

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 1352 Session of  
2013

INTRODUCED BY KAMPF, TRUITT, AUMENT, MILLARD, BLOOM, GROVE,  
MCGINNIS, SACCONI, GINGRICH, METCALFE, DUNBAR, STEVENSON,  
REGAN, HARPER, LAWRENCE, HICKERNELL, MASSER, EVERETT, GABLER,  
MUSTIO, F. KELLER, KILLION, EVANKOVICH, MOUL, CUTLER,  
MALONEY, TURZAI AND TOBASH, MAY 17, 2013

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF  
REPRESENTATIVES, AS AMENDED, JUNE 25, 2013

## AN ACT

1 Amending Titles 24 (Education) and 51 (Military Affairs) of the  
2 Pennsylvania Consolidated Statutes, in preliminary  
3 provisions, further providing for definitions and  
4 construction and providing for references; in retirement  
5 membership, contributions and benefits, further providing for  
6 mandatory and optional membership, for credited school  
7 service, for waiver of adjustments and for classes of  
8 service, for elections, for eligibility points, for  
9 eligibility for annuities, for eligibility for refunds, for  
10 pickup contributions, for member contributions, for  
11 contributions for purchase of credit, for incomplete  
12 payments, for annual compensation limit, for contributions by  
13 Commonwealth, for payments by employers, for actuarial cost  
14 method, for appropriations by Commonwealth, for return of  
15 accumulated deductions, for single life annuity, for  
16 disability annuities, FOR MEMBER'S OPTIONS, for termination <--  
17 of annuities and payment of benefits; providing for school  
18 employees' defined contribution plan; in administrative and  
19 miscellaneous provisions, further providing for the Public  
20 School Employees' Retirement Board, for administrative duties  
21 of board, for health insurance, for advisory and reporting  
22 duties, for application and election duties, for duties of  
23 employers, for rights and duties of school employees and  
24 members, for management of fund and accounts, for Public  
25 School Employees' Retirement Fund, for State accumulation  
26 account, for annuity reserve account, for State guarantee,  
27 for taxation, for attachment and assignment of funds, for  
28 approval of domestic relations orders, for irrevocable  
29 survivor annuitant and for amendment of approved domestic

1 relations orders; providing for irrevocable successor payee;  
2 further providing for fraud and adjustment of errors and for  
3 payments to school entities by Commonwealth; providing for  
4 payments to school entities by Commonwealth commencing with  
5 the 2015-2016 school year; in health insurance for retired  
6 school employees, further providing for definitions; and, in  
7 military leave of absence, further providing for retirement  
8 rights.

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

11 Section 1. The definitions of "alternate payee,"  
12 "beneficiary," "compensation," "creditable nonschool service,"  
13 "credited service," "date of termination of service,"  
14 "distribution," "domestic relations order," "eligible  
15 annuitants," "final average salary," "inactive member,"  
16 "intervening military service," "irrevocable beneficiary,"  
17 "leave for service with a collective bargaining organization,"  
18 "previous school service," "salary deductions" and "valuation  
19 interest" in section 8102 of Title 24 of the Pennsylvania  
20 Consolidated Statutes are amended and the section is amended by  
21 adding definitions to read:

22 § 8102. Definitions.

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

26 \* \* \*

27 "Accumulated employer defined contributions." The total of  
28 the employer defined contributions paid into the trust on  
29 account of a participant's school service together with any  
30 investment earnings and losses and adjustment for fees, costs  
31 and expenses credited or charged thereon.

32 "Accumulated mandatory participant contributions." The total  
33 of the mandatory pickup participant contributions paid into the  
34 trust on account of a participant's school service together with

any investment earnings and losses and adjustments for fees,  
costs and expenses credited or charged thereon.

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

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

\* \* \*

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

\* \* \*

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

\* \* \*

"Beneficiary." [The] In the case of the system, the person

1 or persons last designated in writing to the board by a member  
2 to receive his accumulated deductions or a lump sum benefit upon  
3 the death of such member. In the case of the plan, the person or  
4 persons last designated in writing to the board by a participant  
5 to receive his accumulated total defined contributions or a lump  
6 sum benefit upon the death of such participant.

7 \* \* \*

8 "Combined service employee." A current or former school  
9 employee who is both a member of the system and a participant in  
10 the plan.

