

---

THE GENERAL ASSEMBLY OF PENNSYLVANIA

---

HOUSE BILL

No. 1350 Session of  
2013

---

INTRODUCED BY ROSS, AUMENT, CUTLER, F. KELLER, C. HARRIS, ROAE,  
GINGRICH, BLOOM, MCGINNIS, SACCONI AND MOUL, MAY 9, 2013

---

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MAY 9, 2013

---

AN ACT

1 Amending Titles 24 (Education), 51 (Military Affairs) and 71  
2 (State Government) of the Pennsylvania Consolidated Statutes,  
3 extensively revising pension provisions: for the Public  
4 School Employees' Retirement System, in the areas of  
5 preliminary provisions, of membership, contributions and  
6 benefits, of School Employees' Defined Contribution Plan, of  
7 administration and miscellaneous provisions and of health  
8 insurance for retired school employees; for military  
9 pensions, in the area of military leave of absence; for the  
10 State Employees' Retirement System, in the areas of  
11 preliminary provisions, of membership, credited service,  
12 classes of service and eligibility for benefits, of School  
13 Employees' Defined Contribution Plan and of contributions, of  
14 benefits, administration, funds, accounts, general  
15 provisions; and providing, as to the revisions, for  
16 construction, applicability, funding, amortization, re-  
17 amortization, recertification, liability and legal challenge.

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

20 ARTICLE I

21 Section 101. The definitions of "active member," "alternate  
22 payee," "basic contribution rate," "beneficiary," "class of  
23 service multiplier," "compensation," "creditable nonschool  
24 service," "credited service," "date of termination of service,"  
25 "distribution," "domestic relations order," "eligible

1 annuitants," "final average salary," "inactive member,"  
2 "intervening military service," "irrevocable beneficiary,"  
3 "leave for service with a collective bargaining organization,"  
4 "previous school service," "salary deductions," "standard single  
5 life annuity," "superannuation or normal retirement age," and  
6 "valuation interest" in section 8102 of Title 24 of the  
7 Pennsylvania Consolidated Statutes are amended and the section  
8 is amended by adding definitions to read:

9 § 8102. Definitions.

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

13 \* \* \*

14 "Accumulated employer defined contributions." The total of  
15 the employer defined contributions paid into the trust on  
16 account of a participant's school service together with any  
17 investment earnings and losses and adjustments for fees, costs  
18 and expenses credited or charged thereon.

19 "Accumulated mandatory participant contributions." The total  
20 of the mandatory pickup participant contributions paid into the  
21 trust on account of a participant's school service together with  
22 any investment earnings and losses and adjustments for fees,  
23 costs and expenses credited or charged thereon.

24 "Accumulated total defined contributions." The total of the  
25 accumulated mandatory participant contributions, accumulated  
26 employer defined contributions and accumulated voluntary  
27 contributions, reduced by any distributions, standing to the  
28 credit of a participant in an individual investment account in  
29 the trust.

30 "Accumulated voluntary contributions." The total of

1 voluntary contributions paid into the trust by a participant and  
2 any amounts rolled over by a participant or transferred by a  
3 direct trustee-to-trustee transfer into the trust together with  
4 any investment earnings and losses and adjustments for fees,  
5 costs and expenses credited or charged thereon.

6 "Active member." A school employee for whom pickup  
7 contributions are being made to the fund or for whom such  
8 contributions otherwise required for current school service are  
9 not being made solely by reason of any provision of this part  
10 relating to the limitations under section 401(a)(17) or 415(b)  
11 of the Internal Revenue Code of 1986 (Public Law 99-514, 26  
12 U.S.C. § 401(a)(17) or 415(b)) or any provision of this part  
13 limiting compensation.

14 "Active participant." A school employee for whom mandatory  
15 pickup participant contributions are being made to the trust or  
16 for whom such contributions otherwise required for current  
17 school service are not being made solely by reason of any  
18 provision of this part relating to the limitations under section  
19 401(a)(17) or 415 of the Internal Revenue Code of 1986 (Public  
20 Law 99-514, 26 U.S.C. § 401(a)(17) or 415) or any provision of  
21 this part limiting compensation.

22 \* \* \*

23 "Alternate payee." Any spouse, former spouse, child or  
24 dependent of a member or participant who is recognized by a  
25 domestic relations order as having a right to receive all or a  
26 portion of the moneys payable to that member or participant  
27 under this part.

28 \* \* \*

29 "Annualized service credit." For purposes of determining  
30 final average salary, the amount of service credit the member

1 would have earned if the member worked the number of months that  
2 the employer typically expects a full-time employee in the same  
3 position or with the same contract to work during a fiscal year.  
4 If the member worked fewer months than the number of months for  
5 the position or contract, the annualized service credit is equal  
6 to the ratio of the number of months for the position or  
7 contract over the number of months the member worked, multiplied  
8 by the actual service credit for the year. Annualized service  
9 credit is rounded to two decimals and may not be greater than  
10 1.00.

11 \* \* \*

12 "Basic contribution rate." For Class T-A, T-B and T-C  
13 service, the rate of 6 1/4%. For Class T-D service, the rate of  
14 7 1/2%. For all active members on the effective date of this  
15 provision who are currently paying 5 1/4% and elect Class T-D  
16 service, the rate of 6 1/2%. For Class T-E service, the rate of  
17 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G  
18 service, the rate of 7.5%. For Class T-H service, the rate of  
19 12.5%. For service performed by a member of the system in a  
20 fiscal year beginning on or after July 1, 2015, the basic  
21 contribution rate and shared risk contribution rate shall be  
22 applied to an amount that may not exceed the Social Security  
23 taxable wage base in effect at the beginning of the fiscal year.

24 "Beneficiary." [The] In the case of the system, the person  
25 or persons last designated in writing to the board by a member  
26 to receive his accumulated deductions or a lump sum benefit upon  
27 the death of such member. In the case of the plan, the spouse of  
28 a participant. If the participant is not married or the spouse  
29 consents, then the person or persons last designated in writing  
30 to the board by the participant to receive the participant's

1 vested accumulated total defined contributions or a lump sum  
2 benefit upon the death of the participant.

3 \* \* \*

4 "Class of service multiplier."

5	Class of service	Multiplier
6	T-A	.714
7	T-B	.625
8	T-C	1.000
9	T-D	1.000
10	T-E	1.000
11	T-F	1.000
12	<u>T-G</u>	<u>1.000</u>
13	<u>T-H</u>	<u>1.000</u>

14 "Combined service employee." A current or former school  
15 employee who is both a member of the system and a participant in  
16 the plan.

17 \* \* \*

18 "Compensation." Pickup contributions and mandatory pickup  
19 participant contributions plus any remuneration received as a  
20 school employee excluding reimbursements for expenses incidental  
21 to employment and excluding any bonus, severance payments, any  
22 other remuneration or other emolument received by a school  
23 employee during his school service which is not based on the  
24 standard salary schedule under which he is rendering service,  
25 payments for unused sick leave or vacation leave, bonuses or  
26 other compensation for attending school seminars and  
27 conventions, payments under health and welfare plans based on  
28 hours of employment or any other payment or emolument which may  
29 be provided for in a collective bargaining agreement which may  
30 be determined by the Public School Employees' Retirement Board

1 to be for the purpose of enhancing compensation as a factor in  
2 the determination of final average salary, and for participants,  
3 excluding payments for military leave, and any other payments  
4 made by an employer while the participant is on USERRA leave,  
5 leave of absence granted under 51 Pa.C.S. § 4102 (relating to  
6 leaves of absence for certain government employees), military  
7 leave of absence granted under 51 Pa.C.S. § 7302 (relating to  
8 granting military leaves of absence), military leave of absence  
9 granted under section 1176 of the act of March 10, 1949 (P.L.30,  
10 No.14), known as the Public School Code of 1949, or other types  
11 of military leave, including other types of leave payments,  
12 stipends, differential wage payments as defined in the Internal  
13 Revenue Code of 1986 § 414(u) (12) and any other payments,  
14 provided, however, that the limitation under section 401(a) (17)  
15 of the Internal Revenue Code of 1986 (Public Law 99-514, 26  
16 U.S.C. § 401(a) (17)) taken into account for the purpose of  
17 member contributions, including regular or joint coverage member  
18 contributions, regardless of class of service, shall apply to  
19 each member who first became a member of the Public School  
20 Employes' Retirement System on or after July 1, 1996, and who by  
21 reason of such fact is a noneligible member subject to the  
22 application of the provisions of section 8325.1 (relating to  
23 annual compensation limit under IRC § 401(a) (17)) [.] and shall  
24 apply to each participant. For purposes of determining final  
25 average salary and applying the basic contribution rate,  
26 compensation received for service performed in a fiscal year  
27 beginning on or after July 1, 2015, as a member of the system,  
28 may not exceed the Social Security taxable wage base in effect  
29 at the beginning of the fiscal year.

30 \* \* \*

1 "Creditable nonschool service." Service other than service  
2 as a school employee for which an active member may obtain  
3 credit in the system.

4 "Credited service." School or creditable nonschool service  
5 for which the required contributions have been made to the fund,  
6 or for which the contributions otherwise required for such  
7 service were not made solely by reason of any provision of this  
8 part relating to the limitations under section 401(a)(17) or  
9 415(b) of the Internal Revenue Code of 1986 (Public Law 99-514,  
10 26 U.S.C. § 401(a)(17) or 415(b)) or a provision of this part  
11 limiting compensation, or for which salary deductions to the  
12 system or lump sum payments have been agreed upon in writing.

13 "Date of termination of service." The last date of service  
14 for which:

15 (1) pickup contributions are made for an active member  
16 [or,];

17 (2) in the case of an inactive member, the effective  
18 date of his resignation or the date his employment is  
19 formally discontinued by his employer or two years following  
20 the last day of service for which contributions were made,  
21 whichever is earliest[.];

22 (3) mandatory pickup participant contributions are made  
23 for an active participant;

24 (4) in the case of an inactive participant, the date of  
25 his resignation or the date his employment is formally  
26 discontinued by his employer; or

27 (5) in the case of a combined service employee, the  
28 latest of the dates in paragraph (3) or (4).

29 \* \* \*

30 "Distribution." Payment of all or any portion of a person's

1 interest in either the Public School Employees' Retirement Fund  
2 or the School Employees' Defined Contribution Trust or both  
3 which is payable under this part.

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

17 \* \* \*

18 "Eligible annuitants." All current and prospective  
19 annuitants with 24 1/2 or more eligibility points and all  
20 current and prospective disability annuitants. Beginning January  
21 1, 1995, ["eligible annuitants" shall include] the term includes  
22 members with 15 or more eligibility points who terminated or who  
23 terminate school service on or after attaining superannuation  
24 retirement age and who are annuitants with an effective date of  
25 retirement after superannuation age. The term does not include  
26 participants.

27 \* \* \*

28 "Employer defined contributions." Contributions equal to 4%  
29 of an active participant's compensation that are made by an  
30 employer for current service to the trust to be credited in the



1 active participant's individual investment account.

2 "Final average salary." [The]

3 (1) As applied to service performed and service credit  
4 purchased before July 1, 2015, as a member of the system, the  
5 highest average compensation received as an active member,  
6 not limited by the Social Security taxable wage base, during  
7 any three nonoverlapping periods of 12 consecutive months  
8 with the compensation for part-time service being annualized  
9 on the basis of the fractional portion of the school year for  
10 which credit is received; except, if the employee was not a  
11 member for three such periods, the total compensation  
12 received as an active member annualized in the case of part-  
13 time service divided by the number of such periods of  
14 membership; in the case of a member with multiple service  
15 credit, the final average salary shall be determined by  
16 reference to compensation received by him as a [school  
17 employee] member of the system or a State employee, other  
18 than as a participant in the State Employees' Defined  
19 Contribution Plan, or both; and, in the case of a noneligible  
20 member, subject to the application of the provisions of  
21 section 8325.1 (relating to annual compensation limit under  
22 IRC § 401(a)(17)).

23 (2) As applied to service performed and service credit  
24 purchased on or after July 1, 2015, as a member of the  
25 system, the highest average compensation received as an  
26 active member, as limited by the Social Security taxable wage  
27 base, during any five fiscal years, with the compensation for  
28 part-time service being annualized on the basis of the  
29 fractional portion of the school year for which credit is  
30 received, provided that if the compensation received during a

1 fiscal year included in the period used to determine final  
2 average salary exceeds that of the average of the previous  
3 four fiscal years, as limited by the Social Security taxable  
4 wage base, with the compensation for part-time service being  
5 annualized on the basis of the fractional portion of the  
6 school year for which credit is received, and with  
7 compensation for a partial year of service being annualized,  
8 by more than 10%, the amount in excess of 10% shall be  
9 excluded from the computation of final average salary. If the  
10 employee was not a member for five fiscal years, the formula  
11 under this definition shall be applied to the extent  
12 practicable. In the case of a member with multiple service  
13 credit, the salary shall be determined by reference to  
14 include compensation received as a school employee or State  
15 employee or both. In the case of a noneligible member, the  
16 salary shall be subject to the application of the provisions  
17 of section 8325.1 (relating to annual compensation limit  
18 under IRC § 401(a)(17)).

19 \* \* \*

20 "Inactive member." A member for whom no pickup contributions  
21 are being made to the fund, except in the case of an active  
22 member for whom such contributions otherwise required for  
23 current school service are not being made solely by reason of  
24 any provision of this part relating to the limitations under  
25 section 401(a)(17) or 415(b) of the Internal Revenue Code of  
26 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)) or  
27 any provision of this part limiting compensation, who has  
28 accumulated deductions standing to his credit in the fund and  
29 for whom contributions have been made within the last two school  
30 years or a multiple service member who is active in the State

1 Employees' Retirement System.

2 "Inactive participant." A participant for whom no mandatory  
3 pickup participant contributions are being made to the trust,  
4 except in the case of an active participant for whom such  
5 contributions otherwise required for current school service are  
6 not being made solely by reason of any provision of this part  
7 relating to limitations under section 401(a)(17) or 415 of the  
8 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
9 401(a)(17) or 415), who has vested accumulated total defined  
10 contributions standing to his credit in the trust and who has  
11 not filed an application for an annuity.

12 "Individual investment account." The account in the trust to  
13 which are credited the amounts of the contributions made by a  
14 participant and the participant's employer in accordance with  
15 the provisions of this part, together with all investment  
16 earnings after deduction for fees, costs and expenses,  
17 investment losses and charges for distributions.

18 "Intervening military service." Active military service of a  
19 member who was a school employee and an active member of the  
20 system immediately preceding his induction into the armed  
21 services or forces of the United States in order to meet a draft  
22 obligation excluding any voluntary extension of such  
23 obligational service and who becomes a school employee and an  
24 active member of the system within 90 days of the expiration of  
25 such service.

26 \* \* \*

27 "Irrevocable beneficiary." The person or persons permanently  
28 designated by a member or participant in writing to the board  
29 pursuant to an approved domestic relations order to receive all  
30 or a portion of the accumulated deductions, vested accumulated

1 total defined contributions or lump sum benefit payable upon the  
2 death of such member or participant.

3 "Irrevocable successor payee." The person permanently  
4 designated in writing by a participant receiving vested  
5 distributions to the board pursuant to an approved domestic  
6 relations order to receive one or more distributions from the  
7 plan upon the death of such participant.

8 \* \* \*

9 "Leave for service with a collective bargaining  
10 organization." Paid leave granted to an active member or active  
11 participant by an employer for purposes of working full time for  
12 or serving full time as an officer of a Statewide employee  
13 organization or a local collective bargaining representative  
14 under the act of July 23, 1970 (P.L.563, No.195), known as the  
15 Public Employe Relations Act: Provided, That greater than one-  
16 half of the members of the employee organization are active  
17 members of the system or active participants of the plan; that  
18 the employer shall fully compensate the member or active  
19 participant, including, but not limited to, salary, wages,  
20 pension and retirement contributions and benefits, other  
21 benefits and seniority, as if he were in full-time active  
22 service; and that the employee organization shall fully  
23 reimburse the employer for such salary, wages, pension and  
24 retirement contributions and benefits and other benefits and  
25 seniority.

26 "Mandatory pickup participant contributions." Contributions  
27 equal to 7.5% of compensation that are made by the employer for  
28 active participants for current service.

29 \* \* \*

30 "Participant." An active participant, inactive participant

1 or participant receiving distributions.

2 "Participant receiving distributions." A participant in the  
3 plan who has commenced receiving distributions from his  
4 individual investment account but who has not received a total  
5 distribution of his vested interest in the individual investment  
6 account.

7 "Part-time service." For the purposes of calculating final  
8 average salary, the determination of whether service for a  
9 fiscal year is part time is based on annualized service credit  
10 for the year. If the annualized service credit is 1.00, the  
11 service rendered during the fiscal year is full time. If the  
12 annualized service credit is less than 1.00, the service  
13 rendered during the fiscal year is part time.

14 \* \* \*

15 "Plan." The School Employees' Defined Contribution Plan as  
16 established by the provisions of this part and the board.

17 "Plan document." The documents created by the board under  
18 section 8402 (relating to plan document) that contain the terms  
19 and provisions of the plan and trust as established by the board  
20 regarding the establishment, administration and investment of  
21 the plan and trust.

22 "Previous school service." Service [rendered] as a school  
23 employee including service in any summer school conducted by a  
24 school district of the Commonwealth, but excluding service  
25 rendered during which the school employee was or could have been  
26 a participant in the plan, prior to the member's most recent  
27 entrance in the system.

28 \* \* \*

29 "Reemployed from USERRA leave." Resumption of active  
30 participation as a school employee after a period of USERRA

1 leave, provided the resumption of active participation was  
2 within the time period and under conditions and circumstances  
3 such that the school employee was entitled to reemployment  
4 rights under 38 U.S.C. Ch. 43 (relating to employment and  
5 reemployment rights of members of the uniformed services).

6 \* \* \*

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

11 \* \* \*

12 "Salary deductions." The amounts certified by the board,  
13 deducted from the compensation of an active member or active  
14 participant or the State service compensation of a multiple  
15 service member who is an active member of the State Employees'  
16 Retirement System or active participant of the School Employees'  
17 Defined Contribution Plan and paid into the fund or trust.

18 \* \* \*

19 "Standard single life annuity." For Class T-A, T-B and T-C  
20 credited service of a member, an annuity equal to 2% of the  
21 final average salary, multiplied by the total number of years  
22 and fractional part of a year of credited service of a member in  
23 that class. For Class T-D credited service of a member, an  
24 annuity equal to 2.5% of the final average salary, multiplied by  
25 the total number of years and fractional part of a year of  
26 credited service in that class. For Class T-E credited service  
27 of a member, an annuity equal to 2% of the final average salary,  
28 multiplied by the total number of years and fractional part of a  
29 year of credited service of a member in that class. For Class T-  
30 F credited service of a member, an annuity equal to 2.5% of the

1 final average salary, multiplied by the total number of years  
2 and fractional part of a year of credited service of a member[.]  
3 in that class. For Class T-G credited service of a member, an  
4 annuity equal to 2% of the final average salary, multiplied by  
5 the total number of years and fractional part of a year of  
6 credited service of a member in the class. For Class T-H  
7 credited service of a member, an annuity equal to 2.5% of the  
8 final average salary that is multiplied by the total number of  
9 years and fractional part of a year of credited service of a  
10 member in the class.

11 "State Employees' Defined Contribution Plan." The defined  
12 contribution plan for State employees established by 71 Pa.C.S.  
13 Pt. XXV (relating to retirement for State employees and  
14 officers).

15 \* \* \*

16 "Successor payee." The person or persons last designated in  
17 writing by a participant receiving distributions to the board to  
18 receive one or more distributions upon the death of such  
19 participant.

20 \* \* \*

21 "Superannuation or normal retirement age."

22 Class of service	Age
23 T-A	62 or any age upon accrual of
24	35 eligibility points
25 T-B	62
26 T-C [and], T-D, T-G	62 or age 60 provided the
27 <u>and T-H</u>	member has at least 30
28	eligibility points or any
29	age upon accrual of 35
30	eligibility points

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

T-E and T-F

65 with accrual of at least  
three eligibility points  
or a combination of age  
and eligibility points  
totaling 92, provided the  
member has accrued at  
least 35 eligibility  
points

\* \* \*

"Trust." The School Employees' Defined Contribution Trust established under Chapter 84 (relating to School Employees' Defined Contribution Plan).

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

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

\* \* \*

"Voluntary contributions." Contributions made by a participant to the trust and credited to his individual investment account in excess of his mandatory pickup participant contributions, either by salary deductions paid through the employer or by an eligible rollover or direct trustee-to-trustee



1 transfers.

2 Section 102. Section 8103 of Title 24 is amended by adding  
3 subsections to read:

4 § 8103. Construction of part.

5 \* \* \*

6 (c) Construction regarding inactive member and inactive  
7 participant.--As used in this part:

8 (1) The term "inactive member" does not include a  
9 combined service employee who is an "inactive participant,"  
10 unless the combined service employee is concurrently employed  
11 in a position in which such employee is a member of the  
12 system.

13 (2) The term "inactive participant" does not include a  
14 combined service employee who is an "inactive member," unless  
15 the combined service employee is concurrently employed in a  
16 position in which such employee is a participant in the plan.

17 (d) Provisions severable.--The provisions of this part are  
18 severable and if any of its provisions shall be held to be  
19 unconstitutional, the decision of the court shall not affect or  
20 impair any of the remaining provisions. It is hereby declared to  
21 be the legislative intent that this part would have been adopted  
22 had such unconstitutional provisions not been included.

23 (e) References to certain Federal statutes.--References in  
24 this part to the IRC or the Uniformed Services Employment and  
25 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.  
26 3149), including administrative regulations promulgated under  
27 the IRC or the Uniformed Services Employment and Reemployment  
28 Rights Act of 1994, are intended to include laws and regulations  
29 in effect on the effective date of this section and amended,  
30 supplemented or supplanted on and after the effective date of

1 this section.

2 (f) Construction.--

3 (1) This part may not be construed to mean that the  
4 limitations on benefits or other requirements under IRC §  
5 401(a) or other applicable provisions of the IRC that are  
6 applicable to participants in the plan do not apply to the  
7 participants or to the members of the system and the benefits  
8 payable under Part IV.

9 (2) This part may not be construed to mean that an  
10 interpretation or application of the provisions of Part IV or  
11 benefits available to members of the Public School Employees'  
12 Retirement System was not in accordance with the provisions  
13 of Part IV or other applicable law, including the IRC and the  
14 Uniformed Services Employment and Reemployment Rights Act of  
15 1994 before the effective date of this section.

16 (3) This part may not be construed to mean that the  
17 release or publicizing of a record, material or data that  
18 would not constitute a public record under section 8502(e)(2)  
19 (relating to administrative duties of board) is a violation  
20 of the fiduciary duties of the board.

21 (g) Applicability.--The following shall apply:

22 (1) The amendment of Part IV regarding the establishment  
23 of and participation in the plan shall apply to current and  
24 former members of the system who have returned to school  
25 service on or after July 1, 2015, after a termination of  
26 school service, notwithstanding the following:

27 (i) Whether the termination occurred before or after  
28 July 1, 2015.

29 (ii) Whether the school employee was an annuitant,  
30 inactive member, vestee or special vestee or withdrew

1 accumulated deductions during the period of termination.

2 (2) A terminated school employee who returns to school  
3 service on or after July 1, 2015, is subject to the  
4 provisions of Part IV regarding participation in the plan or  
5 membership in the system that are in effect on the effective  
6 date of reemployment, including, but not limited to, benefit  
7 formulas and accrual rates, eligibility for annuities and  
8 distributions, contribution rates, definitions, purchase of  
9 creditable school and nonschool service provisions and  
10 actuarial and funding assumptions.

11 (3) This part shall apply to a record, material or data  
12 under 8502(e)(2) notwithstanding whether:

13 (i) the record, material or data was created,  
14 generated or stored before the effective date of this  
15 section;

16 (ii) the record, material or data was previously  
17 released or made public; or

18 (iii) a request for the record, material or data was  
19 made or is pending final response under the former act of  
20 June 21, 1957 (P.L.390, No.212), referred to as the  
21 Right-to-Know Law, or the act of February 14, 2008  
22 (P.L.6, No.3), known as the Right-to-Know Law.

23 Section 103. Title 24 is amended by adding a section to  
24 read:

25 § 8103.1. Reference to Public School Employees' Retirement  
26 System.

27 As of the effective date of this section, unless the context  
28 clearly indicates otherwise, a reference to the Public School  
29 Employees' Retirement System in a statutory provision, other  
30 than this part and 71 Pa.C.S. Pt. XXV (relating to retirement

1 for State employees and officers), shall include a reference to  
2 the plan, and a reference to the Public School Employees'  
3 Retirement Fund shall include a reference to the trust.

4 Section 104. Section 8301 of Title 24 is amended to read:  
5 § 8301. Mandatory and optional membership.

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

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

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

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

28 (4) Any part-time school employee who has an individual  
29 retirement account pursuant to the Federal act of September  
30 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the

1 Employee Retirement Income Security Act of 1974.

2 (5) Any school employee whose most recent period of  
3 school service starts on or after July 1, 2015.

4 (b) Prohibited membership.--The school employees categorized  
5 in subsection (a) (1) [and], (2) and (5) shall not have the right  
6 to elect membership in the system.

7 (c) Optional membership in system.--The school employees  
8 categorized in subsection (a) (3) and, if otherwise eligible,  
9 subsection (a) (4) shall have the right to elect membership in  
10 the system on or before July 1, 2015. Once such election is  
11 exercised, membership shall commence from the original date of  
12 eligibility and shall continue until the termination of such  
13 service[.] or until the school employee elects to be a  
14 participant in the plan.

15 (d) Mandatory participation in the plan.--Unless the  
16 employee is or elects to be a participant in the State Employees'  
17 Defined Contribution Plan, a member of the State Employees'  
18 Retirement System or a member of another retirement program  
19 approved by the employer, a school employee who, on or after  
20 July 1, 2015, begins school service or returns to school service  
21 after a break in service shall be a mandatory participant in the  
22 plan as a result of the school service. A school employee who is  
23 a nonmember and waived membership under subsection (a) (4) shall  
24 be a mandatory participant in the plan commencing for the school  
25 service rendered on or after July 1, 2015.

26 (e) Certain agreements.--The agreement of an employer to  
27 make contributions to the fund or to enroll its employees as  
28 members in the system shall be deemed to be an agreement to make  
29 contributions to the trust or to enroll its employees in the  
30 plan.

1 Section 105. Section 8302(a), (b) and (c) of Title 24 are  
2 amended and the section is amended by adding a subsection to  
3 read:

4 § 8302. Credited school service.

5 (a) Computation of credited service.--In computing credited  
6 school service of a member for the determination of benefits, a  
7 full-time salaried school employee shall receive one year of  
8 credit for each school year or the corresponding fraction  
9 thereof, in accordance with the proportion of the full school  
10 year for which the required regular member contributions have  
11 been made to the fund, or for which such contributions otherwise  
12 required for such service were not made to the fund solely by  
13 reason of any provision of this part relating to the limitations  
14 under IRC § 401(a)(17) or 415(b) or another provision of this  
15 part limiting compensation. A per diem or hourly school employee  
16 shall receive one year of credited service for each  
17 nonoverlapping period of 12 consecutive months in which he is  
18 employed and for which contributions are made to the fund, or  
19 would have been made to the fund but for such limitations under  
20 the IRC, or another provision of this part limiting compensation  
21 for at least 180 full-day sessions or 1,100 hours of employment.  
22 If such member was employed and contributions were made to the  
23 fund for less than 180 full-day sessions or 1,100 hours, he  
24 shall be credited with a fractional portion of a year determined  
25 by the ratio of the number of full-day sessions or hours of  
26 service actually rendered and for which contributions are made  
27 to the fund to 180 full-day sessions or 1,100 hours, as the case  
28 may be. A part-time salaried employee shall be credited with the  
29 fractional portion of the year which corresponds to the service  
30 actually rendered and for which contributions are or would have

1 been made to the fund in relation to the service required as a  
2 comparable full-time salaried employee. In no case shall a  
3 member receive more than one year of credited service for any 12  
4 consecutive months or a member who has elected multiple service  
5 receive an aggregate in the two systems of more than one year of  
6 credited service for any 12 consecutive months.

7 (b) Approved leaves of absence.--An active member shall  
8 receive credit, and an active participant shall receive vesting  
9 credit, for an approved leave of absence provided that:

10 (1) the member returns for a period at least equal to  
11 the length of the leave or one year as a member of the system  
12 or the participant returns to school service as an active  
13 participant in the plan, whichever is less, to the school  
14 district which granted his leave, unless such condition is  
15 waived by the employer; and

16 (2) the proper contributions are made by the member and  
17 the employer or by the active participant and the employer.

18 \* \* \*

19 (c) Cancellation of credited service.--All credited service  
20 in the system shall be cancelled if a member withdraws his  
21 accumulated deductions. A partial or total distribution of  
22 accumulated total defined contributions to a combined service  
23 employee shall not cancel service credited in the system.

24 (d) Military service by a participant.--A participant who  
25 has performed USERRA leave shall be treated and may make  
26 contributions as follows:

27 (1) A participant who is reemployed from USERRA leave  
28 shall be treated as not having incurred a break in school  
29 service by reason of the USERRA leave and shall be granted  
30 vesting credit as if the participant had not been on USERRA

1 leave. If a participant who is reemployed from USERRA leave  
2 subsequently makes mandatory pickup participant contributions  
3 in the amounts and in the time periods required by 38 U.S.C.  
4 Ch. 43 (relating to employment and reemployment rights of  
5 members of the uniformed services) and IRC § 414(u) as if the  
6 participant had continued in his school employment and  
7 performed school service and been compensated during the  
8 period of USERRA leave, then the participant's employer shall  
9 make the corresponding employer defined contributions. Such  
10 an employee shall have his contributions, benefits, rights  
11 and obligations determined under this part as if he was an  
12 active participant who performed school service during the  
13 USERRA leave in the job position that he would have held had  
14 he not been on USERRA leave and received the compensation on  
15 which the mandatory pickup participant contributions to  
16 receive school service credit for the USERRA leave were  
17 determined, including the right to make voluntary  
18 contributions on such compensation as permitted by law.

19 (2) A participant who is reemployed from USERRA leave  
20 and does not make the mandatory pickup participant  
21 contributions or makes only part of the mandatory pickup  
22 participant contributions within the allowed payment period  
23 shall not be eligible to make mandatory pickup participant  
24 contributions and voluntary contributions at a later date for  
25 the period of USERRA leave for which the mandatory pickup  
26 participant contributions were not timely made.

27 (3) A participant who performs USERRA leave from which  
28 the employee could have been reemployed from USERRA leave had  
29 the school employee returned to school service in the time  
30 frames required by 38 U.S.C. Ch. 43 for reemployment rights,



1 but did not do so, shall not be eligible to make mandatory  
2 pickup participant contributions or voluntary contributions  
3 for the period of USERRA leave should the employee later  
4 return to school service and be a participant in the plan.

5 (4) An active participant or inactive participant who,  
6 on or after the effective date of this subsection, is granted  
7 a leave of absence under 51 Pa.C.S. § 4102 (relating to  
8 leaves of absence for certain government employees) or a  
9 military leave under 51 Pa.C.S. Ch. 73 (relating to military  
10 leave of absence) that is not USERRA leave shall not be  
11 eligible to make mandatory pickup participant contributions  
12 or voluntary contributions during or for the leave of absence  
13 or military leave, and shall not have employer defined  
14 contributions made during such leave, without regard to  
15 whether or not the participant received salary, wages,  
16 stipends, differential wage payments or other payments from  
17 his employer during the leave, notwithstanding any provision  
18 to the contrary in 51 Pa.C.S. § 4102 or Ch 73.

19 (5) If a participant dies while performing USERRA leave,  
20 then the beneficiaries or successor payees, as the case may  
21 be, of the deceased participant are entitled to any  
22 additional benefits, other than benefit accruals relating to  
23 the period of qualified military service, provided under this  
24 part had the participant resumed and then terminated  
25 employment on account of death.

26 Section 106. Sections 8303(c) and 8303.1 of Title 24 are  
27 amended to read:

28 § 8303. Eligibility points for retention and reinstatement of  
29 service credits.

30 \* \* \*

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

6 (1) as a member of Class T-C, Class T-D, Class T-E [or],  
7 Class T-F, Class T-G or Class T-H for previous creditable  
8 school service [or creditable nonschool service] of the same  
9 class; [or]

10 (2) as a member of Class [T-D for previous creditable  
11 school service, provided the member elects to become a Class  
12 T-D member pursuant to section 8305.1 (relating to election  
13 to become a Class T-D member);] T-C, Class T-D, Class T-G or  
14 Class T-H for creditable nonschool service as Class T-C,  
15 except as otherwise provided in this part; or

16 (3) as a member of Class T-E or Class T-F for creditable  
17 nonschool service as the same class;

18 upon written agreement by the member and the board as to the  
19 manner of payment of the amount due for credit for such service;  
20 except, that any purchase for reinstatement of service credit  
21 shall be for all service previously credited.

22 \* \* \*

23 § 8303.1. Waiver of adjustments.

24 (a) Allowance.--Upon appeal by an affected member,  
25 participant, beneficiary or survivor annuitant, the board may  
26 waive an adjustment or any portion of an adjustment made under  
27 section 8534(b) (relating to fraud and adjustment of errors) if  
28 in the opinion of the board or the board's designated  
29 representative:

30 (1) the adjustment or portion of the adjustment will

1 cause undue hardship to the member, participant, beneficiary  
2 or survivor annuitant;

3 (2) the adjustment was not the result of erroneous  
4 information supplied by the member, participant, beneficiary  
5 or survivor annuitant;

6 (3) the member or participant had no knowledge or notice  
7 of the error before adjustment was made, and the member, participant, beneficiary or survivor annuitant took action  
8 with respect to their benefits based on erroneous information  
9 provided by the system or plan; and

11 (4) the member, participant, beneficiary or survivor  
12 annuitant had no reasonable grounds to believe the erroneous  
13 information was incorrect before the adjustment was made.

14 (b) Time period.--

15 (1) In order to obtain consideration of a waiver under  
16 this section, the affected member, participant, beneficiary  
17 or survivor annuitant must appeal to the board in writing  
18 within 30 days after receipt of notice that benefits have  
19 been adjusted or, if no notice was given, within 30 days  
20 after the adjustment was known or should have been known to  
21 the affected member, participant, beneficiary or survivor  
22 annuitant.

23 (2) For any adjustments made prior to the effective date  
24 of this subsection for which the member, participant,  
25 beneficiary or survivor annuitant appealed to the board and  
26 was denied, an appeal under this section must be filed within  
27 90 days of the effective date of this subsection.

28 Section 107. Title 24 is amended by adding a section to  
29 read:

30 § 8303.2. Spouses rights, benefits and effect of nomination of

1           spouse.

2       (a) No rights of participation in spouse.--The spouse of a  
3 participant does not have any of the rights, options or  
4 privileges of a participant. The rights of a spouse shall remain  
5 derivative of those of the participant, including, but not  
6 limited to, rights under the act of July 8, 1978 (P.L.752,  
7 No.140), known as the Public Employee Pension Forfeiture Act,  
8 section 16(b) of Article V of the Constitution of Pennsylvania,  
9 and a spouse may not compel a participant to take, or prevent a  
10 participant from taking, any action regarding membership, rights  
11 or benefits in the plan in which he is a participant other than  
12 those expressly set forth in this part; nor may a spouse take  
13 any action on behalf of a participant, except as otherwise duly  
14 authorized under this part.

15       (b) No waiver of benefits without spousal consent.--To the  
16 extent that the law allows a participant to waive any benefits  
17 or return of contributions which the participant is entitled to  
18 receive now or in the future, or is receiving, no such waiver  
19 will be valid unless the spouse of the participant consents to  
20 it as provided for in this part.

21       (c) Effect of nomination of spouse as beneficiary by law.--  
22 Whenever the spouse of a participant in the plan is deemed to be  
23 the beneficiary by operation of law instead of by a written  
24 nomination of beneficiary filed with the board, then the person  
25 last nominated as beneficiary in writing filed with the board  
26 shall become the contingent beneficiary.

27       Section 108. Section 8305(b) of Title 24 is amended and the  
28 section is amended by adding subsections to read:

29       § 8305. Classes of service.

30       \* \* \*

1 (b) Other class membership.--A school employee who is a  
2 member of a class of service other than Class T-C on the  
3 effective date of this part may elect to become a member of  
4 Class T-C or Class T-D or may retain his membership in such  
5 other class until the service is discontinued or he elects to  
6 become a full coverage member or elects to purchase credit for  
7 previous school or creditable nonschool service. Any service  
8 thereafter as a member of the system shall be credited as Class  
9 T-C or T-D service as applicable.

10 \* \* \*

11 (f) Ineligibility for active membership and classes of  
12 service.--An individual who elects to be a participant in the  
13 plan or who is a school employee on July 1, 2015, but who is not  
14 a member of the system, or who first becomes a school employee  
15 on or after July 1, 2015, or who returns to school service on or  
16 after July 1, 2015, after a termination of school service, shall  
17 be ineligible for active membership in the system. Instead, any  
18 such school employee shall be a participant in the plan as a  
19 result of such school service, subject to the provisions in  
20 section 8301 (relating to mandatory and optional membership).

21 (g) Class T-G membership.--Notwithstanding any other  
22 provision of law, a member who is, becomes, or is eligible to  
23 become, a Class T-D member and who performs school service on or  
24 after July 1, 2015, shall perform the service as a Class T-G  
25 member and shall be classified as a Class T-G member for all  
26 school service performed on or after July 1, 2015, upon payment  
27 of regular member contributions.

28 (h) Class T-H membership.--Notwithstanding any other  
29 provision of law, any Class T-G member shall have the right to  
30 elect into Class T-H membership, provided the member elects to

1 become a Class T-H member pursuant to section 8305.3 (relating  
2 to election to become a Class T-H member), upon written election  
3 filed with the board and payment of regular member  
4 contributions.

5 Section 109. Sections 8305.1(c) and 8305.2(c) and (d) of  
6 Title 24 are amended to read:

7 § 8305.1. Election to become a Class T-D member.

8 \* \* \*

9 (c) Effect of election.--An election to become a Class T-D  
10 member shall remain in effect until the termination of  
11 employment except as otherwise provided in this part. Those  
12 members who, on the effective date of this section, contribute  
13 at the rate of 5 1/4% shall be deemed to have accepted the basic  
14 contribution rate of 6 1/2% for all Class T-D service performed  
15 on or after January 1, 2002. Those members who, on the effective  
16 date of this section, contribute at the rate of 6 1/4% shall be  
17 deemed to have accepted the basic contribution rate of 7 1/2%  
18 for all Class T-D service performed on or after January 1, 2002.  
19 Upon termination and a subsequent reemployment that occurs  
20 before July 1, 2015, the class of service of the school employee  
21 shall be credited in the class of service otherwise provided for  
22 in this part. If the reemployment occurs on or after July 1,  
23 2015, the school employee's eligibility for membership in the  
24 system or participation in the plan shall be as provided in this  
25 part.

26 \* \* \*

27 § 8305.2. Election to become a Class T-F member.

28 \* \* \*

29 (c) Effect of election.--An election to become a Class T-F  
30 member shall be irrevocable and shall commence from the original

1 date of eligibility[. A member who elects Class T-F membership  
2 shall receive Class T-F service credit on any and all future  
3 service, regardless of whether the member terminates service or  
4 has a break in service.] and shall remain in effect for all  
5 future school service creditable in the system except as  
6 otherwise provided in this part.

7 (d) Effect of failure to make election.--If a member fails  
8 to timely file an election to become a Class T-F member, then  
9 the member shall be enrolled as a member of Class T-E, unless  
10 the school employee elects or is required to be a participant in  
11 the plan, and the member shall never be able to elect Class T-F  
12 service, regardless of whether the member terminates service or  
13 has a break in service.

14 Section 110. Title 24 is amended by adding a section to  
15 read:

16 § 8305.3. Election to become a Class T-H member.

17 (a) General rule.--A school employee who first becomes a  
18 Class T-G member on or after July 1, 2015, and who is eligible  
19 to become a Class T-H member may elect to become a member of  
20 Class T-H.

21 (b) Time for making election.--

22 (1) Except as otherwise provided in paragraph (2), a  
23 member must elect to become a Class T-H member by filing a  
24 written election with the board within 60 days of  
25 notification by the board that the member is eligible for the  
26 election.

27 (2) A Class T-G member, who is eligible to elect to  
28 become a Class T-H member but who begins USERRA leave during  
29 the election period without having elected Class T-H, may  
30 make the election within 60 days after returning to school

1 service from the USERRA leave.

2 (c) Effect of election.--An election to become a Class T-H  
3 member shall be irrevocable, commence from the original date of  
4 eligibility and remain in effect for all future school service  
5 creditable in the system, except as otherwise provided in this  
6 part. A member who elects Class T-H membership shall receive  
7 Class T-H service credit on any and all future service, except  
8 as otherwise provided in this part.

9 (d) Effect of failure to make election.--If a member fails  
10 to timely file an election to become a Class T-H member, then  
11 the member shall be enrolled as a member of Class T-G and the  
12 member shall never be able to elect Class T-H service,  
13 regardless of whether the member terminates service or has a  
14 break in service.

15 Section 111. (Reserved).

16 Section 112. Sections 8306(b), 8307(a) and (b), 8308, 8310,  
17 8321(a), 8322.1(a), 8323(a), (c) and (d), 8324(a), (b), (c) and  
18 (d), 8325, 8325.1(a), 8326(a) and (c), 8327, 8328(a), (b), (c),  
19 (d), (e) and (g), 8330 and 8341 of Title 24 are amended to read:  
20 § 8306. Eligibility points.

21 \* \* \*

22 (b) Transitional rule.--For the purposes of the transition:

23 (1) In determining whether a member, other than a  
24 disability annuitant who returns to school service after June  
25 30, 2001, upon termination of the disability annuity, who is  
26 not a school employee or a State employee on June 30, 2001,  
27 and July 1, 2001, and who has previous school service, has  
28 the five eligibility points required by the definition of  
29 "vestee" in sections 8102 (relating to definitions), 8307  
30 (relating to eligibility for annuities), 8308 (relating to



1 eligibility for vesting) and 8345 (relating to member's  
2 options), only eligibility points earned by performing  
3 credited school service as an active member of the system or  
4 credited State service as an active member of the State  
5 Employees' Retirement System after June 30, 2001, shall be  
6 counted until such member earns one eligibility point by  
7 performing credited school service or credited State service  
8 after June 30, 2001, at which time all eligibility points as  
9 determined under subsection (a) shall be counted.

10 (2) A member subject to paragraph (1) shall be  
11 considered to have satisfied any requirement for five  
12 eligibility points contained in this part if the member has  
13 at least ten eligibility points determined under subsection  
14 (a).

15 § 8307. Eligibility for annuities.

16 (a) Superannuation annuity.--An active or an inactive member  
17 who attains superannuation age shall be entitled to receive a  
18 superannuation annuity upon termination of service and filing of  
19 a proper application. A combined service employee who is an  
20 active or inactive participant and attains superannuation age  
21 shall be entitled to receive a superannuation annuity upon  
22 termination of service and filing of a proper application.

23 (b) Withdrawal annuity.--A vestee in Class T-C [or], Class  
24 T-D, Class T-G or Class T-H with five or more eligibility points  
25 or an active or inactive Class T-C or Class T-D member or a  
26 combined service employee with Class T-C or Class T-D service  
27 who terminates school service having five or more eligibility  
28 points shall, upon filing a proper application, be entitled to  
29 receive an early annuity. A vestee in Class T-E or Class T-F  
30 with ten or more eligibility points or an active or inactive

1 Class T-E or Class T-F member or a combined service employee  
2 with Class T-E or Class T-F service who terminates school  
3 service having ten or more eligibility points shall, upon filing  
4 a proper application, be entitled to receive an early annuity.

5 \* \* \*

6 § 8308. Eligibility for vesting.

7 Any Class T-C [or], Class T-D, Class T-G or Class T-H member  
8 who terminates school service with five or more eligibility  
9 points shall be entitled to vest his retirement benefits until  
10 attainment of superannuation age. Any Class T-E or Class T-F  
11 member who terminates school service with ten or more  
12 eligibility points shall be entitled to vest his retirement  
13 benefits until attainment of superannuation age.

14 § 8310. Eligibility for refunds.

15 Upon termination of service any active member, regardless of  
16 eligibility for benefits, may elect to receive his accumulated  
17 deductions in lieu of any benefit from the system to which he is  
18 entitled.

19 § 8321. Regular member contributions for current service.

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

26 \* \* \*

27 § 8322.1. Pickup contributions.

28 (a) Treatment for purposes of IRC § 414(h).--All  
29 contributions to the fund required to be made under sections  
30 8321 (relating to regular member contributions for current

1 service) and 8322 (relating to joint coverage member  
2 contributions), with respect to current school service rendered  
3 by an active member on or after January 1, 1983, shall be picked  
4 up by the employer and shall be treated as the employer's  
5 contribution for purposes of IRC § 414(h).

6 \* \* \*

7 § 8323. Member contributions for creditable school service.

8 (a) Previous school service, sabbatical leave and full  
9 coverage.--The contributions to be paid by an active member or  
10 an eligible State employee for credit in the system for  
11 reinstatement of all previously credited school service, school  
12 service not previously credited, sabbatical leave as if he had  
13 been in full-time daily attendance, or full-coverage membership  
14 shall be sufficient to provide an amount equal to the  
15 accumulated deductions which would have been standing to the  
16 credit of the member for such service had regular member  
17 contributions been made with full coverage at the rate of  
18 contribution necessary to be credited as Class T-C service,  
19 Class T-D service if the member is a Class T-D member, Class T-E  
20 service if the member is a Class T-E member [or], Class T-F  
21 service if the member is a Class T-F member, Class T-G service  
22 if the member is a Class T-G member or Class T-H service if the  
23 member is a Class T-H member and had such contributions been  
24 credited with statutory interest during the period the  
25 contributions would have been made and during all periods of  
26 subsequent school service as an active member or inactive member  
27 and State service as an active member or inactive member on  
28 leave without pay up to the date of purchase.

29 \* \* \*

30 (c) Approved leave of absence other than sabbatical leave

1 and activated military service leave.--The contributions to be  
2 paid by an active member for credit for an approved leave of  
3 absence, other than sabbatical leave and activated military  
4 service leave, shall be sufficient to transfer his membership to  
5 Class T-C or to Class T-D if the member is a Class T-D member,  
6 to Class T-E if the member is a Class T-E member or to Class T-F  
7 if the member is a Class T-F member or to Class T-G service if  
8 the member is a Class T-G member, or to Class T-H service if the  
9 member is a Class T-H member and further to provide an annuity  
10 as a Class T-C member or Class T-D member if the member is a  
11 Class T-D member, to Class T-E if the member is a Class T-E  
12 member or to Class T-F if the member is a Class T-F member or to  
13 Class T-G service if the member is a Class T-G member, or to  
14 Class T-H service if the member is a Class T-H member for such  
15 additional credited service. Such amount shall be the sum of the  
16 amount required in accordance with the provisions of subsection  
17 (b) and an amount determined as the sum of the member's basic  
18 contribution rate and the normal contribution rate as provided  
19 in section 8328 (relating to actuarial cost method) during such  
20 period multiplied by the compensation which was received or  
21 which would have been received during such period and with  
22 statutory interest during all periods of subsequent school and  
23 State service up to the date of purchase.

24 \* \* \*

25 (d) Certification and payment of contributions.--

26 (1) In all cases other than for the purchase of credit  
27 for sabbatical leave and activated military service leave  
28 beginning before the effective date of paragraph (2), the  
29 amount payable shall be certified by the board in accordance  
30 with methods approved by the actuary and may be paid in a

1 lump sum within 90 days or in the case of an active member or  
2 an eligible State employee who is an active member of the  
3 State Employees' Retirement System it may be amortized with  
4 statutory interest through salary deductions to the system  
5 in amounts agreed upon by the member and the board. The  
6 salary deduction amortization plans agreed to by members and  
7 the board may include a deferral of payment amounts and  
8 statutory interest until the termination of school service or  
9 State service or becoming a participant and combined service  
10 employee as the board in its sole discretion decides to  
11 allow. The board may limit salary deduction amortization  
12 plans to such terms as the board in its sole discretion  
13 determines. In the case of an eligible State employee who is  
14 an active member of the State Employees' Retirement System,  
15 the agreed upon salary deductions shall be remitted to the  
16 State Employees' Retirement Board, which shall certify and  
17 transfer to the board the amounts paid.

18 (2) In the case of activated military service leave  
19 beginning before the effective date of this paragraph, the  
20 amount payable may be paid according to this subsection or  
21 subsection (c.1), but all lump sum payments must be made  
22 within one year of the termination of activated military  
23 service leave.

24 § 8324. Contributions for purchase of credit for creditable  
25 nonschool service and noncreditable school service.

26 (a) Source of contributions.--The total contributions to  
27 purchase credit as a member of Class T-C, Class T-E [or], Class  
28 T-F, Class T-G or Class T-H for creditable nonschool service of  
29 an active member or an eligible State employee shall be paid  
30 either by the member, the member's previous employer, the

1 Commonwealth, or a combination thereof, as provided by law.

2 (b) Nonintervening military service.--The amount due for the  
3 purchase of credit for military service other than intervening  
4 military service shall be determined by applying the member's  
5 basic contribution rate plus the normal contribution rate as  
6 provided in section 8328 (relating to actuarial cost method) at  
7 the time of entry of the member into school service subsequent  
8 to such military service to one-third of his total compensation  
9 received during the first three years of such subsequent  
10 credited school service and multiplying the product by the  
11 number of years and fractional part of a year of creditable  
12 nonintervening military service being purchased together with  
13 statutory interest during all periods of subsequent school  
14 service as an active member or inactive member and State service  
15 as an active member or inactive member on leave without pay to  
16 date of purchase. Upon certification of the amount due, payment  
17 may be made in a lump sum within 90 days or in the case of an  
18 active member or an eligible State employee who is an active  
19 member of the State Employees' Retirement System it may be  
20 amortized with statutory interest through salary deductions to  
21 the system in amounts agreed upon by the member and the board.  
22 The salary deduction amortization plans agreed to by members and  
23 the board may include a deferral of payment amounts and  
24 statutory interest until the termination of school service or  
25 State service or becoming a participant and a combined service  
26 employee as the board in its sole discretion decides to allow.  
27 The board may limit salary deduction amortization plans to such  
28 terms as the board in its sole discretion determines. In the  
29 case of an eligible State employee who is an active member of  
30 the State Employees' Retirement System, the agreed upon salary

1 deductions shall be remitted to the State Employees' Retirement  
2 Board, which shall certify and transfer to the board the amounts  
3 paid. Application may be filed for all such military service  
4 credit upon completion of three years of subsequent credited  
5 school service and shall be credited as Class T-C service. In  
6 the event that a Class T-E member makes a purchase of credit for  
7 such military service, then such service shall be credited as  
8 Class T-E service. In the event that a Class T-F member makes a  
9 purchase of credit for such military service, then such service  
10 shall be credited as Class T-F service.

11 (c) Intervening military service.--Contributions on account  
12 of credit for intervening military service shall be determined  
13 by the member's basic contribution rate and compensation at the  
14 time of entry of the member into active military service,  
15 together with statutory interest during all periods of  
16 subsequent school service as an active member or inactive member  
17 and State service as an active member or inactive member on  
18 leave without pay to date of purchase. Upon application for such  
19 credit the amount due shall be certified in the case of each  
20 member by the board, in accordance with methods approved by the  
21 actuary, and contributions may be made by one of the following  
22 methods:

23 (1) Regular monthly payments during active military  
24 service.

25 (2) A lump sum payment within 90 days of certification  
26 of the amount due.

