed after reemployment and before the next termination of
25 State service or election to be a participant, except as a
26 member of the judiciary, regardless of termination of
27 employment, termination of membership by withdrawal of
28 accumulated deductions or status as an annuitant, vestee or
29 inactive member after the termination of service and before
30 reemployment occurring before January 1, 2015.

1 (d) Effect of failure to make election.--Failure to elect to
2 become a Class A-4 member within the election period set forth
3 in subsection (b) shall result in all of the member's State
4 service, other than service performed as a member of the
5 judiciary, being credited as Class A-3 service, unless the State
6 employee elects or is required to be a participant in the plan,
7 and not subject to further election or crediting as Class A-4
8 service. Upon termination and subsequent employment, a member
9 who failed to elect to become a Class A-4 member shall not be
10 eligible to make another election to become a Class A-4 member
11 for either past or future State service.

12 Section 9. Sections 5307(b)(1) and 5308(a) and (b) of Title
13 71 are amended and the sections are amended by adding
14 subsections to read:

15 § 5307. Eligibility points.

16 * * *

17 (b) Transitional rule.--

18 (1) In determining whether a member who is not a State
19 employee or school employee on June 30, 2001, and July 1,
20 2001, and who has previous State service (except a disability
21 annuitant who returns to State service after June 30, 2001,
22 upon termination of the disability annuity) has the five
23 eligibility points required by sections 5102 (relating to
24 definitions), 5308(b) (relating to eligibility for
25 annuities), 5309 (relating to eligibility for vesting),
26 5704(b) (relating to disability annuities) and 5705(a)
27 (relating to member's options), only eligibility points
28 earned by performing credited State service as an active
29 member of the system or credited school service as an active
30 member of the Public School Employees' Retirement System

1 after June 30, 2001, shall be counted until such member earns
2 one eligibility point by performing credited State service or
3 credited school service after June 30, 2001, at which time
4 all eligibility points as determined pursuant to subsection
5 (a) shall be counted.

6 * * *

7 (c) Transitional rule for members electing participation.--
8 In determining whether a State employee who is an active member
9 or an inactive member on leave without pay on January 1, 2015,
10 and who elects to become a participant in the plan under section
11 5416 (relating to election by members to be participants) has
12 the five eligibility points required by sections 5102, 5308(b)
13 (1), 5309(1) and 5705(a) or the ten eligibility points required
14 by sections 5102, 5308(b) (2), 5309(2) and 5705(a), any such
15 combined service employee shall be considered to have satisfied
16 any requirement for five or ten eligibility points, as the case
17 may be, if the combined service employee does not terminate
18 State service for three or more years after the effective date
19 of participation in the plan.

20 § 5308. Eligibility for annuities.

21 (a) Superannuation annuity.--Attainment of superannuation
22 age by an active member [or], an inactive member on leave
23 without pay or a combined service employee who is an active
24 participant or inactive participant on leave without pay with
25 three or more years of credited State or school service shall
26 entitle him to receive a superannuation annuity upon termination
27 of State service and compliance with section 5907(f) (relating
28 to rights and duties of State employees [and], members and
29 participants).

30 (b) Withdrawal annuity.--

1 (1) Any vestee or any active member [or], inactive
2 member on leave without pay or a combined service employee
3 who is an active participant or inactive participant on leave
4 without pay who terminates State service having five or more
5 eligibility points and who does not have Class A-3 or Class
6 A-4 service credit or Class T-E or Class T-F service credit
7 in the Public School Employees' Retirement System, or who has
8 Class G, Class H, Class I, Class J, Class K, Class L, Class M
9 or Class N service and terminates State service having five
10 or more eligibility points, upon compliance with section
11 5907(f), (g) or (h) shall be entitled to receive an annuity.

12 (2) Any vestee, active member [or], inactive member on
13 leave without pay or combined service employee who is an
14 active participant or inactive participant on leave without
15 pay who has Class A-3 or Class A-4 service credit or Class T-
16 E or Class T-F service credit in the Public School Employees'
17 Retirement System who terminates State service having ten or
18 more eligibility points, upon compliance with section
19 5907(f), (g) or (h), shall be entitled to receive an annuity.

20 (3) Any vestee, active member [or], inactive member on
21 leave without pay or combined service employee who is an
22 active participant or inactive participant on leave without
23 pay who has either Class A-3 or Class A-4 service credit or
24 Class T-E or Class T-F service credit in the Public School
25 Employees' Retirement System and also has service credited in
26 the system in one or more other classes of service who has
27 five or more, but fewer than ten, eligibility points, upon
28 compliance with section 5907(f), (g) or (h), shall be
29 eligible to receive an annuity calculated on his service
30 credited in classes of service other than Class A-3 or Class

1 A-4, provided that the member has five or more eligibility
2 points resulting from service in classes other than Class A-3
3 or Class A-4 or Class T-E or Class T-F service in the Public
4 School Employees' Retirement System.

5 * * *

6 (d) Eligibility of combined service employees for
7 superannuation annuity.--A State employee who is an active
8 member or inactive member on leave without pay on January 1,
9 2015, and who elects to become a participant under section 5416
10 (relating to election by members to be participants) will be
11 deemed to have satisfied the requirement of three or more years
12 of credited State or school service under subsection (a) if the
13 State employee does not terminate State service before three
14 years after the effective date of the election to be a
15 participant. Nothing in this subsection amends or waives any
16 other requirement to be eligible for a superannuation annuity.

17 Section 10. Sections 5308.1(1) and 5311(a) of Title 71 are
18 amended to read:

19 § 5308.1. Eligibility for special early retirement.

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

23 (1) During the period of July 1, 1985, to September 30,
24 1991, an active member who has attained the age of at least
25 53 years and has accrued at least 30 eligibility points shall
26 be entitled, upon termination of State service and compliance
27 with section 5907(f) (relating to rights and duties of State
28 employees [and], members and participants), to receive a
29 maximum single life annuity calculated under section 5702
30 (relating to maximum single life annuity) without a reduction

1 by virtue of an effective date of retirement which is under
2 the superannuation age.

3 * * *

4 § 5311. Eligibility for refunds.

5 (a) Total accumulated deductions.--Any active member,
6 regardless of eligibility for benefits, may elect to receive his
7 total accumulated deductions upon termination of service in lieu
8 of any benefit from the system to which he is entitled.

9 * * *

10 Section 11. Title 71 is amended by adding a chapter to read:

11 CHAPTER 54

12 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

13 Sec.

14 5401. Establishment.

15 5402. Plan document.

16 5403. Individual investment accounts.

17 5404. Participant contributions.

18 5405. Mandatory pickup participant contributions.

19 5406. Employer defined contributions.

20 5407. Eligibility for benefits.

21 5408. Death benefits.

22 5409. Vesting.

23 5410. Termination of distributions.

24 5411. Agreements with financial institutions and other
25 organizations.

26 5412. Powers and duties of board.

27 5413. Responsibility for investment loss.

28 5414. Investments based on members' investment allocation
29 choices.

30 5415. Expenses.

1 5416. Election by members to be participants.

2 5417. Required distributions.

3 § 5401. Establishment.

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

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

26 (c) Holding of assets.--All assets and income in the plan
27 that have been or shall be withheld or contributed by the
28 participants, the Commonwealth and other employers in accordance
29 with this part shall be held in trust in any funding vehicle
30 permitted by the applicable provisions of IRC for the exclusive

1 benefit of the plan's participants and their beneficiaries until
2 such time as the funds are distributed to the participants or
3 their beneficiaries in accordance with the terms of the plan
4 document. The assets of the plan held in trust for the exclusive
5 benefit of the program's participants and beneficiaries may be
6 used for the payment of the fees, costs and expenses related to
7 the administration and investment of the plan and the trust.

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

18 § 5402. Plan document.

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

29 § 5403. Individual investment accounts.

30 The board shall establish in the trust an individual

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

8 § 5404. Participant contributions.

9 (a) Mandatory contributions.--Each participant shall make
10 mandatory pickup participant contributions through payroll
11 deductions to his individual investment account equal to 4% of
12 compensation for current State service. The employer shall cause
13 such contributions for current service to be made and deducted
14 from each payroll or on such schedule as established by the
15 board.

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

24 (c) Prohibited contributions.--No contributions shall be
25 allowed which would cause a violation of the limitations related
26 to contributions applicable to governmental plans contained in
27 IRC § 415 or in other provisions of law. In the event that any
28 disallowed contributions are made, any participant contributions
29 in excess of the limitations and investment earnings thereon
30 shall be refunded to the participant by the board.

1 § 5405. Mandatory pickup participant contributions.

2 (a) Treatment for purposes of IRC § 414(h).--All
3 contributions to the trust required to be made under sections
4 5404(a) (relating to participant contributions) with respect to
5 current State service rendered by an active participant shall be
6 picked up by the Commonwealth or other employer and shall be
7 treated as the employer's contribution for purposes of IRC §
8 414(h).

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

14 § 5406. Employer defined contributions.

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

20 (b) Contributions resulting from participants reemployed
21 from USERRA leave.--When a State employee reemployed from USERRA
22 leave makes the mandatory pickup participant contributions
23 permitted to be made for the USERRA leave, the Commonwealth or
24 other employer by whom the State employee is employed at the
25 time the participant contributions are made shall make whatever
26 employer defined contributions would have been made under this
27 section had the employee making the participant contributions
28 continued to be employed in his State office or position instead
29 of performing USERRA leave. Such employer defined contributions
30 shall be placed in the participant's individual investment

1 account as otherwise provided by this part.

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

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

21 (b) Required distributions.--All payments pursuant to this
22 section shall start and be made in compliance with the minimum
23 distribution requirements and incidental death benefit rules of
24 IRC § 401(a)(9). The board shall take any action and make any
25 distributions it may determine are necessary to comply with such
26 requirements.

27 (c) Married participant.--A participant who is married may
28 receive a lump sum distribution or other distribution directly
29 from the board without the consent of his spouse.

30 (d) Combined service participant.--A participant who is a

1 combined service employee must be terminated from all positions
2 that result in either membership in the system or participation
3 in the plan to be eligible to receive a distribution.

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

7 (f) Small individual investment accounts.--A participant who
8 terminates State service and whose accumulated total defined
9 contributions are below the threshold established by law as of
10 the date of termination of service shall be paid his accumulated
11 total defined contributions in a lump sum as provided in IRC §
12 401(a)(31).

13 § 5408. Death benefits.

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

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

29 (c) Contracting.--The board may contract with financial
30 institutions, insurance companies or other types of third-party

1 providers to allow participants who receive a lump sum
2 distribution to receive payments and death benefits in a form
3 and manner as provided by the contract. These contracts may, but
4 are not required to, provide that any payment and death benefit
5 options for a married former participant be in the form of a
6 joint and survivor annuity unless the spouse consents to another
7 payment option.

8 (d) Spousal consent.--All nomination or change of
9 beneficiaries or successor payees made by a married participant
10 shall be subject to the consent of the participant's spouse as
11 provided for in this part.

12 § 5409. Vesting.

13 Subject to the forfeiture and attachment provisions of
14 section 5953 (relating to taxation, attachment and assignment of
15 funds) or otherwise as provided by law, a participant shall be
16 100% vested with respect to all mandatory pickup participant
17 contributions, voluntary contributions and employer defined
18 contributions paid by or on behalf of the participant to the
19 trust in addition to interest and earnings on the participant
20 and employer contributions but not including investment fees and
21 administrative charges.

22 § 5410. Termination of distributions.

23 (a) Return to State service.--A participant receiving
24 distributions or an inactive participant who returns to State
25 service shall cease receiving distributions and shall not be
26 eligible to receive distributions until the participant
27 subsequently terminates State service, without regard to whether
28 he is a mandatory, optional or prohibited member of the system
29 or participant in the plan.

30 (b) Return of benefits paid during USERRA leave.--If a

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

15 § 5411. Agreements with financial institutions and other
16 organizations.

17 To establish and administer the State Employees' Defined
18 Contribution Plan, the board shall have the power to enter into
19 written agreements with one or more financial institutions or
20 other organizations relating to the plan's administration and
21 investment of funds held pursuant to the plan.

22 § 5412. Powers and duties of board.

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

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

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

1 the balance of such individual investment accounts.

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

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

8 (5) The board may establish a process for election to
9 participate in the plan by those State employees from whom
10 participation is not mandatory.

11 (6) The board may perform an annual review of any
12 qualified fund manager for the purpose of assuring that the
13 fund manager continues to meet all standards and criteria
14 established.

15 (7) The board may allow for eligible rollovers and
16 direct trustee-to-trustee transfers into the trust from
17 qualified plans of other employers, regardless of whether the
18 employer is a private employer or a public employer.

19 (8) The board may allow a former participant to maintain
20 his or her individual investment account within the program.

21 (9) The board shall administer the program in compliance
22 with the qualifications and other rules of the IRC.

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

25 (11) The board shall determine what constitutes a
26 termination of State service.

27 (12) The board may establish procedures for
28 distributions of small accounts as required or permitted by
29 the IRC.

30 (13) The board shall have the power to establish

1 procedures in the plan document or to promulgate rules and
2 regulations as it deems necessary for the administration and
3 management of the plan, including, but not limited to,
4 establishing:

5 (i) Procedures whereby eligible participants may
6 change voluntary contribution amounts or their investment
7 choices on a periodic basis or make other elections
8 regarding their participation in the plan.

9 (ii) Procedures for deducting mandatory pickup
10 participant contributions and voluntary contributions
11 from a participant's compensation.

12 (iii) Procedures for rollovers and trustee-to-
13 trustee transfers allowed under the IRC and permitted as
14 part of the plan.

15 (iv) Standards and criteria for disclosing and
16 providing options to eligible individuals regarding
17 investments of amounts deferred under the plan, provided
18 that one of the available options must serve as the
19 default option for participants who do not make a timely
20 election and that to the extent commercially available,
21 one option must have an annuity investment feature.

22 (v) Standards and criteria for disclosing to the
23 participants the anticipated and actual income
24 attributable to amounts invested, property rights and all
25 fees, costs and charges to be made against amounts
26 deferred to cover the fees, costs and expenses of
27 administering and managing the plan or trust.

28 (vi) Procedures, standards and criteria for the
29 making of distributions from the plan upon termination
30 from employment or death or in other circumstances

1 consistent with the purpose of the plan.

2 (14) The board may waive any reporting of an information
3 requirement contained in this part if the board determines
4 that the information is not needed for the administration of
5 the plan.

6 (15) The board may contract any service and duties in
7 lieu of staff, except final adjudications or if prohibited by
8 law. Any duties or responsibilities of the board not required
9 by law to be performed by the board can be delegated to a
10 third-party provider subject to appeal to the board.

11 (16) The board can provide that any duties of the
12 employer or information provided by the participant to the
13 employer can be performed or received directly by the board.

14 (17) The provisions and restrictions of the act of July
15 2, 2010 (P.L.266, No.44), known as the Protecting
16 Pennsylvania's Investments Act, shall not apply to the plan
17 or trust or the investments thereof, but the board is
18 authorized to offer to the plan participants investment
19 vehicles that would be permitted under the Protecting
20 Pennsylvania's Investments Act.

21 § 5413. Responsibility for investment loss.

22 The board, the Commonwealth, an employer or other political
23 subdivision shall not be responsible for any investment loss
24 incurred under this plan, or for the failure of any investment
25 to earn any specific or expected return or to earn as much as
26 any other investment opportunity, whether or not such other
27 opportunity was offered to participants in the plan.

28 § 5414. Investments based on members' investment allocation
29 choices.

30 (a) General rule.--All contributions, interest and

1 investment earnings shall be 100% vested and shall be invested
2 based on the participant's investment allocation choices. Each
3 participant shall be credited individually with the amount of
4 contributions, interest and investment earnings.

5 (b) Investment of contributions made by entities other than
6 the Commonwealth.--Investment of contributions by any
7 corporation, institution, insurance company or custodial bank
8 that the board has approved shall not be unreasonably delayed,
9 and in no case shall the investment of contributions be delayed
10 more than 30 days from the date of payroll deduction or
11 voluntary contributions are made to the date that funds are
12 invested. Any interest earned on the funds pending investment
13 shall be allocated to the Commonwealth and credited to the
14 accounts of participants who are then participating in the
15 program unless the interest is used to defray administrative
16 costs and fees that would otherwise be required to be borne by
17 participants who are then participating in the program.

18 § 5415. Expenses.

19 All fees, costs and expenses of administering the plan and
20 investing the assets of the trust shall be borne by the
21 participants and paid from assessments against the balances of
22 the individual investment accounts as established by the board.

23 § 5416. Election by members to be participants.

24 (a) General rule.--Any State employee who is an active
25 member or inactive member on leave without pay of the system on
26 or after January 1, 2015, and who is employed in a position
27 which would otherwise be eligible for participation in the plan
28 may elect to become a participant in the plan.

29 (b) Time for making the election.--An eligible State
30 employee may elect to become a participant and a combined

1 service employee at any time before termination of State service
2 by filing a written election with the board.

3 (c) Effect of election.--An election to become a participant
4 shall be irrevocable. Participation shall be effective at the
5 beginning of the next pay period starting after the election is
6 filed with the board. A member who elects to become a
7 participant shall remain a participant for all future State
8 service unless the State employee subsequently is employed in a
9 State office or position in which he is not eligible to be a
10 participant, regardless of whether the State employee has
11 previously terminated State service. Any prior State or nonstate
12 service credited in the system shall remain in the class of
13 service in which it is credited on the effective date of
14 participation. A combined service employee shall not be eligible
15 to receive an annuity from the system or a withdrawal of
16 accumulated deductions until the employee has terminated State
17 service. The participant shall not be entitled to purchase any
18 previous State service or creditable nonstate service unless the
19 participant later is employed in a State office or position
20 which results in active membership in the system. The
21 eligibility of a combined service employee for an annuity from
22 the system and, if eligible, the amount of such annuity shall be
23 as determined under this part.

24 § 5417. Required distributions.

25 All payments pursuant to this chapter shall start and be made
26 in compliance with the minimum distribution requirements and
27 incidental death benefit rules of IRC § 401(a).