11 \* \* \*

12 "Compensation." Pickup contributions and mandatory pickup  
13 participant contributions plus any remuneration received as a  
14 school employee excluding reimbursements for expenses incidental  
15 to employment and excluding any bonus, severance payments, any  
16 other remuneration or other emolument received by a school  
17 employee during his school service which is not based on the  
18 standard salary schedule under which he is rendering service,  
19 payments for unused sick leave or vacation leave, bonuses or  
20 other compensation for attending school seminars and  
21 conventions, payments under health and welfare plans based on  
22 hours of employment or any other payment or emolument which may  
23 be provided for in a collective bargaining agreement which may  
24 be determined by the Public School Employees' Retirement Board  
25 to be for the purpose of enhancing compensation as a factor in  
26 the determination of final average salary, and for participants,  
27 excluding payments for military leave, and any other payments  
28 made by an employer while the participant is on USERRA leave,  
29 leave of absence granted under 51 Pa.C.S. § 4102 (relating to  
30 leave of absence for certain government employees), military

1 leave of absence granted under 51 Pa.C.S. § 7302 (relating to  
2 granting military leaves of absence), military leave of absence  
3 granted under 24 P.S. § 11-1176, or other types of military  
4 leave, including other types of leave payments, stipends,  
5 differential wage payments as defined in IRC § 414(u)(12) and  
6 any other payments, provided, however, that the limitation under  
7 section 401(a)(17) of the Internal Revenue Code of 1986 (Public  
8 Law 99-514, 26 U.S.C. § 401(a)(17)) taken into account for the  
9 purpose of member contributions, including regular or joint  
10 coverage member contributions, regardless of class of service,  
11 shall apply to each member who first became a member of the  
12 Public School Employees' Retirement System on or after July 1,  
13 1996, and who by reason of such fact is a noneligible member  
14 subject to the application of the provisions of section 8325.1  
15 (relating to annual compensation limit under IRC § 401(a)(17))  
16 and shall apply to each participant.

17 \* \* \*

18 "Creditable nonschool service." Service other than service  
19 as a school employee for which an active member may obtain  
20 credit in the system.

21 "Credited service." School or creditable nonschool service  
22 for which the required contributions have been made to the fund,  
23 or for which the contributions otherwise required for such  
24 service were not made solely by reason of any provision of this  
25 part relating to the limitations under section 401(a)(17) or  
26 415(b) of the Internal Revenue Code of 1986 (Public Law 99-514,  
27 26 U.S.C. § 401(a)(17) or 415(b)), or for which salary  
28 deductions to the system or lump sum payments have been agreed  
29 upon in writing.

30 "Date of termination of service." The last date of service

1 for which:

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

4       (2) in the case of an inactive member, the effective  
5       date of his resignation or the date his employment is  
6       formally discontinued by his employer or two years following  
7       the last day of service for which contributions were made,  
8       whichever is earliest[.];

9       (3) mandatory pickup participant contributions are made  
10      for an active participant;

11      (4) in the case of an inactive participant, the date of  
12      his resignation or the date his employment is formally  
13      discontinued by his employer; or

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

16      \* \* \*

17      "Distribution." Payment of all or any portion of a person's  
18      interest in either the Public School Employees' Retirement Fund  
19      or the School Employees' Defined Contribution Trust, or both,  
20      which is payable under this part.

21      "Domestic relations order." Any judgment, decree or order,  
22      including approval of a property settlement agreement, entered  
23      on or after the effective date of this definition by a court of  
24      competent jurisdiction pursuant to a domestic relations law  
25      which relates to the marital property rights of the spouse or  
26      former spouse of a member or participant, including the right to  
27      receive all or a portion of the moneys payable to that member or  
28      participant under this part in furtherance of the equitable  
29      distribution of marital assets. The term includes orders of  
30      support as that term is defined by 23 Pa.C.S. § 4302 (relating

1 to definitions) and orders for the enforcement of arrearages as  
2 provided in 23 Pa.C.S. § 3703 (relating to enforcement of  
3 arrearages).

4 \* \* \*

5 "Eligible annuitants." All current and prospective  
6 annuitants with 24 1/2 or more eligibility points and all  
7 current and prospective disability annuitants. Beginning January  
8 1, 1995, "eligible annuitants" shall include members with 15 or  
9 more eligibility points who terminated or who terminate school  
10 service on or after attaining superannuation retirement age and  
11 who are annuitants with an effective date of retirement after  
12 superannuation age. The term eligible annuitants shall not  
13 include participants.