27 (3) Salary deductions to the system in amounts agreed  
28 upon by the member and the board. The salary deduction  
29 amortization plans agreed to by the members and the board may  
30 include a deferral of payment amounts and statutory interest

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

11 (d) Other creditable nonschool service and noncreditable  
12 school service.--

13 (1) Contributions on account of Class T-C credit for  
14 creditable nonschool service other than military service  
15 shall be determined by applying the member's basic  
16 contribution rate plus the normal contribution rate as  
17 provided in section 8328 at the time of the member's entry  
18 into school service subsequent to such creditable nonschool  
19 service to his total compensation received during the first  
20 year of subsequent credited school service and multiplying  
21 the product by the number of years and fractional part of a  
22 year of creditable nonschool service being purchased together  
23 with statutory interest during all periods of subsequent  
24 school service as an active member or inactive member or  
25 State service as an active member or inactive member on leave  
26 without pay to the date of purchase, except that in the case  
27 of purchase of credit for creditable nonschool service as set  
28 forth in section 8304(b)(5) (relating to creditable nonschool  
29 service) the member shall pay only the employee's share  
30 unless otherwise provided by law. Upon certification of the



1 amount due, payment may be made in a lump sum within 90 days  
2 or in the case of an active member or an eligible State  
3 employee who is an active member of the State Employees'  
4 Retirement System it may be amortized with statutory interest  
5 through salary deductions to the system in amounts agreed  
6 upon by the member and the board. The salary deduction  
7 amortization plans agreed to by the members and the board may  
8 include a deferral of payment amounts and statutory interest  
9 until the termination of school service or State service or  
10 becoming a participant and combined service employee as the  
11 board in its sole discretion decides to allow. The board may  
12 limit salary deduction amortization plans to such terms as  
13 the board in its sole discretion determines. In the case of  
14 an eligible State employee who is an active member of the  
15 State Employees' Retirement System, the agreed upon salary  
16 deductions shall be remitted to the State Employees'  
17 Retirement Board, which shall certify and transfer to the  
18 board the amounts paid.

19 (2) Contributions on account of Class T-E or Class T-F  
20 credit for creditable nonschool service other than military  
21 service shall be the present value of the full actuarial cost  
22 of the increase in the projected superannuation annuity  
23 caused by the additional service credited on account of the  
24 purchase. Upon certification of the amount due, payment may  
25 be made in a lump sum within 90 days or, in the case of an  
26 active member or an eligible State employee who is an active  
27 member of the State Employees' Retirement System, it may be  
28 amortized with statutory interest through salary deductions  
29 to the system in amounts agreed upon by the member and the  
30 board. The salary deduction amortization plans agreed to by

1 the members and the board may include a deferral of payment  
2 amounts and statutory interest until the termination of  
3 school service or State service or becoming a participant and  
4 combined service employee as the board in its sole discretion  
5 decides to allow. The board may limit salary deduction  
6 amortization plans to the terms as the board in its sole  
7 discretion determines. In the case of an eligible State  
8 employee who is an active member of the State Employees'  
9 Retirement System, the agreed upon salary deductions shall be  
10 remitted to the State Employees' Retirement Board, which  
11 shall certify and transfer to the board the amounts paid.

12 (3) Contributions on account of Class T-E or Class T-F  
13 credit for noncreditable school service other than military  
14 service shall be the present value of the full actuarial cost  
15 of the increase in the projected superannuation annuity  
16 caused by the additional service credited on account of the  
17 purchase. Upon certification of the amount due, payment may  
18 be made in a lump sum within 90 days or, in the case of an  
19 active member or an eligible State employee who is an active  
20 member of the State Employees' Retirement System, it may be  
21 amortized with statutory interest through salary deductions  
22 to the system in amounts agreed upon by the member and the  
23 board. The salary deduction amortization plans agreed to by  
24 the members and the board may include a deferral of payment  
25 amounts and statutory interest until the termination of  
26 school service or State service or becoming a participant and  
27 combined service employee as the board in its sole discretion  
28 decides to allow. The board may limit salary deduction  
29 amortization plans to the terms as the board in its sole  
30 discretion determines. In the case of an eligible State

1 employee who is an active member of the State Employees'  
2 Retirement System, the agreed upon salary deductions shall be  
3 remitted to the State Employees' Retirement Board, which  
4 shall certify and transfer to the board the amounts paid.

5 \* \* \*

6 § 8325. Incomplete payments.

7 (a) Right to pay balance due.--In the event that a member  
8 terminates school service or becomes a participant or a multiple  
9 service member who is an active member of the State Employees'  
10 Retirement System terminates State service before any agreed  
11 upon payments or return of benefits on account of returning to  
12 school service or entering State service and electing multiple  
13 service have been completed, the member or multiple service  
14 member who is an active member of the State Employees'  
15 Retirement System shall have the right to pay within 30 days of  
16 termination of school service or State service or becoming a  
17 participant the balance due, including interest, in a lump sum,  
18 and the annuity shall be calculated including full credit for  
19 the previous school service, creditable nonschool service, or  
20 full-coverage membership.

21 (b) Effect of failure to pay balance due.--In the event a  
22 member does not pay the balance due within 30 days of  
23 termination of school service or becoming a participant or in  
24 the event a member dies in school service or within 30 days of  
25 termination of school service or in the case of a multiple  
26 service member who is an active member of the State Employees'  
27 Retirement System does not pay the balance due within 30 days of  
28 termination of State service or dies in State service or within  
29 30 days of termination of State service or becoming a  
30 participant and before the agreed upon payments have been

1 completed, the present value of the benefit otherwise payable  
2 shall be reduced by the balance due, including interest, and the  
3 benefit payable shall be calculated as the actuarial equivalent  
4 of such reduced present value.

5 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

6 (a) General rule.--In addition to other applicable  
7 limitations set forth in this part, and notwithstanding any  
8 provision of this part to the contrary, the annual compensation  
9 of each noneligible member and each participant taken into  
10 account for benefit purposes under this subchapter shall not  
11 exceed the limitation under IRC § 401(a)(17). On and after July  
12 1, 1996, any reference in this part to the limitation under IRC  
13 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of  
14 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual  
15 compensation limit set forth in this subsection. The OBRA '93  
16 annual compensation limit is \$150,000, as adjusted by the  
17 commissioner for increases in the cost of living in accordance  
18 with IRC § 401(a)(17)(B). The cost-of-living adjustment in  
19 effect for a calendar year applies to any determination period  
20 which is a period, not exceeding 12 months, over which  
21 compensation is determined, beginning in such calendar year. If  
22 a determination period consists of fewer than 12 months, the  
23 OBRA '93 compensation limit will be multiplied by a fraction,  
24 the numerator of which is the number of months in the  
25 determination period and the denominator of which is 12.

26 \* \* \*

27 § 8326. Contributions by the Commonwealth.

28 (a) Contributions on behalf of active members and  
29 participants.--The Commonwealth shall make contributions into  
30 the fund on behalf of all active members and participants,

1 including members and participants on activated military service  
2 leave, in an amount equal to one-half the amount certified by  
3 the board as necessary to provide, together with the members'  
4 contributions, annuity reserves on account of prospective  
5 annuities as provided in this part in accordance with section  
6 8328 (relating to actuarial cost method). In case a school  
7 employee has elected membership in a retirement program approved  
8 by the employer, the Commonwealth shall contribute to such  
9 program on account of his membership an amount no greater than  
10 the amount it would have contributed had the employee been a  
11 member of the Public School Employees' Retirement System.

12 \* \* \*

13 (c) Contributions after June 30, 1995.--

14 (1) The Commonwealth shall make contributions into the  
15 fund on behalf of all active members and participants,  
16 including members and participants on activated military  
17 service leave, for service performed after June 30, 1995, in  
18 the following manner:

19 (i) For members and participants who are employees  
20 of employers that are school entities, no Commonwealth  
21 contributions shall be made.

22 (ii) For members and participants who are employees  
23 of employers that are not school entities, the amount  
24 computed under subsection (a).

25 (2) The Commonwealth shall make contributions into the  
26 fund on behalf of annuitants for all amounts due to the fund  
27 after June 30, 1995, including, but not limited to, amounts  
28 due pursuant to section 8328(d) and (f), in the following  
29 manner:

30 (i) For members and participants who are employees

1 of employers who are school entities, no Commonwealth  
2 contributions shall be made.

3 (ii) For members and participants who are employees  
4 of employers who are not school entities, the amount  
5 computed under subsection (b).

6 § 8327. Payments by employers.

7 (a) General rule.--[Each]

8 (1) For payments prior to June 30, 2015, each employer,  
9 including the Commonwealth as employer of employees of the  
10 Department of Education, State-owned colleges and  
11 universities, Thaddeus Stevens College of Technology, Western  
12 Pennsylvania School for the Deaf, Scotland School for  
13 Veterans' Children[, ] and [the] The Pennsylvania State  
14 University, shall make payments to the fund each quarter in  
15 an amount equal to one-half the sum of the percentages, as  
16 determined under section 8328 (relating to actuarial cost  
17 method), applied to the total compensation during the pay  
18 periods in the preceding quarter of all its employees who  
19 were members of the system during such period, including  
20 members on activated military service leave. In the event a  
21 member on activated military service leave does not return to  
22 service for the necessary time or receives an undesirable,  
23 bad conduct or dishonorable discharge or does not elect to  
24 receive credit for activated military service under section  
25 8302(b.1)(3) (relating to credited school service), the  
26 contributions made by the employer on behalf of such member  
27 shall be returned with valuation interest upon application by  
28 the employer.

29 (2) For payments after June 30, 2015, each employer,  
30 including the Commonwealth as employer of employees of the

1 Department of Education, State-owned colleges and  
2 universities, Thaddeus Stevens College of Technology, Western  
3 Pennsylvania School for the Deaf, Scotland School for  
4 Veterans' Children and The Pennsylvania State University,  
5 shall make payments to the fund each quarter in an amount  
6 equal to one-half the sum of the percentages, as determined  
7 under section 8328, applied to the total compensation during  
8 the pay periods in the preceding quarter of all its employees  
9 who were members of the system during such period, including  
10 members on activated military service leave, plus the accrued  
11 liability contribution rate applied to the total compensation  
12 of all active participants in the plan. In the event a member  
13 on activated military service leave does not return to  
14 service for the necessary time or receives an undesirable,  
15 bad conduct or dishonorable discharge or does not elect to  
16 receive credit for activated military service under section  
17 8302(b.1)(3), the contributions made by the employer on  
18 behalf of such member shall be returned with valuation  
19 interest upon application by the employer.

20 (b) Deduction from appropriations.--

21 (1) To facilitate the payment of amounts due from any  
22 employer to the fund and the trust through the State  
23 Treasurer and to permit the exchange of credits between the  
24 State Treasurer and any employer, the Secretary of Education  
25 and the State Treasurer shall cause to be deducted and paid  
26 into the fund and the trust from the amount of any moneys due  
27 to any employer on account of any appropriation for schools  
28 or other purposes amounts equal to the employer and pickup  
29 contributions which an employer is required to pay to the  
30 fund and the trust, as certified by the board, and as remains

1 unpaid on the date such appropriations would otherwise be  
2 paid to the employer. Such amount shall be credited to the  
3 appropriate accounts in the fund and the trust.

4 (2) To facilitate the payments of amounts due from any  
5 charter school, as defined in Article XVII-A of the act of  
6 March 10, 1949 (P.L.30, No.14), known as the Public School  
7 Code of 1949, to the fund and the trust through the State  
8 Treasurer and to permit the exchange of credits between the  
9 State Treasurer and any employer, the Secretary of Education  
10 and the State Treasurer shall cause to be deducted and paid  
11 into the fund and the trust from any funds appropriated to  
12 the Department of Education for basic education of the  
13 chartering school district of a charter school and public  
14 school employees' retirement contributions amounts equal to  
15 the employer and pickup contributions which a charter school  
16 is required to pay to the fund and the trust, as certified by  
17 the board, and as remains unpaid on the date such  
18 appropriations would otherwise be paid to the chartering  
19 school district or charter school. Such amounts shall be  
20 credited to the appropriate accounts in the fund and the  
21 trust. Any reduction in payments to a chartering school  
22 district made pursuant to this section shall be deducted from  
23 the amount due to the charter school district pursuant to the  
24 Public School Code of 1949.

25 (c) Payments by employers after June 30, 1995, and before  
26 July 1, 2015.--After June 30, 1995, and before July 1, 2015,  
27 each employer, including the Commonwealth as employer of  
28 employees of the Department of Education, State-owned colleges  
29 and universities, Thaddeus Stevens College of Technology,  
30 Western Pennsylvania School for the Deaf, Scotland School for



1 Veterans' Children and The Pennsylvania State University, shall  
2 make payments to the fund and the trust each quarter in an  
3 amount computed in the following manner:

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

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

20 (3) For any employer, whether or not a school entity, in  
21 computing the amount of payment due each quarter, there shall  
22 be excluded from the total compensation referred to in this  
23 subsection and subsection (a) any amount of compensation of a  
24 noneligible member on the basis of which member or  
25 participant contributions have not been made by reason of the  
26 limitation under IRC § 401(a)(17), except as otherwise  
27 provided in this part. Any amount of contribution to the fund  
28 or trust paid by the employer on behalf of a noneligible  
29 member or participant on the basis of compensation which was  
30 subject to exclusion from total compensation in accordance

1 with the provisions of this paragraph shall, upon the board's  
2 determination or upon application by the employer, be  
3 returned to the employer with valuation interest.

4 (d) Payments by employers after June 30, 2015.--After June  
5 30, 2015, each employer, including the Commonwealth as employer  
6 of employees of the Department of Education, State-owned  
7 colleges and universities, Thaddeus Stevens College of  
8 Technology, Western Pennsylvania School for the Deaf, Scotland  
9 School for Veterans' Children and The Pennsylvania State  
10 University, shall make payments to the fund and the trust each  
11 quarter in an amount computed in the following manner:

12 (1) For an employer that is a school entity, the amount  
13 shall be the sum of the percentages as determined under  
14 section 8328 applied to the total compensation during the pay  
15 periods in the preceding quarter of all employees who were  
16 active members of the system during such period, including  
17 members on activated military service leave, plus the accrued  
18 liability contribution rate applied to the total compensation  
19 of all active participants in the plan. In the event a member  
20 on activated military service leave does not return to  
21 service for the necessary time or receives an undesirable,  
22 bad conduct or dishonorable discharge or does not elect to  
23 receive credit for activated military service under section  
24 8302(b.1)(3), the contribution made by the employer on behalf  
25 of such member shall be returned with valuation interest upon  
26 application by the employer.

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

29 (3) For any employer, whether or not a school entity, in  
30 computing the amount of payment due each quarter, there shall

1 be excluded from the total compensation referred to in this  
2 subsection and subsection (a) any amount of compensation of a  
3 noneligible member or participant on the basis of which  
4 member or participant contributions have not been made by  
5 reason of the limitation under IRC § 401(a)(17). Any amount  
6 of contribution to the fund paid by the employer on behalf of  
7 a noneligible member or participant on the basis of  
8 compensation which was subject to exclusion from total  
9 compensation in accordance with the provisions of this  
10 paragraph shall, upon the board's determination or upon  
11 application by the employer, be returned to the employer with  
12 valuation interest.

13 (e) Deemed agreed to.--The agreement of an employer listed  
14 in the definition of school employee under section 8102  
15 (relating to definitions) or any other law to make contributions  
16 to the fund or to enroll its employees as members in the system  
17 shall be deemed to be an agreement to make contributions to the  
18 trust or enroll its employees in the plan.

19 (f) Contributions.--The employer employing a participant  
20 shall pick up the required mandatory participant contributions  
21 by a reduction in the compensation of the participant.

22 (g) Contributions resulting from members reemployed from  
23 USERRA leave.--When a school employee reemployed from USERRA  
24 leave makes the member contributions required to be granted  
25 school service credit for the USERRA leave after June 30, 2015,  
26 either by actual payment or by actuarial debt under section 8325  
27 (relating to incomplete payments), the employer that employed  
28 the school employee when the member contributions are made or  
29 the last employer before termination in the case of payment  
30 under section 8325 shall make the employer contributions that

1 would have been made under this section if the employee making  
2 the member contributions after he is reemployed from USERRA  
3 leave continued to be employed in his school office or position  
4 instead of performing USERRA leave.

5 § 8328. Actuarial cost method.

6 (a) Employer contribution rate.--The amount of the total  
7 employer contributions shall be computed by the actuary as a  
8 percentage of the total compensation of all active members and  
9 active participants, as applicable, during the period for which  
10 the amount is determined and shall be so certified by the board.  
11 The total employer contribution rate shall be the sum of the  
12 final contribution rate as computed in subsection (h) plus the  
13 premium assistance contribution rate as computed in subsection  
14 (f). The actuarially required contribution rate shall consist of  
15 the normal contribution rate as defined in subsection (b), the  
16 accrued liability contribution rate as defined in subsection (c)  
17 and the supplemental annuity contribution rate as defined in  
18 subsection (d). Beginning July 1, 2004, the actuarially required  
19 contribution rate shall be modified by the experience adjustment  
20 factors as calculated in subsection (e).

21 (b) Normal contribution rate.--[The]

22 (1) For the fiscal year ending June 30, 2014, the normal  
23 contribution rate shall be determined after each actuarial  
24 valuation. Until all accrued liability contributions have  
25 been completed, the normal contribution rate shall be  
26 determined, on the basis of an annual interest rate and such  
27 mortality and other tables as shall be adopted by the board  
28 in accordance with generally accepted actuarial principles,  
29 as a level percentage of the compensation of the average new  
30 active member, which percentage, if contributed on the basis

1 of his prospective compensation through the entire period of  
2 active school service, would be sufficient to fund the  
3 liability for any prospective benefit payable to him, in  
4 excess of that portion funded by his prospective member  
5 contributions, excluding the shared-risk contributions.

6 (2) For fiscal years beginning on or after July 1, 2014,  
7 the normal contribution rate shall be determined after each  
8 actuarial valuation. Until all accrued liability  
9 contributions have been completed, the normal contribution  
10 rate shall be determined, on the basis of an annual interest  
11 rate and such mortality and other tables as shall be adopted  
12 by the board in accordance with generally accepted actuarial  
13 principles, as a level percentage of the compensation of all  
14 active members not limited by the Social Security taxable  
15 wage base, which percentage, if contributed on the basis of  
16 the member's prospective compensation through the entire  
17 period of active school service, would be sufficient to fund  
18 the liability for any prospective benefit payable to him, in  
19 excess of that portion funded by his prospective member  
20 contributions, excluding the shared-risk contributions.

21 (c) Accrued liability contribution rate.--

22 (1) For the fiscal years beginning July 1, 2002, and  
23 ending June 30, 2011, the accrued liability contribution rate  
24 shall be computed as the rate of total compensation of all  
25 active members which shall be certified by the actuary as  
26 sufficient to fund over a period of ten years from July 1,  
27 2002, the present value of the liabilities for all  
28 prospective benefits of active members, except for the  
29 supplemental benefits provided in sections 8348 (relating to  
30 supplemental annuities), 8348.1 (relating to additional

1 supplemental annuities), 8348.2 (relating to further  
2 additional supplemental annuities), 8348.3 (relating to  
3 supplemental annuities commencing 1994), 8348.4 (relating to  
4 special supplemental postretirement adjustment), 8348.5  
5 (relating to supplemental annuities commencing 1998), 8348.6  
6 (relating to supplemental annuities commencing 2002) and  
7 8348.7 (relating to supplemental annuities commencing 2003),  
8 in excess of the total assets in the fund (calculated by  
9 recognizing the actuarially expected investment return  
10 immediately and recognizing the difference between the actual  
11 investment return and the actuarially expected investment  
12 return over a five-year period), excluding the balance in the  
13 annuity reserve account, and of the present value of normal  
14 contributions and of member contributions payable with  
15 respect to all active members on July 1, 2002, during the  
16 remainder of their active service.

17 (2) For the fiscal years beginning July 1, 2003, and  
18 ending June 30, 2011, the amount of each annual accrued  
19 liability contribution shall be equal to the amount of such  
20 contribution for the fiscal year, beginning July 1, 2002,  
21 except that, if the accrued liability is increased by  
22 legislation enacted subsequent to June 30, 2002, but before  
23 July 1, 2003, such additional liability shall be funded over  
24 a period of ten years from the first day of July, coincident  
25 with or next following the effective date of the increase.  
26 The amount of each annual accrued liability contribution for  
27 such additional legislative liabilities shall be equal to the  
28 amount of such contribution for the first annual payment.

29 (3) Notwithstanding any other provision of law,  
30 beginning July 1, 2004, and ending June 30, 2011, the

1 outstanding balance of the increase in accrued liability due  
2 to the change in benefits enacted in 2001 and the outstanding  
3 balance of the net actuarial loss incurred in fiscal year  
4 2000-2001 shall be amortized in equal dollar annual  
5 contributions over a period that ends 30 years after July 1,  
6 2002, and the outstanding balance of the net actuarial loss  
7 incurred in fiscal year 2001-2002 shall be amortized in equal  
8 dollar annual contributions over a period that ends 30 years  
9 after July 1, 2003. For fiscal years beginning on or after  
10 July 1, 2004, if the accrued liability is increased by  
11 legislation enacted subsequent to June 30, 2003, such  
12 additional liability shall be funded in equal dollar annual  
13 contributions over a period of ten years from the first day  
14 of July coincident with or next following the effective date  
15 of the increase.

16 (4) For the fiscal year beginning July 1, 2011, the  
17 accrued liability contribution rate shall be computed as the  
18 rate of total compensation of all active members which shall  
19 be certified by the actuary as sufficient to fund as a level  
20 percentage of compensation over a period of 24 years from  
21 July 1, 2011, the present value of the liabilities for all  
22 prospective benefits calculated as of June 30, 2010,  
23 including the supplemental benefits as provided in sections  
24 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and  
25 8348.7, in excess of the actuarially calculated assets in the  
26 fund (calculated recognizing all realized and unrealized  
27 investment gains and losses each year in level annual  
28 installments over a ten-year period provided that the  
29 resulting actuarially calculated assets are constrained  
30 within a range of 70% to 130% of market value). In the event

1 that the accrued liability is [increased] changed by  
2 legislation enacted subsequent to June 30, 2010, such  
3 [additional] change in liability shall be funded as a level  
4 percentage of compensation over a period of ten years from  
5 the July 1 second succeeding the date such legislation is  
6 enacted.

7 (5) Notwithstanding the above, for the fiscal years  
8 beginning July 1, 2014, compensation shall be defined as the  
9 total compensation of all active members not limited by the  
10 Social Security taxable wage base and active participants.

11 (d) Supplemental annuity contribution rate.--

12 (1) For the period of July 1, 2002, to June 30, 2011,  
13 contributions from the Commonwealth and other employers  
14 required to provide for the payment of the supplemental  
15 annuities provided for in sections 8348, 8348.1, 8348.2,  
16 8348.4 and 8348.5 shall be paid over a period of ten years  
17 from July 1, 2002. The funding for the supplemental annuities  
18 commencing 2002 provided for in section 8348.6 shall be as  
19 provided in section 8348.6(f). The funding for the  
20 supplemental annuities commencing 2003 provided for in  
21 section 8348.7 shall be as provided in section 8348.7(f). The  
22 amount of each annual supplemental annuities contribution  
23 shall be equal to the amount of such contribution for the  
24 fiscal year beginning July 1, 2002.

25 (2) For fiscal years beginning July 1, 2011, and ending  
26 June 30, 2014, contributions from the Commonwealth and other  
27 employers whose employees are members of the system required  
28 to provide for the payment of supplemental annuities as  
29 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,  
30 8348.5, 8348.6 and 8348.7 shall be paid as part of the



1 accrued liability contribution rate as provided for in  
2 subsection (c)(4), and there shall not be a separate  
3 supplemental annuity contribution rate attributable to those  
4 supplemental annuities. In the event that supplemental  
5 annuities are increased by legislation enacted subsequent to  
6 June 30, 2010, [the] but before July 1, 2013, such additional  
7 liability for the increase in benefits shall be funded as a  
8 level percentage of compensation over a period of ten years  
9 from the July 1 second succeeding the date such legislation  
10 is enacted.

11 (3) For fiscal years beginning on or after July 1, 2014,  
12 contributions from employers whose employees are members of  
13 the system required to provide for the payment of  
14 supplemental annuities as provided in sections 8348, 8348.1,  
15 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be  
16 paid as part of the accrued liability contribution rate as  
17 provided for in subsection (c)(4), and there shall not be a  
18 separate supplemental annuity contribution rate attributable  
19 to those supplemental annuities. In the event that  
20 supplemental annuities are increased by legislation enacted  
21 subsequent to June 30, 2013, the additional liability for the  
22 increase in benefits shall be funded as a level percentage of  
23 compensation of all active members not limited by the Social  
24 Security taxable wage base and active participants over a  
25 period of ten years from the July 1 second succeeding the  
26 date such legislation is enacted.

27 (e) Experience adjustment factor.--

28 (1) For each year after the establishment of the accrued  
29 liability contribution rate for the fiscal year beginning  
30 July 1, 2011, and ending June 30, 2014, any increase or

1 decrease in the unfunded accrued liability, excluding the  
2 gains or losses on the assets of the health insurance  
3 account, due to actual experience differing from assumed  
4 experience, changes in actuarial assumptions, changes in  
5 contributions caused by the final contribution rate being  
6 different from the actuarially required contribution rate,  
7 active members making shared-risk contributions or changes in  
8 the terms and conditions of the benefits provided by the  
9 system by judicial, administrative or other processes other  
10 than legislation, including, but not limited to,  
11 reinterpretation of the provisions of this part, recognized  
12 by the actuarial valuations on June 30, 2011, and June 30,  
13 2012, shall be amortized as a level percentage of  
14 compensation over a period of 24 years beginning with the  
15 July 1 second succeeding the actuarial valuation determining  
16 said increases or decreases.

17 (2) (Reserved).

18 (3) For fiscal years beginning July 1, 2014, any  
19 increase or decrease in the unfunded accrued liability,  
20 excluding the gains or losses on the assets of the health  
21 insurance account, due to actual experience differing from  
22 assumed experience, changes in actuarial assumptions, changes  
23 in contributions caused by the final contribution rate being  
24 different from the actuarially required contribution rate,  
25 active members making shared-risk contributions or changes in  
26 the terms and conditions of the benefits provided by the  
27 system by judicial, administrative or other processes other  
28 than legislation, including, but not limited to,  
29 reinterpretation of the provisions of this part, shall be  
30 amortized as a level percentage of the compensation of all

1 active members, not limited by the Social Security taxable  
2 wage base, and active participants over a period of 24 years  
3 beginning with the July 1 second succeeding the actuarial  
4 valuation determining such increases or decreases.

5 \* \* \*

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

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

12 (2) If, for any of the fiscal years beginning July 1,  
13 2011, and July 1, 2012, [and on or after July 1, 2013,] the  
14 actuarially required contribution rate, calculated without  
15 regard for the costs added by legislation, is more than 3%[,]  
16 or 3.5% [and 4.5%], respectively, of the total compensation  
17 of all active members greater than the prior year's final  
18 contribution rate, then the collared contribution rate shall  
19 be applied and be equal to the prior year's final  
20 contribution rate increased by 3%[,]  
21 or 3.5% [and 4.5%],  
22 respectively, of total compensation of all active members.  
23 Otherwise, and for all other fiscal years, the collared  
24 contribution rate shall not be applicable. In no case shall  
25 the collared contribution rate be less than 4% of the total  
26 compensation of all active members.

26 (3) If, for any of the fiscal years beginning July 1,  
27 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017,  
28 and on or after July 1, 2018, the actuarially required  
29 contribution rate, calculated without regard for the costs  
30 added by legislation, is more than 2.25%, 2.75%, 3.25%,

1 3.75%, 4.25% and 4.5%, respectively, of the total  
2 compensation of all active members and active participants  
3 greater than the prior year's final contribution rate, then  
4 the collared contribution rate shall be applied and be equal  
5 to the prior year's final contribution rate increased by  
6 2.25%, 2.75%, 3.25%, 3.75%, 4.25% and 4.5%, respectively, of  
7 total compensation of all active members, not limited by the  
8 Social Security taxable wage base, and active participants.

9 (4) For purposes of applying the collared contribution  
10 rate, compensation for determining the normal contribution  
11 rate shall be defined as the total compensation of all active  
12 members not limited by the Social Security taxable wage base  
13 and active participants.

14 \* \* \*

15 § 8330. Appropriations by the Commonwealth.

16 (a) Annual submission of budget.--The board shall prepare  
17 and through the Governor submit annually to the General Assembly  
18 an itemized budget consisting of the amounts necessary to be  
19 appropriated by the Commonwealth out of the General Fund  
20 required to meet the separate obligations to the fund and the  
21 trust accruing during the fiscal period beginning July 1 of the  
22 following year.

23 (b) Appropriation and payment.--The General Assembly shall  
24 make an appropriation sufficient to provide for the separate  
25 obligations of the Commonwealth to the fund and the trust. Such  
26 amount shall be paid by the State Treasurer through the  
27 Department of Revenue into the fund or the trust, as the case  
28 may be, within 30 days of receipt of the requisition presented  
29 each quarter by the board.

30 § 8341. Return of accumulated deductions.

1 Any member upon termination of service may, in lieu of all  
2 benefits payable from the system under this chapter to which he  
3 may be entitled, elect to receive his accumulated deductions.

4 Section 113. Section 8342 of Title 24 is amended by adding a  
5 subsection to read:

6 § 8342. Maximum single life annuity.

7 \* \* \*

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

13 Section 114. Sections 8344, 8345(a), 8346 and 8349 heading,  
14 (a) and (b) of Title 24 are amended to read:

15 § 8344. Disability annuities.

16 (a) Amount of annuity.--A member who has made application  
17 for a disability annuity as provided in section 8507(k)  
18 (relating to rights and duties of school employees [and  
19 members], members and participants) and has been found to be  
20 eligible in accordance with the provisions of sections 8307(c)  
21 (relating to eligibility for annuities) and 8505(c)(1) (relating  
22 to duties of board regarding applications and elections of  
23 members) shall receive a disability annuity payable from the  
24 effective date of disability and continued until a subsequent  
25 determination by the board that the annuitant is no longer  
26 entitled to a disability annuity. The disability annuity shall  
27 be a single life annuity that is equal to a sum of the standard  
28 single life [annuity] annuities determined separately for each  
29 class of service if the total number of years of credited  
30 service is greater than 16.667, otherwise [the] each standard

1 single life annuity shall be multiplied by the lesser of the  
2 following ratios:

3  $Y^*/Y$  or  $16.667/Y$

4 where  $Y =$  total number of years of credited service and  $Y^* =$   
5 total years of credited service if the member were to continue  
6 as a school employee until attaining superannuation age, or if  
7 the member has attained superannuation age then the number of  
8 years of credited service. In no event shall the disability  
9 annuity plus any cost-of-living increases be less than \$100 for  
10 each full year of credited service. The member shall be entitled  
11 to the election of a joint and survivor annuity on that portion  
12 of the disability annuity to which he is entitled under section  
13 8342 (relating to maximum single life annuity).

14 (b) Reduction on account of earned income.--Payments on  
15 account of disability shall be reduced by that amount by which  
16 the earned income of the annuitant, as reported in accordance  
17 with section 8508(b) (relating to rights and duties of  
18 annuitants) for the preceding year together with the disability  
19 annuity payments for the year, exceeds the greater of \$5,000 or  
20 the last year's salary of the annuitant as a [school employee]  
21 member of the system, provided that the annuitant shall not  
22 receive less than his member's annuity or the amount to which he  
23 may be entitled under section 8342, whichever is greater.

24 (c) Termination and modification of payments.--Payment of  
25 that portion of the disability annuity in excess of the annuity  
26 to which the annuitant was entitled on the effective date of  
27 disability calculated in accordance with section 8342 shall  
28 cease if the annuitant is no longer eligible under the  
29 provisions of section 8505(c) (2) or section 8508(b) or (c) and  
30 if such annuitant on the date of termination of service was

1 eligible for an annuity, he may file an application with the  
2 board for an election of an optional modification of the annuity  
3 to which he was entitled in accordance with section 8342.

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

8 (1) is a Class T-C [or], Class T-D, Class T-G or Class  
9 T-H member; or

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

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

18 (e) Limitation regarding annual benefit under IRC §  
19 415(b).--Notwithstanding any provision of this part to the  
20 contrary, no benefit shall be payable to the extent that such  
21 benefit exceeds any limitation under IRC § 415(b) in effect with  
22 respect to governmental plans, as such term is defined in IRC §  
23 414(d), on the date the benefit payment becomes effective.

24 (f) Coordination of benefits.--The determination and payment  
25 of a disability annuity under this section shall be in addition  
26 to any payments a combined service employee may be entitled to  
27 receive, has received or is receiving as a result of being a  
28 participant in the plan.

29 § 8345. Member's options.

30 (a) General rule.--Any Class T-C [or], Class T-D, Class T-G

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

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

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



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

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

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

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

14           (iii) A portion of the benefit may be payable as a  
15 lump sum, except that such lump sum payment shall not  
16 exceed an amount equal to the accumulated deductions  
17 standing to the credit of the member. The balance of the  
18 present value of the maximum single life annuity adjusted  
19 in accordance with section 8342(b) shall be paid in the  
20 form of an annuity with a guaranteed total payment, a  
21 single life annuity, or a joint and survivor annuity or  
22 any combination thereof but subject to the restrictions  
23 of subparagraphs (i) and (ii) of this paragraph. This  
24 subparagraph shall not apply to a Class T-E or Class T-F  
25 member. For purposes of this subparagraph only, the term  
26 "actuarially equivalent," as applied to any lump sum  
27 withdrawal attributable to contributions credited to the  
28 member's savings account on or after July 1, 2015,  
29 together with all interest thereon, shall mean equal  
30 present values, computed on the basis of the interest

1 rate and such mortality and other tables as adopted by  
2 the board pursuant to section 8328(b) (relating to  
3 actuarial cost method) in effect on the effective date of  
4 retirement of the member.

5 \* \* \*

6 § 8346. Termination of annuities.

7 (a) General rule.--If an annuitant returns to school service  
8 or enters or has entered State service and elects multiple  
9 service membership, any annuity payable to him under this part  
10 shall cease effective upon the date of his return to school  
11 service or entering State service without regard to whether he  
12 is a mandatory, optional or prohibited member of the system or  
13 participant in the plan or, if a multiple service member,  
14 whether he is a mandatory, optional or prohibited member or  
15 participant of the State Employees' Retirement System or State  
16 Employees' Defined Contribution Plan and in the case of an  
17 annuity other than a disability annuity the present value of  
18 such annuity, adjusted for full coverage in the case of a joint  
19 coverage member who makes the appropriate back contributions for  
20 full coverage, shall be frozen as of the date such annuity  
21 ceases. An annuitant who is credited with an additional 10% of  
22 membership service as provided in section 8302(b.2) (relating to  
23 credited school service) and who returns to school service,  
24 except as provided in subsection (b), shall forfeit such  
25 credited service and shall have his frozen present value  
26 adjusted as if his 10% retirement incentive had not been applied  
27 to his account. In the event that the cost-of-living increase  
28 enacted December 18, 1979, occurred during the period of such  
29 State or school employment, the frozen present value shall be  
30 increased, on or after the member attains superannuation age, by

1 the percent applicable had he not returned to service.

2 (a.1) Return of benefits.--In the event an annuitant whose  
3 annuity ceases pursuant to this section receives any annuity  
4 payment, including a lump sum payment pursuant to section 8345  
5 (relating to member's options) on or after the date of his  
6 return to school service or entering State service, the  
7 annuitant shall return to the board the amount so received plus  
8 statutory interest. The amount payable shall be certified in  
9 each case by the board in accordance with methods approved by  
10 the actuary and shall be paid in a lump sum within 90 days or in  
11 the case of an active member or a State employee who is an  
12 active member of the State Employees' Retirement System may be  
13 amortized with statutory interest through salary deductions to  
14 the system in amounts agreed upon by the member and the board.  
15 The salary deduction amortization plans agreed to by the member  
16 and the board may include a deferral of payment amounts and  
17 statutory interest until the termination of school service or  
18 State service as the board in its sole discretion decides to  
19 allow. The board may limit salary deduction amortization plans  
20 to such terms as the board in its sole discretion determines. In  
21 the case of a State employee who is an active member of the  
22 State Employees' Retirement System, the agreed upon salary  
23 deductions shall be remitted to the State Employees' Retirement  
24 Board, which shall certify and transfer to the board the amounts  
25 paid.

26 (b) Return to school service during emergency.--When, in the  
27 judgment of the employer, an emergency creates an increase in  
28 the work load such that there is serious impairment of service  
29 to the public or in the event of a shortage of appropriate  
30 subject certified teachers or other personnel, an annuitant or

1 participant receiving distributions may be returned to school  
2 service for a period not to extend beyond the school year during  
3 which the emergency or shortage occurs, without loss of his  
4 annuity or distributions. The annuitant shall not be entitled to  
5 earn any credited service, and no contributions may be made by  
6 the annuitant, the employer or the Commonwealth on account of  
7 such employment. Such service shall not be subject to member  
8 contributions or be eligible for qualification as creditable  
9 school service or for participation in the plan, mandatory  
10 pickup participant contributions or employer defined  
11 contributions.

12 (b.1) Return to school service in an extracurricular  
13 position.--

14 (1) An annuitant or participant receiving distributions  
15 may be employed under separate contract by a public school or  
16 charter school in an extracurricular position performed  
17 primarily outside regular instructional hours and not part of  
18 mandated curriculum without loss of annuity. [Neither the]  
19 The annuitant [nor], the participant receiving distributions  
20 and the employer shall not make contributions to the member's  
21 savings account, the individual investment account or State  
22 accumulation account respectively for such service. Further,  
23 such contract shall contain a waiver whereby the annuitant  
24 waives any potential retirement benefits that could arise  
25 from the contract and releases the employer and the board  
26 from any liability for such benefits. Such service shall not  
27 be subject to member or participant contributions or be  
28 eligible for qualification as creditable school service or  
29 for participation in the plan, mandatory pickup participant  
30 contributions or employer defined contributions.

1 (2) Nothing in this subsection shall be construed to  
2 abridge or limit any rights provided under a collective  
3 bargaining agreement or any rights provided under the act of  
4 July 23, 1970 (P.L.563, No.195), known as the Public Employee  
5 Relations Act.

6 (3) For purposes of this subsection, the term  
7 "extracurricular position" means a contract position filled  
8 by an annuitant that is separate from the established  
9 academic course structure, including the position of athletic  
10 director.

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

25 (d) Elimination of the effect of frozen present value.--

26 (1) An annuitant who returns to school service as an  
27 active member of the system and earns three eligibility  
28 points by performing credited school service following the  
29 most recent period of receipt of an annuity under this part,  
30 or an annuitant who enters State service other than a

1 participant in the State Employees' Defined Contribution Plan

2 and:

3 (i) is a multiple service member; or

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

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

23 (i) an annuity (prior to optional modification)  
24 calculated as if the freezing of the former annuitant's  
25 account pursuant to subsection (a) had not occurred,  
26 adjusted by crediting Class T-C school service as Class  
27 T-D service as provided for in section 8305(c) (relating  
28 to classes of service) and further adjusted according to  
29 paragraph (3), provided that a former annuitant of the  
30 system or a former annuitant of the State Employees'

1 Retirement System who retired under a provision of law  
2 granting additional service credit if termination of  
3 school or State service or retirement occurred during a  
4 specific period of time shall not be permitted to retain  
5 the additional service credit under the prior law when  
6 the annuity is computed for his most recent retirement;  
7 or

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

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

27 § 8349. Payment of benefits from the system.

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

1 (b) Death benefits.--If the amount of a death benefit  
2 payable from the fund to a beneficiary of a member under section  
3 8347 (relating to death benefits) or under the provisions of  
4 Option 1 of section 8345(a)(1) (relating to member's options) is  
5 \$10,000 or more, such beneficiary may elect to receive payment  
6 according to one of the following options:

7 (1) A lump sum payment.

8 (2) An annuity actuarially equivalent to the amount  
9 payable.

10 (3) A lump sum payment and an annuity such that the  
11 annuity is actuarially equivalent to the amount payable less  
12 the lump sum payment specified by the beneficiary.

13 \* \* \*

14 Section 115. Title 24 is amended by adding a chapter to  
15 read:

16 CHAPTER 84

17 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

18 Sec.

19 8401. Establishment.

20 8402. Plan document.

21 8403. Individual investment accounts.

22 8404. Participant contributions.

23 8405. Mandatory pickup participant contributions.

24 8406. Employer defined contributions.

25 8407. Eligibility for benefits.

26 8408. Death benefits.

27 8409. Vesting.

28 8410. Termination of distributions.

29 8411. Agreements with financial institutions and other  
30 organizations.



1 8412. Powers and duties of board.

2 8413. Responsibility for investment loss.

3 8414. Investments based on participants' investment allocation  
4 choices.

5 8415. Expenses.

6 8416. Election by members to be participants.

7 8417. Tax qualification.

8 § 8401. Establishment.

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

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

30 (c) Assets held in trust.--All assets and income in the plan

1 that have been or shall be withheld or contributed by the  
2 participants, the Commonwealth and employers in accordance with  
3 this part shall be held in trust in any funding vehicle  
4 permitted by the applicable provisions of IRC for the exclusive  
5 benefit of the plan's participants and their beneficiaries until  
6 such time as the funds are distributed to the participants or  
7 their beneficiaries in accordance with the terms of the plan  
8 document. The assets of the plan held in trust for the exclusive  
9 benefit of the participants and their beneficiaries may be used  
10 for the payment of the fees, costs and expenses related to the  
11 administration and investment of the plan and the trust.

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

22 § 8402. Plan document.

23 The board shall set forth the terms and provisions of the  
24 plan and trust in a document containing the terms and conditions  
25 of the plan and in a trust declaration that shall be published  
26 in the Pennsylvania Bulletin. The creation of the document  
27 containing the terms and conditions of the plan and the trust  
28 declaration and the establishment of the terms and provisions of  
29 the plan and the trust need not be promulgated by regulation or  
30 formal rulemaking and shall not be subject to the act of July

1 31, 1968 (P.L.769, No.240), referred to as the Commonwealth  
2 Documents Law. A reference in this part or other law to the plan  
3 shall include the plan document unless the context clearly  
4 indicates otherwise.

5 § 8403. Individual investment accounts.

6 The board shall:

7 (1) establish in the trust an individual investment  
8 account for each participant in the plan. All contributions  
9 by a participant or an employer for or on behalf of a  
10 participant shall be credited to the participant's individual  
11 investment account, together with all interest and investment  
12 earnings and losses. Investment and administrative fees,  
13 costs and expenses shall be charged to the participants'  
14 individual investment accounts; and

15 (2) separately track participant contributions,  
16 including investment gains and losses, and employer  
17 contributions, including investment gains and losses, but all  
18 interest, investment gains and losses and administrative  
19 fees, costs and expenses shall be allocated proportionately.

20 § 8404. Participant contributions.

21 (a) Mandatory contributions.--A participant shall make  
22 mandatory pickup participant contributions through payroll  
23 deductions to the participant's individual investment account  
24 equal to 7.5% of compensation for current school service. The  
25 employer shall cause such contributions for current service to  
26 be made and deducted from each payroll or on such schedule as  
27 established by the board. After the effective date of this  
28 section, an employer employing a participant in the plan shall  
29 pick up the required mandatory participant contributions by a  
30 reduction in the compensation of the participant.

1 (b) Voluntary contributions.--A participant may make  
2 voluntary contributions up to the limits permitted by IRC  
3 through payroll deductions or through direct trustee-to-trustee  
4 transfers or through transfers of money received in an eligible  
5 rollover into the trust to the extent allowed by IRC § 402. Such  
6 rollovers shall be made in a form and manner as determined by  
7 the board, shall be credited to the participant's individual  
8 investment account and shall be separately accounted for by the  
9 board.

10 (c) Prohibition on contributions.--No contributions shall be  
11 allowed that would cause a violation of the limitations related  
12 to contributions applicable to governmental plans contained in  
13 IRC § 415 or in other provisions of law. In the event that any  
14 disallowed contributions are made, any participant contributions  
15 in excess of the limitations and investment earnings on those  
16 contributions shall be refunded to the participant by the board.  
17 § 8405. Mandatory pickup participant contributions.

18 (a) Treatment for purposes of IRC § 414(h).--The  
19 contributions to the trust required to be made under section  
20 8404(a) (relating to participant contributions) with respect to  
21 current school service rendered by an active participant shall  
22 be picked up by the employer and shall be treated as the  
23 employer's contribution for purposes of IRC § 414(h). After the  
24 effective date of this section, an employer employing a  
25 participant in the plan shall pick up the required mandatory  
26 participant contributions by a reduction in the compensation of  
27 the participant.

28 (b) Treatment for other purposes.--For all other purposes  
29 under this part and otherwise, such mandatory pickup participant  
30 contributions shall be treated as contributions made by a

1 participant in the same manner and to the same extent as if the  
2 contributions were made directly by the participant and not  
3 picked up.

4 § 8406. Employer defined contributions.

5 (a) Contributions for current service.--The employer of a  
6 participant shall make employer defined contributions for  
7 current service of an active participant that shall be credited  
8 to the active participant's individual investment account.  
9 Employer defined contributions must be recorded and accounted  
10 for separately from participant contributions.

11 (b) Contributions resulting from participants reemployed  
12 from USERRA leave.--When a school employee reemployed from  
13 USERRA leave makes the mandatory pickup participant  
14 contributions permitted to be made for the USERRA leave, the  
15 employer by whom the school employee is employed at the time the  
16 participant contributions are made shall make whatever employer  
17 defined contributions would have been made under this section  
18 had the employee making the participant contributions after  
19 being reemployed from USERRA leave continued to be employed in  
20 the employee's school position instead of performing USERRA  
21 leave. Such employer defined contributions shall be placed in  
22 the participant's individual investment account as otherwise  
23 provided by this part.

24 (c) Limitations on contributions.--No contributions shall be  
25 allowed that 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 employer defined  
29 contributions in excess of the limitations and investment  
30 earnings thereon shall be refunded to the employer by the board.

1 § 8407. Eligibility for benefits.

2 (a) Termination of service.--A participant who terminates  
3 school service shall be eligible to withdraw the vested  
4 accumulated total defined contributions standing to the  
5 participant's credit in the participant's individual investment  
6 account or a lesser amount as the participant may request.  
7 Payment shall be made in a lump sum unless the board has  
8 established other forms of distribution in the plan document,  
9 subject to the provisions of subsection (g). A participant who  
10 withdraws the vested accumulated total defined contributions  
11 shall no longer be a participant in the plan, notwithstanding  
12 that the participant may have contracted to receive an annuity  
13 or other form of payment from a provider retained by the board  
14 for such purposes.

15 (b) Required distributions.--All payments pursuant to this  
16 section shall start and be made in compliance with the minimum  
17 distribution requirements and incidental death benefit rules of  
18 IRC § 401(a)(9). The board shall take any action and make any  
19 distributions it may determine are necessary to comply with  
20 those requirements.

21 (c) Spousal consent not required.--A participant who is  
22 married may receive a lump sum distribution or other  
23 distribution directly from the board without the consent of the  
24 participant's spouse, unless the plan document provides  
25 otherwise.

26 (d) Combined service employee.--A participant who is a  
27 combined service employee must be terminated from all positions  
28 that result in either membership in the system or participation  
29 in the plan to be eligible to receive a distribution.

30 (e) Loans.--Loans or other distributions, including hardship

1 or unforeseeable emergency distributions, from the plan to  
2 school employees who have not terminated school service are not  
3 permitted, except as required by law.

4 (f) Small individual investment accounts.--

5 (1) A participant who terminates school service and  
6 whose vested accumulated total defined contributions are  
7 below the threshold established by law as of the date of  
8 termination of service may be paid the vested accumulated  
9 total defined contributions in a lump sum as provided in IRC  
10 § 401(a) (31).

11 (2) The board may also provide in the plan document  
12 that, notwithstanding subsection (g), a participant whose  
13 vested accumulated employer defined contributions are below  
14 the thresholds established by the board may receive those  
15 distributions without the obligation to purchase an annuity.  
16 The threshold may be established as a dollar amount, an  
17 annuity amount, in some other form individually or in  
18 combination as the board determines.

19 (g) Requirement to purchase annuity.--Except as prohibited  
20 by the IRC or as otherwise provided in this part, a participant  
21 who is eligible and elects to receive a distribution of vested  
22 accumulated employer defined contributions shall be required to  
23 purchase an annuity with the distribution under such conditions  
24 as provided in the plan document. The conditions may include  
25 that the board is authorized to make the distribution directly  
26 to the annuity provider.

27 § 8408. Death benefits.

28 (a) General rule.--In the event of the death of an active  
29 participant or inactive participant, the board shall pay to the  
30 participant's beneficiary the vested balance in the

1 participant's individual investment account in a lump sum or in  
2 such other manner as the board may establish in the plan  
3 document.

4 (b) Death of participant receiving distributions.--In the  
5 event of the death of a participant receiving distributions, the  
6 board shall pay to the participant's beneficiary the vested  
7 balance in the participant's individual investment account in a  
8 lump sum or in such other manner as the board may establish in  
9 the plan document or, if the board has established alternative  
10 methods of distribution in the plan document under which the  
11 participant was receiving distributions, to the participant's  
12 beneficiary or successor payee as provided in the plan document.

13 (c) Contracts.--The board may contract with financial  
14 institutions, insurance companies or other types of third-party  
15 providers to allow participants who receive a lump sum  
16 distribution to receive payments and death benefits in a form  
17 and manner as provided by the contract. The contracts may, but  
18 are not required to, provide that any payment and death benefit  
19 options for a married former participant be in the form of a  
20 joint and survivor annuity unless the spouse consents to another  
21 payment option.

22 (d) Spousal consent.--All nomination or change of  
23 beneficiaries made by a married participant shall be subject to  
24 the consent of the participant's spouse as provided for in this  
25 part.

26 § 8409. Vesting.

27 (a) Participant and voluntary contributions.--Subject to the  
28 forfeiture and attachment provisions of section 8533 (relating  
29 to taxation, attachment and assignment of funds) or otherwise as  
30 provided by law, a participant shall be fully vested with



1 respect to all mandatory pickup participant contributions and  
2 voluntary contributions paid by or on behalf of the participant  
3 to the trust plus interest and investment earnings on the  
4 participant contributions but minus investment fees and  
5 administrative charges.

6 (b) Employer defined contributions.--

7 (1) Subject to the forfeiture and attachment provisions  
8 of section 8533 or otherwise as provided by law, a  
9 participant shall be vested with respect to employer defined  
10 contributions paid plus interest and investment earnings by  
11 or on behalf of the participant to the trust according to the  
12 following schedule:

13 (i) During the first and second year of school  
14 service as a participant in the plan, 0%.

15 (ii) At and after the second year of school service  
16 as a participant in the plan, 50%.

17 (iii) At and after the third year of school service  
18 as a participant in the plan, 75%.

19 (iv) At and after the fourth year of school service  
20 as a participant in the plan, 100%.

21 (2) The board shall establish in the plan document:

22 (i) How the required time periods of school service  
23 in the plan are determined and calculated.

24 (ii) The effect of periods that school employees  
25 spend on paid or unpaid leave on the determination of a  
26 participant's vested status in the plan.

27 (iii) The effect of termination of school service or  
28 distributions from the plan on a participant's vested  
29 status in the plan.

30 (iv) Other terms and conditions for the

1 implementation and administration of this section.

2 (3) Nonvested employer defined contributions, including  
3 interest and investment gains and losses that are forfeited  
4 by a participant, shall be applied to the participant's most  
5 recent employer's obligations assessed under this section in  
6 future years.

7 (c) USERRA leave and vesting credit.--A participant in the  
8 plan who is reemployed from USERRA leave or who dies while  
9 performing USERRA leave shall receive vesting credit under this  
10 section for the school service that would have been performed  
11 had the member not performed USERRA leave.

12 § 8410. Termination of distributions.

13 (a) Return to school service.--

14 (1) A participant receiving distributions or an inactive  
15 participant who returns to school service shall cease  
16 receiving distributions and shall not be eligible to receive  
17 distributions until the participant subsequently terminates  
18 school service, without regard to whether the participant is  
19 a mandatory, optional or prohibited member of the system or  
20 participant in the plan.

21 (2) This subsection shall not apply to a distribution of  
22 accumulated employer defined contributions or other  
23 distributions that the participant has received and used to  
24 purchase an annuity from a provider contracted by the board.

25 (b) Return of benefits paid during USERRA leave.--

26 (1) If a former school employee is reemployed from  
27 USERRA leave and received any payments or annuity from the  
28 plan during the USERRA leave, the employee shall return to  
29 the board the amount so received plus interest as provided in  
30 the plan document.

1           (2) The amount payable shall be certified in each case  
2 by the board in accordance with methods approved by the  
3 actuary and shall be paid in a lump sum within 30 days or, in  
4 the case of an active participant, may be amortized with  
5 interest as provided in the plan document through salary  
6 deductions to the trust in amounts agreed upon by the active  
7 participant and the board, but not longer than a period that  
8 starts with the date of reemployment and continuing for up to  
9 three times the length of the active participant's immediate  
10 past period of USERRA leave. The repayment period shall not  
11 exceed five years.