28 Section 12. Section 5501.1(b)(7) and (8) of Title 71 are
29 amended to read:

30 § 5501.1. Shared-risk member contributions for Class A-3 and

1 Class A-4 service.

2 * * *

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

4 * * *

5 (7) For any fiscal year in which the actual
6 contributions by the Commonwealth or an employer are lower
7 than those required to be made under section 5507(d)
8 [(relating to contributions by the Commonwealth and other
9 employers)] (relating to contributions to the system by the
10 Commonwealth and other employers before July 1, 2015) or
11 5507.1 (relating to contributions to the system by the
12 Commonwealth and other employers starting July 1, 2015), the
13 prospective shared-risk contribution rate for those employees
14 whose employers are not making the contributions required by
15 section 5507(d) shall be zero and shall not subsequently be
16 increased, except as otherwise provided in this section.

17 (8) If the actuary certifies that the accrued liability
18 contributions calculated in accordance with the actuarial
19 cost method provided in [section 5508(b)] section 5508
20 (relating to actuarial cost method for fiscal years ending
21 before July 1, 2015) or 5508.1 (relating to actuarial cost
22 method for fiscal years beginning July 1, 2015, or later), as
23 adjusted by the experience adjustment factor, are zero or
24 less, then the shared-risk contribution rate for the next
25 fiscal year shall be zero and shall not subsequently be
26 increased, except as otherwise provided in this section.

27 Section 13. The definition of "actuarially required
28 contribution rate" in section 5501.2 of Title 71 is amended to
29 read:

30 § 5501.2. Definitions.

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

4 "Actuarially required contribution rate." The employer
5 contribution rate as calculated pursuant to section 5508(a),
6 (b), (c), (e) and (f) (relating to actuarial cost method for
7 fiscal years ending before July 1, 2015) or 5508.1(a), (b), (c),
8 (e) and (f) (relating to actuarial cost method for fiscal years
9 beginning July 1, 2015, or later).

10 * * *

11 Section 14. Sections 5502, 5503.1(a), 5504(a)(1), (a.1) and
12 (b), 5505(b)(1), (c), (d) and (i)(4), 5505.1, 5506, 5506.1(a),
13 5507 heading, (a), (b), (d) and (e) of Title 71 are amended to
14 read:

15 § 5502. Social Security integration member contributions.

16 Except for any period of current service in which the making
17 of regular member contributions has ceased solely by reason of
18 section 5502.1 (relating to waiver of regular member
19 contributions and Social Security integration member
20 contributions) or any provision of this part relating to
21 limitations under IRC § 401(a)(17) or 415(b), contributions
22 shall be made on behalf of [a] an active member of any class who
23 prior to March 1, 1974, has elected Social Security integration
24 coverage. The amount of such contributions shall be 6 1/4% of
25 that portion of his compensation as an active member in excess
26 of the maximum wages taxable under the provisions of the Social
27 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
28 addition to the regular member contributions which, after such
29 election, shall be determined on the basis of the basic
30 contribution rate of 5% and the additional member contribution

1 of 1 1/4%: Provided, That a member may elect to discontinue
2 Social Security integration coverage and shall thereafter be
3 ineligible to accrue any further Social Security integration
4 credits or any additional benefits on account of Social Security
5 integration membership.

6 § 5503.1. Pickup contributions.

7 (a) Treatment for purposes of IRC § 414(h).--All
8 contributions to the fund required to be made under sections
9 5501 (relating to regular member contributions for current
10 service), 5501.1 (relating to shared-risk member contributions
11 for Class A-3 and Class A-4 service), 5502 (relating to Social
12 Security integration member contributions), 5503 (relating to
13 joint coverage member contributions) and [section] 5505.1
14 (relating to additional member contributions), with respect to
15 current State service rendered by an active member on or after
16 January 1, 1982, shall be picked up by the Commonwealth or other
17 employer and shall be treated as the employer's contribution for
18 purposes of IRC § 414(h).

19 * * *

20 § 5504. Member contributions for the purchase of credit for
21 previous State service or to become a full coverage
22 member.

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

25 (1) The contributions to be paid by an active member or
26 eligible school employee for credit in the system for total
27 previous State service other than service in Class G, Class
28 H, Class I, Class J, Class K, Class L, Class M and Class N or
29 to become a full coverage member shall be sufficient to
30 provide an amount equal to the regular and additional

1 accumulated deductions which would have been standing to the
2 credit of the member for such service had regular and
3 additional member contributions been made with full coverage
4 in the class of service and at the rate of contribution
5 applicable during such period of previous service and had his
6 regular and additional accumulated deductions been credited
7 with statutory interest during all periods of subsequent
8 State service as an active member or inactive member on leave
9 without pay and school service as an active member or
10 inactive member on leave without pay of the Public School
11 Employees' Retirement System up to the date of purchase.

12 * * *

13 (a.1) Converted county service.--No contributions shall be
14 required to restore credit for previously credited State service
15 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
16 and Class N. Such service shall be restored upon the
17 commencement of payment of the contributions required to restore
18 credit in the system for all other previous State service.

19 (b) Certification and method of payment.--The amount payable
20 shall be certified in each case by the board in accordance with
21 methods approved by the actuary and shall be paid in a lump sum
22 within 30 days or in the case of an active member or eligible
23 school employee who is an active member of the Public School
24 Employees' Retirement System may be amortized with statutory
25 interest through salary deductions to the system in amounts
26 agreed upon by the member and the board. The salary deduction
27 amortization plans agreed to by members and the board may
28 include a deferral of payment amounts and statutory interest
29 until the termination of school service or State service or
30 beginning service as a participant without concurrently being an

1 active member of the system as the board in its sole discretion
2 decides to allow. The board may limit the salary deduction
3 amortization plans to such terms as the board in its sole
4 discretion determines. In the case of an eligible school
5 employee who is an active member of the Public School Employees'
6 Retirement System, the agreed upon salary deductions shall be
7 remitted to the Public School Employees' Retirement Board, which
8 shall certify and transfer to the board the amounts paid.

9 § 5505. Contributions for the purchase of credit for creditable
10 nonstate service.

11 * * *

12 (b) Nonintervening military service.--

13 (1) The amount due for the purchase of credit for
14 military service other than intervening military service by
15 State employees who first become members of the system before
16 January 1, 2011, or before December 1, 2010, as a member of
17 the General Assembly shall be determined by applying the
18 member's basic contribution rate, the additional contribution
19 rate plus the Commonwealth normal contribution rate for
20 active members at the time of entry, subsequent to such
21 military service, of the member into State service to his
22 average annual rate of compensation over the first three
23 years of such subsequent State service and multiplying the
24 result by the number of years and fractional part of a year
25 of creditable nonintervening military service being purchased
26 together with statutory interest during all periods of
27 subsequent State service as an active member or inactive
28 member on leave without pay and school service as an active
29 member or inactive member on leave without pay of the Public
30 School Employees' Retirement System to date of purchase. Upon

1 application for credit for such service, payment shall be
2 made in a lump sum within 30 days or in the case of an active
3 member or eligible school employee who is an active member of
4 the Public School Employees' Retirement System it may be
5 amortized with statutory interest through salary deductions
6 to the system in amounts agreed upon by the member and the
7 board. The salary deduction amortization plans agreed to by
8 members and the board may include a deferral of payment
9 amounts and statutory interest until the termination of
10 school service or State service or beginning service as a
11 participant without concurrently being an active member of
12 the system as the board in its sole discretion decides to
13 allow. The board may limit salary deduction amortization
14 plans to such terms as the board in its sole discretion
15 determines. In the case of an eligible school employee who is
16 an active member of the Public School Employees' Retirement
17 System, the agreed upon salary deductions shall be remitted
18 to the Public School Employees' Retirement Board, which shall
19 certify and transfer to the board the amounts paid.
20 Application may be filed for all such military service credit
21 upon completion of three years of subsequent State service
22 and shall be credited as Class A service.

23 * * *

24 (c) Intervening military service.--Contributions on account
25 of credit for intervening military service shall be determined
26 by the member's regular contribution rate, shared-risk
27 contribution rate, Social Security integration contribution
28 rate, the additional contribution rate which shall be applied
29 only to those members who began service on or after the
30 effective date of this amendatory act and compensation at the

1 time of entry of the member into active military service,
2 together with statutory interest during all periods of
3 subsequent State service as an active member or inactive member
4 on leave without pay and school service as an active member or
5 inactive member on leave without pay of the Public School
6 Employees' Retirement System to date of purchase. Upon
7 application for such credit the amount due shall be certified in
8 the case of each member by the board in accordance with methods
9 approved by the actuary, and contributions may be made by:

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

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

14 (3) salary deductions to the system in amounts agreed
15 upon by the member or eligible school employee who is an
16 active member of the Public School Employees' Retirement
17 System and the board.

18 The salary deduction amortization plans agreed to by members and
19 the board may include a deferral of payment amounts and
20 statutory interest until the termination of school service or
21 State service or beginning service as a participant without
22 concurrently being an active member of the system as the board
23 in its sole discretion decides to allow. The board may limit
24 salary deduction amortization plans to such terms as the board
25 in its sole discretion determines. In the case of an eligible
26 school employee who is an active member of the Public School
27 Employees' Retirement System, the agreed upon salary deductions
28 shall be remitted to the Public School Employees' Retirement
29 Board, which shall certify and transfer to the board the amounts
30 paid.

1 (d) Nonmilitary and nonmagisterial service.--Contributions
2 on account of credit for creditable nonstate service other than
3 military and magisterial service by State employees who first
4 become members of the system before January 1, 2011, or before
5 December 1, 2010, as a member of the General Assembly shall be
6 determined by applying the member's basic contribution rate, the
7 additional contribution rate plus the Commonwealth normal
8 contribution rate for active members at the time of entry
9 subsequent to such creditable nonstate service of the member
10 into State service to his compensation at the time of entry into
11 State service as a member of the system and multiplying the
12 result by the number of years and fractional part of a year of
13 creditable nonstate service being purchased together with
14 statutory interest during all periods of subsequent State
15 service as an active member or inactive member on leave without
16 pay and school service as an active member or inactive member on
17 leave without pay of the Public School Employees' Retirement
18 System to the date of purchase. Upon application for credit for
19 such service payment shall be made in a lump sum within 30 days
20 or in the case of an active member or eligible school employee
21 who is an active member of the Public School Employees'
22 Retirement System it may be amortized with statutory interest
23 through salary deductions to the system in amounts agreed upon
24 by the member and the board. The salary deduction amortization
25 plans agreed to by members and the board may include a deferral
26 of payment amounts and statutory interest until the termination
27 of school service or State service or beginning service as a
28 participant without concurrently being an active member of the
29 system as 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 the
2 case of an eligible school employee who is an active member of
3 the Public School Employees' Retirement System, the agreed upon
4 salary deduction shall be remitted to the Public School
5 Employees' Retirement Board, which shall certify and transfer to
6 the board the amounts paid.

7 * * *

8 (i) Purchases of nonstate service credit by State employees
9 who first became members of the system on or after December 1,
10 2010.--

11 * * *

12 (4) The payment for credit purchased under this
13 subsection shall be certified in each case by the board in
14 accordance with methods approved by the actuary and shall be
15 paid in a lump sum within 30 days or in the case of an active
16 member or eligible school employee who is an active member of
17 the Public School Employees' Retirement System may be
18 amortized with statutory interest through salary deductions
19 to the system in amounts agreed upon by the member and the
20 board. The salary deduction amortization plans agreed to by
21 members and the board may include a deferral of payment
22 amounts and interest until the termination of school service
23 or State service or beginning service as a participant
24 without concurrently being an active member of the system as
25 the board in its sole discretion decides to allow. The board
26 may limit the salary deduction amortization plans to such
27 terms as the board in its sole discretion determines. In the
28 case of an eligible school employee who is an active member
29 of the Public School Employees' Retirement System, the agreed
30 upon salary deductions shall be remitted to the Public School

1 Employees' Retirement Board, which shall certify and transfer
2 to the board the amounts paid.

3 § 5505.1. Additional member contributions.

4 In addition to regular or joint coverage member contributions
5 and social security integration contributions, contributions
6 shall be made on behalf of each active member, regardless of
7 class of service, at the rate of 1 1/4% of compensation until
8 such time as the actuary certifies that all accrued liability
9 contributions have been completed in accordance with the
10 actuarial cost method provided in section 5508(b) (relating to
11 actuarial cost method for fiscal years ending before July 1,
12 2015).

13 § 5506. Incomplete payments.

14 In the event that a member terminates State service or begins
15 service as a participant without concurrently being an active
16 member of the system or a multiple service member who is an
17 active member of the Public School Employees' Retirement System
18 terminates school service before the agreed upon payments for
19 credit for previous State service, creditable nonstate service,
20 social security integration, full coverage membership or return
21 of benefits on account of returning to State service or entering
22 school service and electing multiple service have been
23 completed, the member or multiple service member who is an
24 active member of the Public School Employees' Retirement System
25 shall have the right to pay within 30 days of termination of
26 State service or school service or becoming a participant the
27 balance due, including interest, in a lump sum and the annuity
28 shall be calculated including full credit for the previous State
29 service, creditable nonstate service, social security
30 integration, or full coverage membership. In the event a member

1 does not pay the balance due within 30 days of termination of
2 State service or becoming a participant or in the event a member
3 dies in State service or within 30 days of termination of State
4 service or becoming a participant or in the case of a multiple
5 service member who is an active member of the Public School
6 Employees' Retirement System does not pay the balance due within
7 30 days of termination of school service or dies in school
8 service or within 30 days of termination of school service and
9 before the agreed upon payments have been completed, the present
10 value of the benefit otherwise payable shall be reduced by the
11 balance due, including interest, and the benefit payable shall
12 be calculated as the actuarial equivalent of such reduced
13 present value.

14 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

15 (a) General rule.--In addition to other applicable
16 limitations set forth in this part, and notwithstanding any
17 provision of this part to the contrary, the annual compensation
18 of each noneligible member and each participant taken into
19 account for benefit purposes under this part shall not exceed
20 the limitation under IRC § 401(a)(17). On and after January 1,
21 1996, any reference in this part to the limitation under IRC §
22 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
23 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
24 compensation limit set forth in this subsection. The OBRA '93
25 annual compensation limit is \$150,000, as adjusted by the
26 commissioner for increases in the cost of living in accordance
27 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
28 effect for a calendar year applies to any determination period
29 which is a period, not exceeding 12 months, over which
30 compensation is determined, beginning in such calendar year. If

1 a determination period consists of fewer than 12 months, the
2 OBRA '93 compensation limit will be multiplied by a fraction,
3 the numerator of which is the number of months in the
4 determination period and the denominator of which is 12.

5 * * *

6 § 5507. Contributions to the system by the Commonwealth and
7 other employers before July 1, 2015.

8 (a) Contributions on behalf of active members.--[The] Until
9 June 30, 2015, the Commonwealth and other employers whose
10 employees are members of the system shall make contributions to
11 the fund on behalf of all active members in such amounts as
12 shall be certified by the board as necessary to provide,
13 together with the members' total accumulated deductions, annuity
14 reserves on account of prospective annuities other than those
15 provided in sections 5708 (relating to supplemental annuities),
16 5708.1 (relating to additional supplemental annuities), 5708.2
17 (relating to further additional supplemental annuities), 5708.3
18 (relating to supplemental annuities commencing 1994), 5708.4
19 (relating to special supplemental postretirement adjustment),
20 5708.5 (relating to supplemental annuities commencing 1998),
21 5708.6 (relating to supplemental annuities commencing 2002),
22 5708.7 (relating to supplemental annuities commencing 2003) and
23 5708.8 (relating to special supplemental postretirement
24 adjustment of 2002), in accordance with the actuarial cost
25 method provided in section 5508(a), (b), (c), (d) and (f)
26 (relating to actuarial cost method for fiscal years ending
27 before July 1, 2015).

28 (b) Contributions on behalf of annuitants.--[The] Until June
29 30, 2015, the Commonwealth and other employers whose employees
30 are members of the system shall make contributions on behalf of

1 annuitants in such amounts as shall be certified by the board as
2 necessary to fund the liabilities for supplemental annuities in
3 accordance with the actuarial cost method provided in section
4 5508(e) [(relating to actuarial cost method)].

5 * * *

6 (d) Payment of final contribution rate.--Notwithstanding the
7 calculation of the actuarially required contribution rate and
8 the provisions of subsections (a) and (b), until June 30, 2015,
9 the Commonwealth and other employers whose employees are members
10 of the system shall make contributions to the fund on behalf of
11 all active members and annuitants in such amounts as shall be
12 certified by the board in accordance with section 5508(i).

13 (e) Benefits completion plan contributions.--In addition to
14 all other contributions required under this section and section
15 5508, until June 30, 2015, the Commonwealth and other employers
16 whose employees are members of the system shall make
17 contributions as certified by the board pursuant to section 5941
18 (relating to benefits completion plan).

19 Section 15. Title 71 is amended by adding a section to read:
20 § 5507.1. Contributions to the system by the Commonwealth and
21 other employers starting July 1, 2015.

22 (a) Contributions on behalf of members.--For fiscal years
23 beginning July 1, 2015, the Commonwealth and other employers
24 whose employees are or were members of the system shall make
25 contributions to the fund on behalf of all members in such
26 amounts as shall be certified by the board as necessary to
27 provide, together with the members' total accumulated
28 deductions, annuity reserves on account of annuities including
29 those provided in sections 5708 (relating to supplemental
30 annuities), 5708.1 (relating to additional supplemental

1 annuities), 5708.2 (relating to further additional supplemental
2 annuities), 5708.3 (relating to supplemental annuities
3 commencing 1994), 5708.4 (relating to special supplemental
4 postretirement adjustment), 5708.5 (relating to supplemental
5 annuities commencing 1998), 5708.6 (relating to supplemental
6 annuities commencing 2002), 5708.7 (relating to supplemental
7 annuities commencing 2003) and 5708.8 (relating to special
8 supplemental postretirement adjustment of 2002), in accordance
9 with the actuarial cost method provided in section 5508.1
10 (relating to actuarial cost method for fiscal years beginning
11 July 1, 2015, or later).