14 \* \* \*

15 "Employer defined contributions."

16 (1) Unless paragraph (2) is applicable, contributions  
17 equal to four percent of an active participant's compensation  
18 that are made by an employer for current service to the trust  
19 to be credited in the participant's individual investment  
20 account.

21 (2) For active participants who elected to be  
22 participants under section 8416 (relating to elections by  
23 members to be participants), contributions equal to 4% of an  
24 active participant's compensation which are made by an  
25 employer for current service to the trust to be credited in  
26 the participant's individual investment account. This  
27 paragraph shall apply to a participant only until termination  
28 of service such that the participant is eligible for benefits  
29 under section 8407 (relating to eligibility for benefits)  
30 without regard to whether or not a participant actually

1 receives benefits. For subsequent school service as an active  
2 participant, the employer defined contributions shall equal  
3 4% of an active participant's compensation.

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

20 "FINAL AVERAGE SALARY." [THE] <--

21 (1) AS APPLIED TO SERVICE PERFORMED AND SERVICE CREDIT  
22 PURCHASED BEFORE JULY 1, 2015, AS A MEMBER OF THE SYSTEM, THE  
23 HIGHEST AVERAGE COMPENSATION RECEIVED AS AN ACTIVE MEMBER  
24 DURING ANY THREE NONOVERLAPPING PERIODS OF 12 CONSECUTIVE  
25 MONTHS WITH THE COMPENSATION FOR PART-TIME SERVICE BEING  
26 ANNUALIZED ON THE BASIS OF THE FRACTIONAL PORTION OF THE  
27 SCHOOL YEAR FOR WHICH CREDIT IS RECEIVED; EXCEPT, IF THE  
28 EMPLOYEE WAS NOT A MEMBER FOR THREE SUCH PERIODS, THE TOTAL  
29 COMPENSATION RECEIVED AS AN ACTIVE MEMBER ANNUALIZED IN THE  
30 CASE OF PART-TIME SERVICE DIVIDED BY THE NUMBER OF SUCH



1 PERIODS OF MEMBERSHIP; IN THE CASE OF A MEMBER WITH MULTIPLE  
2 SERVICE CREDIT, THE FINAL AVERAGE SALARY SHALL BE DETERMINED  
3 BY REFERENCE TO COMPENSATION RECEIVED BY HIM AS A [SCHOOL  
4 EMPLOYEE] MEMBER OF THE SYSTEM OR A STATE EMPLOYEE, OTHER  
5 THAN AS A PARTICIPANT IN THE STATE EMPLOYEES' DEFINED  
6 CONTRIBUTION PLAN, OR BOTH; AND, IN THE CASE OF A NONELIGIBLE  
7 MEMBER, SUBJECT TO THE APPLICATION OF THE PROVISIONS OF  
8 SECTION 8325.1 (RELATING TO ANNUAL COMPENSATION LIMIT UNDER  
9 IRC § 401(A)(17)).

10 (2) AS APPLIED TO SERVICE PERFORMED AND SERVICE CREDIT  
11 PURCHASED ON OR AFTER JULY 1, 2015, AS A MEMBER OF THE  
12 SYSTEM, THE HIGHEST AVERAGE COMPENSATION RECEIVED AS AN  
13 ACTIVE MEMBER DURING ANY FIVE FISCAL YEARS, WITH THE  
14 COMPENSATION FOR PART-TIME SERVICE BEING ANNUALIZED ON THE  
15 BASIS OF THE FRACTIONAL PORTION OF THE SCHOOL YEAR FOR WHICH  
16 CREDIT IS RECEIVED, PROVIDED THAT IF THE COMPENSATION  
17 RECEIVED DURING A FISCAL YEAR INCLUDED IN THE PERIOD USED TO  
18 DETERMINE FINAL AVERAGE SALARY EXCEEDS THAT OF THE AVERAGE OF  
19 THE PREVIOUS FOUR FISCAL YEARS, WITH THE COMPENSATION FOR  
20 PART-TIME SERVICE BEING ANNUALIZED ON THE BASIS OF THE  
21 FRACTIONAL PORTION OF THE SCHOOL YEAR FOR WHICH CREDIT IS  
22 RECEIVED, AND WITH COMPENSATION FOR A PARTIAL YEAR OF SERVICE  
23 BEING ANNUALIZED, BY MORE THAN 10%, THE AMOUNT IN EXCESS OF  
24 10% SHALL BE EXCLUDED FROM THE COMPUTATION OF FINAL AVERAGE  
25 SALARY. IF THE EMPLOYEE WAS NOT A MEMBER FOR FIVE FISCAL  
26 YEARS, THE FORMULA UNDER THIS DEFINITION SHALL BE APPLIED TO  
27 THE EXTENT PRACTICABLE. IN THE CASE OF A MEMBER WITH MULTIPLE  
28 SERVICE CREDIT, THE SALARY SHALL BE DETERMINED BY REFERENCE  
29 TO INCLUDE COMPENSATION RECEIVED AS A SCHOOL EMPLOYEE OR  
30 STATE EMPLOYEE, OR BOTH. IN THE CASE OF A NONELIGIBLE MEMBER,