12 § 8411. Agreements with financial institutions and other  
13 organizations.

14 To establish and administer the plan, the board may enter  
15 into written agreements with one or more financial institutions  
16 or other organizations relating to the plan's administration and  
17 investment of funds held pursuant to the plan.

18 § 8412. Powers and duties of board.

19 The board shall have the following powers and duties to  
20 establish the plan and trust and to administer the provisions of  
21 this part:

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

24           (2) The board shall pay all administrative fees, costs  
25 and expenses of managing, investing and administering the  
26 plan, the trust and the individual investment accounts from  
27 the balance of such individual investment accounts, except as  
28 the General Assembly otherwise provides through  
29 appropriations from the General Fund.

30           (3) The board may establish investment guidelines and

1 limits on the types of investments that participants may  
2 make, consistent with the board's fiduciary obligations.

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

6 (5) The board may establish a process for election to  
7 participate in the plan by those school employees for whom  
8 participation is not mandatory.

9 (6) The board may perform an annual or more frequent  
10 review of any qualified fund manager for the purpose of  
11 assuring it continues to meet all standards and criteria  
12 established.

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

17 (8) The board may allow a former participant to maintain  
18 the participant's individual investment account within the  
19 plan.

20 (9) The board shall administer the plan in compliance  
21 with the qualification and other rules of IRC.

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

24 (11) The board shall determine what constitutes a  
25 termination of school service.

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

29 (13) The board may establish procedures in the plan  
30 document or to promulgate rules and regulations as it deems

1 necessary for the administration and management of the plan,  
2 including, but not limited to, establishing:

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

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

10 (iii) Procedures for rollovers and trustee-to-  
11 trustee transfers allowed under the IRC and permitted by  
12 the board as part of the plan.

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

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

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

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

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

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

13           (17) The provisions and restrictions of the act of July  
14 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's  
15 Investments Act, shall not apply to the plan or trust or the  
16 investments thereof, but the board may offer to the plan  
17 participants investment vehicles that would be allowed under  
18 the Protecting Pennsylvania's Investments Act. The board  
19 shall also to the extent commercially available provide that  
20 one option for participants have an annuity investment  
21 feature.

22           (18) The board shall ensure that participants are  
23 provided with educational materials about investment options  
24 and choices.

25 § 8413. Responsibility for investment loss.

26           The Commonwealth, the board, an employer or a school entity  
27 or other political subdivision shall not be responsible for any  
28 investment loss incurred under the plan or for the failure of  
29 any investment to earn any specific or expected return or to  
30 earn as much as any other investment opportunity, whether or not

1 such other opportunity was offered to participants in the plan.  
2 § 8414. Investments based on participants' investment  
3 allocation choices.

4 (a) Investment by participant.--All contributions, interest  
5 and investment earnings shall be invested based on a  
6 participant's investment allocation choices. All investment  
7 allocation choices shall be credited proportionally between  
8 contributions from the participant and employer defined  
9 contributions. Each participant shall be credited individually  
10 with the amount of contributions, interest and investment  
11 earnings.

12 (b) Investment of contributions made by entities other than  
13 Commonwealth.--Investment of contributions by any corporation,  
14 institution, insurance company or custodial bank or other entity  
15 that the board has approved shall not be unreasonably delayed  
16 and in no case shall the investment of contributions be delayed  
17 more than 30 days from the date of payroll deduction or  
18 voluntary contributions are made to the date that funds are  
19 invested. Any interest earned on the funds pending investment  
20 shall be allocated to the employers and credited to the  
21 individual investment accounts of participants who are then  
22 participating in the plan, unless the interest is used to defray  
23 administrative costs and fees that would otherwise be required  
24 to be borne by participants who are then participating in the  
25 plan.

26 § 8415. Expenses.

27 All expenses, fees and costs of administering the plan and  
28 the trust and investing the assets of the trust shall be borne  
29 by the participants and paid from assessments against the  
30 balances of the individual investment accounts as established by

1 the board, except that for fiscal years ending before July 1,  
2 2015, the expenses, fees and costs of establishing and  
3 administering the plan and trust shall be paid by the  
4 Commonwealth through annual appropriations from the General  
5 Fund, made on the basis of estimates from the board.  
6 § 8416. Election by members to be participants.

7 (a) General rule.--Any school employee who is an active  
8 member or inactive member on or after July 1, 2015, and who is  
9 employed in a position that would otherwise be eligible for  
10 participation in the plan may elect to become a participant in  
11 the plan.

12 (b) Time for making election.--An eligible school employee  
13 may elect to become a participant and a combined service  
14 employee at any time before termination of school service by  
15 filing a written election with the board.

16 (c) Effect of election.--The following apply:

17 (1) An election to become a participant shall be  
18 irrevocable. Participation shall be effective at the  
19 beginning of the next pay period commencing after the  
20 election is filed with the board.

21 (2) A member who elects to become a participant shall  
22 remain a participant for all future school service.

23 (3) Any prior school or nonschool service credited in  
24 the system shall remain in the class of service in which it  
25 is credited on the effective date of participation.

26 (4) A combined service employee shall not be eligible to  
27 receive an annuity from the system or a withdrawal of  
28 accumulated deductions until the employee has terminated  
29 school service.

30 (5) A participant shall not be entitled to purchase any



1 previous school service or creditable nonschool service.

2 (6) The eligibility of a combined service employee for  
3 an annuity from the system and, if eligible, the amount of  
4 the annuity shall be as determined under this part.

5 § 8417. Tax qualification.

6 (a) Required distributions.--All payments under this chapter  
7 shall start and be made in compliance with the minimum  
8 distribution requirements and incidental death benefit rules of  
9 IRC § 401(a).

10 (b) Limitations.--The following shall apply:

11 (1) (i) Except as provided under subparagraph (ii) and  
12 notwithstanding a provision of this part, a contribution  
13 or benefit related to the plan may not exceed a  
14 limitation under IRC § 415 with respect to governmental  
15 plans that is in effect on the date the contribution or  
16 benefit payment takes effect.

17 (ii) An increase in a limitation under IRC § 415  
18 shall apply to the participants on or after the effective  
19 date of this section.

20 (iii) For the purposes of this paragraph, the term  
21 "government plans" shall have the same meaning as in IRC  
22 § 414(d).

23 (2) (i) Except as provided under subparagraph (ii), an  
24 amendment of this part on or after the effective date of  
25 this section that increases contributions or benefits for  
26 active participants, inactive participants or  
27 participants receiving distributions may not be deemed to  
28 provide for a contribution or benefit in excess of a  
29 limitation, adjusted on or after the effective date of  
30 this section, under IRC § 415 unless specifically

1 provided by legislation.

2 (ii) Notwithstanding subparagraph (i), an increase  
3 in benefits on or after the effective date of this  
4 section for a participant in the plan shall be authorized  
5 and apply to the fullest extent allowed by law.

6 Section 116. Section 8501(a), (c) and (d) of Title 24 are  
7 amended to read:

8 § 8501. Public School Employees' Retirement Board.

9 (a) Status and membership.--The board shall be an  
10 independent administrative board and shall consist of 15  
11 members: the Secretary of Education, ex officio; the State  
12 Treasurer, ex officio; two Senators; two members of the House of  
13 Representatives; the executive secretary of the Pennsylvania  
14 School Boards Association, ex officio; two to be appointed by  
15 the Governor, at least one of whom shall not be a school  
16 employee or an officer or employee of the State; three to be  
17 elected by the active professional members of the system and  
18 active professional participants of the plan from among their  
19 number; one to be elected by annuitants or a participant of the  
20 plan who has terminated school service and is receiving or is  
21 eligible to receive distributions from among their number; one  
22 to be elected by the active nonprofessional members of the  
23 system or active nonprofessional participants of the plan from  
24 among their number; and one to be elected by members of  
25 Pennsylvania public school boards from among their number. The  
26 appointments made by the Governor shall be confirmed by the  
27 Senate and each election shall be conducted in a manner approved  
28 by the board. The terms of the appointed and nonlegislative  
29 elected members shall be three years. The members from the  
30 Senate shall be appointed by the President pro tempore of the

1 Senate and shall consist of one member from the majority and one  
2 member from the minority. The members from the House of  
3 Representatives shall be appointed by the Speaker of the House  
4 of Representatives and shall consist of one member from the  
5 majority and one member from the minority. The legislative  
6 members shall serve on the board for the duration of their  
7 legislative terms and shall continue to serve until 30 days  
8 after the convening of the next regular session of the General  
9 Assembly after the expiration of their respective legislative  
10 terms or until a successor is appointed for the new term,  
11 whichever occurs first. The chairman of the board shall be  
12 elected by the board members. Each ex officio member of the  
13 board and each legislative member of the board may appoint a  
14 duly authorized designee to act in his stead. In the event that  
15 a board member, who is designated as an active participant or as  
16 the participant in the plan who is receiving or is eligible to  
17 receive distributions, receives a total distribution of the  
18 board member's interest in the plan, that board member may  
19 continue to serve on the board for the remainder of the term.

20 \* \* \*

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

30 (d) Compensation and expenses.--The members of the board who

1 are members of the system or participants in the plan shall  
2 serve without compensation. Members of the board who are members  
3 of the system or participants in the plan and who are employed  
4 by a governmental entity shall not suffer loss of salary or  
5 wages through serving on the board. The board, on request of the  
6 employer of any member of the board who is an active  
7 professional or nonprofessional member of the system or active  
8 professional or nonprofessional participant in the plan, may  
9 reimburse such employer for the salary or wages of the member or  
10 participant, or for the cost of employing a substitute for such  
11 member or participant, while the member or participant is  
12 necessarily absent from employment to execute the duties of the  
13 board. The members of the board who are not members of either  
14 the school system or the State Employees' Retirement System may  
15 be paid \$100 per day when attending meetings and all board  
16 members shall be reimbursed for any necessary expenses. However,  
17 when the duties of the board as mandated are not executed, no  
18 compensation or reimbursement for expenses of board members  
19 shall be paid or payable during the period in which such duties  
20 are not executed.

21 \* \* \*

22 Section 117. Section 8502(b), (c), (e), (h), (i), (j), (k),  
23 (n) and (o) of Title 24 are amended and the section is amended  
24 by adding a subsection to read:

25 § 8502. Administrative duties of board.

26 \* \* \*

27 (b) Professional personnel.--The board shall contract for  
28 the services of a chief medical examiner, an actuary, investment  
29 advisors, counselors, an investment coordinator, and such other  
30 professional personnel as it deems advisable. The board may

1 utilize the same individuals and firms contracted under this  
2 subsection for both the system and the plan but shall allocate  
3 the fees, costs and expenses incurred under this subsection  
4 between the system and the plan as appropriate.

5 (c) Expenses.--

6 (1) The board shall, through the Governor, submit to the  
7 General Assembly annually a budget covering the  
8 administrative expenses of [this part.] the system and a  
9 separate budget covering the administrative expenses of the  
10 plan. The separate budget shall include those expenses  
11 necessary to establish the plan and trust.

12 (2) Such expenses of the system as approved by the  
13 General Assembly in an appropriation bill shall be paid from  
14 investment earnings of the fund.

15 (3) For fiscal years ending on or before June 30, 2015,  
16 such expenses of the plan as approved by the General Assembly  
17 through an appropriation shall be paid from the General  
18 Fund. For fiscal years beginning on or after July 1, 2015,  
19 such expenses of the plan as approved by the General Assembly  
20 shall be paid from interest, pursuant to section 8414(b)  
21 (relating to investments based on participant investment  
22 allocation choices) or assessments on the balances of the  
23 participants' individual investment accounts.

24 (4) Concurrently with its administrative budget, the  
25 board shall also submit to the General Assembly annually a  
26 list of proposed expenditures which the board intends to pay  
27 through the use of directed commissions, together with a list  
28 of the actual expenditures from the past year actually paid  
29 by the board through the use of directed commissions. All  
30 such directed commission expenditures shall be made by the

1 board for the exclusive benefit of the system and its members  
2 and for the exclusive benefit of the plan and its  
3 participants, respectively.

4 \* \* \*

5 (e) Records.--

6 (1) The board shall keep a record of all its proceedings  
7 which shall be [open to inspection by] accessible to the  
8 public, except as otherwise provided in this part or by other  
9 law.

10 (2) Any record, material or data received, prepared,  
11 used or retained by the board or its employees, investment  
12 professionals or agents relating to an investment shall not  
13 constitute a public record subject to public [inspection]  
14 access under the act of [June 21, 1957 (P.L.390, No.212),  
15 referred to] February 14, 2008 (P.L.6, No.3), known as the  
16 Right-to-Know Law, if, in the reasonable judgment of the  
17 board, the [inspection] access would:

18 (i) in the case of an alternative investment or  
19 alternative investment vehicle involve the release of  
20 sensitive investment or financial information relating to  
21 the alternative investment or alternative investment  
22 vehicle which the fund or trust was able to obtain only  
23 upon agreeing to maintain its confidentiality;

24 (ii) cause substantial competitive harm to the  
25 person from whom sensitive investment or financial  
26 information relating to the investment was received; or

27 (iii) have a substantial detrimental impact on the  
28 value of an investment to be acquired, held or disposed  
29 of by the fund or trust, or would cause a breach of the  
30 standard of care or fiduciary duty set forth in this

1 part.

2 (3) (i) The sensitive investment or financial  
3 information excluded from [inspection] access under  
4 paragraph (2)(i), to the extent not otherwise excluded  
5 from [inspection] access, shall constitute a public  
6 record subject to public [inspection] access under the  
7 Right-to-Know Law once the board is no longer required by  
8 its agreement to maintain confidentiality.

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

15 (A) the [inspection] access no longer causes  
16 substantial competitive harm to the person from whom  
17 the information was received; or

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

20 whichever is later.

21 (iii) The sensitive investment or financial  
22 information excluded from [inspection] access under  
23 paragraph (2)(iii), to the extent not otherwise excluded  
24 from [inspection] access, shall constitute a public  
25 record subject to public [inspection] access under the  
26 Right-to-Know Law once:

27 (A) the [inspection] access no longer has a  
28 substantial detrimental impact on the value of an  
29 investment of the fund or trust and would not cause a  
30 breach of the standard of care or fiduciary duty set

1           forth in this part; or

2           (B) the entity in which the investment was made  
3           is liquidated;

4           whichever is later.

5           (4) Except for the provisions of paragraph (3), nothing  
6           in this subsection shall be construed to designate any  
7           record, material or data received, prepared, used or retained  
8           by the board or its employees, investment professionals or  
9           agents relating to an investment as a public record subject  
10          to public [inspection] access under the Right-to-Know Law.

11          (5) Notwithstanding the provisions of this subsection,  
12          the following information regarding an alternative investment  
13          vehicle shall be subject to public [inspection] access under  
14          the Right-to-Know Law:

15               (i) The name, address and vintage year of the  
16               alternative investment vehicle.

17               (ii) The identity of the manager of the alternative  
18               investment vehicle.

19               (iii) The dollar amount of the commitment made by  
20               the system or plan to the alternative investment vehicle.

21               (iv) The dollar amount of cash contributions made by  
22               the system or plan to the alternative investment vehicle  
23               since inception.

24               (v) The dollar amount of cash distributions received  
25               by the system or plan from the alternative investment  
26               vehicle since inception.

27               (vi) The net internal rate of return of the  
28               alternative investment vehicle since inception, provided  
29               that the system or plan shall not be required to disclose  
30               the net internal rate of return under circumstances in



1           which, because of the limited number of portfolio assets  
2           remaining in the alternative investment vehicle, the  
3           disclosure could reveal the values of specifically  
4           identifiable remaining portfolio assets to the detriment  
5           of the alternative investment.

6           (vii) The aggregate value of the remaining portfolio  
7           assets attributable to the system's or plan's investment  
8           in the alternative investment vehicle, provided that the  
9           system or plan shall not be required to disclose the  
10          value under circumstances in which, because of the  
11          limited number of portfolio assets remaining in the  
12          alternative investment vehicle, the disclosure could  
13          reveal the values of specifically identifiable remaining  
14          portfolio assets to the detriment of the alternative  
15          investment.

16          (viii) The dollar amount of total management fees  
17          and costs paid to the alternative investment vehicle by  
18          the system or plan on an annual fiscal year-end basis.

19          (6) Any record, material or data received, prepared,  
20          used or retained by the board or its employees or agents  
21          relating to a participant shall not constitute a public  
22          record subject to public access under the Right-to-Know Law,  
23          if, in the reasonable judgment of the board, the access would  
24          disclose any of the following:

25                 (i) The existence, date, amount and any other  
26                 information pertaining to the voluntary contributions,  
27                 including rollover contributions and trustee-to-trustee  
28                 transfers, of any participant.

29                 (ii) The investment option selections of any  
30                 participant.

1           (iii) The balance of a participant's individual  
2           investment account, including the amount distributed to  
3           the participant, and any investment gains or losses, or  
4           rates of return.

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

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

8           (7) Nothing in this part shall be construed to designate  
9           any record, material or data received, prepared, used or  
10           retained by the board or its employees or agents relating to  
11           the contributions, investments, account value or benefits  
12           payable to or on account of a participant as a public record  
13           subject to public access under the Right-to-Know Law.

14           \* \* \*

15           (h) Regulations and procedures.--The board shall, with the  
16           advice of the Attorney General and the actuary, adopt and  
17           promulgate rules and regulations for the uniform administration  
18           of the system. The actuary shall approve in writing all  
19           computational procedures used in the calculation of  
20           contributions and benefits pertaining to the system, and the  
21           board shall by resolution adopt such computational procedures,  
22           prior to their application by the board. Such rules, regulations  
23           and computational procedures as so adopted from time to time and  
24           as in force and effect at any time, together with such tables as  
25           are adopted and published pursuant to subsection (j) as  
26           necessary for the calculation of annuities and other benefits,  
27           shall be as effective as if fully set forth in this part. Any  
28           actuarial assumption specified in or underlying any such rule,  
29           regulation or computational procedure and utilized as a basis  
30           for determining any benefit shall be applied in a uniform

1 manner.

2 (i) Data.--The board shall keep in convenient form such data  
3 as are stipulated by the actuary in order that an annual  
4 actuarial valuation of the various accounts of the fund can be  
5 completed within six months of the close of each fiscal year.  
6 The board shall have final authority over the means by which  
7 data is collected, maintained and stored and in so doing shall  
8 protect the rights of its membership as to privacy and  
9 confidentiality.

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

1 and data developed in each five-year actuarial investigation and  
2 evaluation of the system in the annual financial statement  
3 published pursuant to the requirements of subsection (n) for the  
4 fiscal year in which such investigation and evaluation were  
5 concluded.

6 (k) Certification of employer contributions to fund.--The  
7 board shall, each year in addition to the itemized budget  
8 required under section 8330 (relating to appropriations by the  
9 Commonwealth), certify to the employers and the Commonwealth the  
10 employer contribution rate expressed as a percentage of members'  
11 payroll necessary for the funding of prospective annuities for  
12 active members and the annuities of annuitants, and certify the  
13 rates and amounts of the normal contributions as determined  
14 pursuant to section 8328(b) (relating to actuarial cost method),  
15 accrued liability contributions as determined pursuant to  
16 section 8328(c), supplemental annuities contribution rate as  
17 determined pursuant to section 8328(d), the experience  
18 adjustment factor as determined pursuant to section 8328(e),  
19 premium assistance contributions as determined pursuant to  
20 section 8328(f), the costs added by legislation as determined  
21 pursuant to section 8328(i), the actuarial required contribution  
22 rate as determined pursuant to section 8328(i), the collared  
23 contribution rate as determined pursuant to section 8328(g), the  
24 final contribution rate as determined pursuant to section  
25 8328(h) and the shared-risk contribution rate as determined  
26 under section 8321(b) (relating to regular member contributions  
27 for current service), which shall be paid to the fund and  
28 credited to the appropriate accounts. These certifications shall  
29 be regarded as final and not subject to modification by the  
30 Secretary of the Budget.

1 \* \* \*

2 (n) Annual financial statement.--The board shall prepare and  
3 have published, on or before January 1 of each year, [a  
4 financial statement] financial statements as of the fiscal year  
5 ending June 30 of the previous year showing the condition of the  
6 fund, the trust and the various accounts, including, but not  
7 limited to, the board's accrual and expenditure of directed  
8 commissions, and setting forth such other facts, recommendations  
9 and data as may be of use in the advancement of knowledge  
10 concerning annuities and other benefits provided by this part.  
11 The board shall submit said financial [statement] statements to  
12 the Governor and shall make copies available to the employers  
13 for the use of the school employees and the public.

14 (o) Independent [audit] audits.--The board shall provide for  
15 [an annual audit] annual audits of the system and the plan by an  
16 independent certified public accounting firm, which [audit]  
17 audits shall include the board's accrual and expenditure of  
18 directed commissions. The board may use the same independent  
19 certified public accounting firm for the audits of both the  
20 system and the plan.

21 \* \* \*

22 (q) Participant and employer contributions to trust.--The  
23 board shall, each year in addition to any fees and itemized  
24 budget required under section 8330, certify, as a percentage of  
25 each participant's compensation, the employer defined  
26 contributions, which shall be paid to the trust and credited to  
27 each participant's individual investment account. These  
28 certifications shall be regarded as final and not subject to  
29 modification by the Secretary of the Budget. The board shall  
30 cause all mandatory pickup participant contributions made on

1 behalf of a participant and all voluntary contributions made by  
2 a participant to be credited to the participant's individual  
3 investment account.

4 Section 118. Section 8502.2(a) of Title 24 is amended to  
5 read:

6 § 8502.2. Health insurance.

7 (a) Authority.--The board may sponsor a participant-funded  
8 group health insurance program for annuitants, participants  
9 receiving distributions, spouses of annuitants and participants  
10 receiving distributions, survivor annuitants and their  
11 dependents. The board may promulgate regulations regarding the  
12 prudent and efficient operation of the program, including, but  
13 not limited to:

14 (1) Establishment of an annual budget and disbursements  
15 in accordance with the budget.

16 (2) Determination of the benefits structure.

17 (3) Determination of enrollment procedures.

18 (4) Establishment of premium rates sufficient to fully  
19 fund the program, including administrative expenses.

20 (5) Contracting for goods, equipment, services,  
21 consultants and other professional personnel as needed to  
22 operate the program.

23 \* \* \*

24 Section 119. Section 8503 heading and (a) of Title 24 are  
25 amended and the section is amended by adding a subsection to  
26 read:

27 § 8503. Duties of board to advise and report to employers [and  
28 members], members and participants.

29 (a) Manual of regulations.--The board shall, with the advice  
30 of the Attorney General and the actuary, prepare, within 90 days

1 of the effective date of this part, a manual incorporating rules  
2 and regulations consistent with the provisions of this part for  
3 the employers who shall make information contained therein  
4 available to the general membership. The board shall thereafter  
5 advise the employers within 90 days of any changes in such rules  
6 and regulations due to changes in the law or due to changes in  
7 administrative policies. As soon as practicable after the  
8 commissioner's publication with respect thereto, the board shall  
9 also advise the employers as to any cost-of-living adjustment  
10 for the succeeding calendar year in the amount of the limitation  
11 under IRC § 401(a)(17) and the dollar amounts of the limitations  
12 under IRC § 415[(b)].

13 \* \* \*

14 (b.1) Participant status statements.--The board shall have  
15 furnished annually to each participant on or before December 31,  
16 and more frequently as the board may agree or as required by  
17 law, a statement showing the accumulated total defined  
18 contributions credited to the participant's individual  
19 investment account, the nature and type of investments and the  
20 investment allocation of future contributions as of June 30 of  
21 the current year and requesting the participant to make any  
22 necessary correction or revision regarding his designated  
23 beneficiary.

24 \* \* \*

25 Section 120. Section 8504(c) of Title 24 is amended to read:  
26 § 8504. Duties of board to report to State Employees'  
27 Retirement Board.

28 \* \* \*

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

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

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

7 (i) The salary history as a member of the Public  
8 School Employees' Retirement System and the final average  
9 salary as calculated on the basis of the compensation  
10 received as a State and school employee.

11 (ii) The annuity or benefit which the member or his  
12 beneficiary is entitled to receive under this part and  
13 modified according to the option selected.

14 (2) Transfer to the State Employees' Retirement Fund the  
15 accumulated deductions standing to such member's credit and  
16 the actuarial reserve required on account of the member's  
17 years of credited service in the school system and his final  
18 average salary determined on the basis of his compensation as  
19 a member in both systems.

20 Section 121. Sections 8505 heading, (b), (h), (i) and (l),  
21 8506(a), (d), (e), (g) and (h) and 8507 heading, (a), (e) and  
22 (f) of Title 24 are amended and the sections are amended by  
23 adding subsections to read:

24 § 8505. Duties of board regarding applications and elections of  
25 members and participants.

26 \* \* \*

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



1 become a member with multiple service status, the board shall:

2 (1) In case of a member who is receiving an annuity from  
3 the system:

4 (i) Discontinue payments, transfer the present value  
5 of the member's annuity at the time of entering State  
6 service, plus the amount withdrawn in a lump sum payment,  
7 on or after the date of entering State service, pursuant  
8 to section 8345 (relating to member's options), with  
9 statutory interest to date of transfer, minus the amount  
10 to be returned to the board on account of return to  
11 service that the board has determined is to be credited  
12 in the members' savings account, from the annuity reserve  
13 account to the members' savings account and resume  
14 crediting of statutory interest on the amount restored to  
15 his credit.

16 (ii) Transfer the balance of the present value of  
17 the total annuity, minus the amount to be returned to the  
18 board on account of return to service that the board has  
19 determined is to be credited in the State accumulation  
20 account, from the annuity reserve account to the State  
21 accumulation account.

22 (iii) Certify to the member the amount of lump sum  
23 and annuity payments with statutory interest the member  
24 is to return to the board and, of those amounts, which  
25 amount shall be credited to the members' savings account  
26 and credited with statutory interest as such payments are  
27 returned and which amount shall be credited to the State  
28 accumulation account.

29 (2) In case of a member who is not receiving an annuity  
30 from the system and who has not withdrawn his accumulated

1 deductions, continue or resume the crediting of statutory  
2 interest on his accumulated deductions.

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

14 \* \* \*

15 (e.1) Certification to participants terminating service.--

16 The board shall certify to a participant, within one year of  
17 termination of service of such participant, and, if the  
18 participant is married, the board is authorized to advise the  
19 participant's spouse, in writing of the vested accumulated total  
20 defined contributions credited to the participant's individual  
21 investment account as of the date stated in the writing, any  
22 notices regarding rollover or other matters required by IRC or  
23 other law, the obligation of the participant to commence  
24 distributions from the plan by the participant's required  
25 beginning date, and the ability to receive all or part of the  
26 vested balance in the participant's individual investment  
27 account in a lump sum or in such other form as the board may  
28 authorize or as required by law.

29 \* \* \*

30 (f.1) Notification to inactive participants approaching

1 required beginning date.--The board shall notify each inactive  
2 participant who has terminated school service and for whom  
3 distribution has not commenced by 90 days before the  
4 participant's required beginning date, and, if the participant  
5 is married, the board may advise the participant's spouse, in  
6 writing, that the inactive participant has an obligation to  
7 commence distributions by the required beginning date in a form  
8 and manner required by IRC § 401(a)(9) and other applicable  
9 provisions of IRC.

10 \* \* \*

11 (g.1) Initial payment to a participant.--The board shall  
12 make the initial payment to a participant who has applied for a  
13 distribution within 60 days of the filing of the application.

14 (h) Death benefits.--Upon receipt of notification of the  
15 death of a member, an active participant, an inactive  
16 participant or a former participant performing USERRA leave, the  
17 board shall notify the designated beneficiary or survivor  
18 annuitant of the benefits to which he is entitled and shall make  
19 the first payment to the beneficiary under the plan elected by  
20 the beneficiary within 60 days of receipt of certification of  
21 death and other necessary data. If no beneficiary designation is  
22 in effect at the date of the member's or participant's death or  
23 no notice has been filed with the board to pay the amount of  
24 such benefits to the member's or participant's estate, the board  
25 is authorized to pay such benefits to the executor,  
26 administrator, surviving spouse or next-of-kin of the deceased  
27 member or participant, and payment pursuant hereto shall fully  
28 discharge the fund or plan from any further liability to make  
29 payment of such benefits to any other person. If the surviving  
30 spouse or next-of-kin of the deceased member or participant

1 cannot be found for the purpose of paying such benefits for a  
2 period of seven years from the date of death of the member or  
3 participant, then such benefits shall be escheated to the  
4 Commonwealth for the benefit of the fund or plan.

5 (i) Medical insurance coverage.--Upon receipt of  
6 notification from an insurance carrier offering a health  
7 insurance program approved by the board that an annuitant of the  
8 system who has attained age 65 has elected medical, major  
9 medical, and hospitalization insurance coverage or notification  
10 that annuitants of the system with less than 24 1/2 eligibility  
11 points (other than disability annuitants of the system), spouses  
12 of annuitants and survivor annuitants eligible to elect to  
13 enroll in the approved health insurance program have elected  
14 participation in such health insurance program, the board may  
15 deduct from the annuity payments the appropriate annual charges  
16 in equal monthly installments. Such deductions shall be  
17 transmitted to the insurance carrier.

18 \* \* \*

19 (l) Notification of Class T-F or Class T-G membership.--The  
20 board shall inform any eligible school employee of the right to  
21 elect Class T-F membership or the right to elect Class T-H  
22 membership, as applicable.

23 § 8506. Duties of employers.

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

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

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

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

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

13 \* \* \*

14 (c.1) Participant and employer defined contributions.--The  
15 employer shall cause the mandatory pickup participant  
16 contributions on behalf of a participant to be made and shall  
17 cause to be deducted any voluntary contributions authorized by a  
18 participant. The employer shall also cause the employer defined  
19 contributions on behalf of a participant to be made. The  
20 employer shall notify the board at times and in a manner  
21 prescribed by the board of the compensation of any participant  
22 to whom the limitation under IRC § 401(a)(17) either applies or  
23 is expected to apply and shall cause the participant's  
24 contributions to be deducted from payroll to cease at the  
25 limitation under IRC § 401(a)(17) on the payroll date if and  
26 when such limit shall be reached. The employer shall certify to  
27 the board the amounts picked up and deducted and the employer  
28 defined contributions being made and shall send the total amount  
29 picked up, deducted and contributed together with a duplicate of  
30 such voucher to the secretary of the board every pay period or

1 on such schedule as established by the board.

2 (d) New employees subject to mandatory membership or  
3 participation.--Upon the assumption of duties of each new school  
4 employee whose membership in the system or plan is mandatory,  
5 the employer shall no later than 30 days thereafter cause an  
6 application for membership or participation, which application  
7 shall include the employee's home address, birthdate certified  
8 by the employer, previous school or State service and any other  
9 information requested by the board, and a nomination of  
10 beneficiary to be made by such employee, who shall be the  
11 participant's spouse if the participant is married, unless the  
12 spouse consents otherwise, and filed with the board and shall  
13 make pickup contributions or mandatory pickup participant  
14 contributions from the effective date of school employment.

15 (e) New employees subject to optional membership or  
16 participation.--The employer shall inform any eligible school  
17 employee whose membership in the system or participation in the  
18 plan is not mandatory of his opportunity to become a member of  
19 the system or participant in the plan provided that he elects to  
20 purchase credit for all such continuous creditable service. If  
21 such employee so elects, the employer shall no later than 30  
22 days thereafter cause an application for membership which  
23 application shall include the employee's home address, birthdate  
24 certified by the employer, previous school or State service and  
25 any other information requested by the board, and a nomination  
26 of beneficiary, who shall be the participant's spouse if the  
27 participant is married, unless the spouse consents otherwise, to  
28 be made by him and filed with the board and shall cause proper  
29 contributions to be made from the date of election of membership  
30 or participation.

1 \* \* \*

2 (g) Former State employee contributors.--

3 (1) The employer shall, upon the employment of a former  
4 member of the State Employees' Retirement System who is not  
5 an annuitant of the State Employees' Retirement System,  
6 advise such employee of his right to elect multiple service  
7 membership within 365 days of entry into the system and, in  
8 the case any such employee who so elects has withdrawn his  
9 accumulated deductions, require him to restore his  
10 accumulated deductions as they would have been at the time of  
11 his separation had he been a full coverage member, together  
12 with statutory interest for all periods of subsequent State  
13 and school service to date of repayment. The employer shall  
14 advise the board of such election.

15 (2) Paragraph (1) shall not apply to a school employee  
16 who is employed in a position where the school employee is or  
17 could be a participant in the plan other than a member who  
18 elects to become a participant in the plan.

19 (h) Former State employee annuitants.--

20 (1) The employer shall, upon the employment of an  
21 annuitant of the State Employees' Retirement System who  
22 applies for membership in the system, advise such employee  
23 that he may elect multiple service membership within 365 days  
24 of entry into the system and that if he so elects his annuity  
25 from the State Employees' Retirement System will be  
26 discontinued effective upon the date of his return to school  
27 service and, upon termination of school service and  
28 application for an annuity, the annuity will be adjusted in  
29 accordance with section 8346 (relating to termination of  
30 annuities). The employer shall advise the board of such

1 election.

2 (2) Paragraph (1) shall not apply to a school employee  
3 who is employed in a position where the school employee is or  
4 could be a participant in the plan other than a member who  
5 elects to become a participant in the plan.

6 \* \* \*

7 (k) School employees performing USERRA or military related  
8 leave of absence.--The employer shall report to the board any  
9 school employee who ceases to be an active participant in order  
10 to perform USERRA service, or who is granted a leave of absence  
11 under 51 Pa.C.S. § 4102 (relating to leaves of absences 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 school employee is reemployed from USERRA leave or returns  
17 after the leave of absence or military leave of absence, if such  
18 event occurs, and any other information the board may require or  
19 direct.

20 (l) 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 employer of any school employee on USERRA leave  
24 shall report differential wage payments made to the employee to  
25 the board, and the employer of any school employee on leave of  
26 absence pursuant to 51 Pa.C.S. § 4102 shall report any payment  
27 made to the employee, in the form and manner established by the  
28 board.

29 § 8507. Rights and duties of school employees [and members],  
30 members and participants.



1 (a) Information on new employees.--Upon his assumption of  
2 duties, each new school employee shall furnish his employer with  
3 a complete record of his previous school or State service, or  
4 creditable nonschool service, name and address of his spouse, if  
5 married and he is or is eligible to be a participant in the  
6 plan, proof of his date of birth, his home address, his current  
7 status in the system and the plan and in the State Employees'  
8 Retirement System and the State Employees' Defined Contribution  
9 Plan and such other information as the board may require.  
10 Willful failure to provide the information required by this  
11 subsection to the extent available or the provision of erroneous  
12 information upon entrance into the system shall result in the  
13 forfeiture of the right of the member to subsequently assert any  
14 right to benefits based on erroneous information or on any of  
15 the required information which he failed to provide. In any case  
16 in which the board finds that a member is receiving an annuity  
17 based on false information, the additional amounts received  
18 predicated on such false information together with statutory  
19 interest doubled and compounded shall be deducted from the  
20 present value of any remaining benefits to which the member is  
21 legally entitled and such remaining benefits shall be  
22 correspondingly decreased.

23 \* \* \*

24 (b.1) Application for participation.--On or after July 1,  
25 2015, in the case of a new employee who is not currently a  
26 participant in the plan and whose participation is mandatory, or  
27 in the case of a new employee whose participation is not  
28 mandatory but is permitted and who desires to become a  
29 participant in the plan, the new employee shall execute an  
30 application for participation and a nomination of a beneficiary,

1 who shall be the participant's spouse if the participant is  
2 married, unless the spouse consents otherwise.

3 \* \* \*

4 (d.1) Voluntary contributions by a participant.--Any  
5 participant who desires to make voluntary contributions to be  
6 credited to his individual investment account shall notify the  
7 board and, upon compliance with the requirements, procedures and  
8 limitations established by the board in the plan document, may  
9 do so subject to the limitations under IRC §§ 401(a) and 415 and  
10 other applicable law.

11 (d.2) Contributions for USERRA leave.--Any active  
12 participant or inactive participant or former participant who  
13 was reemployed from USERRA leave and who desires to make  
14 mandatory pickup participant contributions and voluntary  
15 contributions for his USERRA leave shall so notify the board  
16 within the time period required under 38 U.S.C. Ch. 43 (relating  
17 to employment and reemployment rights of members of the  
18 uniformed services) and IRC § 414(u) of his desire to make such  
19 contributions. Upon making the permitted mandatory pickup  
20 participant contributions within the allowed time period, the  
21 employer shall make the corresponding employer defined  
22 contributions at the same time.

23 (e) Beneficiary for death benefits from system.--Every  
24 member shall nominate a beneficiary by written designation filed  
25 with the board to receive the death benefit or the benefit  
26 payable under the provisions of Option 1. Such nomination may be  
27 changed at any time by the member by written designation filed  
28 with the board. A member may also nominate a contingent  
29 beneficiary or beneficiaries to receive the death benefit or the  
30 benefit payable under the provisions of Option 1.

1     (e.1) Beneficiary for death benefits from plan.--Every  
2 participant shall nominate a beneficiary by written designation  
3 filed with the board as provided in section 8506 (relating to  
4 duties of employers) to receive the death benefit payable under  
5 section 8347 (relating to death benefits). A participant may  
6 also nominate a contingent beneficiary or beneficiaries to  
7 receive the death benefit provided under this section. Such  
8 nomination may be changed at any time by the participant by  
9 written designation filed with the board, provided that, if the  
10 participant is married, the participant's spouse consents to the  
11 change unless the change is to name the spouse as beneficiary or  
12 unless the change is limited to contingent beneficiaries and the  
13 spouse is the primary beneficiary. If the spouse of a  
14 participant in the plan is deemed to be the beneficiary by  
15 operation of law, the person last nominated as beneficiary in a  
16 writing filed with the board shall become the contingent  
17 beneficiary.

18     (e.2) Beneficiary for combined service employee.--A combined  
19 service employee may designate or nominate different persons to  
20 be beneficiaries, survivor annuitants and successor payees for  
21 his benefits from the system and the plan.

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

28             (1) Withdraw his accumulated deductions.

29             (2) Vest his retirement rights and if he is a joint  
30 coverage member, and so desires, elect to become a full

1 coverage member and agree to pay within 30 days of the date  
2 of termination of service the lump sum required.

3 (3) Receive an immediate annuity, if eligible, and may,  
4 if he is a joint coverage member, elect to become a full  
5 coverage member and agree to pay within 30 days of date of  
6 termination of service the lump sum required.

7 \* \* \*

8 (g.1) Deferral of retirement rights.--If a participant  
9 terminates school service and does not commence receiving a  
10 distribution, he shall nominate a beneficiary, who shall be the  
11 participant's spouse if the participant is married, unless the  
12 spouse consents otherwise, by written designation filed with the  
13 board, and he may anytime thereafter, but no later than his  
14 required beginning date, withdraw the vested accumulated total  
15 defined contributions standing to his credit or apply for  
16 another form of distribution required by law or authorized by  
17 the board.

18 \* \* \*

19 (l) Continuing obligation regarding spouses.--A participant  
20 shall have the continuing obligation to notify the board in  
21 writing of any change in marital status and, if applicable, the  
22 name and current address of the participant's spouse.

23 Section 122. Sections 8521(b), 8522, 8524, 8525, 8531, 8533,  
24 8533.1, 8533.3 and 8533.4(a) of Title 24 are amended to read:

25 § 8521. Management of fund and accounts.

26 \* \* \*

27 (b) Crediting of interest.--The board annually shall allow  
28 statutory interest, excluding the individual investment  
29 accounts, to the credit of the members' savings account on the  
30 mean amount of the accumulated deductions of all members for

1 whom interest is payable for the preceding year and valuation  
2 interest on the mean amount of the annuity reserve account for  
3 the preceding year to the credit of that account. The board  
4 annually shall allow valuation interest calculated on the mean  
5 amount for the preceding year of the balance in the State  
6 accumulation account excluding any earnings of the fund credited  
7 to the account during that year. In the event the total earnings  
8 for the year do not exceed 5 1/2% of the mean amount for the  
9 preceding year of the total assets of the fund less earnings  
10 credited to the fund during that year plus the administrative  
11 expenses of the board, the difference required to be  
12 appropriated from the General Fund shall be credited to the  
13 State accumulation account.

14 \* \* \*

15 § 8522. Public School Employees' Retirement Fund.

16 (a) General rule.--The fund shall consist of all moneys in  
17 the several separate funds in the State Treasury set apart to be  
18 used under the direction of the board for the benefit of members  
19 of the system; and the Treasury Department shall credit to the  
20 fund all moneys received from the Department of Revenue arising  
21 from the contributions relating to or on behalf of the members  
22 of the system required under the provisions of Chapter 83  
23 (relating to membership, contributions and benefits) and all  
24 earnings from investments or moneys of said fund. There shall be  
25 established and maintained by the board the several ledger  
26 accounts specified in sections 8523 (relating to members'  
27 savings account), 8524 (relating to State accumulation account),  
28 8525 (relating to annuity reserve account) and 8526 (relating to  
29 health insurance account).

30 (b) Individual investment accounts and trust.--The

1 individual investment accounts that are part of the trust are  
2 not part of the fund. Mandatory pickup participant  
3 contributions, voluntary contributions and employer defined  
4 contributions made under this part and any income earned by the  
5 investment of such contributions shall not be paid or credited  
6 to the fund but instead shall be paid to the trust and credited  
7 to the individual investment accounts.

8 § 8524. State accumulation account.

9 The State accumulation account shall be the ledger account to  
10 which shall be credited all contributions of the Commonwealth  
11 and other employers as well as the earnings of the fund, except  
12 the premium assistance contributions and earnings thereon in the  
13 health insurance account. Valuation interest shall be allowed on  
14 the total amount of such account less any earnings of the fund  
15 credited during the year. The reserves necessary for the payment  
16 of annuities and death benefits resulting from membership in the  
17 system as approved by the board and as provided in Chapter 83  
18 (relating to membership, contributions and benefits) shall be  
19 transferred from the State accumulation account to the annuity  
20 reserve account. At the end of each year the required interest  
21 shall be transferred from the State accumulation account to the  
22 credit of the members' savings account and the annuity reserve  
23 account. The administrative expenses of the board shall be  
24 charged to the State accumulation account.

25 § 8525. Annuity reserve account.

26 (a) Credits and charges to account.--The annuity reserve  
27 account shall be the ledger account to which shall be credited  
28 the reserves held for the payment of annuities and death  
29 benefits resulting from membership in the system on account of  
30 all annuitants and the contributions from the Commonwealth and

1 other employers as determined in accordance with section 8328  
2 (relating to actuarial cost method) for the payment of the  
3 supplemental annuities provided in sections 8348 (relating to  
4 supplemental annuities), 8348.1 (relating to additional  
5 supplemental annuities), 8348.2 (relating to further additional  
6 supplemental annuities), 8348.3 (relating to supplemental  
7 annuities commencing 1994), 8348.4 (relating to special  
8 supplemental postretirement adjustment), 8348.5 (relating to  
9 supplemental annuities commencing 1998), 8348.6 (relating to  
10 supplemental annuities commencing 2002) and 8348.7 (relating to  
11 supplemental annuities commencing 2003). The annuity reserve  
12 account shall be credited with valuation interest. After the  
13 transfers provided in sections 8523 (relating to members'  
14 savings account) and 8524 (relating to State accumulation  
15 account), all annuity and death benefit payments shall be  
16 charged to the annuity reserve account and paid from the fund.

17 (b) Transfers from account.--Should an annuitant be  
18 subsequently restored to active service either as a member of  
19 the system or participant in the plan, the present value of his  
20 member's annuity at the time of reentry into school service  
21 shall be transferred from the annuity reserve account and placed  
22 to his individual credit in the members' savings account. In  
23 addition, the actuarial reserve for his annuity less the amount  
24 transferred to the members' savings account shall be transferred  
25 from the annuity reserve account to the State accumulation  
26 account.

27 § 8531. State guarantee regarding the system.

28 Statutory interest charges payable, the maintenance of  
29 reserves in the fund, and the payment of all annuities and other  
30 benefits granted by the board from the system under the

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

8 § 8533. Taxation, attachment and assignment of funds.

9 (a) General rule.--Except as provided in subsections (b),  
10 (c) [and (d)], (d) and (e), the right of a person to a member's  
11 annuity, a State annuity, or retirement allowance, to the return  
12 of contributions, any benefit or right accrued or accruing to  
13 any person under the provisions of this part, and the moneys in  
14 the fund and the trust are hereby exempt from any State or  
15 municipal tax, and exempt from levy and sale, garnishment,  
16 attachment, the provisions of Article XIII.1 of the the act of  
17 April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, or  
18 any other process whatsoever, and shall be unassignable.

19 (a.1) Individual investment accounts and distributions.--No  
20 participant or beneficiary, successor payee, spouse or alternate  
21 payee of a participant shall have the ability to commute, sell,  
22 assign, alienate, anticipate, mortgage, pledge, hypothecate,  
23 commutate or otherwise transfer or convey any benefit or  
24 interest in an individual investment account or rights to  
25 receive or direct distributions under this part or under  
26 agreements entered into under this part except as otherwise  
27 provided in this part and in the case of either a member or a  
28 participant.

29 (b) Forfeiture.--

30 (1) Rights under this part shall be subject to



1 forfeiture as provided by the act of July 8, 1978 (P.L.752,  
2 No.140), known as the Public Employee Pension Forfeiture Act.  
3 Forfeitures under this subsection or under any other  
4 provision of law may not be applied to increase the benefits  
5 that any member would otherwise receive under this part.

6 (2) Notwithstanding paragraph (1), the act of July 8,  
7 1978 (P.L.752, No.140), known as the Public Employee Pension  
8 Forfeiture Act, section 16(b) of Article V of the  
9 Constitution of Pennsylvania and 42 Pa.C.S. § 3352 (relating  
10 to pension rights), the accumulated mandatory participant  
11 contributions and accumulated voluntary contributions  
12 standing to the credit of a participant shall not be  
13 forfeited but shall be available for payment of fines and  
14 restitution as provided by law. Furthermore, amounts in the  
15 trust that have been ordered to be distributed to an  
16 alternate payee as the result of an equitable distribution of  
17 marital property as part of an approved domestic relations  
18 order entered before the date of the order or action in a  
19 court or other tribunal resulting in a forfeiture of a  
20 participant's interest in the trust shall not be subject to  
21 the Public Employee Pension Forfeiture Act, section 16(b) of  
22 the Article V of the Constitution of Pennsylvania or 42  
23 Pa.C.S. § 3352. Any accumulated employer defined  
24 contributions forfeited as a result of this subsection or  
25 other law shall be retained by the board and used for the  
26 payment of expenses of the plan.

27 (c) Domestic relations order.--Rights under this part shall  
28 be subject to attachment in favor of an alternate payee as set  
29 forth in an approved domestic relations order.

30 (d) Direct rollover.--Effective with distributions made on

1 or after January 1, 1993, and notwithstanding any other  
2 provision of this part to the contrary, a distributee may elect,  
3 at the time and in the manner prescribed by the board, to have  
4 any portion of an eligible rollover distribution paid directly  
5 to an eligible retirement plan by way of a direct rollover. For  
6 purposes of this subsection, a "distributee" includes a member  
7 [and], a participant, a spouse, a member's surviving spouse  
8 [and], a participant's surviving spouse, a member's former  
9 spouse who is an alternate payee under an approved domestic  
10 relations order and a participant's former spouse who is an  
11 alternate payee under an approved domestic relations order and  
12 anyone else authorized under IRC and the plan terms approved by  
13 the board to have an eligible rollover distribution paid  
14 directly to an eligible retirement plan by way of a direct  
15 rollover. For purposes of this subsection, the term "eligible  
16 rollover distribution" has the meaning given such term by IRC §  
17 402(f)(2)(A) and "eligible retirement plan" has the meaning  
18 given such term by IRC § 402(c)(8)(B), except that a qualified  
19 trust shall be considered an eligible retirement plan only if it  
20 accepts the distributee's eligible rollover distribution;  
21 however, in the case of an eligible rollover distribution to a  
22 surviving spouse, an eligible retirement plan is an "individual  
23 retirement account" or an "individual retirement annuity" as  
24 those terms are defined in IRC § 408(a) and (b).

25 (e) Married participants.--No married participant may take  
26 an action inconsistent with the spousal consent provisions of  
27 this part or the plan.

28 § 8533.1. Approval of domestic relations orders.

29 (a) Certification regarding members.--A domestic relations  
30 order pertaining to a member of the system shall be certified as

1 an approved domestic relations order by the secretary of the  
2 board, or his designated representative, only if such order  
3 meets all of the following:

4 (1) Requires the system to provide any type or form of  
5 benefit or any option applicable to members already provided  
6 under this part.

7 (2) Requires the system to provide no more than the  
8 total amount of benefits than the member would otherwise  
9 receive (determined on the basis of actuarial value) unless  
10 increased benefits are paid to the member or alternate payee  
11 based upon cost-of-living increases or increases based on  
12 other than actuarial value.

13 (3) Specifies the amount or percentage of the member's  
14 benefits to be paid by the system to each such alternate  
15 payee or the manner in which the amount or percentage is to  
16 be determined.

17 (4) Specifies the retirement option to be selected by  
18 the member upon retirement or states that the member may  
19 select any retirement option offered by this part upon  
20 retirement.

21 (5) Specifies the name and last known mailing address,  
22 if any, of the member and the name and last known mailing  
23 address of each alternate payee covered by the order and  
24 states that it is the responsibility of each alternate payee  
25 to keep a current mailing address on file with the system.

26 (6) Does not grant an alternate payee any of the rights,  
27 options or privileges of a member under this part.

28 (7) Requires the member to execute an authorization  
29 allowing each alternate payee to monitor the member's  
30 compliance with the terms of the domestic relations order

1 through access to information concerning the member  
2 maintained by the system.

3 (a.1) Certification regarding participants.--A domestic  
4 relations order pertaining to a participant shall be certified  
5 as an approved domestic relations order by the secretary of the  
6 board, or his designated representative, only if that order  
7 meets all of the following:

8 (1) Does not require the plan to provide any type or  
9 form of benefit or any option applicable to members of the  
10 system or participants in the plan.

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

15 (3) Does not require the plan to recover or distribute  
16 any funds which were distributed to the participant or at the  
17 participant's direction prior to the approval of the domestic  
18 relations order by the secretary of the board or his  
19 designated representative.

20 (4) Requires the plan to pay to the alternate payee no  
21 more than the lesser of the vested amount of the  
22 participant's individual investment account specified by the  
23 domestic relations order or the vested amount of the  
24 participant's individual investment account as of the date of  
25 the transfer of the alternate payee's share to the alternate  
26 payee.

27 (5) States that the plan shall not be required to recoup  
28 or make good for losses in value to the participant's  
29 individual investment account incurred between the date of  
30 the valuation of the account used for equitable distribution

1 purposes and the date of distribution to the alternate payee.

2 (6) Specifies the amount or percentage of the  
3 participant's individual investment account to be paid to the  
4 alternate payee and the date upon which such valuation is  
5 based.

6 (7) Specifies the name and last known mailing address,  
7 if any, of the participant and the name and last known  
8 mailing address of each alternate payee covered by the order  
9 and states that it is the responsibility of each alternate  
10 payee to keep a current mailing address on file with the  
11 system.

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

14 (9) Requires the participant to execute an authorization  
15 allowing each alternate payee to monitor the participant's  
16 compliance with the terms of the domestic relations order  
17 through access to information concerning the participant  
18 maintained by the plan. Any authorization granted under this  
19 section shall be construed only as an authorization for the  
20 alternate payee to receive information concerning the  
21 participant which relates to the administration, calculation  
22 and payment of the alternate payee's share of the  
23 participant's account and not as an authorization to exercise  
24 the rights afforded to participants or obtain information  
25 that is not related to the administration, calculation and  
26 payment of the alternate payee's share of the participant's  
27 individual investment account.

28 (10) In the case of participants who have not yet begun  
29 to receive distributions as of the date the domestic  
30 relations order is approved by the secretary of the board or

1 his designated representative, requires the immediate  
2 distribution of the alternate payee's share of the  
3 participant's individual investment account, which may be  
4 made by direct payment, eligible rollover or trustee-to-  
5 trustee transfer to another eligible plan or qualified  
6 account owned by the alternate payee, notwithstanding any  
7 other provision of this part or the plan that would otherwise  
8 require a distribution of accumulated employer defined  
9 contributions in the form of an annuity or to require the  
10 purchase of an annuity.