12 (b) Payment of employer contributions to the system.--

13 (1) Payment of employer normal contributions shall be as
14 a percentage of compensation of active members.

15 (2) Payment of accrued liability contributions as
16 modified by the experience adjustment factor shall be as a
17 percentage of compensation of active members and active
18 participants.

19 (3) Payment of the additional accrued liability
20 contributions determined under section 5508.1(d) shall be in
21 equal monthly payments during the fiscal year on the first
22 day of each month, or in such other time and manner as the
23 board may establish.

24 (c) Payment of final contribution rate.--Notwithstanding the
25 calculation of the actuarially required contribution rate and
26 the provisions of subsections (a) and (b) (1) and (2), after June
27 30, 2015, the Commonwealth and other employers whose employees
28 are members of the system shall make contributions to the fund
29 on behalf of all active members and annuitants in such amounts
30 as shall be certified by the board in accordance with section

1 5508.1(h).

2 (d) Benefits completion plan contributions.--In addition to
3 all other contributions required under this section and section
4 5508.1, the Commonwealth and other employers whose employees are
5 active members of the system shall make contributions as
6 certified by the board pursuant to section 5941 (relating to
7 benefits completion plan).

8 Section 16. Section 5508 heading, (a), (b), (c) (3), (e) (2),
9 (f) (1), (h) and (i) of Title 71 are amended to read:

10 § 5508. Actuarial cost method for fiscal years ending before
11 July 1, 2015.

12 (a) Employer contribution rate on behalf of active
13 members.--[The] For the fiscal years ending before July 1, 2015,
14 the amount of the Commonwealth and other employer contributions
15 on behalf of all active members shall be computed by the actuary
16 as a percentage of the total compensation of all active members
17 during the period for which the amount is determined and shall
18 be so certified by the board. The actuarially required
19 contribution rate on behalf of all active members shall consist
20 of the employer normal contribution rate, as defined in
21 subsection (b), and the accrued liability contribution rate as
22 defined in subsection (c). The actuarially required contribution
23 rate on behalf of all active members shall be modified by the
24 experience adjustment factor as calculated in subsection (f).

25 (b) Employer normal contribution rate.--[The] For the fiscal
26 years ending before July 1, 2015, the employer normal
27 contribution rate shall be determined after each actuarial
28 valuation on the basis of an annual interest rate and such
29 mortality and other tables as shall be adopted by the board in
30 accordance with generally accepted actuarial principles. The

1 employer normal contribution rate shall be determined as a level
2 percentage of the compensation of the average new active member,
3 which percentage, if contributed on the basis of his prospective
4 compensation through his entire period of active State service,
5 would be sufficient to fund the liability for any prospective
6 benefit payable to him in excess of that portion funded by his
7 prospective member contributions, excluding shared-risk member
8 contributions.

9 (c) Accrued liability contribution rate.--

10 * * *

11 (3) For the fiscal year beginning July 1, 2010, the
12 accrued liability contribution rate shall be computed as the
13 rate of total compensation of all active members which shall
14 be certified by the actuary as sufficient to fund in equal
15 dollar installments over a period of 30 years from July 1,
16 2010, the present value of the liabilities for all
17 prospective benefits calculated as of the immediately prior
18 valuation date, including the supplemental benefits as
19 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
20 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
21 payable from the retirement benefit plan established pursuant
22 to section 5941 (relating to benefits completion plan), in
23 excess of the actuarially calculated assets in the fund
24 (calculated recognizing all realized and unrealized
25 investment gains and losses each year in level annual
26 installments over five years), including the balance in the
27 supplemental annuity account, and the present value of
28 employer normal contributions and of member contributions
29 payable with respect to all active members, inactive members
30 on leave without pay, vestees and special vestees on December

1 31, 2009. If the accrued liability is changed by legislation
2 enacted subsequent to December 31, 2009, and before January
3 1, 2014, such change in liability shall be funded in equal
4 dollar installments over a period of ten years from the first
5 day of July following the valuation date coincident with or
6 next following the date such legislation is enacted.

7 * * *

8 (e) Supplemental annuity contribution rate.--

9 * * *

10 (2) For fiscal years beginning on or after July 1, 2010, and
11 ending on or before June 30, 2015, contributions from the
12 Commonwealth and other employers whose employees are members
13 of the system required to provide for the payment of
14 supplemental annuities as provided in sections 5708, 5708.1,
15 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
16 shall be paid as part of the accrued liability contribution
17 rate as provided for in subsection (c) (3), and there shall
18 not be a separate supplemental annuity contribution rate
19 attributable to those supplemental annuities. In the event
20 that supplemental annuities are increased by legislation
21 enacted subsequent to December 31, 2009, and before January
22 1, 2014, the additional liability for the increase in
23 benefits shall be funded in equal dollar installments over a
24 period of ten years from the first day of July following the
25 valuation date coincident with or next following the date
26 such legislation is enacted.

27 (f) Experience adjustment factor.--

28 (1) For each [year] fiscal year ending before July 1,
29 2015, after the establishment of the accrued liability
30 contribution rate and the supplemental annuity contribution

1 rate for the fiscal year beginning July 1, 2010, any increase
2 or decrease in the unfunded accrued liability and any
3 increase or decrease in the liabilities and funding for
4 supplemental annuities, due to actual experience differing
5 from assumed experience (recognizing all realized and
6 unrealized investment gains and losses over a five-year
7 period), changes in contributions caused by the final
8 contribution rate being different from the actuarially
9 required contribution rate, State employees making shared-
10 risk member contributions, changes in actuarial assumptions
11 or changes in the terms and conditions of the benefits
12 provided by the system by judicial, administrative or other
13 processes other than legislation, including, but not limited
14 to, reinterpretation of the provisions of this part
15 recognized by the actuarial valuations on December 31, 2010,
16 and through December 31, 2013, shall be amortized in equal
17 dollar annual contributions over a period of 30 years
18 beginning with the July 1 succeeding the actuarial valuation
19 determining said increases or decreases.

20 * * *

21 (h) Temporary application of collared contribution rate.--

22 The collared contribution rate for each [year] fiscal year
23 ending on or before June 30, 2015, shall be determined by

24 comparing the actuarially required contribution rate calculated
25 without regard for costs added by legislation to the prior

26 year's final contribution rate. If, for any of the fiscal years
27 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,

28 2013, and July 1, 2014, the actuarially required contribution

29 rate calculated without regard for costs added by legislation is
30 more than 3%, 3.5%, 4.5% and 4.5%, respectively, of the total

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

10 (i) Final contribution rate.--For the fiscal year beginning
11 July 1, 2010, the final contribution rate shall be 5% of total
12 compensation of all active members. For each subsequent fiscal
13 year for which the collared contribution rate is applicable, the
14 final contribution rate shall be the collared contribution rate
15 plus the costs added by legislation. For all other fiscal years
16 ending before July 1, 2015, the final contribution rate shall be
17 the actuarially required contribution rate, provided that the
18 final contribution rate shall not be less than the employer
19 normal contribution rate, as defined in subsection (b).

20 Section 17. Title 71 is amended by adding a section to read:
21 § 5508.1. Actuarial cost method for fiscal years beginning July
22 1, 2015, or later.

23 (a) Employer contributions on behalf of members.--For fiscal
24 years beginning on or after July 1, 2015, the amount of the
25 Commonwealth and other employer contributions on behalf of all
26 members shall be computed by the actuary and certified by the
27 board as an employer normal contribution rate as defined in
28 subsection (b) and the accrued liability contribution amount as
29 defined in subsection (c). The accrued liability contribution
30 amount shall be modified by the experience adjustment factor as

1 calculated in subsection (f).

2 (b) Employer normal contribution rate.--

3 (1) The employer normal contribution rate for members
4 who belong to a class or group of State employees who, if
5 they enter that class or group of State employees on or after
6 January 1, 2015, are eligible to be members of the system
7 shall be determined by the actuary and certified by the board
8 after each actuarial valuation on the basis of an annual
9 interest rate and such mortality and other tables as shall be
10 adopted by the board in accordance with generally accepted
11 actuarial principles. The employer normal contribution rate
12 for members who belong to a class or group of State employees
13 who, if they enter that class or group of State employees on
14 or after January 1, 2015, are eligible to be members of the
15 system shall be determined as a level percentage of the
16 compensation of an average new active member of that class or
17 group, which percentage, if contributed on the basis of his
18 prospective compensation through the member's entire period
19 of active State service, would be sufficient to fund the
20 liability for any prospective benefit payable to the member
21 in excess of that portion funded by his prospective member
22 contributions, excluding shared-risk member contributions.

23 (2) The employer normal contribution rate for all other
24 active members of the system shall be the employer normal
25 contribution rate that would have been applicable had the
26 employer normal contribution rate been determined as part of
27 the December 31, 2014, actuarial valuation under section
28 5508(b) (relating to actuarial cost method for fiscal years
29 ending before July 1, 2015) without regard to the provisions
30 of this section and the inapplicability of that rate to

1 periods on or after July 1, 2015.

2 (c) Accrued liability contribution amount.--

3 (1) For fiscal years beginning July 1, 2015, the accrued
4 liability contribution rate shall be computed as the rate of
5 total compensation of all active members and active
6 participants which shall be determined by the actuary as
7 sufficient to fund as a level percentage of compensation of
8 all active members and active participants over a period of
9 30 years from July 1, 2015, the present value of all the
10 liabilities for all prospective benefits of members of the
11 system calculated as of the immediately prior valuation date,
12 including the supplemental benefits as provided in sections
13 5708 (relating to supplemental annuities), 5708.1 (relating
14 to additional supplemental annuities), 5708.2 (relating to
15 further additional supplemental annuities), 5708.3 (relating
16 to supplemental annuities commencing 1994), 5708.4 (relating
17 to special supplemental postretirement adjustment), 5708.5
18 (relating to supplemental annuities commencing 1998), 5708.6
19 (relating to supplemental annuities commencing 2002), 5708.7
20 (relating to supplemental annuities commencing 2003) and
21 5708.8 (relating to special supplemental postretirement
22 adjustment of 2002), but excluding the benefits payable from
23 the retirement benefit plan established pursuant to section
24 5941 (relating to benefits completion plan), in excess of the
25 actuarially calculated assets in the fund, calculated
26 recognizing all realized and unrealized investment gains and
27 losses each year in level annual installments over five
28 years, including the balance in the supplemental annuity
29 account, and the present value of employer normal
30 contributions and of member contributions payable with

1 respect to all active members, inactive members on leave
2 without pay, vestees and special vestees on December 31,
3 2014. If the accrued liability is changed by legislation
4 enacted subsequent to December 31, 2014, such change in
5 liability shall be funded in equal dollar installments as a
6 percentage of compensation of all active members and active
7 participants over a period of ten years from the first day of
8 July following the valuation date coincident with or next
9 following the date such legislation is enacted.

10 (2) For purposes of determining the accrued liability
11 contribution rate in paragraph (1) and subsection (e) and the
12 experience adjustment factor in subsection (f), the term
13 "compensation of all active members and active participants"
14 shall include an additional amount equal to the difference
15 between:

16 (i) The actual compensation of all active members
17 and active participants of The Pennsylvania State
18 University, the State System of Higher Education, State-
19 owned educational institutions and community colleges.

20 (ii) The compensation of all active members, active
21 participants, active members of the Public School
22 Employees' Retirement System, active participants of the
23 School Employees' Defined Contribution Plan and employees
24 who are members or participants of an independent
25 retirement program approved by the employer of The
26 Pennsylvania State University, the State System of Higher
27 Education, State-owned educational institutions and
28 community collective colleges multiplied by a fraction
29 equal to the amount determined under subparagraph (i) as
30 part of the December 31, 2014, actuarial valuation

1 divided by the amount of compensation of all active
2 members, active participants, active members of the
3 Public School Employees' Retirement System, active
4 participants of the School Employees' Defined
5 Contribution Plan and employees who are members or
6 participants of an independent retirement program
7 approved by the employer determined as part of the
8 December 31, 2014, actuarial valuation.

9 (d) Allocation of accrued liability contribution amount.--

10 For the fiscal year beginning July 1, 2015, and all subsequent
11 fiscal years, The Pennsylvania State University, the State
12 System of Higher Education, each State-owned educational
13 institution and each community college shall make such
14 additional actuarial accrued liability contributions as shall be
15 certified by the board. The additional actuarial accrued
16 liability contributions shall be the product of:

17 (1) the amount by which the final contribution rate
18 exceeds the employer normal contribution rate determined
19 under subsection (b)(1); multiplied by

20 (2) the difference between:

21 (i) the actual compensation of all active members
22 and active participants of each such educational
23 institution; and

24 (ii) the compensation of all active members, active
25 participants, active members of the Public School
26 Employees' Retirement System, active participants of the
27 School Employees' Defined Contribution Plan and employees
28 who are members or participants of an independent
29 retirement program approved by the employer of each such
30 educational institution multiplied by a fraction equal to

1 the amount determined under subparagraph (i) as part of
2 the December 31, 2014, actuarial valuation divided by the
3 amount of compensation of all active members, active
4 participants, active members of the Public School
5 Employees' Retirement System, active participants of the
6 School Employees' Defined Contribution Plan and employees
7 who are members or participants of an independent
8 retirement program approved by the employer of each such
9 educational institution determined as part of the
10 December 31, 2014, actuarial valuation.

11 (e) Supplemental annuity contribution amounts.--For fiscal
12 years beginning on or after July 1, 2015, contributions from the
13 Commonwealth and other employers whose employees are members of
14 the system required to provide for the payment of supplemental
15 annuities as provided in sections 5708, 5708.1, 5708.2, 5708.3,
16 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8 shall be paid as part
17 of the accrued liability contribution rate as provided for in
18 subsection (c) and there shall not be a separate supplemental
19 annuity contribution amount attributable to those supplemental
20 annuities. In the event that supplemental annuities are
21 increased by legislation enacted subsequent to December 31,
22 2014, the additional liability for the increase in benefits
23 shall be funded in equal dollar installments as a percentage of
24 compensation of all active members and active participants over
25 a period of ten years from the first day of July following the
26 valuation date coincident with or next following the date such
27 legislation is enacted as part of the accrued liability amount
28 and not as a separate supplemental annuity contribution amount.

29 (f) Experience adjustment factor.--

30 (1) For each year after the establishment of the accrued

1 liability contribution amount for the fiscal year beginning
2 July 1, 2015, any increase or decrease in the unfunded
3 accrued liability and any increase or decrease in the
4 liabilities and funding for supplemental annuities, due to
5 actual experience differing from assumed experience,
6 recognizing all realized and unrealized investment gains and
7 losses over a five-year period, changes in contributions
8 caused by the final contribution rate being different from
9 the actuarially required contribution rate, State employees
10 making shared-risk member contributions, changes in actuarial
11 assumptions or changes in the terms and conditions of the
12 benefits provided by the system by judicial, administrative
13 or other processes other than legislation, including, but not
14 limited to, reinterpretation of the provisions of this part,
15 shall be amortized as a level percentage of compensation of
16 all active members and active participants over a period of
17 30 years beginning with the July 1 succeeding the actuarial
18 valuation determining said increases or decreases.

19 (2) The actuarially required contribution rate shall be
20 the sum of the normal contribution rate determined under
21 subsection (b) (2), the accrued liability contribution rate
22 and the supplemental annuity contribution rate modified by
23 the experience adjustment factor as calculated in paragraph
24 (1).

25 (g) Temporary application of collared contribution rate.--
26 The collared contribution rate for each fiscal year beginning on
27 or after July 1, 2015, shall be determined by comparing the
28 actuarially required contribution rate calculated without regard
29 for costs added by legislation to the prior year's final
30 contribution rate. If the actuarially required contribution rate

1 calculated without regard for costs added by legislation is more
2 than 4.5% of the total compensation of all active members
3 greater than the prior year's final contribution rate, the
4 collared contribution rate shall be applied and be equal to the
5 prior year's final contribution rate increased by 4.5% above
6 total compensation of all active members. Otherwise, and for all
7 subsequent fiscal years, the collared contribution rate shall
8 not be applicable. In no case shall the collared contribution
9 rate be less than 4% of total compensation of all active
10 members.

11 (h) Final contribution rate.--For the fiscal year beginning
12 July 1, 2015, if the collared contribution rate is applicable,
13 the final contribution rate shall be the collared contribution
14 rate plus the costs added by legislation. For each subsequent
15 fiscal year for which the collared contribution rate is
16 applicable, the final contribution rate shall be the collared
17 contribution rate plus the costs added by legislation. For all
18 other fiscal years beginning on or after July 1, 2015, the final
19 contribution rate shall be the actuarially required contribution
20 rate, provided that the final contribution rate shall not be
21 less than the employer normal contribution rate, as defined in
22 subsection (b) (2).

23 Section 18. Sections 5509, 5701 and 5701.1 of Title 71 are
24 amended to read:

25 § 5509. Appropriations and assessments by the Commonwealth.

26 (a) Annual submission of budget.--The board shall prepare
27 and submit annually an itemized budget consisting of the amounts
28 necessary to be appropriated by the Commonwealth out of the
29 General Fund and special operating funds and the amounts to be
30 assessed the other employers required to meet the obligations to

1 both the fund and the trust accruing during the fiscal period
2 beginning the first day of July of the following year.

3 (b) Appropriation and payment.--The General Assembly shall
4 make an appropriation sufficient to provide for the separate
5 obligations of the Commonwealth to both the fund and the trust.

6 Such amount shall be paid by the State Treasurer through the
7 Department of Revenue into the fund or the trust, as the case
8 may be, in accordance with requisitions presented by the board.

9 The contributions to the system by the Commonwealth on behalf of
10 active members who are officers of the Pennsylvania State Police
11 shall be charged to the General Fund and to the Motor License
12 Fund in the same ratios as used to apportion the appropriations
13 for salaries of members of the Pennsylvania State Police. The
14 contributions to the system by the Commonwealth on behalf of
15 active members who are enforcement officers and investigators of
16 the Pennsylvania Liquor Control Board shall be charged to the
17 General Fund and to the State Stores Fund.