1     THE SALARY SHALL BE SUBJECT TO THE APPLICATION OF THE  
2     PROVISIONS OF SECTION 8325.1 (RELATING TO ANNUAL COMPENSATION  
3     LIMIT UNDER IRC § 401(A) (17)).

4     \* \* \*

5     "Inactive member." A member for whom no pickup contributions  
6 are being made to the fund, except in the case of an active  
7 member for whom such contributions otherwise required for  
8 current school service are not being made solely by reason of  
9 any provision of this part relating to the limitations under  
10 section 401(a) (17) or 415(b) of the Internal Revenue Code of  
11 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17) or 415(b)), who  
12 has accumulated deductions standing to his credit in the fund  
13 and for whom contributions have been made within the last two  
14 school years or a multiple service member who is active in the  
15 State Employees' Retirement System.

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

26     "Individual investment account." The account in the trust to  
27 which are credited the amounts of the contributions made by a  
28 participant and the participant's employer in accordance with  
29 the provisions of this part, together with all interest and  
30 investment earnings after deduction for fees, costs and

1 expenses, investment losses and charges for distributions.

2 "Intervening military service." Active military service of a  
3 member who was a school employee and an active member of the  
4 system immediately preceding his induction into the armed  
5 services or forces of the United States in order to meet a draft  
6 obligation excluding any voluntary extension of such  
7 obligational service and who becomes a school employee and an  
8 active member of the system within 90 days of the expiration of  
9 such service.

10 \* \* \*

11 "Irrevocable beneficiary." The person or persons permanently  
12 designated by a member or a participant in writing to the board  
13 pursuant to an approved domestic relations order to receive all  
14 or a portion of the accumulated deductions, vested accumulated  
15 total defined contributions or lump sum benefit payable upon the  
16 death of such member or participant.

17 "Irrevocable successor payee." The person permanently  
18 designated by a participant receiving vested distributions in  
19 writing to the Board pursuant to an approved domestic relations  
20 order to receive one or more distributions from the plan upon  
21 the death of such participant.

22 \* \* \*

23 "Leave for service with a collective bargaining  
24 organization." Paid leave granted to an active member or active  
25 participant by an employer for purposes of working full time for  
26 or serving full time as an officer of a Statewide employee  
27 organization or a local collective bargaining representative  
28 under the act of July 23, 1970 (P.L.563, No.195), known as the  
29 Public Employe Relations Act: Provided, That greater than one-  
30 half of the members of the employee organization are active

1 members of the system or active participants of the plan; that  
2 the employer shall fully compensate the member or active  
3 participant, including, but not limited to, salary, wages,  
4 pension and retirement contributions and benefits, other  
5 benefits and seniority, as if he were in full-time active  
6 service; and that the employee organization shall fully  
7 reimburse the employer for such salary, wages, pension and  
8 retirement contributions and benefits and other benefits and  
9 seniority.

10 "Mandatory pickup participant contributions." Contributions  
11 equal to 4% of compensation that are made by the employer for  
12 active participants for current service that are picked up by  
13 the employer.

14 \* \* \*

15 "Participant." An active participant, inactive participant  
16 or participant receiving distributions.