11 (11) In the case of participants who are currently  
12 receiving distributions from the trust as of the date the  
13 domestic relations order is approved by the secretary of the  
14 board or his designated representative, the domestic  
15 relations order may not order the board to pay the alternate  
16 payee more than the balance available in the participant's  
17 individual investment account as of the date the order is  
18 approved or require that distributions continue to the  
19 alternate payee after the death of the participant and final  
20 settlement of the participant's individual investment  
21 account.

22 (b) Determination by secretary.--Within a reasonable period  
23 of time after receipt of a domestic relations order, the  
24 secretary of the board, or his designated representative, shall  
25 determine whether this order is an approved domestic relations  
26 order and notify the member or participant and each alternate  
27 payee of this determination. Notwithstanding any other provision  
28 of law, the exclusive remedy of any member, participant or  
29 alternate payee aggrieved by a decision of the secretary of the  
30 board, or his designated representative, shall be the right to

1 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to  
2 practice and procedure) with appeal therefrom to the  
3 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial  
4 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals  
5 from government agencies).

6 (c) Other orders.--The requirements for approval identified  
7 in [subsection (a)] subsections (a) and (a.1) shall not apply to  
8 any domestic relations order which is an order for support as  
9 that term is defined in 23 Pa.C.S. § 4302 (relating to  
10 definitions) or an order for the enforcement of arrearages as  
11 provided in 23 Pa.C.S. § 3703 (relating to enforcement of  
12 arrearages). These orders shall be approved to the extent that  
13 they do not attach moneys in excess of the limits on attachments  
14 as established by the laws of this Commonwealth and the United  
15 States[.], require distributions of benefits in a manner that  
16 would violate the laws of the United States, any other state or  
17 this Commonwealth or require the distribution of funds for  
18 support or enforcement of arrearages against any participant who  
19 is not receiving distributions from the plan at the time such  
20 order is entered. These orders may be approved notwithstanding  
21 any other provision of this part or the plan that would  
22 otherwise require a distribution of accumulated employer defined  
23 contributions in the form of an annuity or to require the  
24 purchase of an annuity.

25 (d) Obligation discharged.--Only the requirements of this  
26 part and any regulations promulgated hereunder shall be used to  
27 govern the approval or disapproval of a domestic relations  
28 order. Therefore, if the secretary of the board, or his  
29 designated representative, acts in accordance with the  
30 provisions of this part and any promulgated regulations in

1 approving or disapproving a domestic relations order, then the  
2 obligations of the system or plan with respect to such approval  
3 or disapproval shall be discharged.

4 § 8533.3. Irrevocable survivor annuitant.

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

20 § 8533.4. Amendment of approved domestic relations orders.

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

27 \* \* \*

28 Section 123. Title 24 is amended by adding sections to read:

29 § 8533.5. Irrevocable successor payee.

30 (a) Condition.--Notwithstanding any other provisions of this



1 part, a domestic relations order pertaining to a participant may  
2 provide for an irrevocable successor payee, only if the  
3 participant is receiving a payment pursuant to a payment option  
4 provided by the board that allows for a successor payee.

5 (b) Determination.--A domestic relations order requiring the  
6 designation of an irrevocable successor payee shall be deemed to  
7 be one that requires a participant who is receiving payments  
8 from an annuity or other distribution option to designate an  
9 alternate payee as a successor payee and that prohibits the  
10 removal or change of that successor payee without approval of a  
11 court of competent jurisdiction, except by operation of law.

12 (c) Certification.--A domestic relations order under  
13 subsection (b) may be certified as an approved domestic  
14 relations order by the secretary of the board, or his designated  
15 representative, in which case the irrevocable successor payee so  
16 ordered by the court cannot be changed by the participant  
17 without approval by the court.

18 (d) Ineligibility.--A person ineligible to be designated as  
19 a successor payee may not be designated as an irrevocable  
20 successor payee. A court may not name an irrevocable successor  
21 payee if the alternate payee is eligible to receive a lump sum  
22 distribution of the alternate payee's portion of the marital  
23 portion of the pension benefit.

24 § 8533.6. Exemption from spousal consent.

25 If a domestic relations order approved under section 8533.1  
26 (relating to approval of domestic relations orders) requires any  
27 nomination of irrevocable beneficiary or irrevocable survivor  
28 annuitant or the selection of any benefit by a participant, the  
29 provisions of this part or the plan requiring the spouse of a  
30 married participant to be nominated as beneficiary or designated

1 as survivor annuitant or to grant consent to any action,  
2 election or application of a participant shall not apply to any  
3 action or nomination so required by the approved domestic  
4 relations order to the extent that the required action or  
5 nomination is inconsistent with the rights of the spouse set  
6 forth in this part.

7 Section 124. Section 8534 of Title 24 is amended to read:  
8 § 8534. Fraud and adjustment of errors.

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

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

28 Section 125. Title 24 is amended by adding a section to  
29 read:

30 § 8534.1. Spousal consent and participants.

1 (a) General rule.--No married participant may:

2 (1) take any action regarding rights in the plan;

3 (2) make an election regarding benefits in the plan; or

4 (3) file a valid application regarding the consent of  
5 the participant's spouse unless the participant's spouse  
6 consents in writing to that action, election or application.

7 A consent shall be valid only if the consent is:

8 (i) signed after the participant's spouse receives  
9 counseling or affirmatively waives the right to receive  
10 counseling;

11 (ii) witnessed before a notary public; and

12 (iii) filed with the board within 90 days of the  
13 filing of the application or within 90 days of the date  
14 the action or election would otherwise be valid. A  
15 consent or lack thereof shall not affect the effective  
16 date of any action or election.

17 (b) Exceptions to consent.--Spousal consent shall not be  
18 required where:

19 (1) the spouse cannot be located; or

20 (2) such other circumstances as the board may establish  
21 in the plan document.

22 (c) Legal guardians and powers of attorney.--A legal  
23 guardian, even if the participant, may execute a valid spousal  
24 consent. A participant, as agent under a power of attorney, may  
25 not execute a valid spousal consent unless the spouse is  
26 incapacitated and the spouse had executed a valid durable power  
27 of attorney.

28 (d) Spouse of participant.--This part does not grant to the  
29 spouse of a participant of the plan the rights, options or  
30 privileges of a participant. The rights of the spouse shall

1 remain derivative of the rights of the participant, including  
2 rights under the act of July 8, 1978 (P.L.752, No.140), known as  
3 the Public Employee Pension Forfeiture Act, section 16(b) of  
4 Article V of the Constitution of Pennsylvania and 42 Pa.C.S. §  
5 3352 (relating to pension rights). The spouse may not do the  
6 following:

7       (1) compel the participant to take, or prevent the  
8 participant from taking, an action regarding membership,  
9 rights or benefits in the plan other than as provided under  
10 this part; or

11       (2) take any action on behalf of the participant, except as  
12 provided under this part.

13       (e) Waiver.--If a law allows a participant in the plan to  
14 waive benefits or return of contributions that the participant  
15 is receiving, entitled to currently receive or receive in the  
16 future, the waiver is not valid unless the spouse of the  
17 participant consents to the waiver as provided for under this  
18 part.

19       Section 126. Section 8535 of Title 24 is amended to read:  
20 § 8535. Payments to school entities by Commonwealth.

21       For each school year beginning with the 1995-1996 school year  
22 and ending with the 2014-2015 school year, each school entity  
23 shall be paid by the Commonwealth for contributions based upon  
24 school service of active members of the system after June 30,  
25 1995, as follows:

26       (1) The Commonwealth shall pay each school entity for  
27 contributions made to the Public School Employees' Retirement  
28 Fund based upon school service of all active members,  
29 including members on activated military service leave, whose  
30 effective dates of employment with their school entities are

1 after June 30, 1994, and who also had not previously been  
2 employed by any school entity within this Commonwealth an  
3 amount equal to the amount certified by the Public School  
4 Employees' Retirement Board as necessary to provide, together  
5 with the members' contributions, reserves on account of  
6 prospective annuities, supplemental annuities and the premium  
7 assistance program as provided in this part in accordance  
8 with section 8328 (relating to actuarial cost method),  
9 multiplied by the market value/income aid ratio of the school  
10 entity. For no school year shall any school entity receive  
11 less than the amount that would result if the market  
12 value/income aid ratio as defined in section 2501(14.1) of  
13 the Public School Code [of 1949] was 0.50.

14 (2) The Commonwealth shall pay each school entity for  
15 contributions made to the Public School Employees' Retirement  
16 Fund based upon school service of all active members,  
17 including members on activated military service leave, who  
18 are not described in paragraph (1), one-half of the amount  
19 certified by the Public School Employees' Retirement Board as  
20 necessary to provide, together with the members'  
21 contributions, reserves on account of prospective annuities,  
22 supplemental annuities and the premium assistance program as  
23 provided in this part in accordance with section 8328.

24 (3) School entities shall have up to five days after  
25 receipt of the Commonwealth's portion of the employer's  
26 liability to make payment to the Public School Employees'  
27 Retirement Fund. School entities are expected to make the  
28 full payment to the Public School Employees' Retirement Fund  
29 in accordance with section 8327 (relating to payments by  
30 employers) in the event the receipt of the Commonwealth's

1 portion of the employer's liability is delayed because of  
2 delinquent salary reporting or other conduct by the school  
3 entities.

4 Section 127. Title 24 is amended by adding a section to  
5 read:

6 § 8535.1. Payments to school entities by Commonwealth  
7 commencing with the 2015-2016 school year.

8 For each school year, beginning with the 2015-2016 school  
9 year, each school entity shall be paid by the Commonwealth for  
10 contributions based upon school service of active members of the  
11 system and active participants of the plan after June 30, 2015,  
12 as follows:

13 (1) The Commonwealth shall pay each school entity for  
14 contributions made to the fund based upon school service of  
15 all active members, including members on activated military  
16 service leave, and active participants of the plan whose  
17 effective dates of employment with their school entities are  
18 after June 30, 1994, and who also had not previously been  
19 employed by any school entity within this Commonwealth an  
20 amount equal to the amount certified by the board as  
21 necessary to provide, together with the members' and  
22 participants' contributions, reserves on account of  
23 prospective annuities, supplemental annuities and the premium  
24 assistance program as provided in this part in accordance  
25 with section 8328 (relating to actuarial cost method),  
26 multiplied by the market value/income aid ratio of the school  
27 entity. For no school year shall any school entity receive  
28 less than the amount that would result if the market  
29 value/income aid ratio as defined in section 2501(14.1) of  
30 the Public School Code was 0.50.

1           (2) The Commonwealth shall pay each school entity for  
2 contributions made to the fund based upon school service of  
3 all active members, including members on activated military  
4 service leave, and active participants of the plan who are  
5 not described in paragraph (1) one-half of the amount  
6 certified by the board as necessary to provide, together with  
7 the members' and participants' contributions, reserves on  
8 account of prospective annuities, supplemental annuities and  
9 the premium assistance program as provided in this part in  
10 accordance with section 8328.

11           (3) School entities shall have up to five days after  
12 receipt of the Commonwealth's portion of the employer's  
13 liability to make payment to the fund. School entities are  
14 expected to make the full payment to the fund in accordance  
15 with section 8327 (relating to payments by employers) in the  
16 event the receipt of the Commonwealth's portion of the  
17 employer's liability is delayed because of delinquent salary  
18 reporting or other conduct by the school entities.

19       Section 128. The definition of "eligible person" in section  
20 8702(a) of Title 24 is amended to read:

21       § 8702. Definitions.

22       (a) General rule.--Subject to additional definitions  
23 contained in subsequent provisions of this part which are  
24 applicable to specific provisions of this part, the following  
25 words and phrases when used in this part shall have the meanings  
26 given to them in this section unless the context clearly  
27 indicates otherwise:

28       "Eligible person." An individual who is:

29           (1) an annuitant or survivor annuitant or the spouse or  
30 dependent of an annuitant or survivor annuitant; or





1 military leave of absence shall be entitled to make  
2 contributions to the State Employees' Defined Contribution  
3 Trust for the leave as provided in 71 Pa.C.S. Pt. XXV  
4 (relating to retirement for State employees and officers).

5 ARTICLE III

6 Section 301. Section 5102 of Title 71, amended October 24,  
7 2012 (P.L.1436, No.181), is amended to read:

8 § 5102. Definitions.

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

12 "Academic administrator." A management employee in the field  
13 of public education whose work is directly related to academic  
14 instruction, excluding any employee in a position that is  
15 nonacademic in nature, such as, without limitation, a position  
16 that relates to admissions, financial aid, counseling,  
17 secretarial and clerical services, records management, housing,  
18 food service, maintenance and security.

19 "Accumulated employer defined contributions." The total of  
20 the employer defined contributions paid into the trust on  
21 account of a participant's State service together with any  
22 investment earnings and losses and adjustment for fees, costs  
23 and expenses credited or charged thereon.

24 "Accumulated mandatory participant contributions." The total  
25 of the mandatory pickup participant contributions paid into the  
26 trust on account of a participant's State service together with  
27 any investment earnings and losses and adjustments for fees,  
28 costs and expenses credited or charged thereon.

29 "Accumulated total defined contributions." The total of the  
30 accumulated mandatory participant contributions, accumulated

1 employer defined contributions and accumulated voluntary  
2 contributions, reduced by any distributions, standing to the  
3 credit of a participant in an individual investment account in  
4 the trust.

5 "Accumulated voluntary contributions." The total of  
6 voluntary contributions paid into the trust by a participant and  
7 any amounts rolled over by a participant or transferred by a  
8 direct trustee-to-trustee transfer into the trust together with  
9 any investment earnings and losses and adjustment for fees,  
10 costs and expenses credited or charged thereon.

11 "Active member." A State employee, or a member on leave  
12 without pay, for whom pickup contributions are being made to the  
13 fund or for whom such contributions otherwise required for  
14 current State service are not being made solely by reason of  
15 section 5502.1 (relating to waiver of regular member  
16 contributions and Social Security integration member  
17 contributions) or any provision of this part relating to the  
18 limitations under section 401(a)(17) or section 415(b) of the  
19 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
20 401(a)(17) or 415(b)) or any provision of this part limiting  
21 compensation or contributions applicable to a Subclass X member,  
22 Subclass Y member or Subclass Z member.

23 "Active participant." A State employee for whom mandatory  
24 pickup participant contributions are being made to the trust or  
25 for whom such contributions otherwise required for current State  
26 service are not being made solely by reason of any provision of  
27 this part relating to the limitations under section 401(a)(17)  
28 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,  
29 26 U.S.C. § 401(a)(17) or § 415).

30 "Actuarial increase factor." A factor calculated at the

1 member's birthday by dividing the cost of a dollar annuity based  
2 on the age of the member on the member's immediately previous  
3 birthday by the cost of a one-year deferred dollar annuity  
4 calculated at that same age. Unless the member terminates State  
5 or school service on the member's birthday, the actuarial  
6 increase factor for the year of termination shall be adjusted  
7 by:

8 (1) subtracting one from the calculated factor; then

9 (2) dividing the difference by twelve; then

10 (3) multiplying the resulting quotient by the number of  
11 whole months between the member's immediately previous  
12 birthday and the date of termination of service; then

13 (4) adding one to the resulting product.

14 "Actuarially equivalent." Equal present values, computed on  
15 the basis of statutory interest and the mortality tables adopted  
16 by the board.

17 "Actuary." The consultant to the board who shall be:

18 (1) a member of the American Academy of Actuaries; or

19 (2) an individual who has demonstrated to the  
20 satisfaction of the Insurance Commissioner of Pennsylvania  
21 that he has the educational background necessary for the  
22 practice of actuarial science and has had at least seven  
23 years of actuarial experience; or

24 (3) a firm, partnership, or corporation of which at  
25 least one member meets the requirements of (1) or (2).

26 "Additional accumulated deductions." The total of the  
27 additional member contributions paid into the fund on account of  
28 current service or previous State or creditable nonstate  
29 service, together with the statutory interest credited thereon  
30 until the date of termination of service. In the case of a

1 vestee, statutory interest shall be credited until the effective  
2 date of retirement. A member's account shall not be credited  
3 with statutory interest for more than two years during a leave  
4 without pay.

5 "Alternative investment." An investment in a private equity  
6 fund, private debt fund, venture fund, real estate fund, hedge  
7 fund or absolute return fund.

8 "Alternative investment vehicle." A limited partnership,  
9 limited liability company or any other legal vehicle for  
10 authorized investments under section 5931(i) (relating to  
11 management of fund and accounts) through which the system makes  
12 an alternative investment.

13 "Alternate payee." Any spouse, former spouse, child or  
14 dependent of a member or participant who is recognized by a  
15 domestic relations order as having a right to receive all or a  
16 portion of the moneys payable to that member or participant  
17 under this part.

18 "Annuitant." Any member on or after the effective date of  
19 retirement until his annuity is terminated.

20 "Approved domestic relations order." Any domestic relations  
21 order which has been determined to be approved in accordance  
22 with section 5953.1 (relating to approval of domestic relations  
23 orders).

24 "Average noncovered salary." The average of the amounts of  
25 compensation received by an active member each calendar year  
26 since January 1, 1956, exclusive of the amount which was or  
27 could have been covered by the Federal Social Security Act[,]  
28 (42 U.S.C. § 301 et seq.), during that portion of the member's  
29 service since January 1, 1956, for which he has received social  
30 security integration credit.

1 "Basic contribution rate." Five percent (5%), except that in  
2 no case shall any member's rate, excluding the rate for social  
3 security integration credit, be greater than his contribution  
4 rate on the effective date of this part so long as he does not  
5 elect additional coverage or membership in another class or  
6 subclass of service.

7 "Beneficiary." [The] In the case of the system, the person  
8 or persons last designated in writing to the board by a member  
9 to receive his accumulated deductions or a lump sum benefit upon  
10 the death of such member. In the case of the plan, the spouse of  
11 a participant. If the participant is not married or the spouse  
12 consents, then the person or persons last designated in writing  
13 to the board by the participant to receive the participant's  
14 vested accumulated total defined contributions or a lump sum  
15 benefit upon the death of the participant.

16 "Board." The State Employees' Retirement Board or the State  
17 Employes' Retirement Board.

18 "Class of service multiplier."

19	Class of Service	Multiplier	
20	A	1	
21	[AA	for all purposes	
22		except calculating	
23		regular member	
24		contributions on	
25		compensation paid	
26		prior to	
27		January 1, 2002	1.25
28	AA	for purposes of	
29		calculating	
30		regular member	

1 contributions on  
 2 compensation paid  
 3 prior to January  
 4 1, 2002 1]

5 Subclass AA-W for all purposes  
 6 except calculating  
 7 regular member  
 8 contributions  
 9 on compensation  
 10 paid prior to  
 11 January 1, 2002 1.25

12 Subclass AA-W for purposes of  
 13 calculating  
 14 regular member  
 15 contributions  
 16 on compensation  
 17 paid prior to  
 18 January 1, 2002 1

19 Subclass AA-Y for all purposes  
 20 except  
 21 calculating  
 22 regular member  
 23 contributions 1

24 Subclass AA-Y for purposes of  
 25 calculating  
 26 regular member  
 27 contributions 1.25

28 Subclass AA-Z for all purposes  
 29 except  
 30 calculating

1		<u>regular member</u>	
2		<u>contributions</u>	<u>1.25</u>
3	<u>Subclass AA-Z</u>	<u>for purposes of</u>	
4		<u>calculating</u>	
5		<u>regular member</u>	
6		<u>contributions</u>	<u>1.95</u>
7	A-3	for all purposes	
8		except the	
9		calculation of	
10		regular member	
11		contributions and	
12		contributions for	
13		creditable	
14		nonstate service	1
15	A-3	for purposes of	
16		calculating	
17		regular member	
18		contributions and	
19		contributions for	
20		creditable	
21		nonstate service	1.25
22	A-4	for all purposes	
23		except the	
24		calculation of	
25		regular member	
26		contributions	1.25
27	A-4	for purposes of	
28		calculating	
29		regular member	
30		contributions	1.86

1	B		.625	
2	C		1	
3	D		1.25	
4	D-1	prior to January		
5		1, 1973	1.875	
6	D-1	on and subsequent		
7		to January 1, 1973	1.731	
8	D-2	prior to January		
9		1, 1973	2.5	
10	D-2	on and subsequent		
11		to January 1, 1973	1.731	
12	D-3	prior to January		
13		1, 1973	3.75	
14	D-3	on and		
15		subsequent to		
16		January 1, 1973	1.731	except prior
17				to December
18				1, 1974
19				as applied
20				to any
21				additional
22				legislative
23				compensation
24				as an
25				officer of
26				the General
27				Assembly
28			3.75	
29	[D-4	for all purposes		
30		except calculating		



1		regular member	
2		contributions on	
3		compensation paid	
4		prior to July 1,	
5		2001	1.5
6	D-4	for purposes of	
7		calculating	
8		regular member	
9		contributions on	
10		compensation	
11		paid prior to	
12		July 1, 2001	1]
13	<u>Subclass D-4W</u>	<u>for all purposes</u>	
14		<u>except calculating</u>	
15		<u>regular member</u>	
16		<u>contributions</u>	
17		<u>on compensation</u>	
18		<u>paid prior to July</u>	
19		<u>1, 2001</u>	<u>1.5</u>
20	<u>Subclass D-4W</u>	<u>for purposes of</u>	
21		<u>calculating</u>	
22		<u>regular member</u>	
23		<u>contributions</u>	
24		<u>on compensation</u>	
25		<u>paid prior to July</u>	
26		<u>1, 2001</u>	<u>1</u>
27	<u>Subclass D-4Y</u>	<u>for all purposes</u>	
28		<u>except calculating</u>	
29		<u>regular member</u>	
30		<u>contributions</u>	<u>1.25</u>

1	<u>Subclass D-4Y</u>	<u>for purposes of</u>		
2		<u>calculating</u>		
3		<u>regular member</u>		
4		<u>contributions</u>	<u>1.5</u>	
5	<u>Subclass D-4Z</u>	<u>for all purposes</u>		
6		<u>except calculating</u>		
7		<u>regular member</u>		
8		<u>contributions</u>	<u>1.5</u>	
9	<u>Subclass D-4Z</u>	<u>for purposes of</u>		
10		<u>calculating</u>		
11		<u>regular member</u>		
12		<u>contributions</u>	<u>2.2</u>	
13				
14	E, E-1	prior to January		
15		1, 1973	2	for each of
16				the first
17				ten years
18				of judicial
19				service, and
20			1.5	for each
21				subsequent
22				year of
23				judicial
24				service
25	E, [E-1]	on and subsequent		
26	<u>Subclass E-1W</u>	to January 1, 1973	1.50	for each of
27				the first
28				ten years of
29				judicial
30				service and

1 1.125 for each  
2 subsequent  
3 year of  
4 judicial  
5 service  
6 Subclass E-1Y for all purposes  
7 except calculating  
8 regular member  
9 contributions 1.75 for each of  
10 the first  
11 ten years of  
12 judicial  
13 service  
14 unless those  
15 years are  
16 credited in  
17 another  
18 subclass of  
19 service  
20 1.25 for each  
21 subsequent  
22 year of  
23 judicial  
24 service  
25 unless that  
26 year is  
27 credited in  
28 another  
29 subclass of  
30 service



1 ten years of  
2 judicial  
3 service  
4 unless those  
5 years are  
6 credited in  
7 another  
8 subclass of  
9 service  
10 1.5 for each  
11 subsequent  
12 year of  
13 judicial  
14 service  
15 unless that  
16 year is  
17 credited in  
18 another  
19 subclass of  
20 service  
21 Subclass E-1Z for purposes of  
22 calculating  
23 regular member  
24 contributions 2.7 for each of  
25 the first  
26 ten years of  
27 judicial  
28 service  
29 unless those  
30 years are

1 credited in  
2 another  
3 subclass of  
4 service  
5 2.2 for each  
6 subsequent  
7 year of  
8 judicial  
9 service  
10 unless that  
11 year is  
12 credited in  
13 another  
14 subclass of  
15 service

16 [E-2] Subclass on and subsequent  
17 E-2W to September 1,  
18 1973 1.125  
19 Subclass E-2Y for all purposes  
20 except calculating  
21 regular member  
22 contributions 1.25  
23 Subclass E-2Y for purposes of  
24 calculating  
25 regular member  
26 contributions 1.5  
27 Subclass E-2Z for all purposes  
28 except calculating  
29 regular member  
30 contributions 1.5



1 severance payments or payments for unused vacation or sick  
2 leave; and excluding payments for military leave and any other  
3 payments made by an employer while on USERRA leave, leave of  
4 absence granted under 51 Pa.C.S. § 4102 (relating to leaves of  
5 absence for certain government employees), military leave of  
6 absence granted under 51 Pa.C.S. § 7302 (relating to granting  
7 military leaves of absence) or other types of military leave,  
8 including other types of leave payments, stipends, differential  
9 wage payments as defined in IRC § 414(u)(12) and any other  
10 payments: Provided, however, That compensation received prior to  
11 January 1, 1973, shall be subject to the limitations for  
12 retirement purposes in effect December 31, 1972, if any:  
13 Provided further, That the limitation under section 401(a)(17)  
14 of the Internal Revenue Code of 1986 (Public Law 99-514, 26  
15 U.S.C. § 401(a)(17)) taken into account for the purpose of  
16 member contributions, including any additional member  
17 contributions in addition to regular or joint coverage member  
18 contributions and Social Security integration contributions,  
19 regardless of class of service, shall apply to each member who  
20 first became a member of the State Employees' Retirement System  
21 on or after January 1, 1996, and who by reason of such fact is a  
22 noneligible member subject to the application of the provisions  
23 of section 5506.1(a) (relating to annual compensation limit  
24 under IRC § 401(a)(17))and shall apply to each participant; and  
25 Provided further, That the compensation applicable to Subclass X  
26 members, Subclass Y members and Subclass Z members shall be  
27 subject to the limitations under section 5506.2 (relating to  
28 annual compensation limit for Subclass X, Subclass Y and  
29 Subclass Z members).

30 "Concurrent service." Service credited in more than one



1 class of service during the same period of time.

2 "Correction officer." Any full-time employee assigned to the  
3 Department of Corrections or the Department of Public Welfare  
4 whose principal duty is the care, custody and control of inmates  
5 or direct therapeutic treatment, care, custody and control of  
6 inmates of a penal or correctional institution, community  
7 treatment center, forensic unit in a State hospital or secure  
8 unit of a youth development center operated by the Department of  
9 Corrections or by the Department of Public Welfare.

10 "County service." Service credited in a retirement system or  
11 pension plan established or maintained by a county to provide  
12 retirement benefits for its employees to the account of county  
13 employees who are transferred to State employment and become  
14 State employees pursuant to 42 Pa.C.S. § 1905 (relating to  
15 county-level court administrators) regardless of whether the  
16 service was performed for the county or another employer or  
17 allowed to be purchased in the county retirement system or  
18 pension plan.

19 "Creditable nonstate service." Service other than:

20 (1) service as a State employee;

21 (2) service converted to State service pursuant to  
22 section 5303.1 (relating to election to convert county  
23 service to State service); or

24 (3) school service converted to State service pursuant  
25 to section 5303.2 (relating to election to convert school  
26 service to State service) [for which an active member may  
27 obtain credit]

28 for which an active member may obtain credit in the system.

29 "Credited service." State or creditable nonstate service for  
30 which the required contributions have been made or for which the

1 contributions otherwise required for such service were not made  
2 solely by reason of section 5502.1 (relating to waiver of  
3 regular member contributions and Social Security integration  
4 member contributions) or any provision of this part relating to  
5 the limitations under section 401(a)(17) or 415(b) of the  
6 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
7 401(a)(17) or 415(b)) or any provision of this part limiting  
8 compensation or contributions applicable to a Subclass X member,  
9 Subclass Y member or Subclass Z member, or for which salary  
10 deductions to the system or lump sum payments have been agreed  
11 upon in writing.

12 "Date of termination of service." The last day of service  
13 for which:

14 (1) pickup contributions are made for an active member  
15 or for which the contributions otherwise required for such  
16 service were not made solely by reason of section 5502.1  
17 (relating to waiver of regular member contributions and  
18 Social Security integration member contributions) or any  
19 provision of this part relating to the limitations under  
20 section 401(a)(17) or 415(b) of the Internal Revenue Code of  
21 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)) or  
22 any provision of this part limiting compensation or  
23 contributions applicable to a Subclass X member, Subclass Y  
24 member or Subclass Z member [or];

25 (2) in the case of an inactive member on leave without  
26 pay, the date of his resignation or the date his employment  
27 is formally discontinued by his employer[.];

28 (3) mandatory pickup participant contributions are made  
29 for an active participant;

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

1 without pay, the date of his resignation or the date his  
2 employment is formally discontinued by his employer; or  
3 (5) in the case of a combined service employee, the  
4 latest of the dates in paragraphs (1), (2), (3) and (4).

5 "Disability annuitant." A member on and after the effective  
6 date of disability until his annuity or the portion of his  
7 annuity payments in excess of any annuity to which he may  
8 otherwise be entitled is terminated.

9 "Distribution." Payment of all or any portion of a person's  
10 interest in either the State Employees' Retirement Fund or the  
11 State Employees' Defined Contribution Trust or both which is  
12 payable under this part.

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

26 "Effective date of retirement." The first day following the  
27 date of termination of service of a member if he has properly  
28 filed an application for an annuity within 90 days of such date;  
29 in the case of a vestee or a member who does not apply for an  
30 annuity within 90 days after termination of service, the date of

1 filing an application for an annuity or the date specified on  
2 the application, whichever is later. In the case of a finding of  
3 disability, the date certified by the board as the effective  
4 date of disability.

5 "Eligibility points." Points which are accrued by an active  
6 member or a multiple service member who is an active member in  
7 the Public School Employees' Retirement System for credited  
8 service or a member who has been reemployed from USERRA leave or  
9 a member who dies while performing USERRA leave and are used in  
10 the determination of eligibility for benefits.

11 "Employer defined contributions."

12 (1) Unless paragraph (2) applies, contributions equal to  
13 4% of an active participant's compensation which are made by  
14 the Commonwealth or other employer for current service to the  
15 trust to be credited in the active participant's individual  
16 investment account.

17 (2) (i) For Pennsylvania State Police, contributions  
18 equal to 12.2% of an active participant's compensation  
19 which are made by the Commonwealth for current service to  
20 the trust to be credited in the active participant's  
21 individual investment account.

22 (ii) For an enforcement officer, correction officer,  
23 psychiatric security aide, Delaware River Port Authority  
24 policeman, park ranger or Capitol Police officer,  
25 contributions equal to 5.5% of an active participant's  
26 compensation which are made by the Commonwealth or other  
27 employer for current service to the trust to be credited  
28 in the active participant's individual investment  
29 account.

30 "Enforcement officer."

1 (1) Any enforcement officer or investigator of the  
2 Pennsylvania Liquor Control Board who is a peace officer  
3 vested with police power and authority throughout the  
4 Commonwealth and any administrative or supervisory employee  
5 of the Pennsylvania Liquor Control Board vested with police  
6 power who is charged with the administration or enforcement  
7 of the liquor laws of the Commonwealth.

8 (2) Special agents, narcotics agents, asset forfeiture  
9 agents, medicaid fraud agents and senior investigators  
10 hazardous waste prosecutions unit, classified as such and  
11 employed by the Office of Attorney General who have within  
12 the scope of their employment as law enforcement officers the  
13 power to enforce the law and make arrests under the authority  
14 of the act of October 15, 1980 (P.L.950, No.164), known as  
15 the Commonwealth Attorneys Act.

16 (3) Parole agents, classified as such by the Executive  
17 Board and employed by the Pennsylvania Board of Probation and  
18 Parole.

19 (4) Waterways conservation officers and other  
20 commissioned law enforcement personnel employed by the  
21 Pennsylvania Fish and Boat Commission who have and exercise  
22 the same law enforcement powers as waterways conservation  
23 officers. This paragraph shall not apply to deputy waterways  
24 conservation officers.

25 "Final average salary." [The]

26 (1) For members with an effective date of retirement  
27 before January 1, 2015, and for purposes of calculating  
28 standard single life annuities resulting from Subclass W  
29 service regardless of the effective date of retirement, the  
30 highest average compensation received as a member during any

1 three nonoverlapping periods of four consecutive calendar  
2 quarters during which the member was a State employee, with  
3 the compensation for part-time service being annualized on  
4 the basis of the fractional portion of the year for which  
5 credit is received; except if the employee was not a member  
6 for three nonoverlapping periods of four consecutive calendar  
7 quarters, the total compensation received as a member,  
8 annualized in the case of part-time service, divided by the  
9 number of nonoverlapping periods of four consecutive calendar  
10 quarters of membership[;].

11 (2) For members with an effective date of retirement on  
12 or after January 1, 2015, for purposes of calculating  
13 standard single life annuities resulting from Subclass X  
14 service, Subclass Y service or Subclass Z service, the  
15 highest average compensation, as adjusted under section  
16 5506.3 (relating to adjustment of compensation for  
17 calculating final average salary on or after January 1,  
18 2015), received as a member of any subclass of service during  
19 any five calendar years during which the member was a State  
20 employee, except if the employee was not an active member  
21 during five calendar years, the average of the number of  
22 calendar years during which the employee was an active  
23 member.

24 (3) For all members and for the calculation of all  
25 standard single life annuities without regard to class or  
26 subclass of membership and credited service, in the case of a  
27 member with multiple service, the final average salary shall  
28 be determined on the basis of the compensation received by  
29 him as a [State employee] member of the system or as a school  
30 employee, other than as a participant in the School

1 Employees' Defined Contribution Plan, or both; in the case of  
2 a member with Class A-3 or Class A-4 service and service in  
3 one or more other classes of service, the final average  
4 salary shall be determined on the basis of the compensation  
5 received by him in all classes of State service credited in  
6 the system; and, in the case of a member who first became a  
7 member on or after January 1, 1996, the final average salary  
8 shall be determined as hereinabove provided but subject to  
9 the application of the provisions of section 5506.1(a)  
10 (relating to annual compensation limit under IRC § 401(a)  
11 (17)). Final average salary shall be determined by including  
12 in compensation payments deemed to have been made to a member  
13 reemployed from USERRA leave to the extent member  
14 contributions have been made as provided in section 5302(f)  
15 (2) (relating to credited State service) and payments made to  
16 a member on leave of absence under 51 Pa.C.S. § 4102  
17 (relating to leaves of absence for certain government  
18 employees) as provided in section 5302(f)(6).

19 "Full coverage member." Any member for whom member pickup  
20 contributions are being picked up or who has paid or has agreed  
21 to pay to the fund the actuarial equivalent of regular member  
22 contributions due on account of service prior to January 1,  
23 1982.

24 "Fund." The State Employees' Retirement Fund.

25 "Head of department." The chief administrative officer of  
26 the department, the chairman or executive director of the  
27 agency, authority, or independent board or commission, the Court  
28 Administrator of Pennsylvania, and the Chief Clerk of the  
29 Senate, or the Chief Clerk of the House of Representatives.

30 "Inactive member." A member for whom no pickup contributions

1 are being made to the fund, except in the case of an active  
2 member for whom such contributions otherwise required for  
3 current State service are not being made solely by reason of  
4 section 5502.1 (relating to waiver of regular member  
5 contributions and Social Security integration member  
6 contributions) or any provision of this part relating to the  
7 limitations under section 401(a)(17) or 415(b) of the Internal  
8 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)  
9 or 415(b)) or any provision of this part limiting compensation  
10 or contributions applicable to a Subclass X member, Subclass Y  
11 member or Subclass Z member, but who has accumulated deductions  
12 standing to his credit in the fund and who is not eligible to  
13 become or has not elected to become a vestee or has not filed an  
14 application for an annuity.

15 "Inactive member on leave without pay." The term does not  
16 include a combined service employee who is an inactive  
17 participant on leave without pay.

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

28 "Inactive participant on leave without pay." The term does  
29 not include a combined service employee who is an inactive  
30 member on leave without pay.



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

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

14 "IRC." The Internal Revenue Code of 1986, as designated and  
15 referred to in section 2 of the Tax Reform Act of 1986 (Public  
16 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to  
17 "IRC § " shall be deemed to refer to the identically numbered  
18 section and subsection or other subdivision of such section in  
19 26 United States Code (relating to Internal Revenue Code).

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

27 "Irrevocable successor payee." The person permanently  
28 designated by a participant receiving distributions in writing  
29 to the board pursuant to an approved domestic relations order to  
30 receive one or more distributions from the plan upon the death

1 of such participant.

2 "Irrevocable survivor annuitant." The person permanently  
3 designated by a member in writing to the State Employees'  
4 Retirement Board pursuant to an approved domestic relations  
5 order to receive an annuity upon the death of such member.

6 "Joint coverage member." Any member who agreed prior to  
7 January 1, 1966 to make joint coverage member contributions to  
8 the fund and has not elected to become a full coverage member.

9 "Joint coverage member contributions." Regular member  
10 contributions reduced for a joint coverage member.

11 "Mandatory pickup participant contributions." Contributions  
12 equal to 6.25% of compensation that are made by the Commonwealth  
13 or other employer for active participants for current service.

14 "Member." Active member, inactive member, annuitant, vestee  
15 or special vestee.

16 "Member of the judiciary." Any justice of the Supreme Court,  
17 any judge of the Superior Court, the Commonwealth Court, any  
18 court of common pleas, the Municipal Court and the Traffic Court  
19 of Philadelphia, or any community court.

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

26 "Military service." All active military service for which a  
27 member has received a discharge other than an undesirable, bad  
28 conduct, or dishonorable discharge.

29 "Multiple service." Credited service of a member who has  
30 elected to combine his credited service in both the State

1 Employees' Retirement System and the Public School Employees'  
2 Retirement System.

3 "Noneligible member." For the purposes of section 5506.1  
4 (relating to annual compensation limit under IRC § 401(a)(17)),  
5 a member who first became a member on or after January 1, 1996.

6 "Nonstudent service." Employment in an educational  
7 institution that is not contingent on the employee's enrollment  
8 as a student or maintenance of student status at such  
9 institution and for which only monetary compensation is  
10 received, excluding tuition waivers or reimbursement, academic  
11 credit, housing, meals and other in-kind compensation.

12 "Participant." An active participant, inactive participant  
13 or participant receiving distributions.

14 "Participant receiving distributions." A participant in the  
15 plan who has commenced receiving distributions from his  
16 individual investment account but who has not received a total  
17 distribution of his vested interest in the individual investment  
18 account.

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

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

26 "Plan document." The documents created by the board under  
27 section 5402 (relating to plan document) that contain the terms  
28 and provisions of the plan and trust as established by the board  
29 regarding the establishment, administration and investment of  
30 the plan and trust.

1 "Previous State service." Service rendered as a State  
2 employee prior to his most recent entrance in the system[.],  
3 provided that the State employee was not a participant in the  
4 plan, was not eligible to be an optional participant in the plan  
5 under section 5301(b.1) (relating to mandatory and optional  
6 membership in the system and participation in the plan) or was  
7 not prohibited from being a participant under section 5301(c.1)  
8 during such service.

9 "Psychiatric security aide." Any employee whose principal  
10 duty is the care, custody and control of the criminally insane  
11 inmates of a maximum security institution for the criminally  
12 insane or detention facility operated by the Department of  
13 Public Welfare.

14 "Public School Employees' Retirement System." The retirement  
15 system established by the act of July 18, 1917 (P.L.1043,  
16 No.343), and codified by the act of June 1, 1959 (P.L.350,  
17 No.77).

18 "Reemployed from USERRA leave." Resumption of active  
19 membership or active participation as a State employee after a  
20 period of USERRA leave, provided, however, that the resumption  
21 of active membership or active participation was within the time  
22 period and under conditions and circumstances such that the  
23 State employee was entitled to reemployment rights under 38  
24 U.S.C. Ch. 43 (relating to employment and reemployment rights of  
25 members of the uniformed services).

26 "Regular accumulated deductions." The total of the regular  
27 or joint coverage member contributions paid into the fund on  
28 account of current service or previous State or creditable  
29 nonstate service, together with the statutory interest credited  
30 thereon until the date of termination of service. In the case of

1 a vestee or a special vestee, statutory interest shall be  
2 credited until the effective date of retirement. A member's  
3 account shall not be credited with statutory interest for more  
4 than two years during a leave without pay.

5 "Regular member contributions." The product of the basic  
6 contribution rate, the class of service multiplier if greater  
7 than one and the compensation of the member.

8 "Required beginning date." The latest date by which  
9 distributions of a participant's interest in his individual  
10 investment account must commence under section 401(a)(9) of the  
11 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
12 401(a)(9)).

13 "Retirement counselor." The State Employees' Retirement  
14 System employee whose duty it shall be to advise each employee  
15 of his rights and duties as a member of the system.

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

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

24 "School service." Service rendered as a public school  
25 employee and credited as service in the Public School Employees'  
26 Retirement System.

27 "Service connected disability." A disability resulting from  
28 an injury arising in the course of State employment, and which  
29 is compensable under the applicable provisions of the act of  
30 June 2, 1915 (P.L.736, No.338), known as "The Pennsylvania

1 Workmen's Compensation Act," or the act of June 21, 1939  
2 (P.L.566, No.284), known as "The Pennsylvania Occupational  
3 Disease Act."

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

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

16 "Social security integration accumulated deductions." The  
17 total of the member contributions paid into the fund on account  
18 of social security integration credit, together with the  
19 statutory interest credited thereon until the date of  
20 termination of service or until the date of withdrawal thereof,  
21 whichever is earlier. In the case of a vestee statutory interest  
22 shall be credited until the effective date of retirement. A  
23 member's account shall not be credited with statutory interest  
24 for more than two years during a leave without pay.

25 "Social security wage base." The amount which was or could  
26 have been covered as the contribution and wage base for old age  
27 and survivors insurance benefits under the Federal Social  
28 Security Act (42 U.S.C. § 301 et seq.).

29 "Special vestee." An employee of The Pennsylvania State  
30 University who is a member of the State Employees' Retirement

1 System with five or more but less than ten eligibility points  
2 and who has a date of termination of service from The  
3 Pennsylvania State University of June 30, 1997, because of the  
4 transfer of his job position or duties to a controlled  
5 organization of the Penn State Geisinger Health System or  
6 because of the elimination of his job position or duties due to  
7 the transfer of other job positions or duties to a controlled  
8 organization of the Penn State Geisinger Health System, provided  
9 that:

10 (1) subsequent to termination of State service as an  
11 employee of The Pennsylvania State University, the member has  
12 not returned to State service in any other capacity or  
13 position as a State employee;

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

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

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

23 "Standard single life annuity." An annuity equal to 2% of  
24 the final average salary, multiplied by the total number of  
25 years and fractional part of a year of credited service of a  
26 member in each class or subclass of service.

27 "State employee." Any person holding a State office or  
28 position under the Commonwealth, employed by the State  
29 Government of the Commonwealth, in any capacity whatsoever,  
30 except an independent contractor or any person compensated on a

1 fee basis or any person paid directly by an entity other than a  
2 State Employees' Retirement System employer, and shall include  
3 members of the General Assembly, and any officer or employee of  
4 the following:

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

6 (ii) State-owned educational institutions.

7 (iii) Community colleges.

8 (iv) The Pennsylvania State University, except an  
9 employee in the College of Agriculture who is paid wholly  
10 from Federal funds or an employee who is participating in  
11 the Federal Civil Service Retirement System. The  
12 university shall be totally responsible for all employer  
13 contributions under [section] sections 5507 (relating to  
14 contributions to the system by the Commonwealth and other  
15 [employers).] employers before July 1, 2015) and 5507.1  
16 (relating to contributions to the system by the  
17 Commonwealth and other employers commencing July 1,  
18 2015).

19 (2) The Pennsylvania Turnpike Commission, the Delaware  
20 River Port Authority, the Port Authority Transit Corporation,  
21 the Philadelphia Regional Port Authority, the Delaware River  
22 Joint Toll Bridge Commission, the State Public School  
23 Building Authority, The General State Authority, the State  
24 Highway and Bridge Authority, the Delaware Valley Regional  
25 Planning Commission, the Interstate Commission of the  
26 Delaware River Basin, and the Susquehanna River Basin  
27 Commission any time subsequent to its creation, provided the  
28 commission or authority agrees to contribute and does  
29 contribute to the fund or trust, from time to time, the  
30 moneys required to build up the reserves necessary for the



1 payment of the annuities or other benefits of such officers  
2 and employees without any liability on the part of the  
3 Commonwealth to make appropriations for such purposes, and  
4 provided in the case of employees of the Interstate  
5 Commission of the Delaware River Basin, that the employee  
6 shall have been a member of the system for at least ten years  
7 prior to January 1, 1963.

8 (3) Any separate independent public corporation created  
9 by statute, not including any municipal or quasi-municipal  
10 corporation, so long as he remains an officer or employee of  
11 such public corporation, and provided that such officer or  
12 employee of such public corporation was an employee of the  
13 Commonwealth immediately prior to his employment by such  
14 corporation, and further provided such public corporation  
15 shall agree to contribute and contributes to the fund or  
16 trust, from time to time, the moneys required to build up the  
17 reserves necessary for the payment of the annuities or other  
18 benefits of such officers and employees without any liability  
19 on the part of the Commonwealth to make appropriations for  
20 such purposes.

21 "State police officer." Any officer or member of the  
22 Pennsylvania State Police who, on or after July 1, 1989, shall  
23 have been subject to the terms of a collective bargaining  
24 agreement or binding interest arbitration award established  
25 pursuant to the act of June 24, 1968 (P.L.237, No.111), referred  
26 to as the Policemen and Firemen Collective Bargaining Act.

27 "State service." Service converted from county service  
28 pursuant to section 5303.1 (relating to election to convert  
29 county service to State service), converted from school service  
30 pursuant to section 5303.2 (relating to election to convert

1 school service to State service) or rendered as a State  
2 employee.

3 "Statutory interest." Interest at 4% per annum, compounded  
4 annually.

5 "Subclass W member." A State employee who is a member of  
6 Subclass A-W, Subclass AA-W, Subclass A-3W, Subclass A-4W,  
7 Subclass D-4W, Subclass E-1W or Subclass E-2W.

8 "Subclass W service." Service performed or credited as a  
9 member of Subclass A-W, Subclass AA-W, Subclass A-3W, Subclass  
10 A-4W, Subclass D-4W, Subclass E-1W or Subclass E-2W.

11 "Subclass X member." A State employee who is a member of  
12 Subclass A-X, Subclass A-3X or Subclass A-4X.

13 "Subclass X service." Service performed or credited as a  
14 member of Subclass A-X, Subclass A-3X or Subclass A-4X.

15 "Subclass Y member." A State employee who is a member of  
16 Subclass AA-Y, Subclass D-4Y, Subclass E-1Y or Subclass E-2Y.

17 "Subclass Y service." Service performed or credited as a  
18 member of Subclass AA-Y, Subclass D-4Y, Subclass E-1Y or  
19 Subclass E-2Y.

20 "Subclass Z member." A State employee who is a member of  
21 Subclass AA-Z, Subclass D-4Z, Subclass E-1Z or Subclass E-2Z.

22 "Subclass Z service." Service performed or credited as a  
23 member of Subclass AA-Z, Subclass D-4Z, Subclass E-1Z or  
24 Subclass E-2Z.

25 "Successor payee." The person or persons last designated in  
26 writing to the board by a participant receiving distributions to  
27 receive one or more distributions upon the death of the  
28 participant.

29 "Superannuation age." For classes of service in the system  
30 other than Class A-3 and Class A-4, any age upon accrual of 35

1 eligibility points or age 60, except for a member of the General  
2 Assembly, an enforcement officer, a correction officer, a  
3 psychiatric security aide, a Delaware River Port Authority  
4 policeman or an officer of the Pennsylvania State Police, age  
5 50, and, except for a member with Class G, Class H, Class I,  
6 Class J, Class K, Class L, Class M or Class N service, age 55  
7 upon accrual of 20 eligibility points. For Class A-3 and Class  
8 A-4 service, any age upon attainment of a superannuation score  
9 of 92, provided the member has accrued 35 eligibility points, or  
10 age 65, or for park rangers or capitol police officers, age 55  
11 with 20 years of service as a park ranger or capitol police  
12 officer, except for a member of the General Assembly, an  
13 enforcement officer, a correction officer, a psychiatric  
14 security aide, a Delaware River Port Authority policeman or an  
15 officer of the Pennsylvania State Police, age 55. A vestee with  
16 Class A-3 or Class A-4 service credit attains superannuation age  
17 on the birthday the vestee attains the age resulting in a  
18 superannuation score of 92, provided that the vestee has at  
19 least 35 eligibility points, or attains another applicable  
20 superannuation age, whichever occurs first.

21 "Superannuation annuitant." An annuitant whose annuity first  
22 became payable on or after the attainment of superannuation age  
23 and who is not a disability annuitant.

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

30 "Survivor annuitant." The person or persons last designated

1 by a member under a joint and survivor annuity option to receive  
2 an annuity upon the death of such member.

3 "System." The State Employees' Retirement System of  
4 Pennsylvania as established by the act of June 27, 1923  
5 (P.L.858, No.331), and codified by the act of June 1, 1959  
6 (P.L.392, No.78) and the provisions of this part.

7 "Total accumulated deductions." The sum of the regular  
8 accumulated deductions, additional accumulated deductions, the  
9 social security integration accumulated deductions, shared-risk  
10 member contributions and all other contributions paid into the  
11 fund for the purchase, transfer or conversion of credit for  
12 service or other coverage together with all statutory interest  
13 credited thereon until the date of termination of service. In  
14 the case of a vestee or a special vestee, statutory interest  
15 shall be credited until the effective date of retirement. A  
16 member's account shall not be credited with statutory interest  
17 for more than two years during a leave without pay.

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

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

29 "Valuation interest." Interest at 5 1/2% per annum  
30 compounded annually and applied to all accounts of the fund

1 other than the members' savings account.

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

11 "Voluntary contributions." Contributions made by a  
12 participant to the trust and credited to his individual  
13 investment account in excess of his mandatory pickup participant  
14 contributions, by salary deductions paid through the  
15 Commonwealth or other employer, or by an eligible rollover or  
16 direct trustee-to-trustee transfer.

17 Section 302. Section 5103 of Title 71 is amended to read:  
18 § 5103. Notice to members and participants.

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

28 Section 303. Title 71 is amended by adding a section to  
29 read:

30 § 5104. Reference to State Employees' Retirement System.

1     (a) Construction.--As of the effective date of this section,  
2 unless the context clearly indicates otherwise, any reference to  
3 the State Employees' Retirement System in a statutory provision  
4 other than this part and 24 Pa.C.S. Pt. IV (relating to  
5 retirement for school employees) shall include a reference to  
6 the State Employees' Defined Contribution Plan and any reference  
7 to the State Employees' Retirement Fund shall include a  
8 reference to the State Employees' Defined Contribution Trust.

9     (b) Agreement.--The agreement of an employer listed in the  
10 definition of "State employee" or any other law to make  
11 contributions to the fund or to enroll its employees as members  
12 in the system shall be deemed to be an agreement to make  
13 contributions to the trust or to enroll its employees in the  
14 plan.

15     Section 304. Section 5301 heading, (a), (b), (c) and (d) of  
16 Title 71 are amended and the section is amended by adding  
17 subsections to read:

18 § 5301. Mandatory and optional membership in the system and  
19 participation in the plan.

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

- 24         (1) Governor.
- 25         (2) Lieutenant Governor.
- 26         (3) Members of the General Assembly.
- 27         (4) Heads or deputy heads of administrative departments.
- 28         (5) Members of any independent administrative board or  
29         commission.
- 30         (6) Members of any departmental board or commission.

- 1 (7) Members of any advisory board or commission.
- 2 (8) Secretary to the Governor.
- 3 (9) Budget Secretary.
- 4 (10) Legislative employees.
- 5 (11) School employees who have elected membership in the  
6 Public School Employees' Retirement System.
- 7 (12) School employees who have elected membership in an  
8 independent retirement program approved by the employer,  
9 provided that in no case, except as hereinafter provided,  
10 shall the employer contribute on account of such elected  
11 membership at a rate greater than the employer normal  
12 contribution rate as determined in section 5508(b) (relating  
13 to actuarial cost method for fiscal years ending before July  
14 1, 2015). For the fiscal year 1986-1987 an employer may  
15 contribute on account of such elected membership at a rate  
16 which is the greater of 7% or the employer normal  
17 contribution rate as determined in section 5508(b) and for  
18 the fiscal year 1992-1993 and all fiscal years after that at  
19 a rate of 9.29%.
- 20 (13) Persons who have elected to retain membership in  
21 the retirement system of the political subdivision by which  
22 they were employed prior to becoming eligible for membership  
23 in the State Employees' Retirement System.
- 24 (14) Persons who are not members of the system and are  
25 employed on a per diem or hourly basis for less than 100 days  
26 or 750 hours in a 12-month period.
- 27 (15) Employees of the Philadelphia Regional Port  
28 Authority who have elected to retain membership in the  
29 pension plan or retirement system in which they were enrolled  
30 as employees of the predecessor Philadelphia Port Corporation

1 prior to the creation of the Philadelphia Regional Port  
2 Authority.