18 (c) Contributions from funds other than General Fund.--The
19 amounts assessed other employers who are required to make the
20 necessary separate contributions to both the fund and the trust
21 out of funds other than the General Fund shall be paid by such
22 employers into the fund or the trust, as the case may be, in
23 accordance with requisitions presented by the board. The General
24 Fund of the Commonwealth shall not be held liable to appropriate
25 the moneys required to build up the reserves in the fund
26 necessary for the payment of benefits from the system to
27 employees or to make the employer defined contributions for
28 employees of such other employers. In case any such other
29 employer shall fail to provide to the fund the moneys necessary
30 for such purpose, then the service of such members of the system

1 for such period for which money is not so provided shall be
2 credited and pickup contributions with respect to such members
3 shall continue to be credited to the members' savings account.
4 The annuity to which such member is entitled shall be determined
5 as actuarially equivalent to the present value of the maximum
6 single life annuity of each such member reduced by the amount of
7 employer contributions to the system payable on account and
8 attributable to his compensation during such service.

9 § 5701. Return of total accumulated deductions.

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

14 § 5701.1. Transfer of accumulated deductions.

15 When an employee of the Juvenile Court Judges' Commission
16 elects membership in an independent retirement program pursuant
17 to section 5301(f) (relating to mandatory and optional
18 membership in the system and participation in the plan), the
19 board shall transfer directly to the trustee or administrator of
20 the independent retirement program all accumulated deductions
21 resulting from service credited while an employee of the
22 Juvenile Court Judges' Commission.

23 Section 19. Sections 5702(a)(1) and 5704(c) of Title 71 are
24 amended and the sections are amended by adding subsections to
25 read:

26 § 5702. Maximum single life annuity.

27 (a) General rule.--Any full coverage member who is eligible
28 to receive an annuity pursuant to the provisions of section
29 5308(a) or (b) (relating to eligibility for annuities) who
30 terminates State service, or if a multiple service member who is

1 a school employee who is an active member of the Public School
2 Employees' Retirement System who terminates school service,
3 before attaining age 70 shall be entitled to receive a maximum
4 single life annuity attributable to his credited service and
5 equal to the sum of the following single life annuities
6 beginning at the effective date of retirement:

7 (1) A standard single life annuity multiplied by the sum
8 of the products, determined separately for each class of
9 service, obtained by multiplying the appropriate class of
10 service multiplier by the ratio of years of service credited
11 in that class to the total credited service. In case the
12 member on the effective date of retirement is under
13 superannuation age for any service, a reduction factor
14 calculated to provide benefits actuarially equivalent to an
15 annuity starting at superannuation age shall be applied to
16 the product determined for that service. The class of service
17 multiplier for any period of concurrent service shall be
18 multiplied by the proportion of total State and school
19 compensation during such period attributable to State service
20 as a member of the system. In the event a member has two
21 multipliers for one class of service the class of service
22 multiplier to be used for calculating benefits for that class
23 shall be the average of the two multipliers weighted by the
24 proportion of compensation attributable to each multiplier
25 during the three years of highest annual compensation in that
26 class of service: Provided, That in the case of a member of
27 Class E-1, a portion but not all of whose three years of
28 highest annual judicial compensation is prior to January 1,
29 1973, two class of service multipliers shall be calculated on
30 the basis of his entire judicial service, the one applying

1 the judicial class of service multipliers effective prior to
2 January 1, 1973 and the second applying the class of service
3 multipliers effective subsequent to January 1, 1973. The
4 average class of service multiplier to be used for
5 calculating benefits for his judicial service shall be the
6 average of the two calculated multipliers weighted by the
7 proportion of compensation attributable to each of the
8 calculated multipliers during the three years of highest
9 annual compensation in that class of service.

10 * * *

11 (e) Coordination of benefits.--The determination and payment
12 of the maximum single life annuity under this section shall be
13 in addition to any payments a combined service employee may be
14 entitled to receive, has received or is receiving as a result of
15 being a participant in the plan.

16 § 5704. Disability annuities.

17 * * *

18 (c) Reduction on account of earned income.--Subsequent to
19 January 1, 1972, payments on account of disability shall be
20 reduced by that amount by which the earned income of the
21 annuitant, as reported in accordance with section 5908(b)
22 (relating to rights and duties of annuitants), for the preceding
23 calendar year together with the disability annuity payments
24 provided in this section other than subsection (b), for the
25 year, exceeds the product of:

26 [(i)] (1) the last year's salary of the annuitant as
27 a [State employee] member of the system; and

28 [(ii)] (2) the ratio of the current monthly payment
29 to the monthly payment at the effective date of
30 disability;

1 Provided, That the annuitant shall not receive less than his
2 member's annuity or the amount to which he may be entitled under
3 section 5702 whichever is greater.

4 * * *

5 (h) Coordination of benefits.--The determination and payment
6 of a disability annuity under this section shall be in addition
7 to any payments a combined service employee may be entitled to
8 receive, has received or is receiving as a result of being a
9 participant in the plan.

10 Section 20. Sections 5706(a), (a.1), (a.2), (b) and (c)(1)
11 and (3), 5707(a), (b) and (f), 5708.1(f), 5708.2(f), 5708.3(f),
12 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5709 heading, (a)
13 and (b) and 5901(a), (c) and (d) of Title 71 are amended to
14 read:

15 § 5706. Termination of annuities.

16 (a) General rule.--If the annuitant returns to State service
17 or enters or has entered school service and elects multiple
18 service membership, any annuity payable to him under this part
19 shall cease effective upon the date of his return to State
20 service or entering school service without regard to whether he
21 is a mandatory, optional or prohibited member of the system or
22 participant in the plan, or if a multiple service member,
23 whether he is a mandatory, optional or prohibited member or
24 participant of the Public School Employees' Retirement System or
25 School Employees' Defined Contribution Plan and in the case of
26 an annuity other than a disability annuity the present value of
27 such annuity, adjusted for full coverage in the case of a joint
28 coverage member who makes the appropriate back contributions for
29 full coverage, shall be frozen as of the date such annuity
30 ceases. An annuitant who is credited with an additional 10% of

1 Class A and Class C service as provided in section 5302(c)
2 (relating to credited State service) and who returns to State
3 service shall forfeit such credited service and shall have his
4 frozen present value adjusted as if his 10% retirement incentive
5 had not been applied to his account. In the event that the cost-
6 of-living increase enacted December 18, 1979 occurred during the
7 period of such State or school employment, the frozen present
8 value shall be increased, on or after the member attains
9 superannuation age, by the percent applicable had he not
10 returned to service. This subsection shall not apply in the case
11 of any annuitant who may render services to the Commonwealth in
12 the capacity of an independent contractor or as a member of an
13 independent board or commission or as a member of a departmental
14 administrative or advisory board or commission when such members
15 of independent or departmental boards or commissions are
16 compensated on a per diem basis for not more than 150 days per
17 calendar year or as a member of an independent board or
18 commission requiring appointment by the Governor, with advice
19 and consent of the Senate, where the annual salary payable to
20 the member does not exceed \$35,000 and where the member has been
21 an annuitant for at least six months immediately preceding the
22 appointment. Such service shall not be subject to member
23 contributions or be eligible for qualification as creditable
24 State service or for participation in the plan, mandatory pickup
25 participant contributions or employer defined contributions.

26 (a.1) Return to State service during emergency.--When, in
27 the judgment of the employer, an emergency creates an increase
28 in the work load such that there is serious impairment of
29 service to the public, an annuitant may be returned to State
30 service for a period not to exceed 95 days in any calendar year

1 without loss of his annuity. In computing the number of days an
2 annuitant has returned to State service, any amount of time less
3 than one-half of a day shall be counted as one-half of a day.
4 For agencies, boards and commissions under the Governor's
5 jurisdiction, the approval of the Governor that an emergency
6 exists shall be required before an annuitant may be returned to
7 State service. Such service shall not be subject to member
8 contributions or be eligible for qualification as creditable
9 State service or for participation in the plan, mandatory pickup
10 participant contributions or employer defined contributions.

11 (a.2) Return of benefits.--In the event an annuitant whose
12 annuity ceases pursuant to this section receives any annuity
13 payment, including a lump sum payment pursuant to section 5705
14 (relating to member's options) on or after the date of his
15 return to State service or entering school service, the
16 annuitant shall return to the board the amount so received plus
17 statutory interest. The amount payable shall be certified in
18 each case by the board in accordance with methods approved by
19 the actuary and shall be paid in a lump sum within 30 days or in
20 the case of an active member or school employee who is an active
21 member of the Public School Employees' Retirement System may be
22 amortized with statutory interest through salary deductions to
23 the system in amounts agreed upon by the member and the board.
24 The salary deduction amortization plans agreed to by the member
25 and the board may include a deferral of payment amounts and
26 statutory interest until the termination of school service or
27 State service or beginning service as a participant without
28 concurrently being an active member of the system as the board
29 in its sole discretion decides to allow. The board may limit
30 salary deduction amortization plans to such terms as the board

1 in its sole discretion determines. In the case of a school
2 employee who is an active member of the Public School Employees'
3 Retirement System, the agreed upon salary deductions shall be
4 remitted to the Public School Employees' Retirement Board, which
5 shall certify and transfer to the board the amounts paid.

6 (b) Subsequent discontinuance of service.--Upon subsequent
7 discontinuance of service, such [member] terminating State
8 employee other than a former annuitant who had the effect of his
9 frozen present value eliminated in accordance with subsection
10 (c) or a former disability annuitant shall be entitled to an
11 annuity which is actuarially equivalent to [the sum of] the
12 present value as determined under subsection (a) [and] to which
13 shall be added, if the service after reemployment was as a
14 member of the system, the present value of a maximum single life
15 annuity based on years of service credited subsequent to reentry
16 in the system and his final average salary computed by reference
17 to his compensation as a member of the system or as a member of
18 the Public School Employees' Retirement System during his entire
19 period of State and school service.

20 (c) Elimination of the effect of frozen present value.--

21 (1) An annuitant who returns to State service as an
22 active member of the system and earns three eligibility
23 points by performing credited State service following the
24 most recent period of receipt of an annuity under this part,
25 or an annuitant who enters school service other than as a
26 participant in the School Employees' Defined Contribution
27 Plan and:

28 (i) is a multiple service member; or

29 (ii) who elects multiple service membership, and
30 earns three eligibility points by performing credited State

1 service or credited school service following the most recent
2 period of receipt of an annuity under this part, and who had
3 the present value of his annuity frozen in accordance with
4 subsection (a), shall qualify to have the effect of the
5 frozen present value resulting from all previous periods of
6 retirement eliminated, provided that all payments under
7 Option 4 and annuity payments payable during previous periods
8 of retirement plus interest as set forth in paragraph (3)
9 shall be returned to the fund in the form of an actuarial
10 adjustment to his subsequent benefits or in such form as the
11 board may otherwise direct.

12 * * *

13 (3) In addition to any other adjustment to the present
14 value of the maximum single life annuity that a member may be
15 entitled to receive that occurs as a result of any other
16 provision of law, the present value of the maximum single
17 life annuity shall be reduced by all amounts paid or payable
18 to him during all previous periods of retirement plus
19 interest on these amounts until the date of subsequent
20 retirement. The interest for each year shall be calculated
21 based upon the annual interest rate adopted for that fiscal
22 year by the board for the calculation of the normal
23 contribution rate pursuant to section 5508(b) (relating to
24 actuarial cost method[]) for fiscal years ending before July
25 1, 2015) or 5508.1(b)(1) (relating to actuarial cost method
26 for fiscal years beginning July 1, 2015, or later) for fiscal
27 years starting on or after July 1, 2015.

28 § 5707. Death benefits.

29 (a) Members eligible for annuities.--Any active member,
30 inactive member on leave without pay, combined service employee

1 who is an active participant or inactive participant on leave
2 without pay or vestee who dies and was eligible for an annuity
3 in accordance with section 5308(a) or (b) (relating to
4 eligibility for annuities) or special vestee who has attained
5 superannuation age and dies before applying for a superannuation
6 annuity shall be considered as having applied for an annuity to
7 become effective the day before his death and in the event he
8 has not elected an option or such election has not been approved
9 prior to his death, it shall be assumed that he elected Option
10 1.

11 (b) Members ineligible for annuities.--In the event of the
12 death of a special vestee, an active member [or], an inactive
13 member on leave without pay or combined service employee who is
14 an active participant or inactive participant on leave without
15 pay who is not entitled to a death benefit as provided in
16 subsection (a), his designated beneficiary shall be paid the
17 full amount of his total accumulated deductions.

18 * * *

19 (f) Members subject to limitations under section 5702(c).--
20 Subject to the limitations contained in section 401(a)(9) of the
21 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
22 401(a)(9)), the present value of any annuity in excess of that
23 payable under section 5702 (relating to maximum single life
24 annuity) that is not subject to the limitations under section
25 415(b) of the Internal Revenue Code of 1986 shall be paid in a
26 lump sum to the beneficiary designated by the member after the
27 death of the member. A beneficiary receiving a benefit under
28 this subsection shall not be able to elect a payment method
29 otherwise allowed under section 5709(b)(2) and (3) (relating to
30 payment of benefits from the system).

1 § 5708.1. Additional supplemental annuities.

2 * * *

3 (f) Funding.--The actuary shall annually certify the amount
4 of appropriations for the next fiscal year needed to fund, over
5 a period of ten years from July 1, 2002, the additional monthly
6 supplemental annuity provided for in this section, which amounts
7 shall be paid during the period beginning July 1, 2002, and
8 ending June 30, 2010. For fiscal years beginning on or after
9 July 1, 2010, the additional liability provided in this section
10 shall be funded as part of the actuarial accrued liability as
11 provided in [section 5508 (relating to actuarial cost method)]
12 sections 5508 (relating to actuarial cost method for fiscal
13 years ending before July 1, 2015) and 5508.1 (relating to
14 actuarial cost method for fiscal years beginning July 1, 2015,
15 or later).

16 * * *

17 § 5708.2. Further additional supplemental annuities.

18 * * *

19 (f) Funding.--The actuary shall annually estimate the amount
20 of Commonwealth appropriations for the next fiscal year needed
21 to fund, over a period of ten years from July 1, 2002, the
22 additional monthly supplemental annuity provided for in this
23 section, which amounts shall be paid during the period beginning
24 July 1, 2002, and ending June 30, 2010. For fiscal years
25 beginning on or after July 1, 2010, the additional liability
26 provided in this section shall be funded as part of the
27 actuarial accrued liability as provided in [section 5508
28 (relating to actuarial cost method)] sections 5508 (relating to
29 actuarial cost method for fiscal years ending before July 1,
30 2015) and 5508.1 (relating to actuarial cost method for fiscal

1 years beginning July 1, 2015, or later).

2 * * *

3 § 5708.3. Supplemental annuities commencing 1994.

4 * * *

5 (f) Funding.--For the period beginning July 1, 2002, and
6 ending June 30, 2010, the additional liability for the increase
7 in benefits provided in this section shall be funded in equal
8 dollar annual installments over a period of ten years beginning
9 July 1, 2002. For fiscal years beginning on or after July 1,
10 2010, the additional liability for the increase in benefits
11 provided in this section shall be funded as part of the
12 actuarial accrued liability as provided in [section 5508
13 (relating to actuarial cost method)] sections 5508 (relating to
14 actuarial cost method for fiscal years ending before July 1,
15 2015) and 5508.1 (relating to actuarial cost method for fiscal
16 years beginning July 1, 2015, or later).

17 * * *

18 § 5708.5. Supplemental annuities commencing 1998.

19 * * *

20 (f) Funding.--For the period beginning July 1, 2002, and
21 ending June 30, 2010, the additional liability for the increase
22 in benefits provided in this section shall be funded in equal
23 dollar annual installments over a period of ten years beginning
24 July 1, 2002. For fiscal years beginning on or after July 1,
25 2010, the additional liability for the increase in benefits
26 provided in this section shall be funded as part of the
27 actuarial accrued liability as provided in [section 5508
28 (relating to actuarial cost method)] sections 5508 (relating to
29 actuarial cost method for fiscal years ending before July 1,
30 2015) and 5508.1 (relating to actuarial cost method for fiscal

1 years beginning July 1, 2015, or later).

2 * * *

3 § 5708.6. Supplemental annuities commencing 2002.

4 * * *

5 (f) Funding.--For the period beginning July 1, 2003, and
6 ending June 30, 2010, the additional liability for the increase
7 in benefits provided in this section shall be funded in equal
8 dollar annual installments over a period of ten years beginning
9 July 1, 2003. For fiscal years beginning on or after July 1,
10 2010, the additional liability for the increase in benefits
11 provided in this section shall be funded as part of the
12 actuarial accrued liability as provided in [section 5508
13 (relating to actuarial cost method)] sections 5508 (relating to
14 actuarial cost method for fiscal years ending before July 1,
15 2015) and 5508.1 (relating to actuarial cost method for fiscal
16 years beginning July 1, 2015, or later).

17 * * *

18 § 5708.7. Supplemental annuities commencing 2003.

19 * * *

20 (f) Funding.--For the period beginning July 1, 2004, and
21 ending June 30, 2010, the additional liability for the increase
22 in benefits provided in this section shall be funded in equal
23 dollar annual installments over a period of ten years beginning
24 July 1, 2004. For fiscal years beginning on or after July 1,
25 2010, the additional liability for the increase in benefits
26 provided in this section shall be funded as part of the
27 actuarial accrued liability as provided in [section 5508
28 (relating to actuarial cost method)] sections 5508 (relating to
29 actuarial cost method for fiscal years ending before July 1,
30 2015) and 5508.1 (relating to actuarial cost method for fiscal

1 years beginning July 1, 2015, or later).

2 * * *

3 § 5708.8. Special supplemental postretirement adjustment of
4 2002.