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

22 \* \* \*

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

25 "Plan document." The documents created by the board under  
26 section 8402 (relating to plan document) that contains the terms  
27 and provisions of the plan and trust as established by the board  
28 regarding the establishment, administration and investment of  
29 the plan and trust.

30 "Previous school service." Service [rendered] as a school

1 employee including service in any summer school conducted by a  
2 school district of the Commonwealth, but excluding service  
3 rendered during which the school employee was or could have been  
4 a participant in the plan, prior to the member's most recent  
5 entrance in the system.

6 \* \* \*

7 "Reemployed from USERRA leave." Resumption of active  
8 participation as a school employee after a period of USERRA  
9 leave, provided the resumption of active participation was  
10 within the time period and under conditions and circumstances  
11 such that the school employee was entitled to reemployment  
12 rights under 38 U.S.C. Ch. 43 (relating to employment and  
13 reemployment rights of members of the uniformed services).

14 \* \* \*

15 "Required beginning date." The latest date by which  
16 distributions of a participant's interest in his individual  
17 investment account must commence under IRC § 401(a)(9).

18 \* \* \*

19 "Salary deductions." The amounts certified by the board,  
20 deducted from the compensation of an active member or active  
21 participant or the State service compensation of a multiple  
22 service member who is an active member of the State Employees'  
23 Retirement System and paid into the fund or trust.

24 \* \* \*

25 "State Employees' Defined Contribution Plan." The defined  
26 contribution plan for State employees established by part XXV  
27 (relating to retirement for State employees and officers).

28 \* \* \*

29 "Successor payee." The person or persons last designated by  
30 a participant receiving distributions in writing to the board to

1 receive one or more distributions upon the death of such  
2 participant.

3 \* \* \*

4 "Trust." The School Employees' Defined Contribution Trust  
5 established under Chapter 84 (relating to school employees'  
6 defined contribution plan).

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

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

18 \* \* \*

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

25 Section 2. Section 8103 of Title 24 is amended by adding  
26 subsections to read:

27 § 8103. Construction of part.

28 \* \* \*

29 (c) Construction regarding inactive member and inactive  
30 participant.--As used in this part, the term "inactive member"

1 does not include a combined service employee who is an "inactive  
2 participant." The term "inactive participant" does not include a  
3 combined service employee who is an "inactive member."

4 (d) Provisions severable.--The provisions of this part are  
5 severable and if any of its provisions shall be held to be  
6 unconstitutional, the decision of the court shall not affect or  
7 impair any of the remaining provisions. It is hereby declared to  
8 be the legislative intent that this part would have been adopted  
9 had such unconstitutional provisions not been included.

10 (e) References to certain Federal statutes.--References in  
11 this part to the IRC or the Uniformed Services Employment and  
12 Reemployment Rights Act of 1994 (Public Law 103-353, 38 U.S.C. §  
13 4301), including administrative regulations promulgated under  
14 the IRC or the Uniformed Services Employment and Reemployment  
15 Rights Act of 1994, are intended to include laws and regulations  
16 in effect on the effective date of this section and amended,  
17 supplemented or supplanted on and after the effective date of  
18 this section.

19 (f) Construction.--

20 (1) This part may not be construed to mean that the  
21 limitations on benefits or other requirements under section  
22 401(a) of the IRC or other applicable provisions of the IRC  
23 that are applicable to participants or to the members of the  
24 system and the benefits payable under Part IV of the IRC.

25 (2) This part may not be construed to mean that an  
26 interpretation or application of the provisions of Part IV or  
27 benefits available to members of the Public School Employees'  
28 Retirement System was not in accordance with the provisions  
29 of Part IV or other applicable law, including the IRC and the  
30 Uniformed Services Employment and Reemployment Rights Act of

1 1994 before the effective date of this section.

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

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

8 (1) The amendment of Part IV regarding the establishment  
9 of and participation in the plan shall apply to current and  
10 former members of the system who have returned to school  
11 service on or after July 1, 2015, after a termination of  
12 school service, notwithstanding the following:

13 (i) Whether the termination occurred before or after  
14 July 1, 2015.

15 (ii) Whether the school employee was an annuitant,  
16 inactive member or vestee or withdrew accumulated  
17 deductions during the period of termination.