3 (16) Employees of the Juvenile Court Judges' Commission  
4 who, before the effective date of this paragraph, were  
5 transferred from the State System of Higher Education to the  
6 Juvenile Court Judges' Commission as a result of an  
7 interagency transfer of staff approved by the Office of  
8 Administration and who, while employees of the State System  
9 of Higher Education, had elected membership in an independent  
10 retirement program approved by the employer.

11 (17) State employees whose most recent period of State  
12 service starts on or after January 1, 2015. For purposes of  
13 this paragraph and section 5955(c) and (e) (relating to  
14 construction of part), a State employee who is furloughed  
15 under section 802 of the act of August 5, 1941 (P.L.752,  
16 No.286), known as the Civil Service Act, and reemployed  
17 pursuant to the Civil Service Act in any class of service or  
18 civil service status which was previously held shall not be  
19 treated as having a break in State service.

20 (a.1) Mandatory participation in the plan.--

21 (1) State employees listed in subsection (a)(17) who are  
22 not listed in subsection (a)(1) through (13) shall be  
23 mandatory participants as of the most recent effective date  
24 of State service without regard to whether or not they are  
25 combined service employees.

26 (2) State employees listed in subsection (a)(17) who are  
27 employees of The Pennsylvania State University, the State  
28 System of Higher Education, State-owned educational  
29 institutions or community colleges and who are members of the  
30 system or participants in the plan shall be mandatory



1 participants as of the most recent effective date of State  
2 service.

3 (b) Optional membership in the system.--The State employees  
4 listed in subsection (a)(1) through (11) shall have the right to  
5 elect membership in the system before January 1, 2015; once such  
6 election is exercised, membership shall continue until the  
7 termination of State service or until the State employee elects  
8 to be a participant in the plan.

9 (b.1) Optional participation in the plan.--The State  
10 employees listed in subsection (b) who do not elect membership  
11 in the system before January 1, 2015, and State employees listed  
12 in subsection (a)(17) who also are listed in subsection (a)(1)  
13 through (10) or who also are employees of The Pennsylvania State  
14 University, the State System of Higher Education, State-owned  
15 educational institutions or community colleges and who are not  
16 members of the system or participants in the plan shall have the  
17 right to elect participation in the plan; once such election is  
18 exercised, participation shall be effective as of the date of  
19 election and shall continue until the termination of State  
20 service.

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

25 (c.1) Prohibited participation in the plan.--The State  
26 employees listed in subsection (a)(17) who also are listed in  
27 subsection (a)(13) and (15) shall not be eligible to participate  
28 in the plan.

29 (d) Return to service.--

30 (1) An annuitant who returns to service as a State

1 employee before January 1, 2015, shall resume active  
2 membership in the system as of the effective date of  
3 employment, except as otherwise provided in section 5706(a)  
4 (relating to termination of annuities), regardless of the  
5 optional membership category of the position.

6 (2) An annuitant, inactive participant or a participant  
7 receiving distributions who returns to service as a State  
8 employee on or after January 1, 2015, shall be an active  
9 participant in the plan as of the effective date of  
10 employment unless the position is eligible for optional  
11 participation or is not eligible for participation in the  
12 plan, or except as otherwise provided in section 5706(a).

13 \* \* \*

14 Section 305. Sections 5302(a), (b), (e) and (f) and 5303(b),  
15 (d) (1) and (e) (1) and (4) of Title 71, amended or added October  
16 24, 2012 (P.L.1436, No.181), are amended to read:

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 to the fund solely by reason of section 5502.1  
25 (relating to waiver of regular member contributions and Social  
26 Security integration member contributions) or any provision of  
27 this part relating to the limitations under IRC § 401(a) (17) or  
28 415(b) or a provision of this part limiting compensation or  
29 contributions applicable to a Subclass X member, Subclass Y  
30 member or Subclass Z member, but in no case shall he receive

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

23 (b) Creditable leaves of absence.--

24 (1) A member on leave without pay who is studying under  
25 a Federal grant approved by the head of his department or who  
26 is engaged up to a maximum of two years of temporary service  
27 with the United States Government, another state or a local  
28 government under the Intergovernmental Personnel Act of 1970  
29 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall  
30 be eligible for credit for such service: Provided, That

1 contributions are made in accordance with sections 5501  
2 (relating to regular member contributions for current  
3 service), 5501.1 (relating to shared-risk member  
4 contributions for Class A-3 and Class A-4 service), 5505.1  
5 (relating to additional member contributions) [and], 5507  
6 (relating to contributions to the system by the Commonwealth  
7 and other employers before July 1, 2015) and 5507.1 (relating  
8 to contributions to the system by the Commonwealth and other  
9 employers commencing July 1, 2015), the member returns from  
10 leave without pay to active State service as a member of the  
11 system for a period of at least one year, and he is not  
12 entitled to retirement benefits for such service under a  
13 retirement system administered by any other governmental  
14 agency.

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

1 fully compensate the member or active participant, including,  
2 but not limited to, salary, wages, pension and retirement  
3 contributions and benefits, other benefits and seniority, as  
4 if he were in full-time active service; and that the  
5 Statewide employee organization shall fully reimburse the  
6 employer for all expenses and costs of such paid leave,  
7 including, but not limited to, contributions and payment in  
8 accordance with [sections] section 5404 (relating to  
9 participant contributions), 5405 (relating to mandatory  
10 pickup participant contributions), 5406 (relating to employer  
11 defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or  
12 5507.1, if the employee organization either directly pays, or  
13 reimburses the Commonwealth or other employer for,  
14 contributions made in accordance with [section] sections  
15 5404, 5405, 5406, 5507 and 5507.1.

16 \* \* \*

17 (e) Cancellation of credited service.--All credited service  
18 in the system shall be cancelled if a member withdraws his total  
19 accumulated deductions, except that a member with Class A-3 or  
20 Class A-4 service credit and one or more other classes of  
21 service credit shall not have his service credit as a member of  
22 any classes of service other than as a member of Class A-3 or  
23 Class A-4 cancelled when the member receives a lump sum payment  
24 of accumulated deductions resulting from Class A-3 or Class A-4  
25 service pursuant to section 5705.1 (relating to payment of  
26 accumulated deductions resulting from Class A-3 and Class A-4  
27 service). A partial or total distribution of accumulated total  
28 defined contributions to a combined service employee shall not  
29 cancel service credited in the system.

30 (f) Credit for military service.--A State employee who has

1 performed USERRA leave may receive credit in the system or  
2 participate in the plan as follows:

3 (1) For purposes of determining whether a member is  
4 eligible to receive credited service in the system for a  
5 period of active military service, other than active duty  
6 service to meet periodic training requirements, rendered  
7 after August 5, 1991, and that began before the effective  
8 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73  
9 (relating to military leave of absence) shall apply to all  
10 individuals who were active members of the system when the  
11 period of military service began, even if not defined as an  
12 employee pursuant to 51 Pa.C.S. § 7301 (relating to  
13 definitions).

14 (1.1) State employees may not receive service credit in  
15 the system or exercise the options under 51 Pa.C.S. § 7306  
16 (relating to retirement rights) for military leaves that  
17 begin on or after the effective date of this subsection,  
18 except as otherwise provided by this subsection.

19 (1.2) State employees may not participate in the plan or  
20 exercise the options under 51 Pa.C.S. § 7306 for military  
21 leaves that begin on or after the effective date of this  
22 paragraph, except as otherwise provided by this subsection.

23 (2) A State employee who has performed USERRA leave may  
24 receive credit in the system as provided by this paragraph.  
25 The following shall apply:

26 (i) A State employee who is reemployed from USERRA  
27 leave as an active member of the system shall be treated  
28 as not having incurred a break in State service by reason  
29 of the USERRA leave and shall be granted eligibility  
30 points as if the State employee had not been on the

1 USERRA leave. If a State employee who is reemployed from  
2 USERRA leave as an active member of the system  
3 subsequently makes regular member contributions,  
4 additional member contributions, Social Security  
5 integration member contributions, shared-risk member  
6 contributions and any other member contributions in the  
7 amounts and in the time periods required by 38 U.S.C. Ch.  
8 43 (relating to employment and reemployment rights of  
9 members of the uniformed services) and IRC § 414(u) as if  
10 the State employee had continued in State office or  
11 employment and performed State service and was  
12 compensated during the period of USERRA leave, then the  
13 State employee shall be granted State service credit for  
14 the period of USERRA leave. The State employee shall have  
15 the State employee's benefits, rights and obligations  
16 determined under this part as if the State employee was  
17 an active member who performed creditable State service  
18 during the USERRA leave in the job position that the  
19 State employee would have held had the State employee not  
20 been on USERRA leave and received the compensation on  
21 which the member contributions to receive State service  
22 credit for the USERRA leave were determined.

23 (ii) For purposes of determining whether a State  
24 employee has made the required employee contributions for  
25 State service credit for USERRA leave, if an employee who  
26 is reemployed from USERRA leave as an active member of  
27 the system terminates State service or dies in State  
28 service before the expiration of the allowed payment  
29 period, then State service credit for the USERRA leave  
30 will be granted as if the required member contributions

1 were paid the day before termination or death. The amount  
2 of the required member contributions will be treated as  
3 an incomplete payment subject to the provisions of  
4 section 5506 (relating to incomplete payments). Upon a  
5 subsequent return to State service or to school service  
6 as a multiple service member, the required member  
7 contributions treated as incomplete payments shall be  
8 treated as member contributions that were either  
9 withdrawn in a lump sum at termination or paid as a lump  
10 sum pursuant to section 5705(a)(4) or (a.1) (relating to  
11 member's options), as the case may be.

12 (iii) A State employee who is reemployed from USERRA  
13 leave as an active member of the system who does not make  
14 the required member contributions or makes only part of  
15 the required member contributions within the allowed  
16 payment period shall not be granted credited service for  
17 the period of USERRA leave for which the required member  
18 contributions were not timely made, shall not be eligible  
19 to subsequently make contributions and shall not be  
20 granted either State service credit or nonstate service  
21 credit for the period of USERRA leave for which the  
22 required member contributions were not timely made.

23 (2.1) (i) A participant who is reemployed from USERRA  
24 leave shall be treated as not having incurred a break in  
25 State service by reason of the USERRA leave and shall be  
26 granted vesting credit as if the participant had not been  
27 on USERRA leave. If a participant who is reemployed from  
28 USERRA leave subsequently makes mandatory pickup  
29 participant contributions in the amounts and in the time  
30 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as



1 if the participant had continued in his State office or  
2 employment and performed State service and been  
3 compensated during the period of USERRA leave, the  
4 participant's employer shall make the corresponding  
5 employer defined contributions. Such an employee shall  
6 have his contributions, benefits, rights and obligations  
7 determined under this part as if he were an active  
8 participant who performed State service during the USERRA  
9 leave in the job position that he would have held had he  
10 not been on USERRA leave and received the compensation on  
11 which the mandatory pickup participant contributions to  
12 receive State service credit for the USERRA leave were  
13 determined, including the right to make voluntary  
14 contributions on such compensation as permitted by law.

15 (ii) A participant who is reemployed from USERRA  
16 leave who does not make the mandatory pickup participant  
17 contributions or makes only part of the mandatory pickup  
18 participant contributions within the allowed payment  
19 period shall not be eligible to make mandatory pickup  
20 participant contributions or voluntary contributions at a  
21 later date for the period of USERRA leave for which the  
22 mandatory pickup participant contributions were not  
23 timely made.

24 (3) A State employee who is a member of the system and  
25 performs USERRA leave from which the employee could have been  
26 reemployed from USERRA leave had the State employee returned  
27 to State service in the time frames required by 38 U.S.C. Ch.  
28 43 for reemployment rights, but did not do so, shall be able  
29 to receive creditable nonstate service as nonintervening  
30 military service for the period of USERRA leave should the

1 employee later return to State service as an active member of  
2 the system and is otherwise eligible to purchase the service  
3 as nonintervening military service.

4 (3.1) A State employee who is a participant in the plan  
5 and performs USERRA leave from which the employee could have  
6 been reemployed from USERRA leave had the employee returned  
7 to State service in the time frames required by 38 U.S.C. Ch.  
8 43 for reemployment rights, but did not do so, shall not be  
9 eligible to make mandatory pickup participant contributions  
10 or voluntary contributions for the period of USERRA leave  
11 should the employee later return to State service and be a  
12 participant in the plan.

13 (4) [A State employee] An active member or inactive  
14 member on leave without pay who on or after the effective  
15 date of this subsection is granted a leave of absence under  
16 51 Pa.C.S. § 4102 (relating to leaves of absence for certain  
17 government employees) or a military leave under 51 Pa.C.S.  
18 Ch. 73, that is not USERRA leave shall be able to receive  
19 creditable nonstate service as nonintervening military  
20 service should the employee return to State service as an  
21 active member of the system and is otherwise eligible to  
22 purchase the service as nonintervening military service.

23 (4.1) An active participant or inactive participant on  
24 leave without pay who on or after the effective date of this  
25 paragraph is granted a leave of absence under 51 Pa.C.S. §  
26 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not  
27 USERRA leave shall not be able to make mandatory pickup  
28 participant contributions or voluntary contributions during  
29 or for the leave of absence or military leave and shall not  
30 have employer defined contributions made during such leave,

1 without regard to whether or not the State employee received  
2 salary, wages, stipends, differential wage payments or other  
3 payments from his employer during the leave, notwithstanding  
4 any provision to the contrary under 51 Pa.C.S. § 4102 or 51  
5 Pa.C.S. Ch. 73.

6 (5) If a member dies while performing USERRA leave, then  
7 the beneficiaries or survivor annuitants, as the case may be,  
8 of the deceased member are entitled to any additional  
9 benefits, including eligibility points, other than benefit  
10 accruals relating to the period of qualified military  
11 service, provided under this part had the member resumed and  
12 then terminated employment on account of death.

13 (5.1) If a participant dies while performing USERRA  
14 leave, the beneficiaries or successor payees of the deceased  
15 participant are entitled to any additional benefits, other  
16 than benefit accruals relating to the period of qualified  
17 military service, provided under this part had the  
18 participant resumed and then terminated employment on account  
19 of death.

20 (6) A State employee who is on a leave of absence from  
21 his duties as a State employee for which 51 Pa.C.S. § 4102  
22 provides that he is not to suffer a loss of pay, time or  
23 efficiency rating shall not be an active member, receive  
24 service credit or make member contributions for the leave of  
25 absence, except as provided for in this part. Notwithstanding  
26 this paragraph, any pay the member receives pursuant to 51  
27 Pa.C.S. § 4102 shall be included in the determination of  
28 final average salary and other calculations in the system  
29 utilizing compensation as if the payments were compensation  
30 under this part.

1 § 5303. Retention and reinstatement of service credits.

2 \* \* \*

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

4 (1) Every active member of the system or a multiple  
5 service member who is a school employee and a member of the  
6 Public School Employees' Retirement System on or after the  
7 effective date of this part shall receive eligibility points  
8 in accordance with section 5307 for current State service,  
9 previous State service, or creditable nonstate service upon  
10 compliance with sections 5501 (relating to regular member  
11 contributions for current service), 5501.1 (relating to  
12 shared-risk contributions for Class A-3 and Class A-4  
13 service), 5504 (relating to member contributions for the  
14 purchase of credit for previous State service or to become a  
15 full coverage member), 5505 (relating to contributions for  
16 the purchase of credit for creditable nonstate service),  
17 5505.1 (relating to additional member contributions) or 5506  
18 (relating to incomplete payments). Subject to the limitations  
19 in sections 5306.1 (relating to election to become a Class AA  
20 member) and 5306.2 (relating to elections by members of the  
21 General Assembly), the class or classes of service in which  
22 the member may be credited for previous State service prior  
23 to the effective date of this part shall be the class or  
24 classes in which he was or could have at any time elected to  
25 be credited for such service, except that a State employee  
26 who first becomes a member of the system on or after January  
27 1, 2011, or on or after December 1, 2010, as a member of the  
28 General Assembly and:

29 (i) is credited with Class A-3 service for such  
30 membership, shall be credited only with Class A-3 service

1 for previous State service performed before January 1,  
2 2011, that was not previously credited in the system; or  
3 (ii) is credited with Class A-4 service for such  
4 membership, shall be credited only with Class A-4 service  
5 for previous State service performed before January 1,  
6 2011, that was not previously credited in the system.

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

11 (1.1) Every active member of the system who elects to  
12 convert county service to State service pursuant to section  
13 5303.1 (relating to election to convert county service to  
14 State service) shall receive eligibility points in accordance  
15 with section 5307 for converted county service upon  
16 compliance with section 5303.1(b). The class or classes of  
17 service in which the member may be credited for converted  
18 county service shall be determined in accordance with section  
19 5306(c).

20 (1.2) Every member of the system who elects to convert  
21 school service to State service pursuant to section 5303.2  
22 (relating to election to convert school service to State  
23 service) shall receive eligibility points in accordance with  
24 section 5307 for converted school service. The class or  
25 classes of service in which the member may be credited for  
26 converted school service shall be determined in accordance  
27 with section 5306(d).

28 (1.3) A member of the system who is reemployed from  
29 USERRA leave or who dies while performing USERRA leave shall  
30 receive eligibility points in accordance with section 5307

1 for the State service that would have been performed had the  
2 member not performed USERRA leave.

3 (1.4) Notwithstanding paragraph (1):

4 (i) If previous State service is being credited, then  
5 the previous State service shall be credited as Subclass  
6 W service of the appropriate class if it was previously  
7 credited, or is being credited, before January 1, 2015.

8 (ii) If previous State service is first credited in  
9 the system on or after January 1, 2015, then it shall be  
10 credited as either Subclass X service or Subclass Y  
11 service unless the member elects to be a member of  
12 Subclass Z of the appropriate class of service.

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

24 (3) A special vestee or person otherwise eligible to be  
25 a special vestee who becomes an active member of the Public  
26 School Employees' Retirement System and elects multiple  
27 service shall receive or retain eligibility points as  
28 otherwise provided for in this part and 24 Pa.C.S. Pt. IV  
29 (relating to retirement for school employees) but upon  
30 subsequent termination of school service shall only be

1 eligible to be an annuitant, vestee or inactive member as  
2 otherwise eligible as a multiple service member without  
3 regard to previous status as a special vestee and without  
4 regard to the provisions of this part providing for special  
5 vestees.

6 \* \* \*

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

8 (1) Any person who was an employee of any county in this  
9 Commonwealth on the personal staff of an appellate court  
10 judge prior to September 9, 1985, and who had that employment  
11 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703  
12 (relating to local chamber facilities) shall be a member of  
13 the system for all service rendered as an employee of the  
14 Commonwealth on the personal staff of an appellate court  
15 judge subsequent to the date of the transfer unless  
16 specifically prohibited pursuant to section 5301(c) (relating  
17 to mandatory and optional membership in the system and  
18 participation in the plan). The employee shall be entitled to  
19 have any prior service credit in that county or other  
20 municipal pension plan or retirement system transferred to  
21 the system and deemed to be State service for all purposes  
22 under this part. However, for those employees who were in  
23 continuous county employment which commenced prior to July  
24 22, 1983, section 5505.1 shall not apply. The transfer of  
25 prior service credit to the system shall occur upon the  
26 transfer, by the member, county or other municipal pension  
27 plan or retirement system, to the system of the amount of  
28 accumulated member contributions, pick-up contributions and  
29 credited interest standing in the employee's county or  
30 municipal pension plan or retirement system account as of the

1 date that these funds are transferred to the system. In the  
2 event that these funds have been refunded to the member, the  
3 transfer of service credit shall occur when the member  
4 transfers an amount equal to either the refund which the  
5 member received from the county or municipal pension plan or  
6 retirement system or the amount due under section 5504, if  
7 less. In the case of a transfer by the member, the transfer  
8 shall occur by December 31, 1987, in order for the member to  
9 receive credit for the prior service. In the case of a  
10 transfer by the county or other municipal pension plan or  
11 retirement system, the transfer shall also occur by December  
12 31, 1987. If the amount transferred to the system by the  
13 member of a county or municipal pension plan or retirement  
14 system is greater than the amount that would have accumulated  
15 in the member's account if the employee had been a member of  
16 the system, all excess funds shall be returned to the  
17 employee within 90 days of the date on which such funds are  
18 credited to the member's account in the system. Within 60  
19 days of receipt of written notice that an employee has  
20 elected to transfer credits under the provisions of this  
21 subsection, the county or other municipal pension plans or  
22 retirement systems shall be required to transfer to the  
23 system an amount, excluding contributions due under section  
24 5504(a), equal to the liability of the prior service in  
25 accordance with county or other municipal pension plan or  
26 retirement system benefit provisions, multiplied by the ratio  
27 of system actuarial value of assets for active members to the  
28 system actuarial accrued liability for active members. The  
29 Public Employee Retirement Study Commission shall determine  
30 the appropriate amount of employer contributions to be



1 transferred to the system by the county or other municipal  
2 pension plans or retirement systems.

3 \* \* \*

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

6 (1) Any employee of the Philadelphia Regional Port  
7 Authority who becomes a State employee, as defined in section  
8 5102 (relating to definitions), and an active member of the  
9 system shall be eligible to obtain retirement credit for  
10 prior uncredited service with the Philadelphia Port  
11 Corporation, a Pennsylvania not-for-profit corporation  
12 ("predecessor corporation"), provided that the Commonwealth  
13 does not incur any liability for the funding of the annuities  
14 attributable to the prior, uncredited "predecessor  
15 corporation" service, the cost of which shall be determined  
16 according to paragraph (2).

17 \* \* \*

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

26 \* \* \*

27 Section 306. Sections 5303.2(a) and (e), 5304(a), (b) and  
28 (c.1), 5305(b) (3) and 5305.1 of Title 71 are amended to read:  
29 § 5303.2. Election to convert school service to State service.

30 (a) Eligibility.--An active member or inactive member on

1 leave without pay who was an employee transferred from the  
2 Department of Education to the Department of Corrections  
3 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,  
4 No.175), known as The Administrative Code of 1929, and who on  
5 the effective date of that transfer did not participate in an  
6 independent retirement program approved by the Department of  
7 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory  
8 and optional membership) or section 5301(a)(12) (relating to  
9 mandatory and optional membership in the system and  
10 participation in the plan), notwithstanding any other provision  
11 of law or any collective bargaining agreement, arbitration  
12 award, contract or term or conditions of any retirement system  
13 or pension plan, may make a one-time election to convert all  
14 service credited in the Public School Employees' Retirement  
15 System as of June 30, 1999, and transfer to the system all  
16 accumulated member contributions and statutory interest credited  
17 in the members' savings account in the Public School Employees'  
18 Retirement System as of June 30, 1999, plus statutory interest  
19 on that amount credited by the Public School Employees'  
20 Retirement System from July 1, 1999, to the date of transfer to  
21 the system.

22 \* \* \*

23 (e) Transfer.--Within 180 days after the effective date of  
24 this subsection, the Public School Employees' Retirement System  
25 shall transfer to the board for each member electing to convert  
26 under this section the accumulated member contributions and  
27 statutory interest credited in the Public School Employees'  
28 Retirement System, plus an amount equal to the value of all  
29 annual employer contributions made to the Public School  
30 Employees' Retirement System with interest at the annual rate

1 adopted by the board for the calculation of the normal  
2 contribution rate under section 5508(b) (relating to actuarial  
3 cost method for fiscal years ending before July 1, 2015), from  
4 the date of each contribution to the date of the transfer of the  
5 funds to the board. Any debt owed by a member to the Public  
6 School Employees' Retirement System for whatever reason shall be  
7 transferred to the system and shall be paid in a manner and in  
8 accordance with conditions prescribed by the board.

9 \* \* \*

10 § 5304. Creditable nonstate service.

11 (a) Eligibility.--

12 (1) An active member who first becomes an active member  
13 before January 1, 2011, or before December 1, 2010, as a  
14 member of the General Assembly, or a multiple service member  
15 who first becomes an active member before January 1, 2011, or  
16 before December 1, 2010, as a member of the General Assembly,  
17 and who is a school employee and an active member of the  
18 Public School Employees' Retirement System shall be eligible  
19 for Class A service credit for creditable nonstate service as  
20 set forth in subsections (b) and (c) except that intervening  
21 military service shall be credited in the class of service  
22 for which the member was eligible at the time of entering  
23 into military service and for which he makes the required  
24 contributions to the fund and except that a multiple service  
25 member who is a school employee and an active member of the  
26 Public School Employees' Retirement System shall not be  
27 eligible to purchase service credit for creditable nonstate  
28 service set forth in subsection (c) (5).

29 (2) An active member who first becomes an active member  
30 on or after January 1, 2011, or on or after December 1, 2010,

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

16 \* \* \*

17 (b) Limitations on eligibility.--An active member or a  
18 multiple service member who is a school employee and an active  
19 member of the Public School Employees' Retirement System shall  
20 be eligible to receive credit for nonstate service provided that  
21 he does not have credit for such service in the system or in the  
22 school system and is not entitled to receive, eligible to  
23 receive now or in the future, or is receiving retirement  
24 benefits for such service in the system or under a retirement  
25 system administered and wholly or partially paid for by any  
26 other governmental agency or by any private employer, or a  
27 retirement program approved by the employer in accordance with  
28 section 5301(a) (12) (relating to mandatory and optional  
29 membership in the system and participation in the plan), and  
30 further provided, that such service is certified by the previous

1 employer and contributions are agreed upon and made in  
2 accordance with section 5505 (relating to contributions for the  
3 purchase of credit for creditable nonstate service).

4 \* \* \*

5 (c.1) Nonstate service exception.--Notwithstanding the  
6 limitations on eligibility enumerated in subsection (c)(3), any  
7 person who was an officer or employee in the Office of the  
8 Chancellor of the State System of Higher Education at any time  
9 between July 1, 1983, and August 4, 1991, inclusive, and was an  
10 active member during that period or has continued as an active  
11 member without interruption of service since August 4, 1991,  
12 shall be eligible to purchase creditable nonstate service under  
13 this section, subject to the same terms, conditions and  
14 limitations, including the calculation of the amount and method  
15 of paying for the purchase, as was enjoyed by officers and  
16 employees of the Department of Education between July 1, 1983,  
17 and August 4, 1991, except that any purchase made on or after  
18 January 1, 2015, shall be in the subclass of service provided  
19 under section 5306 (relating to classes of service). Service  
20 rendered in the Chancellor's Office for purposes of the purchase  
21 of creditable nonstate service under this subsection shall be  
22 deemed to be service as an officer or employee in the Department  
23 of Education.

24 \* \* \*

25 § 5305. Social security integration credits.

26 \* \* \*

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

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

10 \* \* \*

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

14 \* \* \*

15 § 5305.1. Eligibility for actuarial increase factor.

16 A person who is:

17 (1) an active member;

18 (2) an inactive member on leave without pay; [or]

19 (3) a multiple service member who is a school employee  
20 and an active member of the Public School Employees'  
21 Retirement System; or

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

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

1 Section 307. Section 5306(a), (a.1)(2), (6) and (7), (a.2),  
2 (a.3) and (b) of Title 71 are amended, (a.1) is amended by  
3 adding a paragraph and the section is amended by adding a  
4 subsection to read:

5 § 5306. Classes of service.

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

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

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

1 to be an optional participant of the plan under section 5301  
2 (relating to mandatory and optional membership in the system  
3 and participation in the plan).

4 (3) (i) On the effective date of this paragraph Class A  
5 service credit and membership shall be divided into and  
6 comprised of the following subclasses: Subclass A-W  
7 service credit and membership and Subclass A-X service  
8 credit and membership.

9 (ii) All Class A State service performed before  
10 January 1, 2015, for which member contributions are made  
11 and all Class A nonstate service credit shall be credited  
12 as Subclass A-W service, except that previous State  
13 service and creditable non-State service that were not  
14 first credited before January 1, 2015, shall not be  
15 credited as Subclass A-W service if first credited on or  
16 after January 1, 2015. State service and non-State  
17 service previously credited as Class A before January 1,  
18 2015, but not credited on December 31, 2014, because a  
19 member withdrew accumulated deductions under sections  
20 5311 (relating to eligibility for refunds) or 5701  
21 (relating to return of total accumulated deductions)  
22 shall be credited as Subclass A-W if the credit is  
23 reinstated under section 5303 (relating to retention and  
24 reinstatement of service credits) on or after January 1,  
25 2015.

26 (iii) All previously uncredited State service and  
27 creditable non-State service that is first credited on or  
28 after January 1, 2015, as Class A service and all Class A  
29 service performed on or after January 1, 2015, shall be  
30 credited as Subclass A-X service, except that any State



1 service credited as Class A service by a member who is  
2 reemployed from USERRA leave who has made the member  
3 contributions under section 5302(f) (relating to credited  
4 State service) to receive State service credit for the  
5 USERRA leave shall be credited as Subclass A-W if  
6 credited for a period of USERRA leave performed before  
7 January 1, 2015.

8 (4) (i) On the effective date of this paragraph Class  
9 A-3 service credit and membership shall be divided into  
10 and comprised of the following subclasses: Subclass A-3W  
11 service credit and membership and Subclass A-3X service  
12 credit and membership.

13 (ii) All Class A-3 State service performed before  
14 January 1, 2015, for which member contributions are made  
15 and all Class A-3 non-State service credit shall be  
16 credited as Subclass A-3W service, except that previous  
17 State service and creditable non-State service that was  
18 not first credited before January 1, 2015, shall not be  
19 credited as Subclass A-3W service if first credited on or  
20 after January 1, 2015. State service and non-State  
21 service previously credited as Class A-3 before January  
22 1, 2015, but not credited on December 31, 2014, because a  
23 member withdrew accumulated deductions under sections  
24 5311 or 5701 shall be credited as Subclass A-3W if the  
25 credit is reinstated under section 5303 on or after  
26 January 1, 2015.

27 (iii) All previously uncredited State service and  
28 creditable non-State service that is first credited on or  
29 after January 1, 2015, as Class A-3 service, and all  
30 Class A-3 service performed on or after January 1, 2015,

1       shall be credited as Subclass A-3X service, except that  
2       any State service credited as Class A-3 service by a  
3       member who is reemployed from USERRA leave who has made  
4       the member contributions under section 5302(f) to receive  
5       State service credit for the USERRA leave shall be  
6       credited as Subclass A-3W if credited for a period of  
7       USERRA leave performed before January 1, 2015.

8       (a.1) Class AA membership.--

9           \* \* \*

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

30           \* \* \*

1           (6) A State employee who after June 30, 2001, becomes a  
2 State police officer or who is employed in a position in  
3 which the member could elect membership in the system in a  
4 class of service other than Class AA or Class D-4 shall  
5 retain any Class AA service credited prior to becoming a  
6 State police officer or being so employed but shall be  
7 ineligible to receive Class AA credit thereafter and instead  
8 shall receive Class A credit for service as a member of the  
9 judiciary if such judicial service begins before January 1,  
10 2015, or if he first became a member before January 1, 2011,  
11 or December 1, 2010, as a member of the General Assembly, or  
12 Class A-3 credit for service other than as a member of the  
13 judiciary if the nonjudicial service begins before January 1,  
14 2015, and he first became a member on or after January 1,  
15 2011, or December 1, 2010, as a member of the General  
16 Assembly, unless a class of membership other than Class A is  
17 elected.

18           (7) (i) State service performed as Class A service  
19 before July 1, 2001, and State service for which Class A  
20 service could have been credited but was not credited  
21 because membership in the system was optional or  
22 prohibited pursuant to section 5301 shall be credited as  
23 Class AA service only upon the completion of all acts  
24 necessary for the State service to be credited as Class A  
25 service had this subsection not been enacted and upon  
26 payment of required Class AA member contributions as  
27 provided in section 5504 (relating to member  
28 contributions for the purchase of credit for previous  
29 State service or to become a full coverage member).

30           (ii) A person who is not a State employee or a

1 school employee on June 30, 2001, and July 1, 2001, and  
2 who has previous State service (except a disability  
3 annuitant who returns to State service after June 30,  
4 2001, upon termination of the disability annuity) shall  
5 not receive Class AA service credit for State service  
6 performed before July 1, 2001, until such person becomes  
7 an active member, or an active member of the Public  
8 School Employees' Retirement System and a multiple  
9 service member, and earns three eligibility points by  
10 performing credited State service or credited school  
11 service after June 30, 2001. This Class AA service credit  
12 shall be credited as Subclass AA-W service credit  
13 regardless of the date the required three eligibility  
14 points are finally earned unless it is first credited on  
15 or after January 1, 2015.

16 (8) (i) On the effective date of this paragraph Class  
17 AA service credit and membership shall be divided into  
18 and comprised of the following subclasses: Subclass AA-W  
19 service credit and membership, Subclass AA-Y service  
20 credit and membership and Subclass AA-Z service credit  
21 and membership.

22 (ii) All Class AA service performed before January  
23 1, 2015, for which member contributions are made shall be  
24 credited as Subclass AA-W service, except that previous  
25 State service that was not first credited before January  
26 1, 2015, shall not be credited as Subclass AA-W service  
27 if first credited on or after January 1, 2015. State  
28 service previously credited as Class AA before January 1,  
29 2015, but not credited on December 31, 2014, because a  
30 member withdrew accumulated deductions under sections

1 5311 or 5701 shall be credited as Subclass AA-W if the  
2 credit is reinstated under section 5303 on or after  
3 January 1, 2015.

4 (iii) All previously uncredited State service that  
5 is first credited on or after January 1, 2015, as Class  
6 AA service, and all Class AA service performed on or  
7 after January 1, 2015, shall be credited as Subclass AA-Y  
8 service provided that the Class AA member has not elected  
9 to be a member of Subclass AA-Z under section 5306.4  
10 (relating to election to become a Subclass Z member),  
11 except that any State service credited as Class AA  
12 service by a member who is reemployed from USERRA leave  
13 who has made the member contributions under section  
14 5302(f) to receive State service credit for the USERRA  
15 leave shall be credited as Class AA-W if credited for a  
16 period of USERRA leave performed before January 1, 2015.

17 (iv) A Class AA member who elects to be a member of  
18 Subclass AA-Z under section 5306.4 shall have all Class  
19 AA service that otherwise would be credited as Subclass  
20 AA-Y service credited as Subclass AA-Z service.

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

23 (1) A person who:

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

27 (ii) is a member of the General Assembly on July 1,  
28 2001, but is not an active member of the system because  
29 membership in the system is optional pursuant to section  
30 5301 and who becomes an active member after June 30,

1           2001, and before December 1, 2010;  
2           and who was not a State police officer on or after July 1,  
3           1989, shall be classified as a Class D-4 member and receive  
4           credit as a Class D-4 member for all State service as a  
5           member of the system performed as a member of the General  
6           Assembly upon payment of regular member contributions for  
7           Class D-4 service and, subject to the limitations contained  
8           in subsection (a.1)(7), if previously a member of Class A or  
9           employed in a position for which Class A service could have  
10          been earned, shall receive Class AA service credit for all  
11          Class A State service, other than State service performed as  
12          a State police officer or for which a class of service other  
13          than Class A or Class D-4 was or could have been elected or  
14          credited.

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

1 A, performed before July 1, 2001.

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

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

22 (5) (i) On the effective date of this paragraph, Class  
23 D-4 service credit and membership shall be divided into  
24 and comprised of the following subclasses: Subclass D-4W  
25 service credit and membership, Subclass D-4Y service  
26 credit and membership and Subclass D-4Z service credit  
27 and membership.

28 (ii) All Class D-4 service performed before January  
29 1, 2015, for which member contributions are made shall be  
30 credited as Subclass D-4W service, except that previous

1 State service that was not first credited before January  
2 1, 2015, shall not be credited as Subclass D-4W service  
3 if first credited on or after January 1, 2015. State  
4 service previously credited as Class D-4 before January  
5 1, 2015, but not credited on December 31, 2014, because a  
6 member withdrew accumulated deductions under sections  
7 5311 or 5701 shall be credited as Subclass D-4W if the  
8 credit is reinstated under section 5303 on or after  
9 January 1, 2015.

10 (iii) All previously uncredited State service that  
11 is first credited on or after January 1, 2015, as Class  
12 D-4 service, and all Class D-4 service performed on or  
13 after January 1, 2015, shall be credited as Subclass D-4Y  
14 service provided that the Class D-4 member has not  
15 elected to be a member of Subclass D-4Z under section  
16 5306.4, except that any State service credited as Class  
17 D-4 service by a member who is reemployed from USERRA  
18 leave who has made the member contributions under section  
19 5302(f) to receive State service credit for the USERRA  
20 leave shall be credited as Class D-4W if credited for a  
21 period of USERRA leave performed before January 1, 2015.

22 (iv) A Class D-4 member who elects to be a member of  
23 Subclass D-4Z under section 5306.4 shall have all Class  
24 D-4 service that otherwise would be credited as Subclass  
25 D-4Y service credited as Subclass D-4Z service.

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

27 (1) Provided that an election to become a Class A-4  
28 member is made pursuant to section 5306.3 (relating to  
29 election to become a Class A-4 member), a State employee who  
30 otherwise would be a member of Class A-3 shall be classified



1 as a Class A-4 member and receive Class A-4 credit for all  
2 creditable State service performed after the effective date  
3 of membership in the system, except as a member of the  
4 judiciary, upon payment of regular member contributions and  
5 shared-risk member contributions for Class A-4 service.

6 (2) (i) On the effective date of this paragraph, Class  
7 A-4 service credit and membership shall be divided into  
8 and comprised of the following subclasses: Subclass A-4W  
9 service credit and membership and Subclass A-4X service  
10 credit and membership.

11 (ii) All Class A-4 State service performed before  
12 January 1, 2015, for which member contributions are made  
13 shall be credited as Subclass A-4W service, except that  
14 previous State service that was not first credited before  
15 January 1, 2015, shall not be credited as Subclass A-4W  
16 service if first credited on or after January 1, 2015.  
17 State service previously credited as Class A-4 before  
18 January 1, 2015, but not credited on December 31, 2014,  
19 because a member withdrew accumulated deductions under  
20 sections 5311 or 5701 shall be credited as Subclass A-4W  
21 if the credit is reinstated under section 5303 on or  
22 after January 1, 2015.

23 (iii) All previously uncredited State service that  
24 is first credited on or after January 1, 2015, as Class  
25 A-4 service, and all Class A-4 service performed on or  
26 after January 1, 2015, shall be credited as Subclass A-4X  
27 service, except that any State service credited as Class  
28 A-4 service by a member who is reemployed from USERRA  
29 leave who has made the member contributions under section  
30 5302(f) to receive State service credit for the USERRA

1 leave shall be credited as Subclass A-4W if credited for  
2 a period of USERRA leave performed before January 1,  
3 2015.

4 (b) Other class membership.--

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

11 (2) Notwithstanding any other provision of this section,  
12 a State employee who is appointed bail commissioner of the  
13 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a) (5)  
14 (relating to jurisdiction and venue) and is eligible to be a  
15 member of the system as a bail commissioner may, within 30  
16 days of the effective date of this sentence or within 30 days  
17 of his initial appointment as a bail commissioner, whichever  
18 is later, elect Class E-2 service credit for service  
19 performed as a bail commissioner. This class of service  
20 multiplier for E-2 service as a bail commissioner shall be  
21 1.5[.] until December 31, 2014, and thereafter shall be as  
22 provided in this part.

23 (3) (i) On the effective date of this paragraph, Class  
24 E-1 service credit and membership shall be divided into  
25 and comprised of the following subclasses: Subclass E-1W  
26 service credit and membership, Subclass E-1Y service  
27 credit and membership and Subclass E-1Z service credit  
28 and membership.

29 (ii) All Class E-1 service performed before January  
30 1, 2015, for which member contributions are made shall be

1 credited as Subclass E-1W service, except that previous  
2 State service that was not first credited before January  
3 1, 2015, shall not be credited as Subclass E-1W service  
4 if first credited on or after January 1, 2015. State  
5 service previously credited as Class E-1 before January  
6 1, 2015, but not credited on December 31, 2014, because a  
7 member withdrew accumulated deductions under sections  
8 5311 or 5701 shall be credited as Subclass E-1W if the  
9 credit is reinstated under section 5303 on or after  
10 January 1, 2015.

11 (iii) All previously uncredited State service that  
12 is first credited on or after January 1, 2015, as Class  
13 E-1 service, and all Class E-1 service performed on or  
14 after January 1, 2015, shall be credited as Subclass E-1Y  
15 service provided that the Class E-1 member has not  
16 elected to be a member of Subclass E-1Z under section  
17 5306.4, except that any State service credited as Class  
18 E-1 service by a member who is reemployed from USERRA  
19 leave who has made the member contributions under section  
20 5302(f) to receive State service credit for the USERRA  
21 leave shall be credited as Class E-1W if credited for a  
22 period of USERRA leave performed before January 1, 2015.

23 (iv) A Class E-1 member who elects to be a member of  
24 Subclass E-1Z under section 5306.4 shall have all Class  
25 E-1 service that otherwise would be credited as Subclass  
26 E-1Y service credited as Subclass E-1Z service.

27 (4) (i) On the effective date of this paragraph, Class  
28 E-2 service credit and membership shall be divided into  
29 and comprised of the following subclasses: Subclass E-2W  
30 service credit and membership, Subclass E-2Y service

1 credit and membership and Subclass E-2Z service credit  
2 and membership.

3 (ii) All Class E-2 service performed before January  
4 1, 2015, for which member contributions are made shall be  
5 credited as Subclass E-2W service, except that previous  
6 State service that was not first credited before January  
7 1, 2015, shall not be credited as Subclass E-2W service  
8 if first credited on or after January 1, 2015. State  
9 service previously credited as Class E-2 before January  
10 1, 2015, but not credited on December 31, 2014, because a  
11 member withdrew accumulated deductions under sections  
12 5311 or 5701 shall be credited as Subclass E-2W if the  
13 credit is reinstated under section 5303 on or after  
14 January 1, 2015.

15 (iii) All previously uncredited State service that  
16 is first credited on or after January 1, 2015, as Class  
17 E-2 service, and all Class E-2 service performed on or  
18 after January 1, 2015, shall be credited as Subclass E-2Y  
19 service provided that the Class E-2 member has not  
20 elected to be a member of Subclass E-2Z under section  
21 5306.4, except that any State service credited as Class  
22 E-2 service by a member who is reemployed from USERRA  
23 leave who has made the member contributions under section  
24 5302(f) to receive State service credit for the USERRA  
25 leave shall be credited as Class E-2W if credited for a  
26 period of USERRA leave performed before January 1, 2015.

27 (iv) A Class E-2 member who elects to be a member of  
28 Subclass E-2Z under section 5306.4 shall have all Class  
29 E-2 service that otherwise would be credited as Subclass  
30 E-2Y service credited as Subclass E-2Z service.

1           (5) A member of the judiciary who is a member of Class A  
2 on January 1, 2015, and subsequently elects to be a Class E-1  
3 member or Class E-2 member for service as a member of the  
4 judiciary shall have Subclass A-W State service performed as  
5 a member of the judiciary credited as either Class E-1W  
6 service or Class E-2W service as applicable, upon making the  
7 required member contributions. Any Subclass A-X State service  
8 performed as a member of the judiciary shall be credited as  
9 Subclass E-1Y or Subclass E-2Y service upon making the  
10 required member contributions unless the member of the  
11 judiciary elects to be a member of Subclass Z.

12           \* \* \*

13           (e) Ineligibility for active membership and classes of  
14 service.--An individual who elects to be a participant in the  
15 plan or who is a State employee on January 1, 2015, but is not a  
16 member of the system or who first becomes a State employee on or  
17 after January 1, 2015, or who returns to State service after a  
18 termination of State service, without regard to whether the  
19 termination occurred before or after January 1, 2015, shall be  
20 ineligible for active membership in the system or the several  
21 classes of State service as otherwise provided for under this  
22 section. Any such State employee, if eligible, may be a  
23 participant in the plan as a result of such State service.

24           Section 308. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and  
25 (d) of Title 71 are amended to read:

26 § 5306.1. Election to become a Class AA member.

27           \* \* \*

28           (c) Effect of election.--An election to become a Class AA  
29 member shall become effective the later of July 1, 2001, or the  
30 date when the election is filed with the board and shall remain

1 in effect until the termination of employment or election to be  
2 a participant in the plan. Upon termination and a subsequent  
3 reemployment that occurs before January 1, 2015, the member's  
4 class of service shall be credited in the class of service  
5 otherwise provided for in this part. If the reemployment occurs  
6 on or after January 1, 2015, the State employee's eligibility  
7 for membership in the system or participation in the plan shall  
8 be as provided in this part.

9 \* \* \*

10 § 5306.2. Elections by members of the General Assembly.

11 \* \* \*

12 (b) Effect of election.--Membership as a Class D-4 member  
13 shall become effective on July 1, 2001, and shall remain in  
14 effect until the termination of service as a member of the  
15 General Assembly or election to be a participant in the plan.  
16 Upon termination and a subsequent reemployment that occurs  
17 before January 1, 2015, the member's class of service shall be  
18 credited in the class of service otherwise provided for in this  
19 part. If the reemployment occurs on or after January 1, 2015,  
20 the State employee's eligibility for membership in the system or  
21 participation in the plan shall be as provided in this part.

22 \* \* \*

23 § 5306.3. Election to become a Class A-4 member.

24 \* \* \*

25 (c) Effect of election.--An election to become a Class A-4  
26 member shall be irrevocable and shall become effective on the  
27 effective date of membership in the system and shall remain in  
28 effect for all future [creditable] State service creditable in  
29 the system, other than service performed as a member of the  
30 judiciary, but shall not apply to service performed after a

1 termination of State service and a reemployment when the  
2 reemployment occurs on or after January 1, 2015. Payment of  
3 regular member contributions for Class A-4 State service  
4 performed prior to the election of Class A-4 membership shall be  
5 made in a form, manner and time determined by the board. Upon  
6 termination of State service and a subsequent reemployment  
7 before January 1, 2015, a member who elected Class A-4  
8 membership shall be credited as a Class A-4 member for  
9 creditable State service performed after reemployment and before  
10 the next termination of State service or election to be a  
11 participant, except as a member of the judiciary, regardless of  
12 termination of employment, termination of membership by  
13 withdrawal of accumulated deductions or status as an annuitant,  
14 vestee or inactive member after the termination of service and  
15 before reemployment occurring before January 1, 2015.

16 (d) Effect of failure to make election.--Failure to elect to  
17 become a Class A-4 member within the election period set forth  
18 in subsection (b) shall result in all of the member's State  
19 service, other than service performed as a member of the  
20 judiciary, being credited as Class A-3 service, unless the State  
21 employee elects or is required to be a participant in the plan,  
22 and not subject to further election or crediting as Class A-4  
23 service. Upon termination and subsequent employment, a member  
24 who failed to elect to become a Class A-4 member shall not be  
25 eligible to make another election to become a Class A-4 member  
26 for either past or future State service.

27 Section 309. Title 71 is amended by adding a section to  
28 read:

29 § 5306.4. Election to become a Subclass Z member.

30 (a) General rule.--An active member or inactive member on

1 leave without pay who otherwise would be a Subclass Y member may  
2 make a one-time and irrevocable election to become a Subclass Z  
3 member of his applicable class of service instead of a Subclass  
4 Y member of his applicable class of service.

5 (b) Time for making election.--The election by a State  
6 employee who is an active member or inactive member on leave  
7 without pay of Class AA, Class D-4, Class E-1 or Class E-2 on  
8 January 1, 2015, to become a Subclass Z member of his applicable  
9 class of service must be made by the member filing written  
10 notice with the board in a form and manner determined by the  
11 board before July 1, 2015, before the member terminates State  
12 service or elects to be a participant in the plan, whichever  
13 occurs first. The election period for a State employee who was  
14 not an active member or inactive member on leave without pay of  
15 Class AA, Class D-4, Class E-1 or Class E-2 on January 1, 2015,  
16 who later becomes an active member of one of those classes of  
17 service shall end on the later of June 30, 2015, or 45 days  
18 after first becoming an active member of Class AA, Class D-4,  
19 Class E-1 or Class E-2 but not later than the earlier of the  
20 employee's date of termination of service or election to be a  
21 participant in the plan. A State employee who is eligible to  
22 elect to become a Subclass Z member who begins USERRA leave  
23 during the election period without having elected Subclass Z  
24 membership may make the election by the later of July 1, 2015,  
25 or 181 days after being reemployed from USERRA leave.

26 (c) Effect of election.--

27 (1) An election to become a Subclass Z member shall be  
28 effective on the following date:

29 (i) January 1, 2015, if filed before January 1,  
30 2015;



1           (ii) January 1, 2015, if filed on or after January  
2           1, 2015, by a State employee who was an active member or  
3           inactive member on leave without pay on January 1, 2015;  
4           or

5           (iii) The date the member was first eligible to file  
6           the election, if filed on or after January 1, 2015, by a  
7           member who was not an active member or inactive member on  
8           leave without pay of Class AA, Class D-4, Class E-1 or  
9           Class E-2 on January 1, 2015, but later becomes a member  
10           of one of those classes.

11           (2) An election to become a Subclass Z member shall  
12           result in the member paying an additional 6.05% of  
13           compensation as regular member contributions if the member is  
14           an active member performing service as a State police officer  
15           after December 31, 2014.

16           (d) Election irrevocable.--An election to be a Subclass Z  
17           member shall be irrevocable, even if filed before January 1,  
18           2015, and shall remain in effect for all subsequent State  
19           service creditable in the system as Class AA, Class D-4, Class  
20           E-1 and Class E-2 service without regard to the member's class  
21           of service when the election was filed. Payment of regular  
22           member contributions for Subclass Z State service performed  
23           prior to the election of Subclass Z membership plus statutory  
24           interest from the effective date of Subclass Z membership to the  
25           date of payment shall be made in a form, manner and time  
26           determined by the board under section 5504(b) (relating to  
27           member contributions for the purchase of credit for previous  
28           State service or to become a full coverage member).

29           (e) Effect of failure to make election.--Failure to elect to  
30           become a Subclass Z member within the election period set forth

1 in subsection (b) shall result in all of the member's Class AA  
2 service, Class D-4 service, Class E-1 service and Class E-2  
3 service not credited as Subclass W service being credited as  
4 Subclass Y service and not subject to further election or  
5 crediting as Subclass Z service and shall result in the member  
6 not being able to elect to pay an additional 6.05% of  
7 compensation as regular member contributions for any service as  
8 a State police officer after December 31, 2014. Upon leaving  
9 employment as a Class AA member, Class D-4 member, Class E-1  
10 member or Class E-2 member and subsequent employment as a member  
11 of any of those classes of service, a member who failed to elect  
12 to become a Subclass Z member shall not be eligible to make  
13 another election to become a Subclass Z member for either past  
14 or future State service.

15 Section 310. Sections 5307(b) and 5308(a) and (b) of Title  
16 71, amended October 24, 2012 (P.L.1436, No.181), are amended to  
17 read:

18 § 5307. Eligibility points.

19 \* \* \*

20 (b) Transitional rule.--

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

1 earned by performing credited State service as an active  
2 member of the system, USERRA leave or credited school service  
3 as an active member of the Public School Employees'  
4 Retirement System after June 30, 2001, shall be counted until  
5 such member earns one eligibility point by performing  
6 credited State service or credited school service after June  
7 30, 2001, at which time all eligibility points as determined  
8 pursuant to subsection (a) shall be counted.

9 (2) Any member to whom paragraph (1) applies shall be  
10 considered to have satisfied any requirement for five  
11 eligibility points contained in this part if the member:

12 (i) has ten or more eligibility points as determined  
13 pursuant to subsection (a); or

14 (ii) has Class G, Class H, Class I, Class J, Class  
15 L, Class M or Class N service and has eight or more  
16 eligibility points as determined pursuant to subsection  
17 (a).

18 § 5308. Eligibility for annuities.

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

29 (b) Withdrawal annuity.--

30 (1) Any vestee or any active member [or], inactive

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

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

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

1 points resulting from service in classes other than Class A-3  
2 or Class A-4 or Class T-E or Class T-F service in the Public  
3 School Employees' Retirement System.

4 \* \* \*

5 Section 311. Sections 5308.1(1) and 5311(a) of Title 71 are  
6 amended to read:

7 § 5308.1. Eligibility for special early retirement.