5 * * *

6 (g) Funding.--For the period beginning July 1, 2003, and
7 ending June 30, 2010, the additional liability for the increase
8 in benefits provided in this section shall be funded in equal
9 dollar annual installments over a period of ten years beginning
10 July 1, 2003. For fiscal years beginning on or after July 1,
11 2010, the additional liability for the increase in benefits
12 provided in this section shall be funded as part of the
13 actuarial accrued liability as provided in [section 5508
14 (relating to actuarial cost method)] sections 5508 (relating to
15 actuarial cost method for fiscal years ending before July 1,
16 2015) and 5508.1 (relating to actuarial cost method for fiscal
17 years beginning July 1, 2015, or later).

18 * * *

19 § 5709. Payment of benefits from the system.

20 (a) Annuities.--Any annuity granted under the provisions of
21 this part and paid from the fund shall be paid in equal monthly
22 installments.

23 (b) Death benefits.--If the amount of a death benefit
24 payable from the fund to a beneficiary of a member under section
25 5707 (relating to death benefits) or under the provisions of
26 Option 1 of section 5705(a) (1) (relating to member's options) is
27 \$10,000 or more, such beneficiary may elect to receive payment
28 according to one of the following options:

29 (1) a lump sum payment;

30 (2) an annuity actuarially equivalent to the amount

1 payable; or

2 (3) a lump sum payment and an annuity such that the
3 annuity is actuarially equivalent to the amount payable less
4 the lump sum payment specified by the beneficiary.

5 * * *

6 § 5901. The State Employees' Retirement Board.

7 (a) Status and membership.--The board shall be an
8 independent administrative board and consist of 11 members: the
9 State Treasurer, ex officio, two Senators, two members of the
10 House of Representatives and six members appointed by the
11 Governor, one of whom shall be an annuitant of the system or a
12 participant of the plan who has terminated State service and is
13 receiving or is eligible to receive distributions, for terms of
14 four years, subject to confirmation by the Senate. At least five
15 board members shall be active members of the system or active
16 participants of the plan, and at least two shall have ten or
17 more years of credited State service or shall have been active
18 participants of the plan for ten calendar years. The chairman of
19 the board shall be designated by the Governor from among the
20 members of the board. Each member of the board who is a member
21 of the General Assembly may appoint a duly authorized designee
22 to act in his stead. In the event that a board member, who is
23 designated as an active participant or as the participant in the
24 plan who is receiving or is eligible to receive distributions,
25 receives a total distribution of his interest in the plan, that
26 board member may continue to serve on the board for the
27 remainder of his term.

28 * * *

29 (c) Oath of office.--Each member of the board shall take an
30 oath of office that he will, so far as it devolves upon him,

1 diligently and honestly, administer the affairs of said board,
2 the system and the plan and that he will not knowingly violate
3 or willfully permit to be violated any of the provisions of law
4 applicable to this part. Such oath shall be subscribed by the
5 member taking it and certified by the officer before whom it is
6 taken and shall be immediately filed in the Office of the
7 Secretary of the Commonwealth.

8 (d) Compensation and expenses.--The members of the board who
9 are members of the system or participants in the plan shall
10 serve without compensation but shall not suffer loss of salary
11 or wages through serving on the board. The members of the board
12 who are not members of the system or participants in the plan
13 shall receive \$100 per day when attending meetings and all board
14 members shall be reimbursed for any necessary expenses. However,
15 when the duties of the board as mandated are not executed, no
16 compensation or reimbursement for expenses of board members
17 shall be paid or payable during the period in which such duties
18 are not executed.

19 * * *

20 Section 21. Sections 5902(a.1) introductory paragraph, (3),
21 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (m) and (n) and
22 5903 heading and (a) of Title 71 are amended and the sections
23 are amended by adding subsections to read:

24 § 5902. Administrative duties of the board.

25 * * *

26 (a.1) Secretary.--The secretary shall act as chief
27 administrative officer for the board with respect to both the
28 system and the plan. In addition to other powers and duties
29 conferred upon and delegated to the secretary by the board, the
30 secretary shall:

1 * * *

2 (3) Review and analyze proposed legislation and
3 legislative developments affecting the system or the plan and
4 present findings to the board, legislative committees, and
5 other interested groups or individuals.

6 * * *

7 (5) Receive inquiries and requests for information
8 concerning the system or the plan from the press,
9 Commonwealth officials, State employees, the general public,
10 research organizations, and officials and organizations from
11 other states, and provide information as authorized by the
12 board.

13 (6) Supervise a staff of administrative, technical, and
14 clerical employees engaged in record-keeping and clerical
15 processing activities for both the system and the plan in
16 maintaining files of members and participants, accounting for
17 contributions, processing payments to annuitants and
18 terminated participants, preparing required reports, and
19 retirement counseling. The board may utilize the staff of
20 employees provided for under this subsection for both the
21 system and the plan but shall allocate the fees, costs and
22 expenses incurred under this subsection between the system
23 and the plan as appropriate.

24 (b) Professional personnel.--The board shall contract for
25 the services of a chief medical examiner, an actuary, investment
26 advisors and counselors, and such other professional personnel
27 as it deems advisable. The board may, with the approval of the
28 Attorney General, contract for legal services. The board may
29 utilize the same individuals and firms contracted under this
30 subsection for both the system and the plan but shall allocate

1 the fees, costs and expenses incurred under this subsection
2 between the system and the plan as appropriate.

3 (c) Expenses.--The board shall, through the Governor, submit
4 to the General Assembly annually a budget covering the
5 administrative expenses of [this part] the system and a separate
6 budget covering the administrative expenses of the plan. Such
7 expenses of the system as approved by the General Assembly in an
8 appropriation bill shall be paid from investment earnings of the
9 fund. Such expenses of the plan as approved by the General
10 Assembly shall be paid from interest, pursuant to section
11 5414(b) (relating to investments based on members' investment
12 allocation choices), or assessments on the balances of the
13 participants' individual investment accounts. Concurrently with
14 its administrative budget, the board shall also submit to the
15 General Assembly annually a list of proposed expenditures which
16 the board intends to pay through the use of directed
17 commissions, together with a list of the actual expenditures
18 from the past year actually paid by the board through the use of
19 directed commissions. All such directed commission expenditures
20 shall be made by the board for the exclusive benefit of the
21 system and its members.

22 * * *

23 (e) Records.--

24 (1) The board shall keep a record of all its proceedings
25 which shall be open to inspection by the public, except as
26 otherwise provided in this part or by other law.

27 (2) Any record, material or data received, prepared,
28 used or retained by the board or its employees, investment
29 professionals or agents relating to an investment shall not
30 constitute a public record subject to public [inspection]

1 access under the act of [June 21, 1957 (P.L.390, No.212),
2 referred to as the Right-to-Know Law,] February 14, 2008
3 (P.L.6, No.3), known as the Right-to-Know Law, if, in the
4 reasonable judgment of the board, the [inspection] access
5 would:

6 (i) in the case of an alternative investment or
7 alternative investment vehicle, involve the release of
8 sensitive investment or financial information relating to
9 the alternative investment or alternative investment
10 vehicle which the fund or trust was able to obtain only
11 upon agreeing to maintain its confidentiality;

12 (ii) cause substantial competitive harm to the
13 person from whom sensitive investment or financial
14 information relating to the investment was received; or

15 (iii) have a substantial detrimental impact on the
16 value of an investment to be acquired, held or disposed
17 of by the fund or trust or would cause a breach of the
18 standard of care or fiduciary duty set forth in this
19 part.

20 (3) (i) The sensitive investment or financial
21 information excluded from inspection under paragraph (2)
22 (i), to the extent not otherwise excluded from
23 inspection, shall constitute a public record subject to
24 public inspection under the Right-to-Know Law once the
25 board is no longer required by its agreement to maintain
26 confidentiality.

27 (ii) The sensitive investment or financial
28 information excluded from inspection under paragraph
29 (2)(ii), to the extent not otherwise excluded from
30 inspection, shall constitute a public record subject to

1 public inspection under the Right-to-Know Law once:

2 (A) the inspection no longer causes substantial
3 competitive harm to the person from whom the
4 information was received; or

5 (B) the entity in which the investment was made
6 is liquidated;

7 whichever is later.

8 (iii) The sensitive investment or financial
9 information excluded from inspection under paragraph
10 (2)(iii), to the extent not otherwise excluded from
11 inspection, shall constitute a public record subject to
12 public inspection under the Right-to-Know Law once:

13 (A) the inspection no longer has a substantial
14 detrimental impact on the value of an investment of
15 the fund or trust and would not cause a breach of the
16 standard of care or fiduciary duty set forth in this
17 part; or

18 (B) the entity in which the investment was made
19 is liquidated;

20 whichever is later.

21 (4) Except for the provisions of paragraph (3), nothing
22 in this subsection shall be construed to designate any
23 record, material or data received, prepared, used or retained
24 by the board or its employees, investment professionals or
25 agents relating to an investment as a public record subject
26 to public inspection under the Right-to-Know Law.

27 (5) Any record, material or data received, prepared,
28 used or retained by the board or its employees, or agents
29 relating to the contributions, account value or benefits
30 payable to or on account of a participant shall not

1 constitute a public record subject to public access under the
2 Right-to-Know Law, if, in the reasonable judgment of the
3 board, the access would disclose any of the following:

4 (i) The existence, date, amount and any other
5 information pertaining to the voluntary contributions,
6 including rollover contributions or trustee-to-trustee
7 transfers, of any participant.

8 (ii) The investment options selections of any
9 participant.

10 (iii) The balance of a participant's account,
11 including the amount distributed to the participant
12 investment gains or losses or rates of return.

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

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

16 (6) Nothing in this subsection shall be construed to
17 designate any record, material or data received, prepared,
18 used or retained by the board or its employees, or agents
19 relating to the contributions, account value or benefits
20 payable to or on account of a participant as a public record
21 subject to public inspection under the Right-to-Know Law.

22 * * *

23 (h) Regulations and procedures.--The board shall, with the
24 advice of the Attorney General and the actuary, adopt and
25 promulgate rules and regulations for the uniform administration
26 of the system. The actuary shall approve in writing all
27 computational procedures used in the calculation of
28 contributions and benefits pertaining to the system, and the
29 board shall by resolution adopt such computational procedures,
30 prior to their application by the board. Such rules, regulations

1 and computational procedures as so adopted from time to time and
2 as in force and effect at any time, together with such tables as
3 are adopted pursuant to subsection (j) as necessary for the
4 calculation of annuities and other benefits, shall be as
5 effective as if fully set forth in this part. Any actuarial
6 assumption specified in or underlying any such rule, regulation
7 or computational procedure and utilized as a basis for
8 determining any benefit shall be applied in a uniform manner.

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

13 (j) Actuarial investigation and valuation.--The board shall
14 have the actuary make an annual valuation of the various
15 accounts of the fund within six months of the close of each
16 calendar year. In the year 1975 and in every fifth year
17 thereafter the board shall have the actuary conduct an actuarial
18 investigation and evaluation of the system based on data
19 including the mortality, service, and compensation experience
20 provided by the board annually during the preceding five years
21 concerning the members and beneficiaries of the system. The
22 board shall by resolution adopt such tables as are necessary for
23 the actuarial valuation of the fund and calculation of
24 contributions, annuities and other benefits based on the reports
25 and recommendations of the actuary. Within 30 days of their
26 adoption, the secretary of the board shall cause those tables
27 which relate to the calculation of annuities and other benefits
28 to be published in the Pennsylvania Bulletin in accordance with
29 the provisions of 45 Pa.C.S. § 725(a) (relating to additional
30 contents of Pennsylvania Bulletin) and, unless the board

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

9 (k) Certification of employer contributions to the fund.--
10 The board shall, each year in addition to the itemized budget
11 required under section 5509 (relating to appropriations and
12 assessments by the Commonwealth), certify, as a percentage of
13 the members' payroll, the shared-risk contribution rate, the
14 employers' contributions as determined pursuant to [section 5508
15 (relating to actuarial cost method)] sections 5508 (relating to
16 actuarial cost method for fiscal years ending before July 1,
17 2015) and 5508.1 (relating to actuarial cost method for fiscal
18 years beginning July 1, 2015, or later) necessary for the
19 funding of prospective annuities for active members and the
20 annuities of annuitants and certify the rates and amounts of the
21 employers' normal contributions as determined pursuant to
22 [section] sections 5508(b) and 5508.1(b), accrued liability
23 contributions as determined pursuant to [section] sections
24 5508(c) and 5508.1(c) and (d), supplemental annuities
25 contribution rate as determined pursuant to section 5508(e), the
26 experience adjustment factor as determined pursuant to [section]
27 sections 5508(f) and 5508.1(f), the collared contribution rate
28 pursuant to section 5508(h) and the final contribution rate
29 pursuant to section 5508(i), which shall be paid to the fund and
30 credited to the appropriate accounts. The board may allocate the

1 final contribution rate and certify various employer
2 contribution rates and amounts based upon the different benefit
3 eligibility, class of service multiplier, superannuation age and
4 other benefit differences resulting from State service credited
5 for individual members even though such allocated employer
6 contribution rate on behalf of any given member may be more or
7 less than 5% of the member's compensation for the period from
8 July 1, 2010, to June 30, 2011, or may differ from the prior
9 year's contribution for that member by more or less than the
10 percentages used to calculate the collared contribution rate for
11 that year and may be below any minimum contribution rate
12 established for the collared contribution rate or final
13 contribution rate. These certifications shall be regarded as
14 final and not subject to modification by the Secretary of the
15 Budget.

16 * * *

17 (m) Annual financial statement.--The board shall prepare and
18 have published, on or before July 1 of each year, [a financial
19 statement] financial statements as of the calendar year ending
20 December 31 of the previous year showing the condition of the
21 fund and the trust and the various accounts, including, but not
22 limited to, the board's accrual and expenditure of directed
23 commissions, and setting forth such other facts,
24 recommendations, and data as may be of use in the advancement of
25 knowledge concerning annuities and other benefits provided by
26 this part. The board shall submit said financial [statement]
27 statements to the Governor and shall file copies with the head
28 of each department for the use of the State employees and the
29 public.

30 (n) Independent audit.--The board shall provide for [an

1 annual audit] annual audits of the system and the plan by [an]
2 independent certified public [accountant] accountants, which
3 [audit] audits shall include the board's accrual and expenditure
4 of directed commissions. The board may use the same independent
5 certified public accountant for the audits of both the system
6 and the plan.

7 (o) Participant and employer contributions to the trust.--
8 The board shall, each year in addition to any fees and itemized
9 budget required under section 5509 (relating to appropriations
10 and assessments by the Commonwealth), certify, as a percentage
11 of each participant's compensation, the employer defined
12 contributions, which shall be paid to the trust and credited to
13 each participant's individual investment account. These
14 certifications shall be regarded as final and not subject to
15 modification by the Secretary of the Budget. In addition, the
16 board shall cause all mandatory pickup participant contributions
17 made on behalf of a participant and all voluntary contributions
18 made by a participant to be credited to the participant's
19 individual investment account.

20 § 5903. Duties of the board to advise and report to heads of
21 departments [and], members and participants.

22 (a) Manual of regulations.--The board shall, with the advice
23 of the Attorney General and the actuary, prepare and provide,
24 within 90 days of the effective date of this part, a manual
25 incorporating rules and regulations consistent with the
26 provisions of this part to the heads of departments who shall
27 make the information contained therein available to the general
28 membership. The board shall thereafter advise the heads of
29 departments within 90 days of any changes in such rules and
30 regulations due to changes in the law or due to changes in

1 administrative policies. As soon as practicable after the
2 commissioner's announcement with respect thereto, the board
3 shall also advise the heads of departments as to any cost-of-
4 living adjustment for the succeeding calendar year in the amount
5 of the limitation under IRC § 401(a)(17) and the dollar amounts
6 of the limitations under IRC § 415[(b)]. As soon as practicable
7 after January 1 of each year, the board shall also advise the
8 heads of departments of the employees for whom, pursuant to
9 section 5502.1 (relating to waiver of regular member
10 contributions and Social Security integration member
11 contributions), pickup contributions are not to be made.

12 * * *

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

23 * * *

24 Section 22. Section 5904(c)(2) of Title 71 is amended to
25 read:

26 § 5904. Duties of the board to report to the Public School
27 Employees' Retirement Board.

28 * * *

29 (c) Applications for benefits for school employees.--Upon
30 receipt of notification and the required data from the Public

1 School Employees' Retirement Board that a former State employee
2 who elected multiple service has applied for a public school
3 employees' retirement benefit or, in the event of his death, his
4 legally constituted representative has applied for such benefit,
5 the board shall:

6 * * *

7 (2) transfer to the Public School Employees' Retirement
8 Fund the total accumulated deductions standing to such
9 member's credit and the actuarial reserve required on account
10 of years of credited service in the State system, final
11 average salary determined on the basis of his compensation as
12 a member in both systems and the average noncovered salary to
13 be charged to the State accumulation account, the State
14 Police benefit account or the enforcement officers' benefit
15 account, as each case may require.

16 * * *

17 Section 23. Sections 5905 heading, (b) (3), (c.1) and (g),
18 5906(a) introductory paragraph and (3), (b), (d), (e), (g), (h)
19 and (i) and 5907 heading, (a), (e) and (f) of Title 71 are
20 amended and the sections are amended by adding subsections to
21 read:

22 § 5905. Duties of the board regarding applications and
23 elections of members and participants.

24 * * *

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

1 * * *

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

13 * * *

14 (c.1) Termination of service by a member.--In the case of
15 any member terminating State service who is entitled to an
16 annuity and who is not then a disability annuitant, the board
17 shall advise such member in writing of any benefits from the
18 system to which he may be entitled under the provisions of this
19 part and shall have the member prepare, on or before the date of
20 termination of State service, one of the following three forms,
21 a copy of which shall be given to the member and the original of
22 which shall be filed with the board:

23 (1) an application for the return of total accumulated
24 deductions;

25 (2) an election to vest his retirement rights and, if he
26 is a joint coverage member and so desires, elect to become a
27 full coverage member and agree to pay within 30 days of the
28 date of termination of service the lump sum required; or

29 (3) an application for an immediate annuity and, if he
30 desires:

1 (i) an election to convert his medical, major
2 medical and hospitalization insurance coverage to the
3 plan for State annuitants; and

4 (ii) if he is a joint coverage member, an election
5 to become a full coverage member and an agreement to pay
6 within 30 days of date of termination of service the lump
7 sum required.

8 (c.2) Termination of service by a participant.--In the case
9 of any participant terminating State service, the board shall
10 advise the participant and if the participant is married the
11 board is authorized to advise the participant's spouse, in
12 writing, of the accumulated total defined contributions credited
13 to the participant's individual investment account as of the
14 date stated in the writing, any notices regarding rollover or
15 other matters required by IRC or other law, the obligation of
16 the participant to commence distributions from the plan by the
17 participant's required beginning date and the ability to receive
18 all or part of the balance in the participant's individual
19 investment account in a lump sum or in such other form as the
20 board may authorize or is required by law.

21 * * *

22 (e.2) Notification to inactive participants approaching
23 required beginning date.--The board shall notify each inactive
24 participant who has terminated State service and had not
25 commenced distribution by 90 days before the participant's
26 required beginning date and if the participant is married the
27 board is authorized to advise the participant's spouse, in
28 writing, that he has an obligation to commence distributions by
29 his required beginning date in a form and manner required by IRC
30 § 401(a)(9) and other applicable provisions of the IRC.

1 * * *

2 (f.1) Initial payment to a participant.--The board shall
3 make the initial payment to a participant who has applied for a
4 distribution within 60 days of the filing of his application.

5 (g) Death benefits.--Upon receipt of notification from the
6 head of a department of the death of an active member [or], a
7 member on leave without pay, an active participant, an inactive
8 participant on leave without pay or a former participant
9 performing USERRA leave, the board shall advise the designated
10 beneficiary of the benefits to which he is entitled, and shall
11 make the first payment to the beneficiary within 60 days of
12 receipt of certification of death and other necessary data. If
13 no beneficiary designation is in effect at the date of the
14 member's death or no notice has been filed with the board to pay
15 the amount of the benefits to the member's estate, the board is
16 authorized to pay the benefits to the executor, administrator,
17 surviving spouse or next of kin of the deceased member, and
18 payment pursuant hereto shall fully discharge the fund from any
19 further liability to make payment of such benefits to any other
20 person. If the surviving spouse or next of kin of the deceased
21 member cannot be found for the purpose of paying the benefits
22 for a period of seven years from the date of death of the
23 member, then the benefits shall be escheated to the Commonwealth
24 for the benefit of the fund. If no beneficiary designation is in
25 effect at the date of a participant's death or no notice has
26 been filed with the board to pay the amount of the benefits to
27 the participant's estate, the board is authorized to pay the
28 benefits to the surviving spouse, executor, administrator or
29 next of kin of the deceased participant and payment pursuant
30 hereto shall fully discharge the fund from any further liability

1 to make payment of such benefits to any other person.

2 * * *

3 § 5906. Duties of heads of departments.

4 (a) Status of members and participants.--The head of
5 department shall, at the end of each pay period, notify the
6 board in a manner prescribed by the board of salary changes
7 effective during that period for any members and participants of
8 the department, the date of all removals from the payroll, and
9 the type of leave of any members and participants of the
10 department who have been removed from the payroll for any time
11 during that period, and:

12 * * *

13 (3) if the removal is due to termination of State
14 service, he shall furnish the board with a complete State
15 service record, including service in other departments or
16 agencies, or creditable nonstate service and;

17 (i) in the case of death of the member or
18 participant the head of the department shall so notify
19 the board;

20 (ii) in the case of a service connected disability
21 of a member the head of department shall, to the best of
22 his ability, investigate the circumstances surrounding
23 the disablement of the member and submit in writing to
24 the board information which shall include but not
25 necessarily be limited to the following: date, place and
26 time of disablement to the extent ascertainable; nature
27 of duties being performed at such time; and whether or
28 not the duties being performed were authorized and
29 included among the member's regular duties. In addition,
30 the head of department shall furnish in writing to the

1 board all such other information as may be related to the
2 member's disablement;

3 (iii) in the case of a member terminating from The
4 Pennsylvania State University who is a member of the
5 system with five or more but less than ten eligibility
6 points and who has terminated State service on June 30,
7 1997, because of the transfer of his job position or
8 duties to a controlled organization of the Penn State
9 Geisinger Health System or because of the elimination of
10 his job position or duties due to the transfer of other
11 job positions or duties to a controlled organization of
12 the Penn State Geisinger Health System, the head of the
13 department shall so certify to the board.

14 (b) Records and information.--At any time at the request of
15 the board and at termination of service of a member or a
16 participant, the head of department shall furnish service and
17 compensation records and such other information as the board may
18 require and shall maintain and preserve such records as the
19 board may direct for the expeditious discharge of its duties.

20 * * *

21 (c.1) Participant and employer defined contributions.--The
22 head of the department shall:

23 (1) Cause the mandatory pickup participant contributions
24 on behalf of a participant to be made and shall cause to be
25 deducted any voluntary contributions authorized by a
26 participant.

27 (2) Cause the employer defined contributions on behalf
28 of a participant to be made.

29 (3) Notify the board at times and in a manner prescribed
30 by the board of the compensation of any participant to whom

1 the limitation under IRC § 401(a)(17) either applies or is
2 expected to apply and shall cause such participant's
3 contributions to be deducted from payroll to cease at the
4 limitation under IRC § 401(a)(17) on the payroll date if and
5 when such limit shall be reached.

6 (4) Certify to the State Treasurer the amounts picked up
7 and deducted and the employer defined contributions being
8 made and shall send the total amount picked up, deducted and
9 contributed together with a duplicate of such voucher to the
10 secretary of the board every pay period or on such schedule
11 as established by the board.

12 (d) New employees subject to mandatory membership or
13 participation.--Upon the assumption of duties of each new State
14 employee whose membership in the system or plan is mandatory,
15 the head of department shall cause an application for membership
16 or participation and a nomination of beneficiary, who shall be
17 the participant's spouse if the participant is married, unless
18 the spouse otherwise consents, to be made by such employee and
19 filed with the board and shall make pickup contributions or
20 mandatory pickup participant contributions from the effective
21 date of State employment.

22 (e) New employees subject to optional membership or
23 participation.--The head of department shall, upon the
24 employment or entering into office of any State employee whose
25 membership in the system or participation in the plan is not
26 mandatory, inform such employee of his opportunity to become a
27 member of the system or participant in the plan. If such
28 employee so elects, the head of department shall cause an
29 application for membership and a nomination of beneficiary, who
30 shall be the participant's spouse if the participant is married,

1 unless the spouse otherwise consents, to be made by him and
2 filed with the board and shall cause proper contributions to be
3 made from the effective date of membership or participation.

4 * * *

5 (g) Former school employee contributors.--The head of
6 department shall, upon the employment of a former contributor to
7 the Public School Employees' Retirement System who is not an
8 annuitant of the Public School Employees' Retirement System,
9 advise such employee of his right to elect within 365 days of
10 entry into the system to become a multiple service member, and
11 in the case of any such employee who so elects and has withdrawn
12 his accumulated deductions, require him to reinstate his credit
13 in the Public School Employees' Retirement System. The head of
14 the department shall advise the board of such election. This
15 subsection shall not apply to a State employee who is employed
16 in a position where he is or may be a participant in the plan.

17 (h) Former school employee annuitants.--The head of
18 department shall, upon the employment of an annuitant of the
19 Public School Employees' Retirement System who applies for
20 membership in the system, advise such employee that he may elect
21 multiple service membership within 365 days of entry into the
22 system and if he so elects his public school employee's annuity
23 will be discontinued effective upon the date of his return to
24 State service and, upon termination of State service and
25 application for an annuity, the annuity will be adjusted in
26 accordance with section 5706 (relating to termination of
27 annuities). The head of department shall advise the board of
28 such election. This subsection shall not apply to a State
29 employee who is employed in a position where he is or may be a
30 participant in the plan.

1 (i) Annual statement to members.--Annually, upon receipt
2 from the board, the head of department shall furnish to each
3 member the statement specified in section 5903(b) (relating to
4 duties of the board to advise and report to heads of departments
5 [and], members and participants).

6 * * *

7 (l) State employees performing USERRA or military related
8 leave of absence.--The head of department shall report to the
9 board any participant who ceases to be an active participant to
10 perform USERRA service or who is granted a leave of absence
11 under 51 Pa.C.S. § 4102 (relating to leaves of absence for
12 certain government employees) or a military leave of absence
13 under 51 Pa.C.S. § 7302 (relating to granting military leaves of
14 absence), the date on which such USERRA service, leave of
15 absence or military leave of absence began, the date on which
16 the participant is reemployed from USERRA leave or returns after
17 the leave of absence or military leave of absence, if such event
18 occurs, and any other information the board may require or
19 direct.

20 (m) Differential wage payments and military leave of absence
21 payments.--Notwithstanding the exclusion of differential wage
22 payments as defined in IRC § 414(u)(12) from compensation under
23 this part, the head of department of any State employee on
24 USERRA leave shall report differential wage payments made to
25 such employee to the board, and the head of department of any
26 State employee on leave of absence pursuant to 51 Pa.C.S. § 4102
27 shall report any payment made to such employee, in the form and
28 manner established by the board.

29 (n) Obligation of educational institutions to report
30 participation and compensation of employees in independent

1 retirement programs.--The Pennsylvania State University, the
2 State System of Higher Education, State-owned educational
3 institutions and community colleges shall report to the board
4 the compensation and other information as the board may request
5 for the application and administration of sections 5507.1
6 (relating to contributions to the system by the Commonwealth and
7 other employers starting July 1, 2015) and 5508.1(c) and (d)
8 (relating to actuarial cost method for fiscal years beginning
9 July 1, 2015, or later) of employees who are participants or
10 members in the Public School Employees' Retirement System,
11 School Employees' Defined Contribution Plan or independent
12 retirement programs approved by the employer.

13 § 5907. Rights and duties of State employees [and], members and
14 participants.

15 (a) Information on new employees.--Upon his assumption of
16 duties each new State employee shall furnish the head of
17 department with a complete record of his previous State service,
18 his school service or creditable nonstate service, the name and
19 address of his spouse, if applicable, if he is, or is eligible
20 to be, a participant in the plan and proof of his date of birth
21 and current status in the system and in the Public School
22 Employees' Retirement System. Willful failure to provide the
23 information required by this subsection to the extent available
24 upon entrance into the system shall result in the forfeiture of
25 the right of the member to subsequently assert any right to
26 benefits based on any of the required information which he
27 failed to provide. In any case in which the board finds that a
28 member is receiving an annuity based on false information, the
29 total amount received predicated on such false information
30 together with statutory interest doubled and compounded shall be

1 deducted from the present value of any remaining benefits to
2 which the member is legally entitled.

3 * * *

4 (b.1) Application for participation.--In the case of a new
5 employee who is not currently a participant in the plan and
6 whose participation is mandatory or in the case of a new
7 employee whose participation is not mandatory but is permitted
8 and who desires to become a participant in the plan, the new
9 employee shall execute an application for participation and a
10 nomination of a beneficiary, who shall be the participant's
11 spouse if the participant is married, unless the spouse
12 otherwise consents.

13 * * *

14 (d.1) Voluntary contributions by a participant.--Any active
15 participant who desires to make voluntary contributions to be
16 credited to his individual investment account shall notify the
17 board and, upon compliance with the requirements, procedures and
18 limitations established by the board in the plan document, may
19 do so subject to the limitations under IRC §§ 401(a) and 415 and
20 other applicable law.

21 (d.2) Contributions for USERRA leave.--Any active
22 participant or inactive participant on leave without pay or
23 former participant who was reemployed from USERRA leave who
24 desires to make mandatory pickup participant contributions and
25 voluntary contributions for his USERRA leave shall so notify the
26 board within the time period required under 38 U.S.C. Ch. 43
27 (relating to employment and reemployment rights of members of
28 the uniformed services) and IRC § 414(u) of his desire to make
29 such contributions. Upon making the permitted mandatory pickup
30 participant contributions within the allowed time period, the

1 head of the department shall make the corresponding employer
2 defined contributions at the same time.

3 (e) Beneficiary for death benefits from the system.--Every
4 member shall nominate a beneficiary by written designation filed
5 with the board as provided in section 5906(d) or (e) (relating
6 to duties of heads of departments) to receive the death benefit
7 payable under section 5707 (relating to death benefits) or the
8 benefit payable under the provisions of Option 1 of section
9 5705(a) (1) (relating to member's options). Such nomination may
10 be changed at any time by the member by written designation
11 filed with the board. A member may also nominate a contingent
12 beneficiary or beneficiaries to receive the death benefit
13 provided under section 5707 or the benefit payable under the
14 provisions of Option 1 of section 5705(a) (1).

15 (e.1) Beneficiary for death benefits from the plan.--Every
16 participant shall nominate a beneficiary by written designation
17 filed with the board as provided in section 5906(d) or (e) to
18 receive the death benefit payable under section 5408 (relating
19 to death benefits). A participant may also nominate a contingent
20 beneficiary or beneficiaries to receive the death benefit
21 provided under section 5408. Such nomination may be changed at
22 any time by the participant by written designation filed with
23 the board, provided that, if the participant is married, the
24 participant's spouse consents to the change unless the change is
25 to name the spouse as beneficiary or is limited to contingent
26 beneficiaries.

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

1 or his legally constituted representative, electing to:

2 (1) withdraw his total accumulated deductions; or

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

7 (3) receive an immediate annuity and may,

8 (i) if eligible, elect to convert his medical, major
9 medical, and hospitalization coverage to the plan for
10 State annuitants; and

11 (ii) if he is a joint coverage member, elect to
12 become a full coverage member and agree to pay within 30
13 days of date of termination of service the lump sum
14 required.

15 * * *

16 (g.1) Deferral of retirement rights.--If a participant
17 terminates State service and does not commence receiving a
18 distribution, he shall nominate a beneficiary, who shall be his
19 spouse if he is married, unless the spouse otherwise consents by
20 written designation filed with the board, and he may anytime
21 thereafter, but no later than his required beginning date,
22 withdraw the accumulated total defined contributions standing to
23 his credit or apply for another form of distribution required by
24 law or authorized by the board.

25 * * *

26 (l) Continuing obligation regarding spouses.-- A participant
27 shall have the continuing obligation to notify the board in
28 writing of any change in marital status and, if applicable, the
29 name and current address of the member's spouse.

30 Section 24. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,

1 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

2 § 5931. Management of fund and accounts.

3 * * *

4 (b) Crediting of interest.--The board, annually, shall allow
5 the required interest on the mean amount for the preceding year
6 to the credit of each of the accounts other than the individual
7 investment accounts. The amount so allowed shall be credited
8 thereto by the board and transferred from the interest reserve
9 account.

10 * * *

11 § 5932. State Employees' Retirement Fund.

12 The fund shall consist of all balances in the several
13 separate accounts set apart to be used under the direction of
14 the board for the benefit of members of the system; and the
15 Treasury Department shall credit to the fund all moneys received
16 from the Department of Revenue arising from the contributions
17 relating to or on behalf of members of the system required under
18 the provisions of Chapter 55 (relating to contributions), and
19 any income earned by the investments or moneys of said fund.
20 There shall be established and maintained by the board the
21 several ledger accounts specified in sections 5933 (relating to
22 members' savings account), 5934 (relating to State accumulation
23 account), 5935 (relating to annuity reserve account), 5936
24 (relating to State Police benefit account), 5937 (relating to
25 enforcement officers' benefit account), 5938 (relating to
26 supplemental annuity account) and 5939 (relating to interest
27 reserve account). The individual investment accounts that are
28 part of the trust shall not be part of the fund. Mandatory
29 pickup participant contributions, voluntary contributions and
30 employer defined contributions made under this part and any

1 income earned by the investment of such contributions shall not
2 be paid or credited to the fund but shall be paid to the trust
3 and credited to the individual investment accounts.

4 § 5934. State accumulation account.

5 The State accumulation account shall be the ledger account to
6 which shall be credited all contributions of the Commonwealth or
7 other employers whose employees are members of the system and
8 made in accordance with the provisions of [section 5507(a) or
9 (d) (relating to contributions by the Commonwealth and other
10 employers)] sections 5507(a) or (d) (relating to contributions
11 to the system by the Commonwealth before July 1, 2015) and
12 5507.1 (relating to contributions to the system by the
13 Commonwealth and other employers starting July 1, 2015) except
14 that the amounts received under the provisions of the act of May
15 12, 1943 (P.L.259, No.120), and the amounts received under the
16 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,
17 No.21), shall be credited to the State Police benefit account or
18 the enforcement officers' benefit account as the case may be.
19 All amounts transferred to the fund by county retirement systems
20 or pension plans in accordance with the provisions of section
21 5507(c) also shall be credited to the State accumulation
22 account. All amounts transferred to the fund by the Public
23 School Employees' Retirement System in accordance with section
24 5303.2(e) (relating to election to convert school service to
25 State service), except amounts credited to the members' savings
26 account, and all amounts paid by the Department of Corrections
27 in accordance with section 5303.2(f) also shall be credited to
28 the State accumulation account. The State accumulation account
29 shall be credited with valuation interest. The reserves
30 necessary for the payment of annuities and death benefits

1 resulting from membership in the system as approved by the board
2 and as provided in Chapter 57 (relating to benefits) shall be
3 transferred from the State accumulation account to the annuity
4 reserve account provided for in section 5935 (relating to
5 annuity reserve account), except that the reserves necessary on
6 account of a member who is an officer of the Pennsylvania State
7 Police or an enforcement officer shall be transferred from the
8 State accumulation account to the State Police benefit account
9 provided for in section 5936 (relating to State Police benefit
10 account) or to the enforcement officers' benefit account as
11 provided for in section 5937 (relating to enforcement officers'
12 benefit account) as the case may be. The reserves necessary for
13 the payment of supplemental annuities in excess of those
14 reserves credited to the supplemental annuity account on June
15 30, 2010, shall be transferred from the State accumulation
16 account to the supplemental annuity account. In the event that
17 supplemental annuities are increased by legislation enacted
18 after December 31, 2009, the necessary reserves shall be
19 transferred from the State accumulation account to the
20 supplemental annuity account.