8 Notwithstanding any provisions of this title to the contrary,  
9 the following special early retirement provisions shall be  
10 applicable to specified eligible members as follows:

11 (1) During the period of July 1, 1985, to September 30,  
12 1991, an active member who has attained the age of at least  
13 53 years and has accrued at least 30 eligibility points shall  
14 be entitled, upon termination of State service and compliance  
15 with section 5907(f) (relating to rights and duties of State  
16 employees [and], members and participants), to receive a  
17 maximum single life annuity calculated under section 5702  
18 (relating to maximum single life annuity) without a reduction  
19 by virtue of an effective date of retirement which is under  
20 the superannuation age.

21 \* \* \*

22 § 5311. Eligibility for refunds.

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

27 \* \* \*

28 Section 312. Title 71 is amended by adding a chapter to  
29 read:

30 CHAPTER 54

1                   STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

2   Sec.

3   5401. Establishment.

4   5402. Plan document.

5   5403. Individual investment accounts.

6   5404. Participant contributions.

7   5405. Mandatory pickup participant contributions.

8   5406. Employer defined contributions.

9   5407. Eligibility for benefits.

10   5408. Death benefits.

11   5409. Vesting.

12   5410. Termination of distributions.

13   5411. Agreements with financial institutions and other  
14                   organizations.

15   5412. Powers and duties of board.

16   5413. Responsibility for investment loss.

17   5414. Investments based on participants' investment allocation  
18                   choices.

19   5415. Expenses.

20   5416. Election by members to be participants.

21   5417. Tax qualification.

22   § 5401. Establishment.

23       (a) State Employees' Defined Contribution Plan.--The State  
24   Employees' Defined Contribution Plan is established. The board  
25   shall administer and manage the plan which shall be a defined  
26   contribution plan exclusively for the benefit of those State  
27   employees who participate in the plan and their beneficiaries  
28   within the meaning of and in conformity with IRC § 401(a). The  
29   board shall determine the terms and provisions of the plan not  
30   inconsistent with this part, IRC or other applicable law and

1 shall provide for the plan's administration.

2 (b) State Employees' Defined Contribution Trust.--The State  
3 Employees' Defined Contribution Trust is established as part of  
4 the plan. The trust shall be comprised of the individual  
5 investment accounts and all assets and moneys in those accounts.  
6 The members of the board shall be the trustees of the trust,  
7 which shall be administered exclusively for the benefit of those  
8 State employees who participate in the plan and their  
9 beneficiaries within the meaning of and in conformity with IRC §  
10 401(a). The board shall determine the terms and provisions of  
11 the trust not inconsistent with this part, IRC or other  
12 applicable law and shall provide for the investment and  
13 administration of the trust.

14 (c) Assets held in trust.--All assets and income in the plan  
15 that have been or shall be withheld or contributed by the  
16 participants, the Commonwealth and other employers in accordance  
17 with this part shall be held in trust in any funding vehicle  
18 permitted by the applicable provisions of IRC for the exclusive  
19 benefit of the participants and their beneficiaries until such  
20 time as the funds are distributed to the participants or their  
21 beneficiaries in accordance with the terms of the plan document.  
22 The assets of the plan held in trust for the exclusive benefit  
23 of the participants and their beneficiaries may be used for the  
24 payment of the fees, costs and expenses related to the  
25 administration and investment of the plan and the trust.

26 (d) Name for transacting business.--All of the business of  
27 the plan shall be transacted, the trust invested, all  
28 requisitions for money drawn and payments made and all of its  
29 cash and securities and other property shall be held by the name  
30 of the "State Employees' Defined Contribution Plan."

1 Notwithstanding any other law to the contrary, the board may  
2 establish a nominee registration procedure for the purpose of  
3 registering securities in order to facilitate the purchase, sale  
4 or other disposition of securities pursuant to the provisions of  
5 this part.

6 § 5402. Plan document.

7 The board shall set forth the terms and provisions of the  
8 plan and trust in a document containing the terms and conditions  
9 of the plan and in a trust declaration that shall be published  
10 in the Pennsylvania Bulletin. The creation of the document  
11 containing the terms and conditions of the plan and the trust  
12 declaration and the establishment of the terms and provisions of  
13 the plan and the trust need not be promulgated by regulation or  
14 formal rulemaking and shall not be subject to the act of July  
15 31, 1968 (P.L.769, No.240), referred to as the Commonwealth  
16 Documents Law. A reference in this part or other law to the plan  
17 shall include the plan document unless the context clearly  
18 indicates otherwise.

19 § 5403. Individual investment accounts.

20 The board shall establish in the trust an individual  
21 investment account for each participant in the plan. All  
22 contributions by a participant or an employer for or on behalf  
23 of a participant shall be credited to the participant's  
24 individual investment account, together with all interest and  
25 investment earnings and losses. Investment and administrative  
26 fees, costs and expenses shall be charged to the participants'  
27 individual investment accounts. Employer defined contributions  
28 shall be recorded and accounted for separately from participant  
29 contributions, but all interest, investment earnings and losses,  
30 and investment and administrative fees, costs and expenses shall



1 be allocated proportionately.

2 § 5404. Participant contributions.

3 (a) Mandatory contributions.--A participant shall make  
4 mandatory pickup participant contributions through payroll  
5 deductions to the participant's individual investment account  
6 equal to 6.25% of compensation for current State service. The  
7 employer shall cause those contributions for current service to  
8 be made and deducted from each payroll or on such schedule as  
9 established by the board.

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

18 (c) Prohibited contributions.--No contributions may be  
19 allowed that would cause a violation of the limitations related  
20 to contributions applicable to governmental plans contained in  
21 IRC § 415 or in other provisions of law. In the event that any  
22 disallowed contributions are made, any participant contributions  
23 in excess of the limitations and investment earnings on those  
24 contributions shall be refunded to the participant by the board.

25 § 5405. Mandatory pickup participant contributions.

26 (a) Treatment for purposes of IRC § 414(h).--The  
27 contributions to the trust required to be made under section  
28 5404(a) (relating to participant contributions) with respect to  
29 current State service rendered by an active participant shall be  
30 picked up by the Commonwealth or other employer and shall be

1 treated as the employer's contribution for purposes of IRC §  
2 414(h). After the effective date of this section, an employer  
3 employing a participant in the plan shall pick up the required  
4 mandatory participant contributions by a reduction in the  
5 compensation of the participant.

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

11 § 5406. Employer defined contributions.

12 (a) Contributions for current service.--The Commonwealth or  
13 other employer of an active participant shall make employer  
14 defined contributions for current service of an active  
15 participant that shall be credited to the active participant's  
16 individual investment account. Employer defined contributions  
17 shall be recorded and accounted for separately from participant  
18 contributions.

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

1 part.

2 (c) Limitations on contributions.--No contributions may be  
3 allowed that 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 on the contributions shall be refunded to the employer  
9 by the board.

10 § 5407. Eligibility for benefits.

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

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

30 (c) Married participant.--A participant who is married may

1 receive a lump sum distribution or other distribution directly  
2 from the board without the consent of the participant's spouse  
3 unless the plan document provides otherwise.

4 (d) Combined service employee.--A participant who is a  
5 combined service employee must be terminated from all positions  
6 that result in either membership in the system or participation  
7 in the plan to be eligible to receive a distribution.

8 (e) Loans.--Loans or other distributions, including hardship  
9 or unforeseeable emergency distributions, from the plan to State  
10 employees who have not terminated State service are not  
11 permitted, except as required by law.

12 (f) Small individual investment accounts.--

13 (1) A participant who terminates State service and whose  
14 vested accumulated total defined contributions are below the  
15 threshold established by law as of the date of termination of  
16 service may be paid the vested accumulated total defined  
17 contributions in a lump sum as provided in IRC § 401(a)(31).

18 (2) The board may also provide in the plan document  
19 that, notwithstanding subsection (g), a participant whose  
20 vested accumulated employer defined contributions are below  
21 the thresholds established by the board may receive those  
22 distributions without the obligation to purchase an annuity.  
23 The threshold may be established as a dollar amount, an  
24 annuity amount, in some other form individually or in  
25 combination as the board determines.

26 (g) Requirement to purchase annuity.--Except as prohibited  
27 by the IRC or as otherwise provided in this part, a participant  
28 who is eligible and elects to receive a distribution or vested  
29 accumulated employer defined contributions shall be required to  
30 purchase an annuity with that distribution from an annuity

1 provider contracted by the board under section 5408(c) (relating  
2 to death benefits) and under such conditions as provided in the  
3 plan document. The conditions may include that the board is  
4 authorized to make the distribution directly to the annuity  
5 provider.

6 § 5408. Death benefits.

7 (a) General rule.--In the event of the death of an active  
8 participant or inactive participant, the board shall pay to the  
9 participant's beneficiary the vested balance in the  
10 participant's individual investment account in a lump sum or in  
11 such other manner as the board may establish in the plan  
12 document.

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

23 (c) Contracts.--The board may contract with financial  
24 institutions, insurance companies or other types of third-party  
25 providers to allow participants who receive a lump sum  
26 distribution to receive payments and death benefits in a form  
27 and manner as provided by the contract. These contracts may, but  
28 are not required to, provide that any payment and death benefit  
29 options for a married former participant be in the form of a  
30 joint and survivor annuity unless the spouse consents to another

1 payment option.

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

6 § 5409. Vesting.

7 (a) Participant and voluntary contributions.--Subject to the  
8 forfeiture and attachment provisions of section 5953 (relating  
9 to taxation, attachment and assignment of funds) or otherwise as  
10 provided by law, a participant shall be vested with respect to  
11 all mandatory pickup participant contributions and voluntary  
12 contributions paid by or on behalf of the participant to the  
13 trust in addition to interest and investment gains or losses on  
14 the participant contributions but not including investment fees  
15 and administrative charges.

16 (b) Employer defined contributions.--

17 (1) Subject to the forfeiture and attachment provisions  
18 of section 5953 or otherwise as provided by law, a  
19 participant shall be vested with respect to all employer  
20 defined contributions paid to the participant's individual  
21 investment account in the trust in addition to interest and  
22 investment gains and losses on the employer defined  
23 contributions but not including investment fees and  
24 administrative charges according to the following schedule:

25 (i) during the first and second year of State  
26 service as a participant in the plan, 0%;

27 (ii) at the second year until the third year of  
28 State service as a participant in the plan, 50%;

29 (iii) at the third year until the fourth year of  
30 State service as a participant in the plan, 75%;

1           (iv) at and after the fourth year of State service  
2 as a participant in the plan, 100%.

3 (2) The board shall establish in the plan document:

4           (i) How the required time periods of State service  
5 in the plan are determined and calculated.

6           (ii) The effect of periods that State employees  
7 spend on paid leave or leave without pay on the  
8 determination of a participant's vested status in the  
9 plan.

10           (iii) The effect of termination of State service or  
11 distributions from the plan on a participant's vested  
12 status in the plan.

13           (iv) Other terms and conditions for the  
14 implementation and administration of this section.

15           (3) Nonvested employer defined contributions and the  
16 interest and investment gains and losses on the nonvested  
17 employer defined contributions that are not distributable to  
18 a participant are credited to the participant's most recent  
19 employer's future obligation assessed under section 5509  
20 (relating to appropriations and assessments by the  
21 Commonwealth).

22           (c) USERRA leave and vesting credit.--A participant in the  
23 plan who is reemployed from USERRA leave or who dies while  
24 performing USERRA leave shall receive vesting credit under this  
25 section for the State service that would have been performed had  
26 the member not performed USERRA leave.

27 § 5410. Termination of distributions.

28           (a) Return to State service.--

29           (1) A participant receiving distributions or an inactive  
30 participant who returns to State service shall cease

1 receiving distributions and shall not be eligible to receive  
2 distributions until the participant subsequently terminates  
3 State service, without regard to whether the participant is a  
4 mandatory, optional or prohibited member of the system or  
5 participant in the plan.

6 (2) This subsection shall not apply to a distribution of  
7 accumulated employer defined contributions or other  
8 distributions that the participant has received and used to  
9 purchase an annuity from a provider contracted by the board.

10 (b) Return of benefits paid during USERRA leave.--

11 (1) If a former State employee is reemployed from USERRA  
12 leave and received any payments or annuity from the plan  
13 during the USERRA leave, the employee shall return to the  
14 board the amount so received plus interest as provided in the  
15 plan document.

16 (2) The amount payable shall be certified in each case  
17 by the board in accordance with methods approved by the  
18 actuary and shall be paid in a lump sum within 30 days or in  
19 the case of an active participant may be amortized with  
20 interest as provided in the plan document through salary  
21 deductions to the trust in amounts agreed upon by the active  
22 participant and the board, but for not longer than a period  
23 that starts with the date of reemployment and continues for  
24 up to three times the length of the active participant's  
25 immediate past period of USERRA leave. The repayment period  
26 shall not exceed five years.

27 § 5411. Agreements with financial institutions and other  
28 organizations.

29 To establish and administer the plan, the board may enter  
30 into written agreements with one or more financial institutions



1 or other organizations relating to the plan's administration and  
2 investment of funds held pursuant to the plan.

3 § 5412. Powers and duties of board.

4 The board shall have the following powers and duties to  
5 establish the plan and trust and administer the provisions of  
6 this chapter and part:

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

9 (2) The board shall pay all administrative fees, costs  
10 and expenses of managing, investing and administering the  
11 plan, the trust and the individual investment accounts from  
12 the balance of such individual investment accounts except as  
13 the General Assembly otherwise provides by appropriations  
14 from the General Fund.

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

18 (4) The board shall have the power to change the terms  
19 of the plan as may be necessary to maintain the tax-qualified  
20 status of the plan.

21 (5) The board may establish a process for election to  
22 participate in the plan by those State employees for whom  
23 participation is not mandatory.

24 (6) The board may perform an annual or more frequent  
25 review of any qualified fund manager for the purpose of  
26 assuring that the fund manager continues to meet all  
27 standards and criteria established.

28 (7) The board may allow for eligible rollovers and  
29 direct trustee-to-trustee transfers into the trust from  
30 qualified plans of other employers, regardless of whether the

1 employers are a private employers or public employers.

2 (8) The board may allow a former participant to maintain  
3 the participant's individual investment account within the  
4 plan.

5 (9) The board shall administer the plan in compliance  
6 with the qualifications and other rules of the IRC.

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

9 (11) The board shall determine what constitutes a  
10 termination of State service.

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

14 (13) The board may establish procedures in the plan  
15 document or to promulgate rules and regulations as it deems  
16 necessary for the administration and management of the plan,  
17 including, but not limited to, establishing:

18 (i) Procedures for eligible participants to change  
19 voluntary contribution amounts or their investment  
20 choices on a periodic basis or make other elections  
21 regarding their participation in the plan.

22 (ii) Procedures for deducting mandatory pickup  
23 participant contributions and voluntary contributions  
24 from a participant's compensation.

25 (iii) Procedures for rollovers and trustee-to-  
26 trustee transfers allowed under the IRC and permitted as  
27 part of the plan.

28 (iv) Standards and criteria for disclosing and  
29 providing not less than ten options to eligible  
30 individuals regarding investments of amounts deferred

1 under the plan, provided that one of the available  
2 options must serve as the default option for participants  
3 who do not make a timely election and that, to the extent  
4 commercially available, one option must have an annuity  
5 investment feature.

6 (v) Standards and criteria for disclosing to the  
7 participants the anticipated and actual income  
8 attributable to amounts invested, property rights and all  
9 fees, costs and expenses to be made against amounts  
10 deferred to cover the fees, costs and expenses of  
11 administering and managing the plan or trust.

12 (vi) Procedures, standards and criteria for the  
13 making of distributions from the plan upon termination  
14 from employment or death or in other circumstances  
15 consistent with the purpose of the plan.

16 (14) The board may waive any reporting or information  
17 requirement contained in this part if the board determines  
18 that the information is not needed for the administration of  
19 the plan.

20 (15) The board may contract any services and duties in  
21 lieu of staff, except final adjudications and as prohibited  
22 by law. Any duties or responsibilities of the board not  
23 required by law to be performed by the board can be delegated  
24 to a third-party provider subject to appeal to the board.

25 (16) The board may provide that any duties of the  
26 employer or information provided by the participant to the  
27 employer be performed or received directly by the board.

28 (17) The provisions and restrictions of the act of July  
29 2, 2010 (P.L.266, No.44), known as the Protecting  
30 Pennsylvania's Investments Act, shall not apply to the plan

1 or trust or the investments of the plan or trust, but the  
2 board may offer to the plan participants investment vehicles  
3 that would be allowed under the Protecting Pennsylvania's  
4 Investments Act.

5 (18) The board shall ensure that participants are  
6 provided with educational materials about investment options  
7 and choices.

8 § 5413. Responsibility for investment loss.

9 The board, the Commonwealth, an employer or other political  
10 subdivision shall not be responsible for any investment loss  
11 incurred under the plan or for the failure of any investment to  
12 earn any specific or expected return or to earn as much as any  
13 other investment opportunity, whether or not the other  
14 opportunity was offered to participants in the plan.

15 § 5414. Investments based on participants' investment  
16 allocation choices.

17 (a) Investment by participant.--All contributions, interest  
18 and investment earnings shall be invested based on a  
19 participant's investment allocation choices. All investment  
20 allocation choices shall be credited proportionally between  
21 participant contributions and employer defined contributions.  
22 Each participant shall be credited individually with the amount  
23 of contributions, interest and investment earnings.

24 (b) Investment of contributions made by entities other than  
25 the Commonwealth.--Investment of contributions by any  
26 corporation, institution, insurance company or custodial bank  
27 that the board has approved shall not be unreasonably delayed  
28 and in no case may the investment of contributions be delayed  
29 more than 30 days from the date of payroll deduction or the date  
30 voluntary contributions are made to the date that funds are

1 invested. Any interest earned on the funds pending investment  
2 shall be allocated to the Commonwealth and credited to the  
3 individual investment accounts of participants who are then  
4 participating in the plan unless the interest is used to defray  
5 administrative costs and fees that would otherwise be required  
6 to be borne by participants who are then participating in the  
7 plan.

8 § 5415. Expenses.

9 All fees, costs and expenses of administering the plan and  
10 the trust and investing the assets of the trust shall be borne  
11 by the participants and paid from assessments against the  
12 balances of the individual investment accounts as established by  
13 the board, except that for fiscal years ending before July 1,  
14 2015, the fees, costs and expenses of establishing and  
15 administering the plan and the trust shall be paid by the  
16 Commonwealth through annual appropriations from the General  
17 Fund, made on the basis of estimates from the board.

18 § 5416. Election by members to be participants.

19 (a) General rule.--A State employee who is an active member  
20 or inactive member on leave without pay of the system on or  
21 after January 1, 2015, and who is employed in a position that  
22 would otherwise be eligible for participation in the plan may  
23 elect to become a participant in the plan.

24 (b) Time for making election.--An eligible State employee  
25 may elect to become a participant and a combined service  
26 employee at any time before termination of State service by  
27 filing a written election with the board.

28 (c) Effect of election.--The following apply:

29 (1) An election to become a participant shall be  
30 irrevocable. Participation shall be effective at the

1 beginning of the next pay period commencing after the  
2 election is filed with the board.

3 (2) A member who elects to become a participant shall  
4 remain a participant for all future State service.

5 (3) Any prior State or nonstate service credited in the  
6 system shall remain in the class or subclass of service in  
7 which it is credited on the effective date of participation.

8 (4) A combined service employee shall not be eligible to  
9 receive an annuity from the system or a withdrawal of  
10 accumulated deductions until the employee has terminated  
11 State service.

12 (5) A participant shall not be entitled to purchase any  
13 previous State service or creditable nonstate service.

14 (6) The eligibility of a combined service employee for  
15 an annuity from the system and, if eligible, the amount of  
16 the annuity shall be as determined under this part.

17 § 5417. Tax qualification.

18 (a) Required distributions.--All payments pursuant to this  
19 chapter shall start and be made in compliance with the minimum  
20 distribution requirements and incidental death benefit rules of  
21 IRC § 401(a).

22 (b) Limitations.--The following shall apply:

23 (1) (i) Except as provided under subparagraph (ii) and  
24 notwithstanding a provision of this part, a contribution  
25 or benefit related to the plan may not exceed any  
26 limitation under IRC § 415 with respect to governmental  
27 plans which is in effect on the date the contribution or  
28 benefit payment takes effect.

29 (ii) An increase in a limitation under IRC § 415  
30 shall apply to all participants on and after the

1 effective date of this section.

2 (iii) For the purposes of this paragraph, the term  
3 "government plans" shall have the same meaning as the  
4 term has in IRC § 414(d).

5 (2) (i) Except as provided under subparagraph (ii), an  
6 amendment of this part on or after the effective date of  
7 this section that increases contributions or benefits for  
8 active participants, inactive participants or  
9 participants receiving distributions shall not be deemed  
10 to provide for a contribution or benefit in excess of any  
11 limitation, adjusted on or after the effective date of  
12 this section, under IRC § 415 unless specifically  
13 provided by legislation.

14 (ii) Notwithstanding subparagraph (i), an increase  
15 in benefits on or after the effective date of this  
16 section for a participant in the plan shall be authorized  
17 and apply to the fullest extent allowed by law.

18 Section 313. Section 5501 of Title 71 is amended to read:

19 § 5501. Regular member contributions for current service.

20 Regular member contributions shall be made to the fund on  
21 behalf of each active member for current service except for any  
22 period of current service in which the making of such  
23 contributions has ceased solely by reason of section 5502.1  
24 (relating to waiver of regular member contributions and Social  
25 Security integration member contributions) or any provision of  
26 this part relating to the limitations under IRC § 401(a)(17) or  
27 415(b) or any provision of this part limiting compensation or  
28 contributions applicable to a Subclass X member, Subclass Y  
29 member or Subclass Z member.

30 Section 314. Section 5501.1(a) and (b)(7) and (8) of Title

1 71 are amended and subsection (b) is amended by adding a  
2 paragraph to read:

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

5 (a) General.--Shared-risk member contributions shall be made  
6 to the fund on behalf of each member of Class A-3 or Class A-4  
7 for current service credited as Class A-3 or Class A-4 as  
8 provided under this section, except for any period of current  
9 service in which the making of the contributions has ceased  
10 solely by reason of any provision of this part relating to the  
11 limitations under IRC § 401(a)(17) or 415 or any provision of  
12 this part limiting compensation or contributions applicable to a  
13 Subclass X member, Subclass Y member or Subclass Z member.  
14 Shared-risk member contributions shall be credited to the  
15 members' savings account.

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

17 \* \* \*

18 (7) For any fiscal year in which the actual  
19 contributions by the Commonwealth or an employer are lower  
20 than those required to be made under section 5507(d)  
21 [(relating to contributions by the Commonwealth and other  
22 employers)] (relating to contributions to the system by the  
23 Commonwealth and other employers before July 1, 2015) or  
24 5507.1 (relating to contributions to the system by the  
25 Commonwealth and other employers commencing July 1, 2015),  
26 the prospective shared-risk contribution rate for those  
27 employees whose employers are not making the contributions  
28 required by section 5507(d) shall be zero and shall not  
29 subsequently be increased, except as otherwise provided in  
30 this section.



1 (8) If the actuary certifies that the accrued liability  
2 contributions calculated in accordance with the actuarial  
3 cost method provided in [section 5508(b)] section 5508  
4 (relating to actuarial cost method for fiscal years ending  
5 before July 1, 2015) or 5508.1 (relating to actuarial cost  
6 method for fiscal years beginning on or after July 1, 2015),  
7 as adjusted by the experience adjustment factor, are zero or  
8 less, then the shared-risk contribution rate for the next  
9 fiscal year shall be zero and shall not subsequently be  
10 increased, except as otherwise provided in this section.

11 (9) For periods commencing on or after July 1, 2015, the  
12 determination of shared-risk member contribution rate shall  
13 be based on the annual interest rate adopted by the board for  
14 the calculation of the accrued liability contribution rate  
15 under section 5508.1(c) (relating to actuarial cost method  
16 for fiscal years beginning on or after July 1, 2015).

17 Section 315. The definition of "actuarially required  
18 contribution rate" in section 5501.2 of Title 71 is amended to  
19 read:

20 § 5501.2. Definitions.

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

24 "Actuarially required contribution rate." The employer  
25 contribution rate as calculated pursuant to section 5508(a),  
26 (b), (c), (e) and (f) (relating to actuarial cost method for  
27 fiscal years ending before July 1, 2015) or 5508.1(a), (b), (c),  
28 (e) and (f) (relating to actuarial cost method for fiscal years  
29 beginning on or after July 1, 2015).

30 \* \* \*

1 Section 316. Sections 5502, 5503.1(a) and 5504 of Title 71  
2 are amended to read:

3 § 5502. Social Security integration member contributions.

4 Except for any period of current service in which the making  
5 of regular member contributions has ceased solely by reason of  
6 section 5502.1 (relating to waiver of regular member  
7 contributions and Social Security integration member  
8 contributions) or any provision of this part relating to  
9 limitations under IRC § 401(a)(17) or 415(b), contributions  
10 shall be made on behalf of [a] an active member of any class who  
11 prior to March 1, 1974, has elected Social Security integration  
12 coverage. The amount of such contributions shall be 6 1/4% of  
13 that portion of his compensation as an active member in excess  
14 of the maximum wages taxable under the provisions of the Social  
15 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in  
16 addition to the regular member contributions which, after such  
17 election, shall be determined on the basis of the basic  
18 contribution rate of 5% and the additional member contribution  
19 of 1 1/4%: Provided, That a member may elect to discontinue  
20 Social Security integration coverage and shall thereafter be  
21 ineligible to accrue any further Social Security integration  
22 credits or any additional benefits on account of Social Security  
23 integration membership.

24 § 5503.1. Pickup contributions.

25 (a) Treatment for purposes of IRC § 414(h).--All  
26 contributions to the fund required to be made under sections  
27 5501 (relating to regular member contributions for current  
28 service), 5501.1 (relating to shared-risk member contributions  
29 for Class A-3 and Class A-4 service), 5502 (relating to Social  
30 Security integration member contributions), 5503 (relating to

1 joint coverage member contributions) and [section] 5505.1  
2 (relating to additional member contributions), with respect to  
3 current State service rendered by an active member on or after  
4 January 1, 1982, shall be picked up by the Commonwealth or other  
5 employer and shall be treated as the employer's contribution for  
6 purposes of IRC § 414(h).

7 \* \* \*

8 § 5504. Member contributions for the purchase of credit for  
9 previous State service or to become a full coverage  
10 member.

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

13 (1) The contributions to be paid by an active member or  
14 eligible school employee for credit in the system for total  
15 previous State service other than service in Class G, Class  
16 H, Class I, Class J, Class K, Class L, Class M and Class N or  
17 to become a full coverage member shall be sufficient to  
18 provide an amount equal to the regular and additional  
19 accumulated deductions which would have been standing to the  
20 credit of the member for such service had regular and  
21 additional member contributions been made with full coverage  
22 in the class of service and at the rate of contribution  
23 applicable during such period of previous service and had his  
24 regular and additional accumulated deductions been credited  
25 with statutory interest during all periods of subsequent  
26 State service as an active member or inactive member on leave  
27 without pay and school service as an active member or  
28 inactive member on leave without pay of the Public School  
29 Employees' Retirement System up to the date of purchase.

30 (1.1) Notwithstanding paragraph (1), any previous State

1 service credited on or after January 1, 2015, under paragraph  
2 (1) shall have contributions made for and be credited as  
3 Subclass X or Subclass Y service of the appropriate class of  
4 service, subject to any election made by the State employee  
5 to be a Subclass Z member, unless previously credited before  
6 January 1, 2015, in which case it shall be credited as  
7 Subclass W service.

8 (2) Notwithstanding paragraph (1), members with Class A-  
9 3 State service shall make contributions and receive credit  
10 as if the previous State service was Class A-3 service, and  
11 members with Class A-4 State service shall make contributions  
12 and receive credit as if the previous State service was Class  
13 A-4 service, even if it would have been credited as a  
14 different class of service had the State employee been a  
15 member of the system at the time the service was performed  
16 unless it was mandatory that the State employee be an active  
17 member of the system and the previous State service is being  
18 credited as the result of a mandatory active membership  
19 requirement.

20 (a.1) Converted county service.--No contributions shall be  
21 required to restore credit for previously credited State service  
22 in Class G, Class H, Class I, Class J, Class K, Class L, Class M  
23 and Class N. Such service shall be restored upon the  
24 commencement of payment of the contributions required to restore  
25 credit in the system for all other previous State service.

26 (b) Certification and method of payment.--The amount payable  
27 shall be certified in each case by the board in accordance with  
28 methods approved by the actuary and shall be paid in a lump sum  
29 within 30 days or in the case of an active member or eligible  
30 school employee who is an active member of the Public School

1 Employees' Retirement System may be amortized with statutory  
2 interest through salary deductions to the system in amounts  
3 agreed upon by the member and the board. The salary deduction  
4 amortization plans agreed to by members and the board may  
5 include a deferral of payment amounts and statutory interest  
6 until the termination of school service or State service or  
7 beginning service as a participant as the board in its sole  
8 discretion decides to allow. The board may limit the salary  
9 deduction amortization plans to such terms as the board in its  
10 sole discretion determines. In the case of an eligible school  
11 employee who is an active member of the Public School Employees'  
12 Retirement System, the agreed upon salary deductions shall be  
13 remitted to the Public School Employees' Retirement Board, which  
14 shall certify and transfer to the board the amounts paid.

15 Section 317. Section 5505(b)(1), (c), (d) and (i)(4) of  
16 Title 71 are amended and the section is amended by adding a  
17 subsection to read:

18 § 5505. Contributions for the purchase of credit for creditable  
19 nonstate service.

20 \* \* \*

21 (b) Nonintervening military service.--

22 (1) The amount due for the purchase of credit for  
23 military service other than intervening military service  
24 shall be determined by applying the member's basic  
25 contribution rate, the additional contribution rate plus the  
26 Commonwealth normal contribution rate for active members at  
27 the time of entry, subsequent to such military service, of  
28 the member into State service to his average annual rate of  
29 compensation over the first three years of such subsequent  
30 State service and multiplying the result by the number of

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

29 \* \* \*

30 (c) Intervening military service.--Contributions on account

1 of credit for intervening military service shall be determined  
2 by the member's regular contribution rate, shared-risk  
3 contribution rate, Social Security integration contribution  
4 rate, the additional contribution rate which shall be applied  
5 only to those members who began service on or after the  
6 effective date of this amendatory act and compensation at the  
7 time of entry of the member into active military service,  
8 together with statutory interest during all periods of  
9 subsequent State service as an active member or inactive member  
10 on leave without pay and school service as an active member or  
11 inactive member on leave without pay of the Public School  
12 Employees' Retirement System to date of purchase. Upon  
13 application for such credit the amount due shall be certified in  
14 the case of each member by the board in accordance with methods  
15 approved by the actuary, and contributions may be made by:

- 16 (1) regular monthly payments during active military  
17 service; or  
18 (2) a lump sum payment within 30 days of certification;  
19 or  
20 (3) salary deductions to the system in amounts agreed  
21 upon by the member or eligible school employee who is an  
22 active member of the Public School Employees' Retirement  
23 System and the board.

24 The salary deduction amortization plans agreed to by members and  
25 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 as the board  
28 in its sole discretion decides to allow. The board may limit  
29 salary deduction amortization plans to such terms as the board  
30 in its sole discretion determines. In the case of an eligible

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

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



1 of payment amounts and statutory interest until the termination  
2 of school service or State service or beginning service as a  
3 participant as the board in its sole discretion decides to  
4 allow. The board may limit salary deduction amortization plans  
5 to such terms as the board in its sole discretion determines. In  
6 the case of an eligible school employee who is an active member  
7 of the Public School Employees' Retirement System, the agreed  
8 upon salary deduction shall be remitted to the Public School  
9 Employees' Retirement Board, which shall certify and transfer to  
10 the board the amounts paid.

11 \* \* \*

12 (i) Purchases of nonstate service credit by State employees  
13 who first became members of the system on or after December 1,  
14 2010.--

15 \* \* \*

16 (4) The payment for credit purchased under this  
17 subsection shall be certified in each case by the board in  
18 accordance with methods approved by the actuary and shall be  
19 paid in a lump sum within 30 days or in the case of an active  
20 member or eligible school employee who is an active member of  
21 the Public School Employees' Retirement System may be  
22 amortized with statutory interest through salary deductions  
23 to the system in amounts agreed upon by the member and the  
24 board. The salary deduction amortization plans agreed to by  
25 members and the board may include a deferral of payment  
26 amounts and interest until the termination of school service  
27 or State service or beginning service as a participant as the  
28 board in its sole discretion decides to allow. The board may  
29 limit the salary deduction amortization plans to such terms  
30 as the board in its sole discretion determines. In the case

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

6 (j) Notwithstanding any other provision of this section, any  
7 creditable non-State service credited on or after January 1,  
8 2015, shall have contributions made for and be credited as  
9 Subclass X or Subclass Y service of the appropriate class of  
10 service, subject to any election made by the State employee to  
11 be a Subclass Z member, unless previously credited before  
12 January 1, 2015, in which case it shall be credited as Subclass  
13 W service.

14 Section 318. (Reserved).

15 Section 319. (Reserved).

16 Section 320. Section 5505.1 of Title 71 is amended to read:

17 § 5505.1. Additional member contributions.

18 In addition to regular or joint coverage member contributions  
19 and social security integration contributions, contributions  
20 shall be made on behalf of each active member, regardless of  
21 class of service, at the rate of 1 1/4% of compensation until  
22 such time as the actuary certifies that all accrued liability  
23 contributions have been completed in accordance with the  
24 actuarial cost method provided in section 5508(b) (relating to  
25 actuarial cost method for fiscal years ending before July 1,  
26 2015).

27 Section 321. Section 5506 of Title 71, amended October 24,  
28 2012 (P.L.1436, No.181), is amended to read:

29 § 5506. Incomplete payments.

30 In the event that a member terminates State service or begins

1 service as a participant or a multiple service member who is an  
2 active member of the Public School Employees' Retirement System  
3 terminates school service before the agreed upon payments for  
4 credit for previous State service, USERRA leave, creditable  
5 nonstate service, social security integration, full coverage  
6 membership, election of class or subclass of membership or  
7 return of benefits on account of returning to State service or  
8 entering school service and electing multiple service have been  
9 completed, the member or multiple service member who is an  
10 active member of the Public School Employees' Retirement System  
11 shall have the right to pay within 30 days of termination of  
12 State service or school service or beginning service as a  
13 participant the balance due, including interest, in a lump sum  
14 and the annuity shall be calculated including full credit for  
15 the previous State service, creditable nonstate service, social  
16 security integration, or full coverage membership. In the event  
17 a member does not pay the balance due within 30 days of  
18 termination of State service or beginning service as a  
19 participant or in the event a member dies in State service or  
20 within 30 days of termination of State service or beginning  
21 service as a participant or in the case of a multiple service  
22 member who is an active member of the Public School Employees'  
23 Retirement System does not pay the balance due within 30 days of  
24 termination of school service or dies in school service or  
25 within 30 days of termination of school service and before the  
26 agreed upon payments have been completed, the present value of  
27 the benefit otherwise payable shall be reduced by the balance  
28 due, including interest, and the benefit payable shall be  
29 calculated as the actuarial equivalent of such reduced present  
30 value.

1 Section 322. Section 5506.1(a) of Title 71 is amended to  
2 read:

3 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

4 (a) General rule.--In addition to other applicable  
5 limitations set forth in this part, and notwithstanding any  
6 provision of this part to the contrary, the annual compensation  
7 of each noneligible member and each participant taken into  
8 account for benefit purposes under this part shall not exceed  
9 the limitation under IRC § 401(a)(17). On and after January 1,  
10 1996, any reference in this part to the limitation under IRC §  
11 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of  
12 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual  
13 compensation limit set forth in this subsection. The OBRA '93  
14 annual compensation limit is \$150,000, as adjusted by the  
15 commissioner for increases in the cost of living in accordance  
16 with IRC § 401(a)(17)(B). The cost-of-living adjustment in  
17 effect for a calendar year applies to any determination period  
18 which is a period, not exceeding 12 months, over which  
19 compensation is determined, beginning in such calendar year. If  
20 a determination period consists of fewer than 12 months, the  
21 OBRA '93 compensation limit will be multiplied by a fraction,  
22 the numerator of which is the number of months in the  
23 determination period and the denominator of which is 12.

24 \* \* \*

25 Section 323. Title 71 is amended by adding sections to read:

26 § 5506.2. Annual compensation limit for Subclass X, Subclass Y  
27 and Subclass Z members.

28 For the following purposes, compensation of a Subclass X,  
29 Subclass Y or Subclass Z member each calendar year is limited to  
30 the Social Security wage base for the year without regard to

1 whether the year commences before 2015 and whether the member  
2 made contributions or earned benefits under the Social Security  
3 Act (49 Stat. 620, 42 U.S.C. § 301 et seq.):

4 (1) Determining regular member contributions for  
5 Subclass X service, Subclass Y service and Subclass Z  
6 service.

7 (2) Determining shared-risk member contributions for  
8 Subclass A-3X and A-4X service.

9 (3) Determining final average salary for purposes of  
10 calculating standard single life annuities resulting from  
11 Subclass X service, Subclass Y service or Subclass Z service.

12 (4) Determining the member contributions to be made when  
13 previously uncredited State service is to be credited as  
14 Subclass X service, Subclass Y service or Subclass Z service.

15 (5) Determining the contributions to be made for  
16 creditable nonstate service to be credited as Subclass X  
17 service, Subclass Y service or Subclass Z service.

18 (6) Determining the compensation to be used for Subclass  
19 X service, Subclass Y service and Subclass Z service as part  
20 of the allocation of concurrent service between classes under  
21 section 5702(a)(1) (relating to maximum single life annuity).

22 (7) Calculating the final average salary for the  
23 portions of a disability annuity calculation resulting from  
24 Subclass X service, Subclass Y service or Subclass Z service  
25 under section 5704 (relating to disability annuities).

26 (8) Calculating final average salary for the portions of  
27 the maximum single life annuity under section 5706(b)  
28 (relating to termination of annuities) resulting from  
29 Subclass X service, Subclass Y service or Subclass Z service  
30 when an annuitant who has returned to service subsequently

1 discontinues service.

2 (9) Determining the portions of the benefit of a State  
3 police officer resulting from Subclass X service, Subclass Y  
4 service or Subclass Z service, unless the State police  
5 officer has 20 or more qualifying eligibility points and has  
6 elected to pay an additional 6.05% of compensation as regular  
7 member contributions.

8 § 5506.3. Adjustment of compensation for calculating final  
9 average salary on or after January 1, 2015.

10 For purposes of calculating final average salary for the  
11 determination of standard single life annuities resulting from  
12 Subclass X service, Subclass Y service or Subclass Z service,  
13 the compensation received each calendar year as a member of the  
14 system or, if a multiple service member, received as both a  
15 member of the system and as a school employee and member of the  
16 Public School Employees' Retirement System shall be adjusted  
17 first by annualizing the compensation received for any part-time  
18 service or for any partial year of credit on the basis of the  
19 fractional portion of the year for which credit is received. The  
20 annualized compensation and, in the case of a multiple service  
21 member, the combined compensation, may not exceed the Social  
22 Security wage base for the year. After annualization, the amount  
23 of compensation not exceeding the Social Security wage base in  
24 any calendar year shall be further adjusted downward if  
25 necessary so as not to exceed 110% of the average of the  
26 annualized compensation not exceeding the Social Security wage  
27 bases of the four immediately previous calendar years in which  
28 the State employee was an active member, or, if a multiple  
29 service member, an active member of the system or Public School  
30 Employees' Retirement System. If for any calendar year there are

1 one or more, but less than four, preceding calendar years in  
2 which the State employee was an active member of the system or,  
3 if a multiple service member, also an active member of the  
4 Public School Employees' Retirement System, then the adjusted  
5 compensation may not exceed 110% of the average of the  
6 annualized compensation not exceeding the Social Security wage  
7 base of the number of preceding years of active membership in  
8 the system or the Public School Employees' Retirement System.

9 Section 324. Section 5507(a), (b), (d), (e) and (f) of Title  
10 71, amended October 24, 2012 (P.L.1436, No.181), are amended to  
11 read:

12 § 5507. Contributions to the system by the Commonwealth and  
13 other employers before July 1, 2015.

14 (a) Contributions on behalf of active members.--[The] Until  
15 June 30, 2015, the Commonwealth and other employers whose  
16 employees are members of the system, and from January 1, 2015,  
17 to June 30, 2015, the Commonwealth and other employers whose  
18 employees are participants in the plan shall make contributions  
19 to the fund on behalf of all active members in such amounts as  
20 shall be certified by the board as necessary to provide,  
21 together with the members' total accumulated deductions, annuity  
22 reserves on account of prospective annuities other than those  
23 provided in sections 5708 (relating to supplemental annuities),  
24 5708.1 (relating to additional supplemental annuities), 5708.2  
25 (relating to further additional supplemental annuities), 5708.3  
26 (relating to supplemental annuities commencing 1994), 5708.4  
27 (relating to special supplemental postretirement adjustment),  
28 5708.5 (relating to supplemental annuities commencing 1998),  
29 5708.6 (relating to supplemental annuities commencing 2002),  
30 5708.7 (relating to supplemental annuities commencing 2003) and

1 5708.8 (relating to special supplemental postretirement  
2 adjustment of 2002), in accordance with the actuarial cost  
3 method provided in section 5508(a), (b), (c), (d) and (f)  
4 (relating to actuarial cost method for fiscal years ending  
5 before July 1, 2015).

6 (b) Contributions on behalf of annuitants.--[The] Until June  
7 30, 2015, the Commonwealth and other employers whose employees  
8 are members of the system shall make contributions on behalf of  
9 annuitants in such amounts as shall be certified by the board as  
10 necessary to fund the liabilities for supplemental annuities in  
11 accordance with the actuarial cost method provided in section  
12 5508(e) [(relating to actuarial cost method)].

13 \* \* \*

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

21 (e) Benefits completion plan contributions.--In addition to  
22 all other contributions required under this section and section  
23 5508, the Commonwealth and other employers whose employees are  
24 members of the system shall make contributions until June 30,  
25 2015, as certified by the board pursuant to section 5941  
26 (relating to benefits completion plan).

27 (f) Contributions resulting from members reemployed from  
28 USERRA leave.--When a State employee reemployed from USERRA  
29 leave makes the member contributions required to be granted  
30 State service credit for the USERRA leave before July 1, 2015,



1 either by actual payment or by actuarial debt under section 5506  
2 (relating to incomplete payments), then the Commonwealth  
3 employer or other employer by whom the State employee is  
4 employed at the time the member contributions are made, or the  
5 last employer before termination in the case of payment under  
6 section 5506, shall make whatever employer contributions would  
7 have been made under this section had the employee making the  
8 member contributions after being reemployed from USERRA leave  
9 continued to be employed in his State office or position instead  
10 of performing USERRA leave.

11 Section 325. Title 71 is amended by adding a section to  
12 read:

13 § 5507.1. Contributions to the system by the Commonwealth and  
14 other employers commencing July 1, 2015.

15 (a) Contributions on behalf of members.--For fiscal years  
16 beginning on or after July 1, 2015, the Commonwealth and other  
17 employers whose employees are or were members of the system  
18 shall make contributions to the fund on behalf of all members in  
19 such amounts as shall be certified by the board as necessary to  
20 provide, together with the members' total accumulated  
21 deductions, annuity reserves on account of annuities including  
22 those provided in sections 5708 (relating to supplemental  
23 annuities), 5708.1 (relating to additional supplemental  
24 annuities), 5708.2 (relating to further additional supplemental  
25 annuities), 5708.3 (relating to supplemental annuities  
26 commencing 1994), 5708.4 (relating to special supplemental  
27 postretirement adjustment), 5708.5 (relating to supplemental  
28 annuities commencing 1998), 5708.6 (relating to supplemental  
29 annuities commencing 2002), 5708.7 (relating to supplemental  
30 annuities commencing 2003) and 5708.8 (relating to special

1 supplemental postretirement adjustment of 2002), in accordance  
2 with the actuarial cost method provided in section 5508.1  
3 (relating to actuarial cost method for fiscal years beginning on  
4 or after July 1, 2015).

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

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

8 (2) Payment of accrued liability contributions as  
9 modified by the experience adjustment factor shall be as a  
10 percentage of compensation of active members and active  
11 participants.

12 (c) Payment of final contribution rate.--Notwithstanding the  
13 calculation of the actuarially required contribution rate and  
14 the provisions of subsections (a) and (b), the Commonwealth and  
15 other employers whose employees are members of the system shall  
16 make contributions to the fund on behalf of all active members  
17 and annuitants after June 30, 2015, in such amounts as shall be  
18 certified by the board in accordance with section 5508.1(h).

19 (d) Benefits completion plan contributions.--In addition to  
20 the other contributions required under this section and section  
21 5508.1, the Commonwealth and other employers whose employees are  
22 active members of the system shall make contributions after June  
23 30, 2015, as certified by the board under section 5941 (relating  
24 to benefits completion plan).

25 (e) Contributions resulting from members reemployed from  
26 USERRA leave.--When a State employee reemployed from USERRA  
27 leave makes the member contributions required to be granted  
28 State service credit for the USERRA leave after June 30, 2015,  
29 either by actual payment or by actuarial debt under section 5506  
30 (relating to incomplete payments), the Commonwealth employer or

1 other employer that employed the State employee when the member  
2 contributions are made or the last employer before termination  
3 in the case of payment under section 5506 shall make the  
4 employer contributions that would have been made under this  
5 section if the employee making the member contributions after he  
6 is reemployed from USERRA leave continued to be employed in his  
7 State office or position instead of performing USERRA leave.

8 Section 326. Section 5508(a), (b), (c)(3), (e)(2), (f)(1),  
9 (h) and (i) are amended and subsection (c) is amended by adding  
10 a paragraph to read:

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

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

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

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

10 (c) Accrued liability contribution rate.--

11 \* \* \*

12 (3) For the fiscal year beginning July 1, 2010, the  
13 accrued liability contribution rate shall be computed as the  
14 rate of total compensation of all active members which shall  
15 be certified by the actuary as sufficient to fund in equal  
16 dollar installments over a period of 30 years from July 1,  
17 2010, the present value of the liabilities for all  
18 prospective benefits calculated as of the immediately prior  
19 valuation date, including the supplemental benefits as  
20 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,  
21 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits  
22 payable from the retirement benefit plan established pursuant  
23 to section 5941 (relating to benefits completion plan), in  
24 excess of the actuarially calculated assets in the fund  
25 (calculated recognizing all realized and unrealized  
26 investment gains and losses each year in level annual  
27 installments over five years), including the balance in the  
28 supplemental annuity account, and the present value of  
29 employer normal contributions and of member contributions  
30 payable with respect to all active members, inactive members

1 on leave without pay, vestees and special vestees on December  
2 31, 2009. If the accrued liability is changed by legislation  
3 enacted subsequent to December 31, 2009, and before January  
4 1, 2014, such change in liability shall be funded in equal  
5 dollar installments over a period of ten years from the first  
6 day of July following the valuation date coincident with or  
7 next following the date such legislation is enacted.

8 (4) For the fiscal year beginning July 1, 2014, the  
9 accrued liability contribution rate shall be computed as  
10 provided for under this section, except that the rate shall  
11 be computed as a rate of total compensation of the active  
12 members and active participants for the fiscal year. In  
13 addition to any employer defined contributions made to the  
14 trust, the Commonwealth and other employers of participants  
15 shall make the accrued liability contributions to the fund  
16 certified by the board.

17 \* \* \*

18 (e) Supplemental annuity contribution rate.--

19 \* \* \*

20 (2) For fiscal years beginning on or after July 1, 2010,  
21 and ending on or before June 30, 2015, contributions from the  
22 Commonwealth and other employers whose employees are members  
23 of the system required to provide for the payment of  
24 supplemental annuities as provided in sections 5708, 5708.1,  
25 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8  
26 shall be paid as part of the accrued liability contribution  
27 rate as provided for in subsection (c)(3), and there shall  
28 not be a separate supplemental annuity contribution rate  
29 attributable to those supplemental annuities. In the event  
30 that supplemental annuities are increased by legislation

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

7 (f) Experience adjustment factor.--

8 (1) For each [year] fiscal year ending before July 1,  
9 2015, after the establishment of the accrued liability  
10 contribution rate and the supplemental annuity contribution  
11 rate for the fiscal year beginning July 1, 2010, any increase  
12 or decrease in the unfunded accrued liability and any  
13 increase or decrease in the liabilities and funding for  
14 supplemental annuities, due to actual experience differing  
15 from assumed experience (recognizing all realized and  
16 unrealized investment gains and losses over a five-year  
17 period), changes in contributions caused by the final  
18 contribution rate being different from the actuarially  
19 required contribution rate, State employees making shared-  
20 risk member contributions, changes in actuarial assumptions  
21 or changes in the terms and conditions of the benefits  
22 provided by the system by judicial, administrative or other  
23 processes other than legislation, including, but not limited  
24 to, reinterpretation of the provisions of this part  
25 recognized by the actuarial valuations on December 31, 2010,  
26 and through December 31, 2013, shall be amortized in equal  
27 dollar annual contributions over a period of 30 years  
28 beginning with the July 1 succeeding the actuarial valuation  
29 determining said increases or decreases.

30 \* \* \*

1 (h) Temporary application of collared contribution rate.--  
2 The collared contribution rate for each [year] fiscal year  
3 ending on or before June 30, 2015, shall be determined by  
4 comparing the actuarially required contribution rate calculated  
5 without regard for costs added by legislation to the prior  
6 year's final contribution rate. If, for any of the fiscal years  
7 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,  
8 2013, and July 1, 2014, the actuarially required contribution  
9 rate calculated without regard for costs added by legislation is  
10 more than 3%, 3.5% [and 4.5%], 2.25% and 2.75%, respectively, of  
11 the total compensation of all active members greater than the  
12 prior year's final contribution rate, then the collared  
13 contribution rate shall be applied and be equal to the prior  
14 year's final contribution rate increased by the respective  
15 percentage above of total compensation of all active members.  
16 Otherwise, and for all subsequent fiscal years, the collared  
17 contribution rate shall not be applicable. In no case shall the  
18 collared contribution rate be less than 4% of total compensation  
19 of all active members.

20 (i) Final contribution rate.--For the fiscal year beginning  
21 July 1, 2010, the final contribution rate shall be 5% of total  
22 compensation of all active members. For each subsequent fiscal  
23 year for which the collared contribution rate is applicable, the  
24 final contribution rate shall be the collared contribution rate  
25 plus the costs added by legislation. For all other fiscal years  
26 ending before July 1, 2015, the final contribution rate shall be  
27 the actuarially required contribution rate, provided that the  
28 final contribution rate shall not be less than the employer  
29 normal contribution rate, as defined in subsection (b).

30 Section 327. Title 71 is amended by adding a section to

1 read:

2 § 5508.1. Actuarial cost method for fiscal years beginning on  
3 or after July 1, 2015.

4 (a) Employer contributions on behalf of members.--For fiscal  
5 years beginning on or after July 1, 2015, the amount of the  
6 Commonwealth and other employer contributions on behalf of all  
7 members shall be computed by the actuary and certified by the  
8 board as an employer normal contribution rate as provided under  
9 subsection (b) and the accrued liability contribution amount as  
10 provided under subsection (c). The accrued liability  
11 contribution amount shall be modified by the experience  
12 adjustment factor as calculated in subsection (f).

13 (b) Employer normal contribution rate.--For fiscal years  
14 beginning on or after July 1, 2015, the employer normal  
15 contribution rate for all active members of the system shall be  
16 the employer normal contribution rate that would have been  
17 applicable if the employer normal contribution rate was  
18 determined as part of the December 31, 2014, actuarial valuation  
19 under section 5508(b) (relating to actuarial cost method for  
20 fiscal years ending before July 1, 2015) without regard to the  
21 provisions of this section and the inapplicability of the rate  
22 to a period on or after July 1, 2015.

23 (c) Accrued liability contribution amount.--

24 (1) For fiscal years beginning on or after July 1, 2015,  
25 the accrued liability contribution rate shall be computed as  
26 the rate of total compensation of all active members and  
27 active participants that shall be determined by the actuary  
28 as sufficient to fund in equal dollar installments as a  
29 percentage of compensation of all active members and active  
30 participants over a period of 30 years from July 1, 2015, the



1 present value of the liabilities for all prospective benefits  
2 of members of the system calculated as of the immediately  
3 prior valuation date, including the supplemental benefits as  
4 provided in sections 5708 (relating to supplemental  
5 annuities), 5708.1 (relating to additional supplemental  
6 annuities), 5708.2 (relating to further additional  
7 supplemental annuities), 5708.3 (relating to supplemental  
8 annuities commencing 1994), 5708.4 (relating to special  
9 supplemental postretirement adjustment), 5708.5 (relating to  
10 supplemental annuities commencing 1998), 5708.6 (relating to  
11 supplemental annuities commencing 2002), 5708.7 (relating to  
12 supplemental annuities commencing 2003) and 5708.8 (relating  
13 to special supplemental postretirement adjustment of 2002),  
14 but excluding the benefits payable from the retirement  
15 benefit plan established under section 5941 (relating to  
16 benefits completion plan) in excess of the actuarially  
17 calculated assets in the fund calculated recognizing the  
18 realized and unrealized investment gains and losses each year  
19 in level annual installments over five years, including the  
20 balance in the supplemental annuity account and the present  
21 value of employer normal contributions and of member  
22 contributions payable with respect to all active members,  
23 inactive members on leave without pay, vestees and special  
24 vestees on December 31, 2014.

25 (2) If the accrued liability is changed by legislation  
26 enacted subsequent to December 31, 2014, the change in  
27 liability shall be funded in equal dollar installments as a  
28 percentage of compensation of all active members and active  
29 participants over a period of ten years from the first day of  
30 July following the valuation date coincident with or next

1 following the date such legislation is enacted. The accrued  
2 liability contribution rate shall be determined after each  
3 actuarial valuation on the basis of an annual interest rate  
4 and the mortality and other tables adopted by the board in  
5 accordance with generally accepted actuarial principles.

6 (d) (Reserved).

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

25 (f) Experience adjustment factor.--

26 (1) For each year after the establishment of the accrued  
27 liability contribution amount for the fiscal year beginning  
28 July 1, 2015, any increase or decrease in the unfunded  
29 accrued liability and any increase or decrease in the  
30 liabilities and funding for supplemental annuities due to

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

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

22 (g) Temporary application of collared contribution rate.--  
23 The collared contribution rate for each fiscal year beginning on  
24 or after July 1, 2015, shall be determined by comparing the  
25 actuarially required contribution rate calculated without regard  
26 for costs added by legislation to the prior year's final  
27 contribution rate. If, for fiscal years beginning July 1, 2015,  
28 July 1, 2016, July 1, 2017, and on or after July 1, 2018, the  
29 actuarially required contribution rate calculated without regard  
30 for costs added by legislation is more than 3.25%, 3.75%, 4.25%

1 and 4.5%, respectively, of the total compensation of all active  
2 members greater than the prior year's final contribution rate,  
3 then the collared contribution rate shall be applied and be  
4 equal to the prior year's final contribution rate increased by  
5 the respective percentage above of total compensation of all  
6 active members. Otherwise and for all subsequent fiscal years,  
7 the collared contribution rate shall not apply. The collared  
8 contribution rate may not be less than 4% of total compensation  
9 of all active members.

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

22 Section 328. Section 5509 of Title 71, amended October 24,  
23 2012 (P.L.1436, No.181), is amended to read:

24 § 5509. Appropriations and assessments by the Commonwealth.

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

1 period beginning the first day of July of the following year.

2 (b) Appropriation and payment.--The General Assembly shall  
3 make an appropriation sufficient to provide for the separate  
4 obligations of the Commonwealth to the fund and the trust. Such  
5 amount shall be paid by the State Treasurer through the  
6 Department of Revenue into the fund or trust, as the case may  
7 be, in accordance with requisitions presented by the board. The  
8 contributions to the system by the Commonwealth on behalf of  
9 active members who are officers of the Pennsylvania State Police  
10 shall be charged to the General Fund and to the Motor License  
11 Fund in the same ratios as used to apportion the appropriations  
12 for salaries of members of the Pennsylvania State Police. The  
13 contributions to the system by the Commonwealth on behalf of  
14 active members who are enforcement officers and investigators of  
15 the Pennsylvania Liquor Control Board shall be charged to the  
16 General Fund and to the State Stores Fund.

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

1 credited and pickup contributions with respect to such members  
2 shall continue to be credited to the members' savings account.  
3 The annuity to which such member is entitled shall be determined  
4 as actuarially equivalent to the present value of the maximum  
5 single life annuity of each such member reduced by the amount of  
6 employer contributions to the system payable on account and  
7 attributable to his compensation during such service, except  
8 that no reduction shall be made as a result of the failure of an  
9 employer to make contributions required for a period of USERRA  
10 leave.

11 Section 329. Sections 5701 and 5701.1 of Title 71 are  
12 amended to read:

13 § 5701. Return of total accumulated deductions.

14 Any member upon termination of service may, in lieu of all  
15 benefits payable from the system under this chapter to which he  
16 may be entitled, elect to receive his total accumulated  
17 deductions.

18 § 5701.1. Transfer of accumulated deductions.

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

27 Section 330. Sections 5702(a)(1) and (6), 5704(a), (c) and  
28 (f) and 5705(a) of Title 71 are amended and the sections are  
29 amended by adding subsections to read:

30 § 5702. Maximum single life annuity.

1 (a) General rule.--Any full coverage member who is eligible  
2 to receive an annuity pursuant to the provisions of section  
3 5308(a) or (b) (relating to eligibility for annuities) who  
4 terminates State service, or if a multiple service member who is  
5 a school employee who is an active member of the Public School  
6 Employees' Retirement System who terminates school service,  
7 before attaining age 70 shall be entitled to receive a maximum  
8 single life annuity attributable to his credited service and  
9 equal to the sum of the following single life annuities  
10 beginning at the effective date of retirement:

11 (1) A single life annuity that is the sum of the  
12 standard single life [annuity multiplied by the sum of the  
13 products,] annuities determined separately for each class  
14 and subclass of service[, obtained by multiplying] multiplied  
15 by the appropriate class of service multiplier [by the ratio  
16 of years of service credited in that class to the total  
17 credited service] applicable to each standard single life  
18 annuity. In case the member on the effective date of  
19 retirement is under superannuation age for any service, a  
20 reduction factor calculated to provide benefits actuarially  
21 equivalent to an annuity starting at superannuation age shall  
22 be applied to the product determined for that service. The  
23 class of service multiplier for any period of concurrent  
24 service shall be multiplied by the proportion of total State  
25 and school compensation during such period attributable to  
26 State service as a member of the system. [In the event a  
27 member has two multipliers for one class of service the class  
28 of service multiplier to be used for calculating benefits for  
29 that class shall be the average of the two multipliers  
30 weighted by the proportion of compensation attributable to

1 each multiplier during the three years of highest annual  
2 compensation in that class of service: Provided, That in the  
3 case of a member of Class E-1, a portion but not all of whose  
4 three years of highest annual judicial compensation is prior  
5 to January 1, 1973, two class of service multipliers shall be  
6 calculated on the basis of his entire judicial service, the  
7 one applying the judicial class of service multipliers  
8 effective prior to January 1, 1973 and the second applying  
9 the class of service multipliers effective subsequent to  
10 January 1, 1973. The average class of service multiplier to  
11 be used for calculating benefits for his judicial service  
12 shall be the average of the two calculated multipliers  
13 weighted by the proportion of compensation attributable to  
14 each of the calculated multipliers during the three years of  
15 highest annual compensation in that class of service.]

16 \* \* \*

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



1	Total Years of	Percentage of <u>sums of</u>
2	Credited Service	Standard
3	as a Member of	Single Life
4	Class A,	[Annuity] <u>Annuities</u> Adjusted for
5	Class AA, Class A-3	Class A, Class AA,
6	and Class A-4	Class A-3 and Class A-4
7		Class of
8		Service Multipliers
9	35-40	100%
10	41	102%
11	42	104%
12	43	106%
13	44	108%
14	45 or more	110%

15 \* \* \*

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

21 § 5704. Disability annuities.

22 (a) Amount of annuity.--A member who has made application  
23 for a disability annuity and has been found to be eligible in  
24 accordance with the provisions of section 5905(c)(1) (relating  
25 to duties of the board regarding applications and elections of  
26 members) shall receive a disability annuity payable from the  
27 effective date of disability as determined by the board and  
28 continued until a subsequent determination by the board that the  
29 annuitant is no longer entitled to a disability annuity. The  
30 disability annuity shall be a single life annuity that is equal

1 to [a] the sum of the standard single life [annuity] annuities  
2 determined separately for each class and subclass of service  
3 multiplied by the appropriate class of service multiplier  
4 applicable to [the class of service] each standard single life  
5 annuity at the time of disability if the [product of] sums of  
6 the products of each such class of service multiplier and the  
7 [total] number of years and fractional part of a year of  
8 credited service in each class and subclass is greater than  
9 16.667, otherwise [the] each standard single life annuity shall  
10 be multiplied by the lesser of the following ratios:

11  $MY^*/Y$  or  $16.667/Y$

12 where Y = total number of years of credited service, Y\* = total  
13 years of credited service if the member were to continue as a  
14 State employee until attaining superannuation age as applicable  
15 at the time of disability, or if the member has attained  
16 superannuation age, as applicable at the time of disability,  
17 then the number of years of credited service and M = the class  
18 of service multiplier as applicable to that class or subclass of  
19 service at the effective date of disability. A member of Class C  
20 shall receive, in addition, any annuity to which he may be  
21 eligible under section 5702(a)(3) (relating to maximum single  
22 life annuity). The member shall be entitled to the election of a  
23 joint and survivor annuity on that portion of the disability  
24 annuity to which he is entitled under section 5702.

25 \* \* \*

26 (c) Reduction on account of earned income.--Subsequent to  
27 January 1, 1972, payments on account of disability shall be  
28 reduced by that amount by which the earned income of the  
29 annuitant, as reported in accordance with section 5908(b)  
30 (relating to rights and duties of annuitants), for the preceding

1 calendar year together with the disability annuity payments  
2 provided in this section other than subsection (b), for the  
3 year, exceeds the product of:

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

6 [(ii)] (2) the ratio of the current monthly payment to  
7 the monthly payment at the effective date of disability;

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

11 \* \* \*

12 (f) Supplement for service connected disability.--

13 (1) If a member has been found to be eligible for a  
14 disability annuity and if the disability has been found to be  
15 a service connected disability and if the member is receiving  
16 workers' compensation payments for other than medical  
17 benefits, such member shall receive a supplement equal to  
18 [70% of his final average salary] the amount determined under  
19 paragraph (2) less the sum of the annuity as determined under  
20 subsection (a) and any payments paid or payable on account of  
21 such disability under the act of June 2, 1915 (P.L.736,  
22 No.338), known as the Workers' Compensation Act, the act of  
23 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania  
24 Occupational Disease Act, and the Social Security Act (49  
25 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall  
26 continue as long as he is determined to be disabled and is  
27 receiving workers' compensation payments for other than  
28 medical benefits on account of his service connected  
29 disability in accordance with the Workers' Compensation Act  
30 or The Pennsylvania Occupational Disease Act. If the member

1 has received a lump sum workers' compensation payment in lieu  
2 of future weekly compensation payments, the length in weeks  
3 and calculation of the service connected disability  
4 supplement shall be determined by dividing the lump sum  
5 payment by the average weekly wage as determined by the  
6 Workers' Compensation Board.

7 (2) For a member who does not have Subclass X, Subclass  
8 Y or Subclass Z service, the amount to be used to determine  
9 eligibility for the supplement under paragraph (1) shall be  
10 70% of his final average salary. For a member who has  
11 Subclass X, Subclass Y or Subclass Z service, the amount to  
12 be used to determine eligibility for the supplement under  
13 paragraph (1) shall be calculated according to the following  
14 formula:

$$15 \quad A = .7 \left[ \left( \frac{Y^W}{Y^T} \text{ multiplied by } FAS^W \right) + \left( \frac{Y^{XYZ}}{Y^T} \text{ multiplied by } FAS^{XYZ} \right) \right]$$

17 (3) The following apply to the formula in paragraph (2):

18 (i) A equals the amount used to determine the  
19 supplement;

20 (ii)  $Y^T$  equals total years of credited service;

21 (iii)  $Y^W$  equals years of service credited in classes  
22 or subclasses of service other than Subclass X, Subclass  
23 Y or Subclass Z;

24 (iv)  $FAS^W$  equals final average salary calculated for  
25 classes or subclasses of service other than Subclass X,  
26 Subclass Y or Subclass Z;

27 (v)  $Y^{XYZ}$  equals years of service credited in Subclass  
28 X, Subclass Y and Subclass Z; and

29 (vi)  $FAS^{XYZ}$  equals final average salary calculated  
30 for service credited in Subclass X, Subclass Y and

1           Subclass Z.

2           \* \* \*

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

8 § 5705. Member's options.

9           (a) General rule.--Any special vestee who has attained  
10 superannuation age, any vestee who does not have Class A-3 or  
11 Class A-4 service credit having five or more eligibility points  
12 for service other than Class T-E or Class T-F service in the  
13 Public School Employees' Retirement System, or vestee who has  
14 Class A-3 or Class A-4 service credit having ten or more  
15 eligibility points, any member with Class G, Class H, Class I,  
16 Class J, Class K, Class L, Class M or Class N service having  
17 five or more eligibility points or any other eligible member  
18 upon termination of State service who has not withdrawn his  
19 total accumulated deductions as provided in section 5701  
20 (relating to return of total accumulated deductions) may apply  
21 for and elect to receive either a maximum single life annuity,  
22 as calculated in accordance with the provisions of section 5702  
23 (relating to maximum single life annuity), or a reduced annuity  
24 certified by the actuary to be actuarially equivalent to the  
25 maximum single life annuity payable after reduction under  
26 subsection (a.1) and in accordance with one of the following  
27 options; except that no member shall elect an annuity payable to  
28 one or more survivor annuitants other than his spouse or  
29 alternate payee of such a magnitude that the present value of  
30 the annuity payable to him for life plus any lump sum payment

1 under this subsection and subsection (a.1) he may have elected  
2 to receive is less than 50% of the present value of his maximum  
3 single life annuity before reduction under subsection (a.1):

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

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

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

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

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

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

28 (iii) a portion of the benefit may be payable as a  
29 lump sum, except that such lump sum payment shall not  
30 exceed an amount equal to the total accumulated

1 deductions standing to the credit of the member that are  
2 not the result of contributions and statutory interest  
3 made or credited as a result of Class A-3 or Class A-4  
4 service. The balance of the present value of the maximum  
5 single life annuity adjusted in accordance with section  
6 5702(b) shall be paid in the form of an annuity with a  
7 guaranteed total payment, a single life annuity, or a  
8 joint and survivor annuity or any combination thereof but  
9 subject to the restrictions of subparagraphs (i) and (ii)  
10 under this option. If a member's effective date of  
11 retirement is on or after January 1, 2015, then the  
12 portion of the benefit payable under this subparagraph is  
13 further limited to the total accumulated deductions  
14 standing to the credit of the member on December 31,  
15 2014, that are not the result of contributions and  
16 statutory interest made or credited as a result of Class  
17 A-3 or Class A-4 service, plus any statutory interest  
18 credited on those accumulated deductions before the  
19 effective date of retirement.

20 (a.1) Additional lump sum withdrawal.--The following shall  
21 apply:

22 (1) On or after January 1, 2015, if a member has elected  
23 to have the full amount allowed under subsection (a)(4)(iii)  
24 paid in lump sum, then the member may elect to receive an  
25 additional amount payable in a lump sum at the same time as  
26 the payment elected under subsection (a)(4)(iii).

27 (2) The additional amount payable in a lump sum may not  
28 exceed an amount equal to the excess of the total accumulated  
29 deductions standing to the credit of the member on the  
30 effective date of retirement that are not the result of

1 contributions and statutory interest made or credited as a  
2 result of Class A-3 or Class A-4 service over the amount  
3 payable under subsection (a) (4) (iii).

4 (3) If a member elects to be paid an additional lump sum  
5 amount under this subsection, then the maximum single life  
6 annuity calculated under section 5702 and payable under  
7 subsection (a) shall be reduced by the additional amount  
8 withdrawn divided by the cost of a dollar annuity on the  
9 effective date of retirement computed on the basis of the  
10 annual interest rate adopted for that fiscal year by the  
11 board for the calculation of the accrued liability  
12 contribution rate under section 5508.1(c) (relating to  
13 actuarial cost method for fiscal years beginning on or after  
14 July 1, 2015) and the mortality tables adopted by the board  
15 for the determination of actuarially equivalent benefits  
16 under this part. The reduction in the maximum single life  
17 annuity under this subsection shall apply before the election  
18 and calculation of any reduced annuities payable under  
19 subsection (a).

20 \* \* \*

21 Section 331. Section 5706(a), (a.1), (a.2), (b) and (c) (1)  
22 and (3) of Title 71 are amended to read:

23 § 5706. Termination of annuities.

24 (a) General rule.--If the annuitant returns to State service  
25 or enters or has entered school service and elects multiple  
26 service membership, any annuity payable to him under this part  
27 shall cease effective upon the date of his return to State  
28 service or entering school service without regard to whether he  
29 is a mandatory, optional or prohibited member of the system or  
30 participant in the plan or, if a multiple service member,



1 without regard to whether he is a mandatory, optional or  
2 prohibited member or participant of the Public School Employees'  
3 Retirement System or School Employees' Defined Contribution Plan  
4 and in the case of an annuity other than a disability annuity  
5 the present value of such annuity, adjusted for full coverage in  
6 the case of a joint coverage member who makes the appropriate  
7 back contributions for full coverage, shall be frozen as of the  
8 date such annuity ceases. An annuitant who is credited with an  
9 additional 10% of Class A and Class C service as provided in  
10 section 5302(c) (relating to credited State service) and who  
11 returns to State service shall forfeit such credited service and  
12 shall have his frozen present value adjusted as if his 10%  
13 retirement incentive had not been applied to his account. In the  
14 event that the cost-of-living increase enacted December 18, 1979  
15 occurred during the period of such State or school employment,  
16 the frozen present value shall be increased, on or after the  
17 member attains superannuation age, by the percent applicable had  
18 he not returned to service. This subsection shall not apply in  
19 the case of any annuitant who may render services to the  
20 Commonwealth in the capacity of an independent contractor or as  
21 a member of an independent board or commission or as a member of  
22 a departmental administrative or advisory board or commission  
23 when such members of independent or departmental boards or  
24 commissions are compensated on a per diem basis for not more  
25 than 150 days per calendar year or as a member of an independent  
26 board or commission requiring appointment by the Governor, with  
27 advice and consent of the Senate, where the annual salary  
28 payable to the member does not exceed \$35,000 and where the  
29 member has been an annuitant for at least six months immediately  
30 preceding the appointment. Such service shall not be subject to

1 member contributions or be eligible for qualification as  
2 creditable State service or for participation in the plan,  
3 mandatory pickup participant contributions or employer defined  
4 contributions.

5 (a.1) Return to State service during emergency.--When, in  
6 the judgment of the employer, an emergency creates an increase  
7 in the work load such that there is serious impairment of  
8 service to the public, an annuitant may be returned to State  
9 service for a period not to exceed 95 days in any calendar year  
10 without loss of his annuity. In computing the number of days an  
11 annuitant has returned to State service, any amount of time less  
12 than one-half of a day shall be counted as one-half of a day.  
13 For agencies, boards and commissions under the Governor's  
14 jurisdiction, the approval of the Governor that an emergency  
15 exists shall be required before an annuitant may be returned to  
16 State service. This service shall not be subject to member  
17 contributions or be eligible for qualification as creditable  
18 State service or for participation in the plan, mandatory pickup  
19 participant contributions or employer defined contributions.

20 (a.2) Return of benefits.--In the event an annuitant whose  
21 annuity ceases pursuant to this section receives any annuity  
22 payment, including a lump sum payment pursuant to section 5705  
23 (relating to member's options) on or after the date of his  
24 return to State service or entering school service, the  
25 annuitant shall return to the board the amount so received plus  
26 statutory interest. The amount payable shall be certified in  
27 each case by the board in accordance with methods approved by  
28 the actuary and shall be paid in a lump sum within 30 days or in  
29 the case of an active member or school employee who is an active  
30 member of the Public School Employees' Retirement System may be

1 amortized with statutory interest through salary deductions to  
2 the system in amounts agreed upon by the member and the board.  
3 The salary deduction amortization plans agreed to by the member  
4 and the board may include a deferral of payment amounts and  
5 statutory interest until the termination of school service or  
6 State service or beginning of service as a participant as the  
7 board in its sole discretion decides to allow. The board may  
8 limit salary deduction amortization plans to such terms as the  
9 board in its sole discretion determines. In the case of a school  
10 employee who is an active member of the Public School Employees'  
11 Retirement System, the agreed upon salary deductions shall be  
12 remitted to the Public School Employees' Retirement Board, which  
13 shall certify and transfer to the board the amounts paid.

14 \* \* \*

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

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

30 (1) An annuitant who returns to State service as an

1 active member of the system and earns three eligibility  
2 points by performing credited State service following the  
3 most recent period of receipt of an annuity under this part,  
4 or an annuitant who enters school service other than as a  
5 participant in the School Employees' Defined Contribution  
6 Plan and:

7 (i) is a multiple service member; or

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

21 \* \* \*

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

1 year by the board for the calculation of the normal  
2 contribution rate pursuant to section 5508(b) (relating to  
3 actuarial cost [method].] method for fiscal years ending  
4 before July 1, 2015) or for the calculation of the accrued  
5 liability contribution rate under section 5508.1(c) (relating  
6 to actuarial cost method for fiscal years beginning on or  
7 after July 1, 2015) for fiscal years beginning on or after  
8 July 1, 2015.

9 Section 332. Section 5707(a), (b) and (f) of Title 71,  
10 amended October 24, 2012 (P.L.1436, No.181), are amended to  
11 read:

12 § 5707. Death benefits.

13 (a) Members eligible for annuities.--Any active member,  
14 inactive member on leave without pay, combined service employee  
15 who is an active participant or inactive participant on leave  
16 without pay, vestee or current or former State employee  
17 performing USERRA leave who dies and was eligible for an annuity  
18 in accordance with section 5308(a) or (b) (relating to  
19 eligibility for annuities) or special vestee who has attained  
20 superannuation age and dies before applying for a superannuation  
21 annuity shall be considered as having applied for an annuity to  
22 become effective the day before his death and in the event he  
23 has not elected an option or such election has not been approved  
24 prior to his death, it shall be assumed that he elected Option  
25 1.

26 (b) Members ineligible for annuities.--In the event of the  
27 death of a special vestee, an active member, an inactive member  
28 on leave without pay, combined service employee who is an active  
29 participant or inactive participant on leave without pay or a  
30 current or former State employee performing USERRA leave who is

1 not entitled to a death benefit as provided in subsection (a),  
2 his designated beneficiary shall be paid the full amount of his  
3 total accumulated deductions.

4 \* \* \*

5 (f) Members subject to limitations under section 5702(c).--  
6 Subject to the limitations contained in section 401(a)(9) of the  
7 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
8 401(a)(9)), the present value of any annuity in excess of that  
9 payable under section 5702 (relating to maximum single life  
10 annuity) that is not subject to the limitations under section  
11 415(b) of the Internal Revenue Code of 1986 shall be paid in a  
12 lump sum to the beneficiary designated by the member after the  
13 death of the member. A beneficiary receiving a benefit under  
14 this subsection shall not be able to elect a payment method  
15 otherwise allowed under section 5709(b)(2) and (3) (relating to  
16 payment of benefits from the system).

17 Section 333. Sections 5708.1(f), 5708.2(f), 5708.3(f),  
18 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5709(a) and (b) and  
19 5901(a), (c) and (d) of Title 71 are amended to read:  
20 § 5708.1. Additional supplemental annuities.

21 \* \* \*

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

1 sections 5508 (relating to actuarial cost method for fiscal  
2 years ending before July 1, 2015) and 5508.1 (relating to  
3 actuarial cost method for fiscal years beginning on or after  
4 July 1, 2015).

5 \* \* \*

6 § 5708.2. Further additional supplemental annuities.

7 \* \* \*

8 (f) Funding.--The actuary shall annually estimate the amount  
9 of Commonwealth appropriations for the next fiscal year needed  
10 to fund, over a period of ten years from July 1, 2002, the  
11 additional monthly supplemental annuity provided for in this  
12 section, which amounts shall be paid during the period beginning  
13 July 1, 2002, and ending June 30, 2010. For fiscal years  
14 beginning on or after July 1, 2010, the additional liability  
15 provided in this section shall be funded as part of the  
16 actuarial accrued liability as provided in [section 5508  
17 (relating to actuarial cost method).] sections 5508 (relating to  
18 actuarial cost method for fiscal years ending before July 1,  
19 2015) and 5508.1 (relating to actuarial cost method for fiscal  
20 years beginning on or after July 1, 2015).

21 \* \* \*

22 § 5708.3. Supplemental annuities commencing 1994.

23 \* \* \*

24 (f) Funding.--For the period beginning July 1, 2002, and  
25 ending June 30, 2010, the additional liability for the increase  
26 in benefits provided in this section shall be funded in equal  
27 dollar annual installments over a period of ten years beginning  
28 July 1, 2002. For fiscal years beginning on or after July 1,  
29 2010, the additional liability for the increase in benefits  
30 provided in this section shall be funded as part of the

1 actuarial accrued liability as provided in [section 5508  
2 (relating to actuarial cost method).] sections 5508 (relating to  
3 actuarial cost method for fiscal years ending before July 1,  
4 2015) and 5508.1 (relating to actuarial cost method for fiscal  
5 years beginning on or after July 1, 2015).

6 \* \* \*

7 § 5708.5. Supplemental annuities commencing 1998.

8 \* \* \*

9 (f) Funding.--For the period beginning July 1, 2002, and  
10 ending June 30, 2010, the additional liability for the increase  
11 in benefits provided in this section shall be funded in equal  
12 dollar annual installments over a period of ten years beginning  
13 July 1, 2002. For fiscal years beginning on or after July 1,  
14 2010, the additional liability for the increase in benefits  
15 provided in this section shall be funded as part of the  
16 actuarial accrued liability as provided in [section 5508  
17 (relating to actuarial cost method).] sections 5508 (relating to  
18 actuarial cost method for fiscal years ending before July 1,  
19 2015) and 5508.1 (relating to actuarial cost method for fiscal  
20 years beginning on or after July 1, 2015).

21 \* \* \*

22 § 5708.6. Supplemental annuities commencing 2002.

23 \* \* \*

24 (f) Funding.--For the period beginning July 1, 2003, and  
25 ending June 30, 2010, the additional liability for the increase  
26 in benefits provided in this section shall be funded in equal  
27 dollar annual installments over a period of ten years beginning  
28 July 1, 2003. For fiscal years beginning on or after July 1,  
29 2010, the additional liability for the increase in benefits  
30 provided in this section shall be funded as part of the



1 actuarial accrued liability as provided in [section 5508  
2 (relating to actuarial cost method).] sections 5508 (relating to  
3 actuarial cost method for fiscal years ending before July 1,  
4 2015) and 5508.1 (relating to actuarial cost method for fiscal  
5 years beginning on or after July 1, 2015).

6 \* \* \*

7 § 5708.7. Supplemental annuities commencing 2003.

8 \* \* \*

9 (f) Funding.--For the period beginning July 1, 2004, and  
10 ending June 30, 2010, the additional liability for the increase  
11 in benefits provided in this section shall be funded in equal  
12 dollar annual installments over a period of ten years beginning  
13 July 1, 2004. For fiscal years beginning on or after July 1,  
14 2010, the additional liability for the increase in benefits  
15 provided in this section shall be funded as part of the  
16 actuarial accrued liability as provided in [section 5508  
17 (relating to actuarial cost method).] sections 5508 (relating to  
18 actuarial cost method for fiscal years ending before July 1,  
19 2015) and 5508.1 (relating to actuarial cost method for fiscal  
20 years beginning on or after July 1, 2015).

21 \* \* \*

22 § 5708.8. Special supplemental postretirement adjustment of  
23 2002.

24 \* \* \*

25 (g) Funding.--For the period beginning July 1, 2003, and  
26 ending June 30, 2010, the additional liability for the increase  
27 in benefits provided in this section shall be funded in equal  
28 dollar annual installments over a period of ten years beginning  
29 July 1, 2003. For fiscal years beginning on or after July 1,  
30 2010, the additional liability for the increase in benefits

1 provided in this section shall be funded as part of the  
2 actuarial accrued liability as provided in [section 5508  
3 (relating to actuarial cost method).] sections 5508 (relating to  
4 actuarial cost method for fiscal years ending before July 1,  
5 2015) and 5508.1 (relating to actuarial cost method for fiscal  
6 years beginning on or after July 1, 2015).

7 \* \* \*

8 § 5709. Payment of benefits from the system.

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

12 (b) Death benefits.--If the amount of a death benefit  
13 payable from the fund to a beneficiary of a member under section  
14 5707 (relating to death benefits) or under the provisions of  
15 Option 1 of section 5705(a)(1) (relating to member's options) is  
16 \$10,000 or more, such beneficiary may elect to receive payment  
17 according to one of the following options:

18 (1) a lump sum payment;

19 (2) an annuity actuarially equivalent to the amount  
20 payable; or

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

24 \* \* \*

25 § 5901. The State Employees' Retirement Board.

26 (a) Status and membership.--The board shall be an  
27 independent administrative board and consist of 11 members: the  
28 State Treasurer, ex officio, two Senators, two members of the  
29 House of Representatives and six members appointed by the  
30 Governor, one of whom shall be an annuitant of the system or a

1 participant in the plan who has terminated State service and is  
2 receiving or is eligible to receive distributions, for terms of  
3 four years, subject to confirmation by the Senate. At least five  
4 board members shall be active members of the system or active  
5 participants in the plan, and at least two shall have ten or  
6 more years of credited State service or shall have been active  
7 participants in the plan for ten calendar years. The chairman of  
8 the board shall be designated by the Governor from among the  
9 members of the board. Each member of the board who is a member  
10 of the General Assembly may appoint a duly authorized designee  
11 to act in his stead. In the event that a board member, who is  
12 designated as an active participant or as a participant in the  
13 plan who is receiving or is eligible to receive distributions,  
14 receives a total distribution of his interest in the plan, that  
15 board member may continue to serve on the board for the  
16 remainder of his term.

17 \* \* \*

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

27 (d) Compensation and expenses.--The members of the board who  
28 are members of the system or participants in the plan shall  
29 serve without compensation but shall not suffer loss of salary  
30 or wages through serving on the board. The members of the board

1 who are not members of the system or participants in the plan  
2 shall receive \$100 per day when attending meetings and all board  
3 members shall be reimbursed for any necessary expenses. However,  
4 when the duties of the board as mandated are not executed, no  
5 compensation or reimbursement for expenses of board members  
6 shall be paid or payable during the period in which such duties  
7 are not executed.

8 \* \* \*

9 Section 334. Section 5902(a.1) introductory paragraph, (3),  
10 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n)  
11 of Title 71, amended October 24, 2012 (P.L.1436, No.181), are  
12 amended and the section is amended by adding a subsection to  
13 read:

14 § 5902. Administrative duties of the board.

15 \* \* \*

16 (a.1) Secretary.--The secretary shall act as chief  
17 administrative officer for the board with respect to both the  
18 system and the plan. In addition to other powers and duties  
19 conferred upon and delegated to the secretary by the board, the  
20 secretary shall:

21 \* \* \*

22 (3) Review and analyze proposed legislation and  
23 legislative developments affecting the system or the plan and  
24 present findings to the board, legislative committees, and  
25 other interested groups or individuals.

26 \* \* \*

27 (5) Receive inquiries and requests for information  
28 concerning the system or the plan from the press,  
29 Commonwealth officials, State employees, the general public,  
30 research organizations, and officials and organizations from

1 other states, and provide information as authorized by the  
2 board.

3 (6) Supervise a staff of administrative, technical, and  
4 clerical employees engaged in record-keeping and clerical  
5 processing activities for both the system and the plan in  
6 maintaining files of members and participants, accounting for  
7 contributions, processing payments to annuitants and  
8 terminated participants, preparing required reports, and  
9 retirement counseling. The board may utilize the staff of  
10 employees provided for under this paragraph for both the  
11 system and the plan but shall allocate the fees, costs and  
12 expenses incurred under this paragraph between the system and  
13 the plan as appropriate.

14 (b) Professional personnel.--The board shall contract for  
15 the services of a chief medical examiner, an actuary, investment  
16 advisors and counselors, and such other professional personnel  
17 as it deems advisable. The board may, with the approval of the  
18 Attorney General, contract for legal services. The board may  
19 utilize the same individuals and firms contracted under this  
20 subsection for both the system and the plan but shall allocate  
21 the fees, costs and expenses incurred under this subsection  
22 between the system and the plan as appropriate.

23 (c) Expenses.--

24 (1) The board shall, through the Governor, submit to the  
25 General Assembly annually a budget covering the  
26 administrative expenses of [this part.] the system and a  
27 separate budget covering the administrative expenses of the  
28 plan which budgets shall include those expenses necessary to  
29 establish the plan and trust.

30 (2) Such expenses of the system as approved by the

1 General Assembly in an appropriation bill shall be paid from  
2 investment earnings of the fund.

3 (3) For fiscal years ending on or before June 30, 2015,  
4 such expenses of the plan as approved by the General Assembly  
5 in an appropriation bill shall be paid from the General Fund.  
6 For fiscal years beginning on or after July 1, 2015, such  
7 expenses of the plan as approved by the General Assembly  
8 shall be paid from interest, pursuant to section 5414(b)  
9 (relating to investments based on participants' investment  
10 allocation choices), or assessments on the balances of the  
11 participants' individual investment accounts.

12 (4) Concurrently with its administrative budget, the  
13 board shall also submit to the General Assembly annually a  
14 list of proposed expenditures which the board intends to pay  
15 through the use of directed commissions, together with a list  
16 of the actual expenditures from the past year actually paid  
17 by the board through the use of directed commissions. All  
18 such directed commission expenditures shall be made by the  
19 board for the exclusive benefit of the system and its  
20 members.

21 \* \* \*

22 (e) Records.--

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

26 (2) Any record, material or data received, prepared,  
27 used or retained by the board or its employees, investment  
28 professionals or agents relating to an investment shall not  
29 constitute a public record subject to public [inspection]  
30 access under the act of [June 21, 1957 (P.L.390, No.212),

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

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

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

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

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

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

1 Right-to-Know Law once:

2 (A) the [inspection] access no longer causes  
3 substantial competitive harm to the person from whom  
4 the 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] access under  
10 paragraph (2)(iii), to the extent not otherwise excluded  
11 from [inspection] access, shall constitute a public  
12 record subject to public [inspection] access under the  
13 Right-to-Know Law once:

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

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

21 whichever is later.

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

28 (5) Any record, material or data received, prepared,  
29 used or retained by the board or its employees, or agents  
30 relating to the contributions, account value or benefits



1 payable to or on account of a participant shall not  
2 constitute a public record subject to public access under the  
3 Right-to-Know Law if, in the reasonable judgment of the  
4 board, the access would disclose any of the following:

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

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

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

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

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

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

24 (7) The following shall apply:

25 (i) Nothing in this part shall be construed to mean  
26 that the release or publicizing of a record, material or  
27 data which would not constitute a public record under  
28 this subsection shall be a violation of the board's  
29 fiduciary duties.

30 (ii) This subsection shall apply to a record,

1 material or data under this subsection, notwithstanding  
2 any of the following:

3 (A) Whether the record, material or data was  
4 created, generated or stored before the effective  
5 date of this paragraph.

6 (B) Whether the record, material or data was  
7 previously released or made public.

8 (C) Whether a request for the record, material  
9 or data was made or is pending final response under  
10 the Right-to-Know Law.

11 \* \* \*

12 (h) Regulations and procedures.--The board shall, with the  
13 advice of the Attorney General and the actuary, adopt and  
14 promulgate rules and regulations for the uniform administration  
15 of the system. The actuary shall approve in writing all  
16 computational procedures used in the calculation of  
17 contributions and benefits pertaining to the system, and the  
18 board shall by resolution adopt such computational procedures,  
19 prior to their application by the board. Such rules, regulations  
20 and computational procedures as so adopted from time to time and  
21 as in force and effect at any time, together with such tables as  
22 are adopted pursuant to subsection (j) as necessary for the  
23 calculation of annuities and other benefits, shall be as  
24 effective as if fully set forth in this part. Any actuarial  
25 assumption specified in or underlying any such rule, regulation  
26 or computational procedure and utilized as a basis for  
27 determining any benefit shall be applied in a uniform manner.

28 (i) Data.--The board shall keep in convenient form such data  
29 as are stipulated by the actuary in order that an annual  
30 actuarial valuation of the various accounts of the fund can be

1 completed within six months of the close of each calendar year.

2 (j) Actuarial investigation and valuation.--The board shall  
3 have the actuary make an annual valuation of the various  
4 accounts of the fund within six months of the close of each  
5 calendar year. In the year 1975 and in every fifth year  
6 thereafter the board shall have the actuary conduct an actuarial  
7 investigation and evaluation of the system based on data  
8 including the mortality, service, and compensation experience  
9 provided by the board annually during the preceding five years  
10 concerning the members and beneficiaries of the system. The  
11 board shall by resolution adopt such tables as are necessary for  
12 the actuarial valuation of the fund and calculation of  
13 contributions, annuities and other benefits based on the reports  
14 and recommendations of the actuary. Within 30 days of their  
15 adoption, the secretary of the board shall cause those tables  
16 which relate to the calculation of annuities and other benefits  
17 to be published in the Pennsylvania Bulletin in accordance with  
18 the provisions of 45 Pa.C.S. § 725(a) (relating to additional  
19 contents of Pennsylvania Bulletin) and, unless the board  
20 specifies therein a later effective date, such tables shall  
21 become effective on such publication. The board shall include a  
22 report on the significant facts, recommendations and data  
23 developed in each five-year actuarial investigation and  
24 evaluation of the system in the annual financial statement  
25 published pursuant to the requirements of subsection (m) for the  
26 fiscal year in which such investigation and evaluation were  
27 concluded.

28 (k) Certification of employer contributions to fund.--The  
29 board shall, each year in addition to the itemized budget  
30 required under section 5509 (relating to appropriations and

1 assessments by the Commonwealth), certify, as a percentage of  
2 the members' payroll, the shared-risk contribution rate, the  
3 employers' contributions as determined pursuant to [section 5508  
4 (relating to actuarial cost method)] sections 5508 (relating to  
5 actuarial cost method for fiscal years ending before July 1,  
6 2015) and 5508.1 (relating to actuarial cost method for fiscal  
7 years beginning on or after July 1, 2015) necessary for the  
8 funding of prospective annuities for active members and the  
9 annuities of annuitants and certify the rates and amounts of the  
10 employers' normal contributions as determined pursuant to  
11 [section] sections 5508(b) and 5508.1(b), accrued liability  
12 contributions as determined pursuant to [section] sections  
13 5508(c) and 5508.1(c) and (d), supplemental annuities  
14 contribution rate as determined pursuant to section 5508(e), the  
15 experience adjustment factor as determined pursuant to [section]  
16 sections 5508(f) and 5508.1(f), the collared contribution rate  
17 pursuant to section 5508(h) and the final contribution rate  
18 pursuant to section 5508(i), which shall be paid to the fund and  
19 credited to the appropriate accounts. The board may allocate the  
20 final contribution rate and certify various employer  
21 contribution rates and amounts based upon the different benefit  
22 eligibility, class of service multiplier, superannuation age,  
23 final average salary calculation and other benefit differences  
24 resulting from State service credited for individual members  
25 even though such allocated employer contribution rate on behalf  
26 of any given member may be more or less than 5% of the member's  
27 compensation for the period from July 1, 2010, to June 30, 2011,  
28 or may differ from the prior year's contribution for that member  
29 by more or less than the percentages used to calculate the  
30 collared contribution rate for that year and may be below any

1 minimum contribution rate established for the collared  
2 contribution rate or final contribution rate. These  
3 certifications shall be regarded as final and not subject to  
4 modification by the Secretary of the Budget.

5 (l) Member contributions.--The board shall cause all pickup  
6 contributions made on behalf of a member to be credited to the  
7 account of the member and credit to his account any other  
8 payment made by such member, including, but not limited to,  
9 amounts collected by the Public School Employees' Retirement  
10 System for the reinstatement of previous State service or  
11 creditable nonstate service and amounts paid to return benefits  
12 paid after the date of return to State service or entering  
13 school service representing lump sum payments made pursuant to  
14 section 5705(a)(4)(iii) or (a.1) (relating to member's options)  
15 and member's annuity payments, but not including other benefits  
16 returned pursuant to section 5706(a.2) or (a.3) (relating to  
17 termination of annuities), and shall pay all such amounts into  
18 the fund.

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

1 public.

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

9 \* \* \*

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

23 Section 335. Section 5903 heading, (a) and (c) of Title 71  
24 are amended and the section is amended by adding a subsection to  
25 read:

26 § 5903. Duties of the board to advise and report to heads of  
27 departments [and], members and participants.

28 (a) Manual of regulations.--The board shall, with the advice  
29 of the Attorney General and the actuary, prepare and provide,  
30 within 90 days of the effective date of this part, a manual

1 incorporating rules and regulations consistent with the  
2 provisions of this part to the heads of departments who shall  
3 make the information contained therein available to the general  
4 membership. The board shall thereafter advise the heads of  
5 departments within 90 days of any changes in such rules and  
6 regulations due to changes in the law or due to changes in  
7 administrative policies. As soon as practicable after the  
8 commissioner's announcement with respect thereto, the board  
9 shall also advise the heads of departments as to any cost-of-  
10 living adjustment for the succeeding calendar year in the amount  
11 of the limitation under IRC § 401(a)(17) and the dollar amounts  
12 of the limitations under IRC § [415(b)] 415. As soon as  
13 practicable after January 1 of each year, the board shall also  
14 advise the heads of departments of the employees for whom,  
15 pursuant to section 5502.1 (relating to waiver of regular member  
16 contributions and Social Security integration member  
17 contributions), pickup contributions are not to be made.

18 \* \* \*

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

29 (c) Purchase of credit and full coverage membership  
30 certifications.--Upon receipt of an application from an active

1 member or eligible school employee to purchase credit for  
2 previous State or creditable nonstate service, an election for  
3 membership in a specific class or subclass of service, or an  
4 election to become a full coverage member, the board shall  
5 determine and certify to the member the amount required to be  
6 paid by the member. When necessary, the board shall certify to  
7 the previous employer the amount due in accordance with sections  
8 5504 (relating to member contributions for the purchase of  
9 credit for previous State service or to become a full coverage  
10 member) and 5505 (relating to contributions for the purchase of  
11 credit for creditable nonstate service).

12 \* \* \*

13 Section 336. Section 5904(c)(2) of Title 71 is amended to  
14 read:

15 § 5904. Duties of the board to report to the Public School  
16 Employees' Retirement Board.

17 \* \* \*

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

25 \* \* \*

26 (2) transfer to the Public School Employees' Retirement  
27 Fund the total accumulated deductions standing to such  
28 member's credit and the actuarial reserve required on account  
29 of years of credited service in the State system, final  
30 average salary determined on the basis of his compensation as



1     a member in both systems and the average noncovered salary to  
2     be charged to the State accumulation account, the State  
3     Police benefit account or the enforcement officers' benefit  
4     account, as each case may require.

5     \* \* \*

6     Section 337. Section 5905 heading, (b)(3), (c.1) and (g) of  
7     Title 71, amended October 24, 2012 (P.L.1436, No.181), are  
8     amended and the section is amended by adding subsections to  
9     read:

10    § 5905. Duties of the board regarding applications and  
11           elections of members and participants.

12    \* \* \*

13    (b) School employees electing multiple service status.--Upon  
14    receipt of notification from the Public School Employees'  
15    Retirement Board that a former State employee has become an  
16    active member in the Public School Employees' Retirement System  
17    and has elected to become a member with multiple service status  
18    the board shall:

19    \* \* \*

20    (3) in case of a former State employee who is not  
21    receiving an annuity from the system and his total  
22    accumulated deductions were withdrawn, certify to the former  
23    State employee the accumulated deductions as they would have  
24    been at the time of his separation had he been a full  
25    coverage member together with statutory interest for all  
26    periods of subsequent State service eligible for membership  
27    in the system and school service as a member of the Public  
28    School Employees' Retirement System to the date of repayment.  
29    Such amount shall be restored by him and shall be credited  
30    with statutory interest as such payments are restored.

1 \* \* \*

2 (c.1) Termination of service by a member.--In the case of  
3 any member terminating State service who is entitled to an  
4 annuity and who is not then a disability annuitant, the board  
5 shall advise such member in writing of any benefits from the  
6 system to which he may be entitled under the provisions of this  
7 part and shall have the member prepare, on or before the date of  
8 termination of State service, one of the following three forms,  
9 a copy of which shall be given to the member and the original of  
10 which shall be filed with the board:

11 (1) an application for the return of total accumulated  
12 deductions;

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

17 (3) an application for an immediate annuity and, if he  
18 desires:

19 (i) an election to convert his medical, major  
20 medical and hospitalization insurance coverage to the  
21 plan for State annuitants; and

22 (ii) if he is a joint coverage member, an election  
23 to become a full coverage member and an agreement to pay  
24 within 30 days of date of termination of service the lump  
25 sum required.

26 (c.2) Termination of service by a participant.--In the case  
27 of a participant terminating State service, the board shall  
28 advise the participant and, if the participant is married, the  
29 board may advise the participant's spouse, in writing, of the  
30 vested accumulated total defined contributions credited to the

1 participant's individual investment account as of the date  
2 stated in the writing, any notices regarding rollover or other  
3 matters required by IRC or other law, the obligation of the  
4 participant to commence distributions from the plan by the  
5 participant's required beginning date and the ability to receive  
6 all or part of the vested balance in the participant's  
7 individual investment account in a lump sum or in such other  
8 form as the board may authorize or as required by law.

9 \* \* \*

10 (e.2) Notification to inactive participants approaching  
11 required beginning date.--The board shall notify each inactive  
12 participant who has terminated State service and had not  
13 commenced distribution by 90 days before the participant's  
14 required beginning date and, if the participant is married, the  
15 board may advise the participant's spouse, in writing, that the  
16 inactive participant has an obligation to commence distributions  
17 by the required beginning date in a form and manner required by  
18 IRC § 401(a)(9) and other applicable provisions of the IRC.

19 \* \* \*

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

23 (g) Death benefits.--Upon receipt of notification from the  
24 head of a department of the death of an active member, a member  
25 performing USERRA leave [or], a member on leave without pay, an  
26 active participant, an inactive participant on leave without pay  
27 or a former participant performing USERRA leave, the board shall  
28 advise the designated beneficiary of the benefits to which he is  
29 entitled, and shall make the first payment to the beneficiary  
30 within 60 days of receipt of certification of death and other

1 necessary data. If no beneficiary designation is in effect at  
2 the date of the member's death or no notice has been filed with  
3 the board to pay the amount of the benefits to the member's  
4 estate, the board is authorized to pay the benefits to the  
5 executor, administrator, surviving spouse or next of kin of the  
6 deceased member, and payment pursuant hereto shall fully  
7 discharge the fund from any further liability to make payment of  
8 such benefits to any other person. If the surviving spouse or  
9 next of kin of the deceased member cannot be found for the  
10 purpose of paying the benefits for a period of seven years from  
11 the date of death of the member, then the benefits shall be  
12 escheated to the Commonwealth for the benefit of the fund. If no  
13 beneficiary designation is in effect at the date of a  
14 participant's death or no notice has been filed with the board  
15 to pay the amount of the benefits to the participant's estate,  
16 the board may pay the benefits to the surviving spouse,  
17 executor, administrator or next of kin of the deceased  
18 participant and payment pursuant hereto shall fully discharge  
19 the fund from any further liability to make payment of such  
20 benefits to any other person.

21 \* \* \*

22 Section 338. Section 5905.1(a) and (b) (2) and (3) of Title  
23 71 are amended to read:

24 § 5905.1. Installment payments of accumulated deductions.

25 (a) General rule.--Notwithstanding any other provision of  
26 this part, whenever a member elects to withdraw his total  
27 accumulated deductions pursuant to section 5311(a) (relating to  
28 eligibility for refunds) or 5701 (relating to return of total  
29 accumulated deductions) or elects to receive a portion of his  
30 benefit payable as a lump sum pursuant to section 5705(a) (4)

1 (iii) or (a.1) (relating to member's options), the member may  
2 elect to receive the amount in not more than four installments.

3 (b) Payment of first installment.--The payment of the first  
4 installment shall be made in the amount and within seven days of  
5 the date specified by the member, except as follows:

6 \* \* \*

7 (2) In the case of an election as provided in section  
8 5705(a)(4)(iii) or (a.1) by a member terminating service  
9 within 60 days prior to the end of a calendar year and upon  
10 receipt of all required data from the head of the department  
11 and, if the member has Class G, Class H, Class I, Class J,  
12 Class K, Class L, Class M or Class N service, any data  
13 required from the county retirement system or pension plan to  
14 which the member was a contributor before being transferred  
15 to State employment, the board shall not be required to pay  
16 the first installment prior to 21 days after the later of the  
17 filing of the application and the receipt of the data or the  
18 date of termination of service, but, unless otherwise  
19 directed by the member, the payment shall be made no later  
20 than 45 days after the filing of the application and the  
21 receipt of the data or the date of termination of service,  
22 whichever is later.

23 (3) In the case of an election as provided in section  
24 5705(a)(4)(iii) or (a.1) by a member who is not terminating  
25 service within 60 days prior to the end of a calendar year  
26 and upon receipt of all required data from the head of the  
27 department and, if the member has Class G, Class H, Class I,  
28 Class J, Class K, Class L, Class M or Class N service, any  
29 data required from the county retirement system or pension  
30 plan to which the member was a contributor before being

1 transferred to State employment, the board shall not be  
2 required to pay the first installment prior to 45 days after  
3 the filing of the application and the receipt of the data or  
4 the date of termination of service, whichever is later.

5 \* \* \*

6 Section 339. Section 5906(a)(3), (b), (d), (e), (g), (h),  
7 (i) and (l) of Title 71, amended October 24, 2012 (P.L.1436,  
8 No.181), are amended and the section is amended by adding a  
9 subsection to read:

10 § 5906. Duties of heads of departments.

11 (a) Status of members and participants.--The head of  
12 department shall, at the end of each pay period, notify the  
13 board in a manner prescribed by the board of salary changes  
14 effective during that period for any members and participants  
15 of the department, the date of all removals from the payroll,  
16 and the type of leave of any members and participants of the  
17 department who have been removed from the payroll for any time  
18 during that period, and:

19 \* \* \*

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

24 (i) in the case of death of the member or  
25 participant the head of the department shall so notify  
26 the board;

27 (ii) in the case of a service connected disability  
28 of a member the head of department shall, to the best of  
29 his ability, investigate the circumstances surrounding  
30 the disablement of the member and submit in writing to

1 the board information which shall include but not  
2 necessarily be limited to the following: date, place and  
3 time of disablement to the extent ascertainable; nature  
4 of duties being performed at such time; and whether or  
5 not the duties being performed were authorized and  
6 included among the member's regular duties. In addition,  
7 the head of department shall furnish in writing to the  
8 board all such other information as may be related to the  
9 member's disablement;

10 (iii) in the case of a member terminating from The  
11 Pennsylvania State University who is a member of the  
12 system with five or more but less than ten eligibility  
13 points and who has terminated State service on June 30,  
14 1997, because of the transfer of his job position or  
15 duties to a controlled organization of the Penn State  
16 Geisinger Health System or because of the elimination of  
17 his job position or duties due to the transfer of other  
18 job positions or duties to a controlled organization of  
19 the Penn State Geisinger Health System, the head of the  
20 department shall so certify to the board.

21 (b) Records and information.--At any time at the request of  
22 the board and at termination of service of a member or a  
23 participant, the head of department shall furnish service and  
24 compensation records and such other information as the board may  
25 require and shall maintain and preserve such records as the  
26 board may direct for the expeditious discharge of its duties.

27 \* \* \*

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

30 (1) Cause the mandatory pickup participant contributions

1 on behalf of a participant to be made and cause to be  
2 deducted any voluntary contributions authorized by a  
3 participant.

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

6 (3) Notify the board at times and in a manner prescribed  
7 by the board of the compensation of any participant to whom  
8 the limitation under IRC § 401(a)(17) either applies or is  
9 expected to apply and cause the participant's contributions  
10 to be deducted from payroll to cease at the limitation under  
11 IRC § 401(a)(17) on the payroll date if and when such limit  
12 shall be reached.

13 (4) Certify to the State Treasurer the amounts picked up  
14 and deducted and the employer defined contributions being  
15 made and send the total amount picked up, deducted and  
16 contributed together with a duplicate of the voucher to the  
17 secretary of the board every pay period or on such schedule  
18 as established by the board.