21 § 5935. Annuity reserve account.

22 (a) Credits and charges to account.--The annuity reserve
23 account shall be the ledger account to which shall be credited
24 the reserves held for payment of annuities and death benefits on
25 account of all annuitants except in the case of members who are
26 officers of the Pennsylvania State Police or enforcement
27 officers. The annuity reserve account shall be credited with
28 valuation interest. After the transfers provided in sections
29 5933 (relating to members' savings account), 5934 (relating to
30 State accumulation account) and 5938 (relating to supplemental

1 annuity account), all annuity and death benefit payments
2 resulting from membership in the system except those payable to
3 any member who retires as an officer of the Pennsylvania State
4 Police or an enforcement officer shall be charged to the annuity
5 reserve account and paid from the fund.

6 (b) Transfers from account.--Should an annuitant other than
7 a member who was retired as an officer of the Pennsylvania State
8 Police or an enforcement officer be subsequently restored to
9 active service as a member of the system or as a participant in
10 the plan, the present value of his member's annuity at the time
11 of reentry into State service shall be transferred from the
12 annuity reserve account and placed to his individual credit in
13 the members' savings account. In addition, the actuarial reserve
14 for his annuity less the amount transferred to the members'
15 savings account shall be transferred from the annuity reserve
16 account to the State accumulation account.

17 § 5936. State Police benefit account.

18 (a) Credits and charges to account.--The State Police
19 benefit account shall be the ledger account to which shall be
20 credited all contributions received under the provisions of the
21 act of May 12, 1943 (P.L.259, No.120), and any additional
22 Commonwealth or other employer contributions provided for in
23 [section 5507 (relating to contributions by the Commonwealth and
24 other employers)] sections 5507 (relating to contributions to
25 the system by the Commonwealth and other employers before July
26 1, 2015) and 5507.1 (relating to contributions to the system by
27 the Commonwealth and other employers starting July 1, 2015)
28 which are creditable to the State Police benefit account. The
29 State Police benefit account shall be credited with the required
30 interest. In addition, upon the filing of an application for an

1 annuity by a member who is an officer of the Pennsylvania State
2 Police, the total accumulated deductions standing to the credit
3 of the member in the members' savings account and the necessary
4 reserves from the State accumulation account shall be
5 transferred to the State Police benefit account. Thereafter, the
6 total annuity of such annuitant shall be charged to the State
7 Police benefit account and paid from the fund.

8 (b) Transfers from account.--Should the said annuitant be
9 subsequently restored to active service as a member of the
10 system or as a participant in the plan, the present value of the
11 member's annuity at the time of reentry into State service shall
12 be transferred from the State Police benefit account and placed
13 to his individual credit in the members' savings account. In
14 addition, the actuarial reserve for his annuity calculated as if
15 he had been a member of Class A if he has Class A or Class C
16 service credited; as if he had been a member of Class A-3 if the
17 annuitant has Class A-3 State service credited; or as if he had
18 been a member of Class A-4 if the annuitant has Class A-4
19 service credited, less the amount transferred to the members'
20 savings account shall be transferred from the State Police
21 benefit account to the State accumulation account. Upon
22 subsequent retirement other than as an officer of the
23 Pennsylvania State Police the actuarial reserve remaining in the
24 State Police benefit account shall be transferred to the
25 appropriate reserve account.

26 § 5937. Enforcement officers' benefit account.

27 (a) Credits and charges to account.--The enforcement
28 officers' benefit account shall be the ledger account to which
29 shall be credited moneys transferred from the enforcement
30 officers' retirement account in the State Stores Fund according

1 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
2 known as the Liquor Code, and any additional Commonwealth or
3 other employer contributions provided for in [section 5507
4 (relating to contributions by the Commonwealth and other
5 employers)] sections 5507 (relating to contributions to the
6 system by the Commonwealth and other employers before July 1,
7 2015) and 5507.1 (relating to contributions to the system by the
8 Commonwealth and other employers starting July 1, 2015) which
9 are creditable to the enforcement officers' benefit account. The
10 enforcement officers' benefit account shall be credited with the
11 required interest. In addition, upon the filing of an
12 application for an annuity by a member who is an enforcement
13 officer of the Pennsylvania Liquor Control Board, the total
14 accumulated deductions standing to the credit of the member in
15 the members' savings account and the necessary reserves from the
16 State accumulation account shall be transferred to the
17 enforcement officers' benefit account. Thereafter, the total
18 annuity of such annuitant shall be charged to the enforcement
19 officers' benefit account and paid from the fund.

20 (b) Transfers from account.--Should the said annuitant be
21 subsequently restored to active service as a member of the
22 system or as a participant in the plan, the present value of the
23 member's annuity at the time of reentry into State service shall
24 be transferred from the enforcement officers' benefit account
25 and placed to his individual credit in the members' savings
26 account. In addition, the actuarial reserve for his annuity
27 calculated as if he had been a member of Class A if the
28 annuitant does not have any Class AA, Class A-3 or Class A-4
29 service credited; as if he had been a member of Class AA if the
30 annuitant does have Class AA service credited; as if he had been

1 a member of Class A-3 if the annuitant has Class A-3 State
2 service credited; or as if he had been a member of Class A-4 if
3 the annuitant has Class A-4 service credited, less the amount
4 transferred to the members' savings account shall be transferred
5 from the enforcement officers' benefit account to the State
6 accumulation account. Upon subsequent retirement other than as
7 an enforcement officer the actuarial reserve remaining in the
8 enforcement officers' benefit account shall be transferred to
9 the appropriate reserve account.

10 § 5938. Supplemental annuity account.

11 The supplemental annuity account shall be the ledger account
12 to which shall be credited all contributions from the
13 Commonwealth and other employers in accordance with section
14 5507(b) [(relating to contributions by the Commonwealth and
15 other employers)] (relating to contributions to the system by
16 the Commonwealth before July 1, 2015) for the payment of the
17 supplemental annuities provided in sections 5708 (relating to
18 supplemental annuities), 5708.1 (relating to additional
19 supplemental annuities), 5708.2 (relating to further additional
20 supplemental annuities), 5708.3 (relating to supplemental
21 annuities commencing 1994), 5708.4 (relating to special
22 supplemental postretirement adjustment), 5708.5 (relating to
23 supplemental annuities commencing 1998), 5708.6 (relating to
24 supplemental annuities commencing 2002), 5708.7 (relating to
25 supplemental annuities commencing 2003) and 5708.8 (relating to
26 special supplemental postretirement adjustment of 2002) made
27 before July 1, 2010, the amount transferred from the State
28 accumulation account to provide all additional reserves
29 necessary as of June 30, 2010, to pay such supplemental
30 annuities and adjustments, and the amounts transferred from the

1 State accumulation account to provide all additional reserves
2 necessary as a result of supplemental annuities enacted after
3 December 31, 2009. The supplemental annuity account shall be
4 credited with valuation interest. The reserves necessary for the
5 payment of such supplemental annuities shall be transferred from
6 the supplemental annuity account to the annuity reserve account
7 as provided in section 5935 (relating to annuity reserve
8 account).

9 § 5939. Interest reserve account.

10 The interest reserve account shall be the ledger account to
11 which shall be credited all income earned by the fund and to
12 which shall be charged all administrative and investment
13 expenses incurred by the fund. At the end of each year the
14 required interest shall be transferred from the interest reserve
15 account to the credit of each of the accounts of the fund in
16 accordance with the provisions of this subchapter. In addition,
17 at the end of each accounting period, the interest reserve
18 account shall be credited or charged with all recognized changes
19 in the market valuation of the investments of the fund. The
20 administrative and investment expenses of the board relating to
21 the administration of the system and investments of the fund
22 shall be paid from the fund out of earnings. Any surplus or
23 deficit in the interest reserve account at the end of each year
24 shall be transferred to the State accumulation account.

25 § 5951. State guarantee regarding the State Employees'
26 Retirement System.

27 The required interest charges payable, the maintenance of
28 reserves in the fund, and the payment of all annuities and other
29 benefits granted by the board from the system under the
30 provisions of this part relating to the establishment and

1 administration of the system are hereby made obligations of the
2 Commonwealth. All income, interest, and dividends derived from
3 deposits and investments of the system authorized by this part
4 shall be used for the payment of the said obligations of the
5 Commonwealth and shall not be used for any obligations of the
6 plan or trust.

7 § 5953. Taxation, attachment and assignment of funds.

8 (a) General rule.--

9 (1) Except as provided in paragraphs (2), (3) [and], (4)
10 and (5), the right of a person to any benefit or right
11 accrued or accruing under the provisions of this part and the
12 moneys in the fund are hereby exempt from any State or
13 municipal tax, levy and sale, garnishment, attachment,
14 spouse's election, the provisions of Article XIII.1 of the
15 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
16 Code, or any other process whatsoever, and no participant or
17 beneficiary, successor payee, spouse or alternate payee of a
18 participant shall have the ability to commute, sell, assign,
19 alienate, anticipate, mortgage, pledge, hypothecate,
20 commutate or otherwise transfer or convey any benefit or
21 interest in an individual investment account or rights to
22 receive or direct distributions under this part or under
23 agreements entered into under this part except as otherwise
24 provided in this part and in the case of either a member or a
25 participant except for a set-off by the Commonwealth in the
26 case provided in subparagraph (i), and shall be unassignable
27 except:

28 (i) To the Commonwealth in the case of a member or
29 participant who is terminating State service and has been
30 determined to be obligated to the Commonwealth for the

1 repayment of money owed on account of his employment or
2 to the fund on account of a loan from a credit union to a
3 member which has been satisfied by the board from the
4 fund.

5 (ii) To a credit union as security for a loan to a
6 member not to exceed \$750 and interest not to exceed 6%
7 per annum discounted and/or fines thereon if the credit
8 union is now or hereafter organized and incorporated
9 under the laws of this Commonwealth and the membership of
10 such credit union is limited solely to officials and
11 employees of the Commonwealth and if such credit union
12 has paid to the fund \$3 for each such assignment.

13 (2) Rights under this part shall be subject to
14 forfeiture as provided by the act of July 8, 1978 (P.L.752,
15 No.140), known as the Public Employee Pension Forfeiture Act,
16 and by or pursuant to section 16(b) of Article V of the
17 Constitution of Pennsylvania. Forfeitures under this
18 subsection or under any other provision of law may not be
19 applied to increase the benefits that any member would
20 otherwise receive under this part. Notwithstanding this
21 paragraph, the act of July 8, 1978 (P.L.752, No.140), known
22 as the Public Employee Pension Forfeiture Act, and section
23 16(b) of Article V of the Constitution of Pennsylvania, the
24 accumulated mandatory participant contributions and
25 accumulated voluntary contributions standing to the credit of
26 a participant shall not be forfeited but shall be available
27 for payment of fines and restitution as provided by law.
28 Furthermore, amounts in the trust that have been ordered to
29 be distributed to an alternate payee as the result of an
30 equitable distribution of marital property as part of an

1 approved domestic relations order entered before the date of
2 the order or action in a court or other tribunal resulting in
3 a forfeiture of a participant's interest in the trust shall
4 not be subject to the Public Employee Pension Forfeiture Act
5 or section 16(b) of Article V of the Constitution of
6 Pennsylvania. Any accumulated employer defined contributions
7 forfeited as a result of this paragraph or other law shall be
8 retained by the board and used for the payment of expenses of
9 the plan.

10 (3) Rights under this part shall be subject to
11 attachment in favor of an alternate payee as set forth in an
12 approved domestic relations order.

13 (4) Effective with distributions made on or after
14 January 1, 1993, and notwithstanding any other provision of
15 this part to the contrary, a distributee may elect, at the
16 time and in the manner prescribed by the board, to have any
17 portion of an eligible rollover distribution paid directly to
18 an eligible retirement plan by way of a direct rollover. For
19 purposes of this paragraph, a "distributee" includes a member
20 [and], a participant, a member's surviving spouse [and], a
21 participant's surviving spouse, a member's former spouse who
22 is an alternate payee under an approved domestic relations
23 order, a participant's former spouse who is an alternate
24 payee under an approved domestic relations order and anyone
25 else authorized under IRC and the plan terms approved by the
26 board to have an eligible rollover distribution paid directly
27 to an eligible retirement plan by way of a direct rollover.

28 For purposes of this paragraph, the term "eligible rollover
29 distribution" has the meaning given such term by IRC § 402(f)

30 (2) (A), and "eligible retirement plan" has the meaning given

1 such term by IRC § 402(c)(8)(B), except that a qualified
2 trust shall be considered an eligible retirement plan only if
3 it accepts the distributee's eligible rollover distribution;
4 however, in the case of an eligible rollover distribution to
5 a surviving spouse, an eligible retirement plan is an
6 "individual retirement account" or an "individual retirement
7 annuity" as those terms are defined in IRC § 408(a) and (b).

8 (5) No married participant may take an action
9 inconsistent with the spousal consent provisions of this
10 part.

11 (b) Authorized payments from fund.--The board shall be
12 authorized to pay from the fund:

13 (1) In the case of a member or participant who is
14 terminating service, the amount determined after
15 certification by the head of the department that the member
16 or participant is so obligated, and after review and approval
17 by the department or agency's legal representative or upon
18 receipt of an assignment from the member or participant in
19 the amount so certified.

20 (2) In the case of a loan to a member the amount of the
21 loan and any fine or interest due thereon to the credit union
22 except 5% of the total amount due which is to be retained in
23 the fund as a collection fee:

24 (i) if the member obtaining the loan shall have been
25 in default in required payments for a period of not less
26 than two years; or

27 (ii) at such time as the Department of Banking shall
28 require the credit union to charge the amount of the loan
29 against the reserve fund of such credit union.

30 Any member who shall have pledged such rights as security for

1 a loan from a credit union and, on whose behalf the board
2 shall have made any payment by reason of that member's
3 default, may not thereafter pledge or assign such rights to a
4 credit union.

5 (3) In the case of a participant who is not terminating
6 service and whose former spouse is an alternate payee of an
7 equitable distribution of marital assets under an approved
8 domestic relations order, a lump sum of the alternate payee's
9 interest in the participant's accumulated total defined
10 contributions.

11 Section 25. Section 5953.1(a) introductory paragraph and
12 (1), (b), (c) and (d) of Title 71 are amended and the section is
13 amended by adding a subsection to read:

14 § 5953.1. Approval of domestic relations orders.

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

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

23 * * *

24 (a.1) Certification regarding participants.--A domestic
25 relations order pertaining to a participant shall be certified
26 as an approved domestic relations order by the secretary of the
27 board or his designated representative only if that order meets
28 all of the following:

29 (1) Does not require the plan to provide any type or
30 form of benefit or any option applicable to members of the

1 system or participants in the plan.

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

6 (3) Does not require the plan to recover or distribute
7 any funds which were distributed to the participant or at the
8 participant's direction prior to the approval of the domestic
9 relations order by the secretary of the board or his
10 designated representative.

11 (4) Requires the plan to pay to the alternate payee no
12 more than the lesser of the amount of the participant's
13 individual investment account specified by the domestic
14 relations order or the amount of the participant's individual
15 investment account as of the date of the transfer of the
16 alternate payee's share to the alternate payee.

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

22 (6) Specifies the amount or percentage of the
23 participant's individual investment account to be paid to the
24 alternate payee and the date upon which such valuation is
25 based.

26 (7) Specifies the name and last known mailing address,
27 if any, of the member and the name and last known mailing
28 address of each alternate payee covered by the order and
29 states that it is the responsibility of each alternate payee
30 to keep a current mailing address on file with the plan.

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

3 (9) Requires the participant to execute an authorization
4 allowing each alternate payee to monitor the participant's
5 compliance with the terms of the domestic relations order
6 through access to information concerning the member
7 maintained by the plan. Any authorization granted pursuant to
8 this section shall be construed only as an authorization for
9 the alternate payee to receive information concerning the
10 participant which relates to the administration, calculation
11 and payment of the alternate payee's share of the
12 participant's account and not as an authorization to exercise
13 the rights afforded to participants or obtain information
14 which is not related to the administration, calculation and
15 payment of alternate payee's share of the participant's
16 individual investment account.

17 (10) In the case of a participant who has not yet begun
18 to receive distributions as of the date the domestic
19 relations order is approved by the secretary of the board or
20 his designated representative, requires the immediate
21 distribution of the alternate payee's share of the
22 participant's individual investment account, which may be by
23 direct payment, eligible rollover or trustee-to-trustee
24 transfer to another eligible plan or qualified account owned
25 by the alternate payee.

26 (11) In the case of a participant who is currently
27 receiving distributions from the trust as of the date the
28 domestic relations order is approved by the secretary of the
29 board or his designated representative, the domestic
30 relations order may not order the board to pay the alternate

1 payee more than the balance available in the participant's
2 individual investment account as of the date the order is
3 approved or require that distributions continue to the
4 alternate payee after the death of the participant and final
5 settlement of the participant's account.

6 (b) Determination by secretary.--Within a reasonable period
7 after receipt of a domestic relations order, the secretary of
8 the board, or his designated representative, shall determine
9 whether this order is an approved domestic relations order and
10 notify the member or participant and each alternate payee of
11 this determination. Notwithstanding any other provision of law,
12 the exclusive remedy of any member, participant or alternate
13 payee aggrieved by a decision of the secretary of the board, or
14 his designated representative, shall be the right to an
15 adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A
16 (relating to practice and procedure) with appeal therefrom to
17 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
18 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct
19 appeals from government agencies).