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

29 (e) New employees subject to optional membership or  
30 participation.--The head of department shall, upon the



1 employment or entering into office of any State employee whose  
2 membership in the system or participation in the plan is not  
3 mandatory, inform such employee of his opportunity to become a  
4 member of the system or participant in the plan. If such  
5 employee so elects, the head of department shall cause an  
6 application for membership and a nomination of beneficiary, who  
7 shall be the participant's spouse if the participant is married,  
8 unless the spouse otherwise consents, to be made by him and  
9 filed with the board and shall cause proper contributions to be  
10 made from the effective date of membership or participation.

11 \* \* \*

12 (g) Former school employee contributors.--

13 (1) The head of department shall, upon the employment of  
14 a former contributor to the Public School Employees'  
15 Retirement System who is not an annuitant of the Public  
16 School Employees' Retirement System, advise such employee of  
17 his right to elect within 365 days of entry into the system  
18 to become a multiple service member, and in the case of any  
19 such employee who so elects and has withdrawn his accumulated  
20 deductions, require him to reinstate his credit in the Public  
21 School Employees' Retirement System. The head of the  
22 department shall advise the board of such election.

23 (2) Paragraph (1) shall not apply to a State employee  
24 who is employed in a position where he is or may be a  
25 participant in the plan other than by an election under  
26 section 5416 (relating to election by members to be  
27 participants).

28 (h) Former school employee annuitants.--

29 (1) The head of department shall, upon the employment of  
30 an annuitant of the Public School Employees' Retirement

1 System who applies for membership in the system, advise such  
2 employee that he may elect multiple service membership within  
3 365 days of entry into the system and if he so elects his  
4 public school employee's annuity will be discontinued  
5 effective upon the date of his return to State service and,  
6 upon termination of State service and application for an  
7 annuity, the annuity will be adjusted in accordance with  
8 section 5706 (relating to termination of annuities). The head  
9 of department shall advise the board of such election.

10 (2) Paragraph (1) shall not apply to a State employee  
11 who is employed in a position where he is or may be a  
12 participant in the plan other than by an election under  
13 section 5416.

14 (i) Annual statement to members.--Annually, upon receipt  
15 from the board, the head of department shall furnish to each  
16 member the statement specified in section 5903(b) (relating to  
17 duties of the board to advise and report to heads of departments  
18 [and], members and participants).

19 \* \* \*

20 (1) State employees performing USERRA or military-related  
21 leave of absence.--The head of department shall report to the  
22 board any State employee who ceases to be an active member or  
23 active participant to perform USERRA service, or who is granted  
24 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves  
25 of absence for certain government employees) or a military leave  
26 of absence under 51 Pa.C.S. § 7302 (relating to granting  
27 military leaves of absence), the date on which the USERRA  
28 service, leave of absence or military leave of absence began,  
29 the date on which the State employee is reemployed from USERRA  
30 leave or returns after the leave of absence or military leave of

1 absence, if the event occurs, and any other information the  
2 board may require or direct.

3 \* \* \*

4 Section 340. Section 5907 heading, (a), (e) and (f) of Title  
5 71 are amended and the section is amended by adding subsections  
6 to read:

7 § 5907. Rights and duties of State employees [and], members and  
8 participants.

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

28 \* \* \*

29 (b.1) Application for participation.--On or after January 1,  
30 2015, in the case of a new employee who is not currently a

1 participant in the plan and whose participation is mandatory, or  
2 in the case of a new employee whose participation is not  
3 mandatory but is permitted and who desires to become a  
4 participant in the plan, the new employee shall execute an  
5 application for participation and a nomination of a beneficiary,  
6 who shall be the participant's spouse if the participant is  
7 married, unless the spouse otherwise consents.

8 \* \* \*

9 (d.2) Contributions for USERRA leave.--Any active  
10 participant or inactive participant on leave without pay or  
11 former participant who was reemployed from USERRA leave who  
12 desires to make mandatory pickup participant contributions and  
13 voluntary contributions for his USERRA leave shall so notify the  
14 board within the time period required under 38 U.S.C. Ch. 43  
15 (relating to employment and reemployment rights of members of  
16 the uniformed services) and IRC § 414(u) of his desire to make  
17 such contributions. Upon making the permitted mandatory pickup  
18 participant contributions within the allowed time period, the  
19 head of the department shall make the corresponding employer  
20 defined contributions at the same time.

21 (d.3) Voluntary contributions by a participant.--Any  
22 participant who desires to make voluntary contributions to be  
23 credited to his individual investment account shall notify the  
24 board and, upon compliance with the requirements, procedures and  
25 limitations established by the board in the plan document, may  
26 do so subject to the limitations under IRC §§ 401(a) and 415 and  
27 other applicable law.

28 (e) Beneficiary for death benefits from system.--Every  
29 member shall nominate a beneficiary by written designation filed  
30 with the board as provided in section 5906(d) or (e) (relating

1 to duties of heads of departments) to receive the death benefit  
2 payable under section 5707 (relating to death benefits) or the  
3 benefit payable under the provisions of Option 1 of section  
4 5705(a) (1) (relating to member's options). Such nomination may  
5 be changed at any time by the member by written designation  
6 filed with the board. A member may also nominate a contingent  
7 beneficiary or beneficiaries to receive the death benefit  
8 provided under section 5707 or the benefit payable under the  
9 provisions of Option 1 of section 5705(a) (1).

10 (e.1) Beneficiary for death benefits from plan.--Every  
11 participant shall nominate a beneficiary by written designation  
12 filed with the board as provided in section 5906(d) or (e) to  
13 receive the death benefit payable under section 5408 (relating  
14 to death benefits). A participant may also nominate a contingent  
15 beneficiary or beneficiaries to receive the death benefit  
16 provided under section 5408. The nomination may be changed at  
17 any time by the participant by written designation filed with  
18 the board, provided that, if the participant is married, the  
19 participant's spouse consents to the change unless the change is  
20 to name the spouse as beneficiary or is limited to contingent  
21 beneficiaries. If the spouse of a participant in the plan is  
22 deemed to be the beneficiary by operation of law, the person  
23 last nominated as beneficiary in writing filed with the board  
24 shall become the contingent beneficiary.

25 (e.2) Beneficiary for combined service employee.--A combined  
26 service employee may designate or nominate different persons to  
27 be beneficiaries, survivor annuitants and successor payees for  
28 his benefits from the system and the plan.

29 (f) Termination of service by members.--Each member who  
30 terminates State service and who is not then a disability

1 annuitant shall execute on or before the date of termination of  
2 service the appropriate application, duly attested by the member  
3 or his legally constituted representative, electing to:

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

- 9 (3) receive an immediate annuity and may,
  - 10 (i) if eligible, elect to convert his medical, major
  - 11 medical, and hospitalization coverage to the plan for
  - 12 State annuitants; and

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

17 \* \* \*

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

29 \* \* \*

30 (1) Continuing obligation regarding spouses.--A participant

1 shall have the continuing obligation to notify the board in  
2 writing of any change in marital status and, if applicable, the  
3 name and current address of the participant's spouse.

4 \* \* \*

5 Section 341. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,  
6 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

7 § 5931. Management of fund and accounts.

8 \* \* \*

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

15 \* \* \*

16 § 5932. State Employees' Retirement Fund.

17 (a) General rule.--The fund shall consist of all balances in  
18 the several separate accounts set apart to be used under the  
19 direction of the board for the benefit of members of the system;  
20 and the Treasury Department shall credit to the fund all moneys  
21 received from the Department of Revenue arising from the  
22 contributions relating to or on behalf of members of the system  
23 required under the provisions of Chapter 55 (relating to  
24 contributions), and any income earned by the investments or  
25 moneys of said fund. There shall be established and maintained  
26 by the board the several ledger accounts specified in sections  
27 5933 (relating to members' savings account), 5934 (relating to  
28 State accumulation account), 5935 (relating to annuity reserve  
29 account), 5936 (relating to State Police benefit account), 5937  
30 (relating to enforcement officers' benefit account), 5938

1 (relating to supplemental annuity account) and 5939 (relating to  
2 interest reserve account).

3 (b) Individual investment accounts and trust.--The  
4 individual investment accounts that are part of the trust shall  
5 not be part of the fund. Mandatory pickup participant  
6 contributions, voluntary contributions and employer defined  
7 contributions made under this part and any income earned by the  
8 investment of such contributions shall not be paid or credited  
9 to the fund but shall be paid to the trust and credited to the  
10 individual investment accounts.

11 § 5934. State accumulation account.

12 The State accumulation account shall be the ledger account to  
13 which shall be credited all contributions of the Commonwealth or  
14 other employers whose employees are members of the system and  
15 made in accordance with the provisions of [section 5507(a) or  
16 (d) (relating to contributions by the Commonwealth and other  
17 employers)] sections 5507(a) or (d) (relating to contributions  
18 to the system by the Commonwealth and other employers before  
19 July 1, 2015) and 5507.1 (relating to contributions to the  
20 system by the Commonwealth and other employers commencing July  
21 1, 2015) except that the amounts received under the provisions  
22 of the act of May 12, 1943 (P.L.259, No.120), and the amounts  
23 received under the provisions of the Liquor Code, act of April  
24 12, 1951 (P.L.90, No.21), shall be credited to the State Police  
25 benefit account or the enforcement officers' benefit account as  
26 the case may be. All amounts transferred to the fund by county  
27 retirement systems or pension plans in accordance with the  
28 provisions of section 5507(c) also shall be credited to the  
29 State accumulation account. All amounts transferred to the fund  
30 by the Public School Employees' Retirement System in accordance



1 with section 5303.2(e) (relating to election to convert school  
2 service to State service), except amounts credited to the  
3 members' savings account, and all amounts paid by the Department  
4 of Corrections in accordance with section 5303.2(f) also shall  
5 be credited to the State accumulation account. The State  
6 accumulation account shall be credited with valuation interest.  
7 The reserves necessary for the payment of annuities and death  
8 benefits resulting from membership in the system as approved by  
9 the board and as provided in Chapter 57 (relating to benefits)  
10 shall be transferred from the State accumulation account to the  
11 annuity reserve account provided for in section 5935 (relating  
12 to annuity reserve account), except that the reserves necessary  
13 on account of a member who is an officer of the Pennsylvania  
14 State Police or an enforcement officer shall be transferred from  
15 the State accumulation account to the State Police benefit  
16 account provided for in section 5936 (relating to State Police  
17 benefit account) or to the enforcement officers' benefit account  
18 as provided for in section 5937 (relating to enforcement  
19 officers' benefit account) as the case may be. The reserves  
20 necessary for the payment of supplemental annuities in excess of  
21 those reserves credited to the supplemental annuity account on  
22 June 30, 2010, shall be transferred from the State accumulation  
23 account to the supplemental annuity account. In the event that  
24 supplemental annuities are increased by legislation enacted  
25 after December 31, 2009, the necessary reserves shall be  
26 transferred from the State accumulation account to the  
27 supplemental annuity account.

28 § 5935. Annuity reserve account.

29 (a) Credits and charges to account.--The annuity reserve  
30 account shall be the ledger account to which shall be credited

1 the reserves held for payment of annuities and death benefits on  
2 account of all annuitants except in the case of members who are  
3 officers of the Pennsylvania State Police or enforcement  
4 officers. The annuity reserve account shall be credited with  
5 valuation interest. After the transfers provided in sections  
6 5933 (relating to members' savings account), 5934 (relating to  
7 State accumulation account) and 5938 (relating to supplemental  
8 annuity account), all annuity and death benefit payments  
9 resulting from membership in the system except those payable to  
10 any member who retires as an officer of the Pennsylvania State  
11 Police or an enforcement officer shall be charged to the annuity  
12 reserve account and paid from the fund.

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

24 § 5936. State Police benefit account.

25 (a) Credits and charges to account.--The State Police  
26 benefit account shall be the ledger account to which shall be  
27 credited all contributions received under the provisions of the  
28 act of May 12, 1943 (P.L.259, No.120), and any additional  
29 Commonwealth or other employer contributions provided for in  
30 [section 5507 (relating to contributions by the Commonwealth and

1 other employers)] sections 5507 (relating to contributions to  
2 the system by the Commonwealth and other employers before July  
3 1, 2015) and 5507.1 (relating to contributions to the system by  
4 the Commonwealth and other employers commencing July 1, 2015)  
5 which are creditable to the State Police benefit account. The  
6 State Police benefit account shall be credited with the required  
7 interest. In addition, upon the filing of an application for an  
8 annuity by a member who is an officer of the Pennsylvania State  
9 Police, the total accumulated deductions standing to the credit  
10 of the member in the members' savings account and the necessary  
11 reserves from the State accumulation account shall be  
12 transferred to the State Police benefit account. Thereafter, the  
13 total annuity of such annuitant shall be charged to the State  
14 Police benefit account and paid from the fund.

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

1 State Police benefit account shall be transferred to the  
2 appropriate reserve account.

3 § 5937. Enforcement officers' benefit account.

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

27 (b) Transfers from account.--Should the said annuitant be  
28 subsequently restored to active service as a member of the  
29 system or as a participant in the plan, the present value of the  
30 member's annuity at the time of reentry into State service shall

1 be transferred from the enforcement officers' benefit account  
2 and placed to his individual credit in the members' savings  
3 account. In addition, the actuarial reserve for his annuity  
4 calculated as if he had been a member of Class A if the  
5 annuitant does not have any Class AA, Class A-3 or Class A-4  
6 service credited; as if he had been a member of Class AA if the  
7 annuitant does have Class AA service credited; as if he had been  
8 a member of Class A-3 if the annuitant has Class A-3 State  
9 service credited; or as if he had been a member of Class A-4 if  
10 the annuitant has Class A-4 service credited, less the amount  
11 transferred to the members' savings account shall be transferred  
12 from the enforcement officers' benefit account to the State  
13 accumulation account. Upon subsequent retirement other than as  
14 an enforcement officer the actuarial reserve remaining in the  
15 enforcement officers' benefit account shall be transferred to  
16 the appropriate reserve account.

17 § 5938. Supplemental annuity account.

18 The supplemental annuity account shall be the ledger account  
19 to which shall be credited all contributions from the  
20 Commonwealth and other employers in accordance with section  
21 5507(b) [(relating to contributions by the Commonwealth and  
22 other employers)] (relating to contributions to the system by  
23 the Commonwealth and other employers before July 1, 2015) for  
24 the payment of the supplemental annuities provided in sections  
25 5708 (relating to supplemental annuities), 5708.1 (relating to  
26 additional supplemental annuities), 5708.2 (relating to further  
27 additional supplemental annuities), 5708.3 (relating to  
28 supplemental annuities commencing 1994), 5708.4 (relating to  
29 special supplemental postretirement adjustment), 5708.5  
30 (relating to supplemental annuities commencing 1998), 5708.6

1 (relating to supplemental annuities commencing 2002), 5708.7  
2 (relating to supplemental annuities commencing 2003) and 5708.8  
3 (relating to special supplemental postretirement adjustment of  
4 2002) made before July 1, 2010, the amount transferred from the  
5 State accumulation account to provide all additional reserves  
6 necessary as of June 30, 2010, to pay such supplemental  
7 annuities and adjustments, and the amounts transferred from the  
8 State accumulation account to provide all additional reserves  
9 necessary as a result of supplemental annuities enacted after  
10 December 31, 2009. The supplemental annuity account shall be  
11 credited with valuation interest. The reserves necessary for the  
12 payment of such supplemental annuities shall be transferred from  
13 the supplemental annuity account to the annuity reserve account  
14 as provided in section 5935 (relating to annuity reserve  
15 account).

16 § 5939. Interest reserve account.

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

1 shall be transferred to the State accumulation account.

2 § 5951. State guarantee regarding the State Employees'  
3 Retirement System.

4 The required interest charges payable, the maintenance of  
5 reserves in the fund, and the payment of all annuities and other  
6 benefits granted by the board from the system under the  
7 provisions of this part relating to the establishment and  
8 administration of the system are hereby made obligations of the  
9 Commonwealth. All income, interest, and dividends derived from  
10 deposits and investments of the system authorized by this part  
11 shall be used for the payment of the said obligations of the  
12 Commonwealth and shall not be used for any obligations of the  
13 plan or trust.

14 § 5953. Taxation, attachment and assignment of funds.

15 (a) General rule.--

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

1 except as otherwise provided in this part and in the case of  
2 either a member or a participant except for a set-off by the  
3 Commonwealth in the case provided in subparagraph (i), and  
4 shall be unassignable except:

5 (i) To the Commonwealth in the case of a member or  
6 participant who is terminating State service and has been  
7 determined to be obligated to the Commonwealth for the  
8 repayment of money owed on account of his employment or  
9 to the fund on account of a loan from a credit union to a  
10 member which has been satisfied by the board from the  
11 fund.

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

20 (2) (i) Rights under this part shall be subject to  
21 forfeiture as provided by the act of July 8, 1978  
22 (P.L.752, No.140), known as the Public Employee Pension  
23 Forfeiture Act, and by or pursuant to section 16(b) of  
24 Article V of the Constitution of Pennsylvania.  
25 Forfeitures under this subsection or under any other  
26 provision of law may not be applied to increase the  
27 benefits that any member would otherwise receive under  
28 this part.

29 (ii) Notwithstanding this paragraph, the act of July  
30 8, 1978 (P.L.752, No.140), known as the Public Employee



1 Pension Forfeiture Act, and section 16(b) of Article V of  
2 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352  
3 (relating to pension rights), the accumulated mandatory  
4 participant contributions and accumulated voluntary  
5 contributions standing to the credit of a participant  
6 shall not be forfeited but shall be available for payment  
7 of fines and restitution as provided by law. Furthermore,  
8 amounts in the trust that have been ordered to be  
9 distributed to an alternate payee as the result of an  
10 equitable distribution of marital property as part of an  
11 approved domestic relations order entered before the date  
12 of the order or action in a court or other tribunal  
13 resulting in a forfeiture of a participant's interest in  
14 the trust shall not be subject to the Public Employee  
15 Pension Forfeiture Act or section 16(b) of Article V of  
16 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352.  
17 Any accumulated employer defined contributions forfeited  
18 as a result of this paragraph or other law shall be  
19 retained by the board and notwithstanding sections  
20 5412(2) (relating to powers and duties of board), 5415  
21 (relating to expenses) and 5902(c) (relating to  
22 administrative duties of the board) used for the payment  
23 of expenses of the plan.

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

27 (4) Effective with distributions made on or after  
28 January 1, 1993, and notwithstanding any other provision of  
29 this part to the contrary, a distributee may elect, at the  
30 time and in the manner prescribed by the board, to have any

1 portion of an eligible rollover distribution paid directly to  
2 an eligible retirement plan by way of a direct rollover. For  
3 purposes of this paragraph, a "distributee" includes a member  
4 [and], a participant, a member's surviving spouse [and], a  
5 participant's surviving spouse, a member's former spouse who  
6 is an alternate payee under an approved domestic relations  
7 order[.], a participant's former spouse who is an alternate  
8 payee under an approved domestic relations order and anyone  
9 else authorized under the IRC and the plan terms approved by  
10 the board to have an eligible rollover distribution paid  
11 directly to an eligible retirement plan by way of a direct  
12 rollover. For purposes of this paragraph, the term "eligible  
13 rollover distribution" has the meaning given such term by IRC  
14 § 402(f) (2) (A), and "eligible retirement plan" has the  
15 meaning given such term by IRC § 402(c) (8) (B), except that a  
16 qualified trust shall be considered an eligible retirement  
17 plan only if it accepts the distributee's eligible rollover  
18 distribution; however, in the case of an eligible rollover  
19 distribution to a surviving spouse, an eligible retirement  
20 plan is an "individual retirement account" or an "individual  
21 retirement annuity" as those terms are defined in IRC §  
22 408(a) and (b).

23 (5) No married participant may take an action  
24 inconsistent with the spousal consent provisions of this part  
25 or the plan.

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

28 (1) In the case of a member or participant who is  
29 terminating service, the amount determined after  
30 certification by the head of the department that the member

1 or participant is so obligated, and after review and approval  
2 by the department or agency's legal representative or upon  
3 receipt of an assignment from the member or participant in  
4 the amount so certified[.], except that no payment shall be  
5 made from the individual investment account of a participant  
6 until the participant otherwise applies for and receives a  
7 distribution and shall not exceed the amount of the  
8 distribution.

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

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

16 (ii) at such time as the Department of Banking shall  
17 require the credit union to charge the amount of the loan  
18 against the reserve fund of such credit union.

19 Any member who shall have pledged such rights as  
20 security for a loan from a credit union and, on whose  
21 behalf the board shall have made any payment by reason of  
22 that member's default, may not thereafter pledge or  
23 assign such rights to a credit union.

24 (3) In the case of a participant whose former spouse is  
25 an alternate payee of an equitable distribution of marital  
26 assets under an approved domestic relations order, a lump sum  
27 of the alternate payee's interest in the participant's  
28 accumulated total defined contributions. This paragraph shall  
29 apply without regard to whether the participant has not  
30 terminated, is terminating or has terminated State service.

1 Section 342. (Reserved).

2 Section 343. Section 5953.1(a) heading, introductory  
3 paragraph and (1), (b), (c) and (d) of Title 71 are amended and  
4 the section is amended by adding a subsection to read:

5 § 5953.1. Approval of domestic relations orders.

6 (a) Certification regarding members.--A domestic relations  
7 order pertaining to a member of the system shall be certified as  
8 an approved domestic relations order by the secretary of the  
9 board, or his designated representative, only if that order  
10 meets all of the following:

11 (1) Requires the system to provide any type or form of  
12 benefit or any option applicable to members already provided  
13 under this part.

14 \* \* \*

15 (a.1) Certification regarding participants.--A domestic  
16 relations order pertaining to a participant shall be certified  
17 as an approved domestic relations order by the secretary of the  
18 board or his designated representative if that order meets all  
19 of the following:

20 (1) Does not require the plan to provide a type or form  
21 of benefit or an option applicable to members of the system  
22 or participants in the plan.

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

27 (3) Does not require the plan to recover or distribute  
28 funds which were distributed to the participant or at the  
29 participant's direction prior to the approval of the domestic  
30 relations order by the secretary of the board or his

1 designated representative.

2 (4) Requires the plan to pay to the alternate payee no  
3 more than the lesser of the vested amount of the  
4 participant's individual investment account specified by the  
5 domestic relations order or the vested amount of the  
6 participant's individual investment account as of the date of  
7 the transfer of the alternate payee's share to the alternate  
8 payee.

9 (5) States that the plan shall not be required to recoup  
10 or make good for losses in value to the participant's  
11 individual investment account incurred between the date of  
12 the valuation of the account used for equitable distribution  
13 purposes and the date of distribution to the alternate payee.

14 (6) Specifies the amount or percentage of the  
15 participant's individual investment account to be paid to the  
16 alternate payee and the date upon which such valuation is  
17 based.

18 (7) Specifies the name and last known mailing address,  
19 if any, of the participant and the name and last known  
20 mailing address of each alternate payee covered by the order  
21 and states that it is the responsibility of each alternate  
22 payee to keep a current mailing address on file with the  
23 plan.

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

26 (9) Requires the participant to execute an authorization  
27 allowing each alternate payee to monitor the participant's  
28 compliance with the terms of the domestic relations order  
29 through access to information concerning the participant  
30 maintained by the plan. An authorization granted pursuant to

1 this section shall be construed as an authorization for the  
2 alternate payee to receive information concerning the  
3 participant which relates to the administration, calculation  
4 and payment of the alternate payee's share of the  
5 participant's account and not as an authorization to exercise  
6 the rights afforded to participants or obtain information  
7 which is not related to the administration, calculation and  
8 payment of alternate payee's share of the participant's  
9 individual investment account.

10 (10) In the case of a participant who has not yet begun  
11 to receive distributions as of the date the domestic  
12 relations order is approved by the secretary of the board or  
13 his designated representative, requires the immediate  
14 distribution of the alternate payee's share of the  
15 participant's individual investment account, which may be by  
16 direct payment, eligible rollover or trustee-to-trustee  
17 transfer to another eligible plan or qualified account owned  
18 by the alternate payee, notwithstanding any other provision  
19 of this part or the plan that would require a distribution of  
20 accumulated employer defined contributions in the form of an  
21 annuity or to require the purchase of an annuity.

22 (11) In the case of a participant who is currently  
23 receiving distributions from the trust as of the date the  
24 domestic relations order is approved by the secretary of the  
25 board or his designated representative, may not order the  
26 board to pay the alternate payee more than the balance  
27 available in the participant's individual investment account  
28 as of the date the order is approved or require that  
29 distributions continue to the alternate payee after the death  
30 of the participant and final settlement of the participant's

1 individual investment account.

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

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

1 any other provision of this part or the plan that would require  
2 a distribution of accumulated employer defined contributions in  
3 the form of an annuity or to require the purchase of an annuity.

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

13 Section 344. Sections 5953.2, 5953.3 and 5953.4(a) of Title  
14 71 are amended to read:

15 § 5953.2. Irrevocable beneficiary.

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

30 § 5953.3. Irrevocable survivor annuitant.



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

16 § 5953.4. Amendment of approved domestic relations orders.

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

23 \* \* \*

24 Section 345. Title 71 is amended by adding sections to read:

25 § 5953.6. Irrevocable successor payee.

26 (a) Condition.--Notwithstanding any other provision of this  
27 part, a domestic relations order pertaining to a participant may  
28 provide for an irrevocable successor payee if the participant is  
29 receiving a payment pursuant to a payment option provided by the  
30 board that allows for a successor payee.

1 (b) Determination.--A domestic relations order requiring the  
2 designation of an irrevocable successor payee shall be deemed to  
3 be one that requires a participant who is receiving payments  
4 from an annuity or other distribution option to designate an  
5 alternate payee as a successor payee and that prohibits the  
6 removal or change of the successor payee without approval of a  
7 court of competent jurisdiction, except by operation of law.

8 (c) Certification.--A domestic relations order under  
9 subsection (b) may be certified as an approved domestic  
10 relations order by the secretary of the board or his designated  
11 representative. If a domestic relations order is certified under  
12 this subsection, the irrevocable successor payee ordered by the  
13 court shall not be changed by the participant without approval  
14 by the court.

15 (d) Ineligibility.--A person ineligible to be designated as  
16 a successor payee shall not be designated as an irrevocable  
17 successor payee. A court shall not name an irrevocable successor  
18 payee if the alternate payee is eligible to receive a lump sum  
19 distribution of the alternate payee's portion of the marital  
20 portion of the pension benefit.

21 § 5953.7. Exemption from spousal consent.

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

1 by the approved domestic relations order to the extent that the  
2 required action or nomination is inconsistent with the rights of  
3 the spouse under this part.

4 Section 346. Section 5954 of Title 71 is amended to read:  
5 § 5954. Fraud and adjustment of errors.

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

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

25 Section 347. Title 71 is amended by adding a section to  
26 read:

27 § 5954.1. Spousal consent.

28 (a) General rule.--No married participant may:

29 (1) take an action regarding rights in the plan;

30 (2) make an election regarding benefits in the plan; or

1 (3) file a valid application which requires the consent  
2 of the participant's spouse, unless the participant's spouse  
3 consents in writing to that action, election or application.  
4 A consent or lack of consent shall not affect the effective  
5 date of an action or election. A consent shall be valid only  
6 if the consent is:

7 (i) signed after the participant's spouse receives  
8 counseling or affirmatively waives the right to receive  
9 counseling;

10 (ii) witnessed before a notary public; and

11 (iii) filed with the board within 90 days of the  
12 filing of the application or within 90 days of the date  
13 the action or election would otherwise be valid.

14 (b) Exceptions to consent.--Spousal consent shall not be  
15 required if:

16 (1) The spouse cannot be located.

17 (2) Other circumstances occur as established by the  
18 board in the plan document.

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

25 (d) Rights, options or privileges.--This part shall not  
26 grant to the spouse of a participant of the plan the rights,  
27 options or privileges of the participant. The rights of the  
28 spouse shall remain derivative of the rights of the participant,  
29 including rights under the act of July 8, 1978 (P.L.752,  
30 No.140), known as the Public Employee Pension Forfeiture Act,

1 and section 16(b) of Article V of the Constitution of  
2 Pennsylvania. The spouse may not do any of the following:

3 (1) Compel the participant to take, or prevent a  
4 participant from taking, an action regarding membership,  
5 rights or benefits in the plan other than as provided under  
6 this part.

7 (2) Take any action on behalf of the participant, except  
8 as provided under this part.

9 (e) Waiver.--If a law allows a participant in the plan to  
10 waive benefits or return of contributions that the participant  
11 is receiving, entitled to currently receive or receive in the  
12 future, the waiver shall not be valid unless the spouse of the  
13 participant consents to the waiver as provided for under this  
14 part.

15 Section 347.1. Section 5955 of Title 71 is amended to read:  
16 § 5955. Construction of part.

17 (a) Exclusive source of rights and benefits.--Regardless of  
18 any other provision of law, pension and benefit rights of State  
19 employees shall be determined solely by this part or any  
20 amendment thereto, and no collective bargaining agreement nor  
21 any arbitration award between the Commonwealth and [its] other  
22 employers and the Commonwealth's and other employer's employees  
23 or their collective bargaining representatives shall be  
24 construed to change any of the provisions herein, to require the  
25 board to administer pension or retirement benefits not set forth  
26 in this part or not established by the board in the plan  
27 document, to require the board to modify, amend or change any of  
28 the terms and provisions of the plan document, or otherwise  
29 require action by any other government body pertaining to  
30 pension or retirement benefits or rights of State employees.

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

27 (b) References.--References in this part to the Internal  
28 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.)  
29 or the Uniformed Services Employment and Reemployment Rights Act  
30 of 1994 (Public Law 103-353, 108 Stat. 3149), including

1 administrative regulations promulgated under the Internal  
2 Revenue Code of 1986 or the Uniformed Services Employment and  
3 Reemployment Rights Act of 1994, are intended to include laws  
4 and regulations:

5 (1) In effect on the effective date of this subsection.

6 (2) Amended, supplemented or supplanted on and after the  
7 effective date of this subsection.

8 (c) Officer or member of the Pennsylvania State Police.--

9 (1) Notwithstanding a provision of subsection (a) or  
10 section 12.1 of Act 120 of 2010, regarding the continued  
11 effectiveness of pension or retirement benefits or rights  
12 previously established by or as a result of a binding  
13 arbitration award issued before July 1, 1989, pursuant to the  
14 act of June 24, 1968 (P.L.237, No.111), referred to as the  
15 Policemen and Firemen Collective Bargaining Act, and  
16 implemented by the board, the pension or retirement benefits  
17 or rights of a State employee who is a current or former  
18 State police officer shall be as provided in this part as if  
19 the binding arbitration award was not issued, except as  
20 provided under this subsection.

21 (2) A State employee who meets the following shall be  
22 eligible to receive the maximum single life annuity, before  
23 optional modification under section 5705 (relating to  
24 member's options), that the State employee would have been  
25 eligible to receive if this subsection not been enacted:

26 (i) Is a current or former State police officer.

27 (ii) Has 20 or more qualifying eligibility points on  
28 or before December 31, 2014.

29 (iii) Terminates State service.

30 (3) (i) A State employee who on December 31, 2014, is a

1 current or former State police officer who has less than  
2 20 qualifying eligibility points, who has not elected to  
3 pay an additional 6.05% regular member contribution and  
4 who terminates State service with 20 or more qualifying  
5 eligibility points shall be eligible to receive a maximum  
6 single life annuity, before optional modification under  
7 section 5705.

8 (ii) The maximum single life annuity under  
9 subparagraph (i) shall be calculated with the benefit  
10 provided under section 5702(a)(1) replaced by an annuity  
11 calculated according to the formula specified in this  
12 subparagraph and explained by subparagraph (iii):

13 (A) Divide:

14 (I)  $Y^W$ ; by

15 (II)  $Y^T$ .

16 (B) Multiply:

17 (I) the quotient under clause (A); by

18 (II)  $S^H$ .

19 (C) Multiply:

20 (I) the product under clause (B); by

21 (II)  $P$ .

22 (D) Subtract:

23 (I)  $Y^W$ ; from

24 (II)  $Y^T$ .

25 (E) Divide:

26 (I) the difference under clause (D); by

27 (II)  $Y^T$ .

28 (F) Multiply:

29 (I) the quotient under clause (E); by

30 (II)  $P$ .



1                   (G) Subtract:  
2                    (I)  $Y^W$ ; from  
3                    (II)  $Y^T$ .  
4                   (H) Multiply:  
5                    (I) the difference under clause (G); by  
6                    (II) .005.

7                   (I) Subtract  
8                    (I) the product under clause (H); from  
9                    (II) the product under clause (F).

10                  (J) Multiply:  
11                  (I) the difference under clause (I); by  
12                  (II)  $FAS^{XYZ}$ .

13                  (K) Add:  
14                  (I) the product under clause (C); to  
15                  (II) the product under clause (J).

16                  (iii) For the purposes of subparagraph (ii), the  
17                  following shall apply:

18                  (A) P shall equal:  
19                    (I) .5 if the member has 20 but less than 25  
20                    qualifying eligibility points; or  
21                    (II) .75 if the member has 25 or more  
22                    qualifying eligibility points.

23                  (B)  $Y^T$  shall equal:  
24                    (I) 20 if the member has 20 but less than 25  
25                    qualifying eligibility points; or  
26                    (II) 25 if the member has 25 or more  
27                    qualifying eligibility points.

28                  (C)  $Y^W$  shall equal years of service credited in  
29                  classes or subclasses of service other than Subclass  
30                  X, Subclass Y or Subclass Z.

1           (D) S<sup>H</sup> shall equal the member's highest year  
2           compensation excluding the year in which the member  
3           terminates.

4           (E) FAS<sup>XYZ</sup> shall equal final average salary  
5           calculated for service credited in Subclass X,  
6           Subclass Y and Subclass Z.

7           (4) A State employee who on January 1, 2015, is a  
8           current or former State police officer who has less than 20  
9           qualifying eligibility points, who elects to pay an  
10           additional 6.05% regular member contributions and who  
11           terminates State service on or after January 1, 2015, with 20  
12           or more qualifying eligibility points shall be eligible to  
13           receive the maximum single life annuity, before optional  
14           modification under section 5705, that the State employee  
15           would have been eligible to receive if this subsection had  
16           not been enacted.

17           (5) (i) A State employee who on January 1, 2015, is a  
18           State police officer who has less than 20 qualifying  
19           eligibility points may elect to pay an additional 6.05%  
20           of compensation as regular member contributions in  
21           addition to what otherwise would be paid by the employer  
22           as an active member of the system as a State police  
23           officer by filing written notice with the board in a form  
24           and manner determined by the board before July 1, 2015,  
25           before the member terminates State service or elects to  
26           be a participant in the plan, whichever occurs first. A  
27           State police officer who is on USERRA leave on January 1,  
28           2015, or begins USERRA leave during the election period  
29           without having elected to pay an additional 6.05% of  
30           compensation as regular member contributions may make the

1 election within 181 days after being reemployed from  
2 USERRA leave.

3 (ii) An election to pay an additional 6.05% of  
4 compensation as regular member contributions shall be  
5 effective on January 1, 2015. Payment of the additional  
6 regular member contributions for service performed as a  
7 State police officer before the election, plus statutory  
8 interest from January 1, 2015, to the date of payment  
9 shall be made in a form, manner and time determined by  
10 the board under section 5504(b) (relating to member  
11 contributions for the purchase of credit for previous  
12 State service or to become a full coverage member).

13 (iii) An election to pay an additional 6.05% of  
14 compensation as regular member contributions shall result  
15 in the member being a member of Subclass Z for any  
16 service as a Class AA member, Class D-4 member, Class E-1  
17 member or Class E-2 member on or after January 1, 2015.

18 (6) For the purposes of this subsection, the following  
19 terms shall have the meanings given to them in this  
20 paragraph:

21 "Act 120 of 2010" shall mean the act of November 23, 2010  
22 (P.L. 1269, No. 120), entitled, "An act amending Titles 24  
23 (Education) and 71 (State Government) of the Pennsylvania  
24 Consolidated Statutes, in Title 24, further providing for  
25 definitions, for mandatory and optional membership, for  
26 contributions by the Commonwealth, for payments by employers,  
27 for actuarial cost method, for additional supplemental  
28 annuities, for further additional supplemental annuities, for  
29 supplemental annuities commencing 1994, for supplemental  
30 annuities commencing 1998, for supplemental annuities

1 commencing 2002, for supplemental annuities commencing 2003,  
2 for administrative duties of board, for payments to school  
3 entities by Commonwealth, for eligibility points for  
4 retention and reinstatement of service credits and for  
5 creditable nonschool service; providing for election to  
6 become a Class T-F member; further providing for classes of  
7 service, for eligibility for annuities, for eligibility for  
8 vesting, for regular member contributions, for member  
9 contributions for creditable school service, for  
10 contributions for purchase of credit for creditable nonschool  
11 service, for maximum single life annuity, for disability  
12 annuities, for member's options, for duties of board  
13 regarding applications and elections of members and for  
14 rights and duties of school employees and members; providing  
15 for Independent Fiscal Office study; in Title 71,  
16 establishing an independent fiscal office and making a  
17 related repeal; further providing for definitions, for  
18 credited State service, for retention and reinstatement of  
19 service credits, for creditable nonstate service and for  
20 classes of service; providing for election to become a Class  
21 A-4 member; further providing for eligibility for annuities  
22 and for eligibility for vesting; providing for shared-risk  
23 member contributions for Class A-3 and Class A-4 service;  
24 further providing for waiver of regular member contributions  
25 and Social Security integration member contributions, for  
26 member contributions for purchase of credit for previous  
27 State service or to become a full coverage member, for  
28 contributions for the purchase of credit for creditable  
29 nonstate service, for contributions by the Commonwealth and  
30 other employers, for actuarial cost method, for maximum

1 single life annuity, for disability annuities and for  
2 member's options; providing for payment of accumulated  
3 deductions resulting from Class A-3 service; further  
4 providing for additional supplemental annuities, for further  
5 additional supplemental annuities, for supplemental annuities  
6 commencing 1994, for supplemental annuities commencing 1998,  
7 for supplemental annuities commencing 2002, for supplemental  
8 annuities commencing 2003, for special supplemental  
9 postretirement adjustment of 2002, for administrative duties  
10 of the board, for duties of board to advise and report to  
11 heads of departments and members, for duties of board  
12 regarding applications and elections of members, for  
13 installment payments of accumulated deductions, for rights  
14 and duties of State employees and members, for members'  
15 savings account, for State accumulation account, for State  
16 Police Benefit Account, for Enforcement Officers' Benefit  
17 Account, for supplemental annuity account and for  
18 construction of part; and providing for Independent Fiscal  
19 Office study, for retirement eligibility of Pennsylvania  
20 State Police officers or members, for a prohibition on the  
21 issuance of pension obligation bonds, for holding certain  
22 public officials harmless, for construction of calculation or  
23 actuarial method, for applicability and for certain  
24 operational provisions."

25 "Binding arbitration award." A binding arbitration award  
26 issued before July 1, 1989, pursuant to the act of June 24,  
27 1968 (P.L.237, No.111), referred to as the Policemen and  
28 Firemen Collective Bargaining Act, and was implemented by the  
29 State Employees' Retirement Board.

30 "Qualifying eligibility points." Eligibility points as a

1 result of State service, non-State service or being  
2 reemployed from USERRA leave.

3 (d) Adverse inference.--Nothing in this part shall be  
4 construed to mean that the limitations on benefits or other  
5 requirements under IRC § 401(a) or other applicable provisions  
6 of the IRC which are applicable to participants in the plan do  
7 not apply to the participants or to members of the system and  
8 the benefits payable under this part.

9 (e) Applicability.--The following shall apply:

10 (1) The amendment of this part regarding the  
11 establishment of and participation in the plan shall apply to  
12 current and former members of the State Employees' Retirement  
13 System who have returned to State service on or after July 1,  
14 2015, after a termination of State service, notwithstanding  
15 the following:

16 (i) Whether the termination occurred before or after  
17 July 1, 2015.

18 (ii) Whether the State employee was an annuitant,  
19 inactive member, vestee or special vestee or withdrew  
20 accumulated deductions during the period of termination.

21 (2) A terminated State employee who returns to State  
22 service on or after January 1, 2015, shall be subject to this  
23 part regarding participation in the plan or membership in the  
24 system which are in effect on the effective date of  
25 reemployment, including benefit formulas and accrual rates,  
26 eligibility for annuities and distributions, contribution  
27 rates, definitions, purchase of creditable school, nonschool,  
28 State and non-State service provisions and actuarial and  
29 funding assumptions.

30 ARTICLE IV

1 Section 401. The following shall apply:

2 (1) The following provisions shall not create in a  
3 member of the Public School Employees' Retirement System, a  
4 participant in the School Employees' Defined Contribution  
5 Plan or another person claiming an interest in the account of  
6 a member or participant an express or implied contractual  
7 right in the provisions nor in a construction of 24 Pa.C.S.  
8 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24  
9 Pa.C.S. Pt. IV or 51 Pa.C.S.:

10 (i) A provision of this act which amends 51 Pa.C.S.  
11 or 24 Pa.C.S. Pt. IV in relation to requirements for any  
12 of the following:

13 (A) Spousal consent.

14 (B) Qualification of the School Employees'  
15 Defined Contribution Plan as a qualified pension plan  
16 under the Internal Revenue Code of 1986 (Public Law  
17 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or  
18 compliance with the Uniformed Services Employment and  
19 Reemployment Rights Act of 1994 (Public Law 103-353,  
20 108 Stat. 3149).

21 (C) Contributions to, participation in or  
22 benefits from the School Employees' Defined  
23 Contribution Plan or School Employees' Defined  
24 Contribution Trust.

25 (D) Domestic relations orders regarding  
26 alternate payees of participants in the School  
27 Employees' Defined Contribution Plan.

28 (ii) A construction of 24 Pa.C.S. Pt. IV or 51  
29 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.  
30 Pt. IV or 51 Pa.C.S. or a term or provision of the School

1 Employees' Defined Contribution Plan or School Employees'  
2 Defined Contribution Trust, established by statute or in  
3 the plan document or trust declaration.

4 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain  
5 subject to the Internal Revenue Code of 1986 and the  
6 Uniformed Services Employment and Reemployment Rights Act of  
7 1994 (Public Law 103-353, 108 Stat. 3149), and regulations  
8 under those statutes, and the General Assembly reserves to  
9 itself the further exercise of its legislative power to amend  
10 or supplement the provisions as may be required in order to  
11 maintain the qualification of the system as a qualified  
12 pension plan under section 401(a) and other applicable  
13 provisions of the Internal Revenue Code of 1986 and the  
14 Uniformed Services Employment and Reemployment Rights Act of  
15 1994 (Public Law 103-353, 108 Stat. 3149).

16 (3) The following provisions shall not create in a  
17 member of the State Employees' Retirement System, a  
18 participant in the State Employees' Defined Contribution Plan  
19 or another person claiming an interest in the account of a  
20 member or participant an express or implied contractual right  
21 in the provisions nor in a construction of 51 Pa.C.S. § 7306,  
22 71 Pa.C.S. Pt. XXV, or rules or regulations adopted under 51  
23 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

24 (i) A provision of this act which amends 51 Pa.C.S.  
25 § 7306 or 71 Pa.C.S. Pt. XXV in relation to requirements  
26 for any of the following:

27 (A) Spousal consent.

28 (B) Qualification of the State Employees'  
29 Defined Contribution Plan as a qualified pension plan  
30 under the Internal Revenue Code of 1986 (Public Law



1 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance  
2 with the Uniformed Services Employment and  
3 Reemployment Rights Act of 1994 (Public Law 103-353,  
4 108 Stat. 3149).

5 (C) Contributions to, participation in or  
6 benefits from the State Employees' Defined  
7 Contribution Plan or State Employees' Defined  
8 Contribution Trust.

9 (D) Domestic relations orders regarding  
10 alternate payees of participants in the State  
11 Employees' Defined Contribution Plan.

12 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.  
13 XXV or rules or regulations adopted under 51 Pa.C.S. or  
14 71 Pa.C.S. Pt. XXV or a term or provision of the State  
15 Employees' Defined Contribution Plan or State Employees'  
16 Defined Contribution Trust, established by statute or in  
17 the plan document or trust declaration.

18 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain  
19 subject to the Internal Revenue Code of 1986 and the  
20 Uniformed Services Employment and Reemployment Rights Act of  
21 1994 (Public Law 103-353, 108 Stat. 3149), and regulations  
22 under those statutes, and the General Assembly reserves to  
23 itself the further exercise of its legislative power to amend  
24 or supplement the provisions as may be required in order to  
25 maintain the qualification of the system as a qualified  
26 pension plan under section 401(a) and other applicable  
27 provisions of the Internal Revenue Code of 1986 and the  
28 Uniformed Services Employment and Reemployment Rights Act of  
29 1994 (Public Law 103-353, 108 Stat. 3149).

30 Section 402. The following shall apply:

1           (1) Nothing in this act shall be construed to mean that  
2 a calculation or actuarial method used by the School  
3 Employees' Retirement Board, its actuaries or the Public  
4 School Employees' Retirement System was not in accordance  
5 with the provisions of 24 Pa.C.S. Pt. IV or other applicable  
6 law prior to the effective date of this section.

7           (2) Nothing in this act shall be construed to mean that  
8 a calculation or actuarial method used by the State  
9 Employees' Retirement Board, its actuaries or the State  
10 Employees' Retirement System was not in accordance with the  
11 provisions of 71 Pa.C.S. Pt. XXV or other applicable law  
12 prior to the effective date of this section.

13 Section 403. The following shall apply:

14           (1) Notwithstanding any other provision of law, a change  
15 in the accrued liability of the Public School Employees'  
16 Retirement System created under this act shall not be  
17 considered to be costs added by legislation.

18           (2) Notwithstanding any other provision of law, a change  
19 in accrued liability of the State Employees' Retirement  
20 System created under this act as a result of changes in  
21 benefits shall be funded in equal dollar installments over a  
22 period of 20 years beginning July 1, 2014.

23           (3) (i) Except as provided under subparagraph (ii), a  
24 change in accrued liability as a result of amendments to  
25 71 Pa.C.S. §§ 5507 and 5508 or the addition of 71 Pa.C.S.  
26 §§ 5507.1 and 5508.1 shall be funded in equal dollar  
27 installments over a period of 30 years beginning July 1,  
28 2014.

29           (ii) A change in accrued liability as a result of  
30 changes under this act to the collared contribution rates

1 shall be amortized as part of the experience adjustment  
2 factor as provided under 71 Pa.C.S. §§ 5508(f) and  
3 5508.1(e).

4 (4) Payments required to fund a change in accrued  
5 liability resulting from this act shall be subject to limits  
6 imposed under this act on employer contributions to the State  
7 Employees' Retirement System and shall not be subject to  
8 reamortization for 30 years under 71 Pa.C.S. § 5508.1(c).

9 (5) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,  
10 changes under this section shall not be considered to be  
11 costs added by legislation.

12 Section 404. The following shall apply:

13 (1) This act shall be construed and administered in such  
14 a manner that the Public School Employees' Retirement System  
15 and the School Employees' Defined Contribution Plan shall  
16 satisfy the requirements necessary to qualify as a qualified  
17 pension plan under section 401(a) of the Internal Revenue  
18 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other  
19 applicable provisions of the Internal Revenue Code of 1986  
20 and the Uniformed Services Employment and Reemployment Rights  
21 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,  
22 regulations and procedures adopted and promulgated by the  
23 Public School Employees' Retirement Board and the terms and  
24 conditions of the plan document and trust declaration adopted  
25 by the Public School Employees' Retirement Board may include  
26 provisions necessary to accomplish the purpose of this  
27 section.

28 (2) This act shall be construed and administered in a  
29 manner that the State Employees' Retirement System and the  
30 State Employees' Defined Contribution Plan shall satisfy the

1 requirements necessary to qualify as a qualified pension plan  
2 under section 401(a) of the Internal Revenue Code of 1986  
3 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable  
4 provisions of the Internal Revenue Code of 1986 and the  
5 Uniformed Services Employment and Reemployment Rights Act of  
6 1994 (Public Law 103-353, 108 Stat. 3149). The rules,  
7 regulations and procedures adopted and promulgated by the  
8 State Employees' Retirement Board and the terms and  
9 conditions of the plan document and trust declaration adopted  
10 by the State Employees' Retirement Board may include  
11 provisions necessary to accomplish the purpose of this  
12 section.

13 Section 405. The following shall apply:

14 (1) Notwithstanding any other provision of law, the  
15 Public School Employees' Retirement Board shall, within 15  
16 days of the effective date of this section, recertify to the  
17 Secretary of the Budget and employers for the fiscal year  
18 beginning July 1, 2013, the contributions, rates, factors and  
19 amounts under 24 Pa.C.S. § 8502(k) to reflect the impact of  
20 this act. The recertification shall supersede the prior  
21 certification.

22 (2) If, prior to the effective date of this section, the  
23 board certifies employer contribution rates for the fiscal  
24 year beginning July 1, 2013, the board shall, notwithstanding  
25 any other provision of law, recertify to the Secretary of the  
26 Budget the contributions, rates, factors and amounts under 71  
27 Pa.C.S. § 5902(k). The board's recertification shall reflect  
28 all changes in the contributions, rates, factors and amounts  
29 previously certified by the board prior to the effective date  
30 of this section for the fiscal year beginning July 1, 2013,

1 which are required to comply with 71 Pa.C.S. § 5508. The  
2 recertification shall occur within 15 days of the effective  
3 date of this section and shall supersede the prior  
4 certification.

5 Section 406. The following shall apply:

6 (1) Notwithstanding any other provision of law,  
7 fiduciary requirement, actuarial standard of practice or  
8 other requirement, the members of the Public School  
9 Employees' Retirement Board, the actuary and employees and  
10 officials of the Public School Employees' Retirement System  
11 may not be held liable or in breach or violation of a law or  
12 standard as individuals, in their official capacity or as a  
13 governmental or corporate entity, for an action or  
14 calculation related to calculating and certifying a final  
15 contribution rate as provided under this act that is  
16 different from the actuarially required contribution rate as  
17 appropriately calculated under 24 Pa.C.S. Pt. IV.

18 (2) Notwithstanding any other provision of law,  
19 fiduciary requirement, actuarial standard of practice or  
20 other requirement, the members of the State Employees'  
21 Retirement Board, the actuary and other employees and  
22 officials of the State Employees' Retirement System may not  
23 be held liable or in breach or violation of a law or standard  
24 as individuals, in their official capacity or as a  
25 governmental or corporate entity, for an action or  
26 calculation related to calculating and certifying a final  
27 contribution rate as provided under this act that is  
28 different from the actuarially required contribution rate as  
29 appropriately calculated under 71 Pa.C.S. Pt. XXV.

30 Section 407. Nothing in this act shall be deemed to permit

1 the restoration of service credit or retirement benefits which:

2 (1) were or are subject to section 16 of Article V of  
3 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

4 (2) the subject of an order of forfeiture under the act  
5 of July 8, 1978 (P.L.752, No.140), known as the Public  
6 Employee Pension Forfeiture Act.

7 Section 408. Legal challenges to this act shall be subject  
8 to review as follows:

9 (1) Notwithstanding 42 Pa.C.S., all legal challenges to  
10 the constitutionality of this act shall be filed with the  
11 prothonotary of the Supreme Court.

12 (2) The Supreme Court shall empanel a special tribunal  
13 composed of seven senior judges chosen at random by lot from  
14 a list of the senior judges currently serving the Superior,  
15 Commonwealth and Common Pleas Courts.

16 (3) The special tribunal under paragraph (2) shall hear  
17 and decide a legal challenge to the constitutionality of this  
18 act in the same manner in which the Supreme Court would hear  
19 and decide a legal challenge within its original  
20 jurisdiction.

21 Section 409. If a provision of this act or its application  
22 to any person or circumstance is held invalid, the invalidity  
23 shall not affect other provisions or applications of this act  
24 that can be given effect without the invalid provision or  
25 application.

26 Section 410. Nothing in this act shall be construed to mean  
27 that an interpretation or application of 71 Pa.C.S. Pt. XXV or  
28 benefits available to members of the State Employees' Retirement  
29 System was not in accordance with 71 Pa.C.S. Pt. XXV or other  
30 applicable law, including the Internal Revenue Code of 1986

1 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed  
2 Services Employment and Reemployment Rights Act of 1994 (Public  
3 Law 103-353, 108 Stat. 3149) before the effective date of this  
4 subsection.

5 Section 411. This act shall take effect immediately.