20 (c) Other orders.--The requirements for approval identified
21 in [subsection (a)] subsections (a) and (a.1) shall not apply to
22 any domestic relations order which is an order [for] of support
23 as the term is defined at 23 Pa.C.S. § 4302 (relating to
24 definitions) or an order for the enforcement of arrearages as
25 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
26 arrearages). These orders shall be approved to the extent that
27 they do not attach moneys in excess of the limits on attachments
28 as established by the laws of the United States and this
29 Commonwealth, require distributions of benefits in a manner
30 which would violate the laws of the United States, any other

1 state or this Commonwealth or require the distribution of funds
2 for support or enforcement of arrearages against any participant
3 who is not receiving distributions from the plan at the time
4 such order is entered.

5 (d) Obligation discharged.--Only the requirements of this
6 part and any regulations promulgated hereunder shall be used to
7 govern the approval or disapproval of a domestic relations
8 order. Therefore, if the secretary of the board, or his
9 designated representative, acts in accordance with the
10 provisions of this part and any promulgated regulations in
11 approving or disapproving a domestic relations order, then the
12 obligations of the system or the plan with respect to such
13 approval or disapproval shall be discharged.

14 Section 26. Sections 5953.2, 5953.3 and 5953.4(a) of Title
15 71 are amended to read:

16 § 5953.2. Irrevocable beneficiary.

17 Notwithstanding any other provision of this part, a domestic
18 relations order may provide for an irrevocable beneficiary. A
19 domestic relations order requiring the nomination of an
20 irrevocable beneficiary shall be deemed to be one that requires
21 a member or participant to nominate an alternate payee as a
22 beneficiary and that prohibits the removal or change of that
23 beneficiary without approval of a court of competent
24 jurisdiction, except by operation of law. Such a domestic
25 relations order may be certified as an approved domestic
26 relations order by the secretary of the board, or his designated
27 representative, after the member or participant makes such
28 nomination, in which case the irrevocable beneficiary so ordered
29 by the court cannot be changed by the member or participant
30 without approval by the court.

1 § 5953.3. Irrevocable survivor annuitant.

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

17 § 5953.4. Amendment of approved domestic relations orders.

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

24 * * *

25 Section 27. Title 71 is amended by adding sections to read:

26 § 5953.6. Irrevocable successor payee.

27 Notwithstanding any other provisions of this part, a domestic
28 relations order pertaining to a participant may provide for an
29 irrevocable successor payee only if the participant is receiving
30 a payment pursuant to a payment option provided by the board

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

19 § 5953.7. Exemption from spousal consent.

20 If a domestic relations order approved pursuant to section
21 5953.1 (relating to approval of domestic relations orders)
22 requires any nomination by a participant of an irrevocable
23 beneficiary or irrevocable successor payee or the selection of
24 any benefit by a participant, the provisions of this part
25 requiring the spouse of a married participant to be nominated as
26 beneficiary or designated as successor payee or to grant consent
27 to any action, election or application of a participant shall
28 not apply to any action or nomination so required by the
29 approved domestic relations order to the extent that the
30 required action or nomination is inconsistent with the rights of

1 the spouse set forth in this part.

2 Section 28. Section 5954 of Title 71 is amended to read:

3 § 5954. Fraud and adjustment of errors.

4 (a) Penalty for fraud.--Any person who shall knowingly make
5 any false statement or shall falsify or permit to be falsified
6 any record or records of this system or plan in any attempt to
7 defraud the system or plan as a result of such act shall be
8 guilty of a misdemeanor of the second degree.

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

23 Section 29. Title 71 is amended by adding a section to read:

24 § 5954.1. Spousal consent.

25 (a) General rule.--No married participant may take an action
26 regarding rights in the plan, make an election regarding
27 benefits in the plan or file a valid application which requires
28 the consent of the participant's spouse unless the participant's
29 spouse consents in writing to that action, election or
30 application. A consent or lack thereof shall not affect the

1 effective date of any action or election. A consent shall be
2 valid only if the consent is:

3 (1) Signed after the participant's spouse receives
4 counseling or affirmatively waives the right to receive
5 counseling.

6 (2) Witnessed before a notary public.

7 (3) Filed with the board within 90 days of the filing of
8 the application or within 90 days of the date the action or
9 election would otherwise be valid.

10 (b) Exceptions to consent.--Spousal consent shall not be
11 required if:

12 (1) The spouse cannot be located.

13 (2) Other circumstances occur as established by the
14 board in the plan document.

15 (c) Legal guardians and powers of attorney.--A legal
16 guardian, including the participant, can execute a valid spousal
17 consent. A participant as agent under a power of attorney may
18 not execute a valid spousal consent unless the spouse is
19 incapacitated and had executed a valid durable power of
20 attorney.

21 Section 30. Section 5955 of Title 71 is amended to read:

22 § 5955. Construction of part.

23 (a) Exclusive source of rights and benefits.--Regardless of
24 any other provision of law, pension and benefit rights of State
25 employees shall be determined solely by this part or any
26 amendment thereto, and no collective bargaining agreement nor
27 any arbitration award between the Commonwealth and [its] other
28 employers and its employees or their collective bargaining
29 representatives shall be construed to change any of the
30 provisions herein, to require the board to administer pension or

1 retirement benefits not set forth in this part or not
2 established by the board in the plan document, to require the
3 board to modify, amend or change any of the terms and provisions
4 of the plan document, or otherwise require action by any other
5 government body pertaining to pension or retirement benefits or
6 rights of State employees. Notwithstanding the foregoing, any
7 pension or retirement benefits or rights previously so
8 established by or as a result of an arbitration award shall
9 remain in effect after the expiration of the current collective
10 bargaining agreement between the State employees so affected and
11 the Commonwealth until the expiration of each of the collective
12 bargaining agreements in effect on January 1, 2011, at which
13 time the classes of membership and resulting member contribution
14 rates and contributions for creditable nonstate service,
15 eligibility for vesting, withdrawal and superannuation
16 annuities, optional modification of annuities and other terms
17 and conditions related to class of membership shall be as
18 determined by this part for employees covered by those and
19 successor collective bargaining agreements. For purposes of
20 administering this part, for those State employees who are
21 members of each such collective bargaining unit, the date
22 January 1, 2011, contained in this part, except in this section,
23 shall be replaced with the date of the day immediately following
24 the expiration of each such collective bargaining agreement. The
25 provisions of this part insofar as they are the same as those of
26 existing law are intended as a continuation of such laws and not
27 as new enactments. The provisions of this part shall not affect
28 any act done, liability incurred, right accrued or vested, or
29 any suit or prosecution pending or to be instituted to enforce
30 any right or penalty or to punish any offense under the

1 authority of any repealed laws.

2 (b) State employee on leave without pay.--As used within
3 this part, the term "inactive member on leave without pay" does
4 not include a combined service employee who is an inactive
5 participant on leave without pay unless the combined service
6 employee concurrently is employed in an office or position in
7 which such employee is a member of the system. The term
8 "inactive participant on leave without pay" does not include a
9 combined service employee who is an inactive member on leave
10 without pay unless the combined service employee concurrently is
11 employed in an office or position in which such employee is a
12 participant in the plan.

13 (c) Officer or member of the Pennsylvania State Police.--To
14 the extent that any officer or member of the Pennsylvania State
15 Police who is eligible to retire after June 30, 1989, as
16 provided in a binding arbitration award issued before July 1,
17 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
18 referred to as the Policemen and Firemen Collective Bargaining
19 Act, as implemented by the board with a benefit based on 50% of
20 highest year salary upon accruing 20 or more years of credited
21 State service or nonstate service in the system, or based on 75%
22 of highest year salary upon accruing 25 or more years of
23 credited State or nonstate service in the system, such
24 eligibility shall be determined solely on service credited,
25 compensation paid and contributions made as a member of the
26 system. Service as a State police officer credited in the system
27 shall not operate to prevent any State employee from being a
28 participant in the plan for any State service that would
29 otherwise result in participation in the plan. Any State service
30 performed, compensation paid and contributions made as a

1 participant in the plan shall not be included in determining
2 eligibility for and the amount of benefits provided from the
3 system, provided however, that entitlement to actual receipt of
4 benefits are subject to the provisions of this part regarding
5 employment and termination as a State employee. Any benefit
6 resulting from participation in the plan shall be in addition to
7 any benefit a State police officer may be eligible to receive as
8 a member of the system.

9 Section 31. Notwithstanding any regulation promulgated by
10 the State Employees' Retirement Board, application or
11 interpretation of 71 Pa.C.S. Pt. XXV, or administrative practice
12 to the contrary, a combined service employee's eligibility for a
13 superannuation annuity or other rights and benefits based on
14 attaining superannuation age or a superannuation score of 92
15 shall be determined by including only those eligibility points
16 actually accrued.

17 Section 32. The agreement of an employer listed in the
18 definition of "State employee" under 71 Pa.C.S. § 5102 or any
19 other law to make contributions to the State Employees'
20 Retirement Fund or to enroll its employees as members in the
21 State Employees' Retirement System shall be deemed to be an
22 agreement to make contributions to the State Employees' Defined
23 Contribution Trust or to enroll its employees in the State
24 Employees' Defined Contribution Plan.

25 Section 33. This act does not grant to the spouse of a
26 participant of the State Employees' Defined Contribution Plan
27 any of the rights, options or privileges of a participant. The
28 rights of a spouse shall remain derivative of those of the
29 participant, including, but not limited to, rights under the act
30 of July 8, 1978 (P.L.752, No.140), known as the Public Employee

1 Pension Forfeiture Act, and section 16(b) of Article V of the
2 Constitution of Pennsylvania, and a spouse may not compel a
3 participant to take, or prevent a participant from taking, any
4 action regarding membership, rights or benefits in the plan in
5 which he is a participant other than those expressly set forth
6 in this act. A spouse may not take any action on behalf of a
7 participant, except as otherwise duly authorized under this act.

8 Section 34. To the extent that the law allows a participant
9 in the State Employees' Defined Contribution Plan to waive any
10 benefits or return of contributions which the participant is
11 receiving, entitled to currently receive or receive in the
12 future, no such waiver will be valid unless the spouse consents
13 to the waiver as provided for in this act.

14 Section 35. Whenever the spouse of a participant in the
15 State Employees' Defined Benefit Plan is deemed to be the
16 beneficiary by operation of law, the person last nominated as
17 beneficiary in writing filed with the State Employees'
18 Retirement Board shall become the contingent beneficiary.

19 Section 36. (a) Nothing in this act which amends or
20 supplements provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt.
21 XXV in relation to requirements:

22 (1) for spousal consent;

23 (2) for qualification of the State Employees' Defined
24 Contribution Plan as a qualified pension plan under the
25 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
26 1 et seq.) or compliance with 38 U.S.C. Ch. 43 (relating to
27 employment and reemployment rights of members of the
28 uniformed services);

29 (3) for contributions to, participation in or benefits
30 from the State Employees' Defined Contribution Plan or State

1 Employees' Defined Contribution Trust; or
2 (4) for domestic relations orders regarding alternate
3 payees of participants in the State Employees' Defined
4 Contribution Plan;
5 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as so
6 amended or supplemented, or any rules or regulations adopted
7 under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term or provision
8 of the State Employees' Defined Contribution Plan or State
9 Employees' Defined Contribution Trust, whether established by
10 statute or in the plan document or trust declaration, shall
11 create in any member of the State Employees' Retirement System
12 or participant in the State Employees' Defined Contribution Plan
13 or in any other person claiming an interest in the account of
14 any such member or participant a contractual right, either
15 express or implied, in such provisions nor in any construction
16 of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, as so amended or
17 supplemented, or any rules or regulations adopted under 51
18 Pa.C.S. or 71 Pa.C.S. Pt. XXV. The provisions of 71 Pa.C.S. Pt.
19 XXV shall remain subject to the Internal Revenue Code of 1986
20 and 38 U.S.C. Ch. 43 and regulations thereunder, and the General
21 Assembly reserves to itself such further exercise of its
22 legislative power to amend or supplement such provisions as may
23 from time to time be required in order to maintain the
24 qualification of such system as a qualified pension plan under
25 section 401(a) and other applicable provisions of the Internal
26 Revenue Code of 1986 and 38 U.S.C. Ch. 43.

27 (b) References in this act to the Internal Revenue Code of
28 1986 or 38 U.S.C. Ch. 43, or administrative regulations
29 promulgated thereunder, are intended to include such laws and
30 regulations in effect on the effective date of this act and as

1 they may hereafter be amended or supplemented or supplanted by
2 successor provisions.

3 Section 37. Nothing in this act shall be construed or deemed
4 to imply that, but for the expressed applications of the
5 limitations on benefits or other requirements under section
6 401(a) or other applicable provisions of the Internal Revenue
7 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.), those
8 limitations would not otherwise apply to such participants or to
9 members of the State Employees' Retirement System and the
10 benefits payable under 71 Pa.C.S. Pt. XXV.

11 Section 38. (a) Notwithstanding any provisions of this part
12 to the contrary, no contributions or benefit related to the
13 State Employees' Defined Contribution Plan shall be made or
14 payable to the extent that such contributions or benefits exceed
15 any limitation under section 415 of the Internal Revenue Code of
16 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect
17 with respect to governmental plans as such term is defined in
18 section 414(d) of the Internal Revenue Code of 1986 on the date
19 the contributions or benefit payment becomes effective. Any
20 increase in any limitation under section 415 of the Internal
21 Revenue Code of 1986 shall be applicable to all current and
22 future participants.

23 (b) No future amendment of this part that increases
24 contributions or benefits for active participants, inactive
25 participants or participants receiving distributions shall be
26 deemed by the rules of statutory construction or otherwise to
27 provide for contributions or benefits in excess of any
28 limitation, as adjusted or subsequently increased, provided for
29 under section 415 of the Internal Revenue Code of 1986 unless
30 specifically so provided by legislation. Notwithstanding this

1 section, any future increase in benefits for any participants in
2 the plan are intended to be applicable to the fullest extent
3 allowed by law and this section authorizes any such increases in
4 limitations or allowable benefits.

5 Section 39. After the effective date of this act, the head
6 of department employing a participant shall pick up the required
7 mandatory participant contributions by a reduction in the
8 compensation of the employee.

9 Section 40. The amendment of 71 Pa.C.S. Pt. XXV relating to
10 the establishment of and participation in the State Employees'
11 Defined Contribution Plan shall apply to all current and former
12 members of the State Employees' Retirement System who have
13 returned to State service on or after January 1, 2015, after a
14 termination of State service, without regard to whether the
15 termination occurred before or after January 1, 2015, and
16 without regard to whether the State employee was an annuitant,
17 inactive member, vestee or special vestee or withdrew
18 accumulated deductions during the period of termination. A
19 terminated State employee who returns to State service on or
20 after January 1, 2015, does so with the expressed and specific
21 understanding that he is subject to and accepts the terms and
22 provisions of 71 Pa.C.S. Pt. XXV as they exist regarding
23 participation in the plan or membership in the system on the
24 effective date of reemployment, including, but not limited to,
25 benefit formulas and accrual rates, eligibility for annuities
26 and distributions, contribution rates, definitions, purchase of
27 creditable school, nonschool, State and nonstate service
28 provisions and actuarial and funding assumptions.

29 Section 41. Nothing in this act shall be construed or deemed
30 to imply that any calculation or actuarial method used by the

1 State Employees' Retirement Board, its actuaries or the State
2 Employees' Retirement System was not in accordance with the
3 provisions of the State Employees' Retirement Code or other
4 applicable law prior to the effective date of this section.

5 Section 42. (a) Notwithstanding any other provision of law,
6 any change in accrued liability of the State Employees'
7 Retirement System created by this act as a result of changes in
8 benefits shall be funded as a level percentage of compensation
9 of all active members and active participants over a period of
10 30 years beginning July 1, 2015, subject to any limits imposed
11 by this act on employer contributions to the State Employees'
12 Retirement System.

13 (b) For purposes of this section, the provisions of 71
14 Pa.C.S. §§ 5507.1(b)(3) and 5508.1(c)(2) and (d) shall apply.

15 Section 43. Nothing in this act shall be construed or deemed
16 to imply that any interpretation or application of the
17 provisions of 71 Pa.C.S. Pt. XXV or benefits available to
18 members of the State Employees' Retirement System was not in
19 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other
20 applicable law, including the Internal Revenue Code of 1986
21 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43
22 (relating to employment and reemployment rights of members of
23 the uniformed services), prior to the effective date of this
24 section.

25 Section 44. This act shall be construed and administered in
26 such a manner that the State Employees' Defined Contribution
27 Plan will satisfy the requirements necessary to qualify as a
28 qualified pension plan under section 401(a) and other applicable
29 provisions of the Internal Revenue Code of 1986 (Public Law
30 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43 (relating to

1 employment and reemployment rights of members of the uniformed
2 services). The rules, regulations and procedures adopted and
3 promulgated by the State Employees' Retirement Board and the
4 terms and conditions of the plan document and trust declaration
5 adopted by the State Employees' Retirement Board may include
6 those necessary to accomplish the purpose of this section.

7 Section 45. If the application of any provision of this act
8 to any person is held invalid, the invalidity shall not affect
9 the application of this act to any other person, but the entire
10 act shall be invalid as to the person to whom part of it was
11 invalid. In the event that a State employee's participation in
12 the State Employees' Defined Contribution Plan is declared
13 invalid, the affected State employee shall return to the State
14 Employees' Defined Contribution Trust any distributions and
15 shall be granted the status and service credit in the State
16 Employees' Retirement System and shall be required to make all
17 contributions to the State Employees' Retirement Fund as if this
18 act had not been enacted. The affected State employee's
19 accumulated mandatory participant contributions and accumulated
20 voluntary contributions shall be transferred to the affected
21 employee's member savings account to the extent necessary to
22 fund that account with the member contributions and interest
23 that would have been standing to the member's account had this
24 act not been enacted. Any remaining balance shall be refunded to
25 the State employee, who shall be responsible for paying to the
26 fund in a manner and time determined by the State Employees'
27 Retirement Board any additional funds required if the
28 accumulated mandatory participant contributions and accumulated
29 voluntary contributions were not sufficient. The accumulated
30 employer defined contributions shall be transferred to the State

1 accumulation account and no further amount shall be due from the
2 employer or refund paid.

3 Section 46. This act shall take effect immediately.