18 (2) A terminated school employee who returns to school  
19 service on or after July 1, 2015, is subject to the  
20 provisions of Part IV regarding participation in the plan or  
21 membership in the system that are in effect on the effective  
22 date of reemployment, including benefit formulas and accrual  
23 rates, eligibility for annuities and distributions,  
24 contribution rates, definitions, purchase of creditable  
25 school and nonschool service provisions and actuarial and  
26 funding assumptions.

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

29 (i) The record, material or data was created,  
30 generated or stored before the effective date of this



1 section.

2 (ii) The record, material or data was previously  
3 released or made public.

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

9 Section 3. Title 24 is amended by adding a section to read:

10 § 8103.1. Reference to Public School Employees' Retirement  
11 System.

12 (a) Reference.--As of the effective date of this section,  
13 unless the context clearly indicates otherwise, any reference to  
14 the Public School Employees' Retirement System in a statutory  
15 provision, other than this part, and 71 Pa.C.S. Pt. XXV  
16 (relating to retirement for State employees and officers), shall  
17 include a reference to the plan, and any reference to the Public  
18 School Employees' Retirement Fund shall include a reference to  
19 the trust.

20 (b) Agreement.--The agreement of an employer to make  
21 contributions to the fund or to enroll its employees as members  
22 in the system shall be deemed to be an agreement to make  
23 contributions to the trust or to enroll its employees in the  
24 plan.

25 Section 4. Sections 8301 and 8302(a), (b) and (c) of Title  
26 24 are amended and the sections are amended by adding  
27 subsections to read:

28 § 8301. Mandatory and optional membership in the system and  
29 participation in the plan.

30 (a) Mandatory membership.--[Membership] Unless an election

1 to be a participant in the plan is made, membership in the  
2 system shall be mandatory as of the effective date of employment  
3 for all school employees except the following:

4 (1) [Any] Subject to the provisions in subsection (a.1),  
5 any officer or employee of the Department of Education,  
6 State-owned educational institutions, community colleges,  
7 area vocational-technical schools, technical institutes[,] or  
8 [the] The Pennsylvania State University and who is a member  
9 of the [State Employees' Retirement System] system or a  
10 member of another retirement program approved by the  
11 employer.

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

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

23 (4) [Any] Subject to the provisions in subsection (a.2),  
24 any part-time school employee who has an individual  
25 retirement account pursuant to the Federal act of September  
26 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the  
27 Employee Retirement Income Security Act of 1974.

28 (5) School employees whose most recent period of school  
29 service starts on or after July 1, 2015.

30 (a.1) (1) Any officer or employee of the Department of

1 Education, State-owned educational institutions, community  
2 colleges and The Pennsylvania State University who is an  
3 active member on December 31, 2014, and January 1, 2015,  
4 shall remain an active member in their class of service until  
5 termination of school service. Any officer or employee of the  
6 Department of Education, State-owned educational  
7 institutions, community colleges and The Pennsylvania State  
8 University who becomes a school employee, or who returns to  
9 school service, on or after January 1, 2015, shall not be  
10 eligible for membership in the system and shall not be  
11 eligible to become a participant in the plan.

12 (2) Any officer or employee of an area vocational-  
13 technical school or technical institute who is an active  
14 member on June 30, 2015, and July 1, 2015, shall remain an  
15 active member in their class of service until termination of  
16 school service. Any officer or employee of an area  
17 vocational-technical school or technical institute who  
18 becomes a school employee, or who returns to school service,  
19 on or after July 1, 2015, shall be a mandatory participant in  
20 the plan and shall not be eligible to elect membership or  
21 participation in the State Employees' Retirement System or  
22 plan or another retirement program approved by the employer.

23 (3) Any school employee other than those listed in  
24 subsection (a)(1) who are active members on June 30, 2015 and  
25 July 1, 2015, shall remain active members in their class of  
26 service until termination of school service.

27 (a.2) On or after July 1, 2015, any school employee who is  
28 not a member of the system and who is employed on a per diem or  
29 hourly basis, or annuitant who returns to school service under  
30 the provisions of section 8346(b), shall be a mandatory

1 participant in the plan, unless the school employee is:

2 (1) a part-time school employee who has an individual  
3 retirement account pursuant to the Employee Retirement Income  
4 Security Act of 1974; and

5 (2) makes an election not to become a participant.

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

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

18 (d) Mandatory participation in the plan.--Subject to the  
19 exceptions in subsections (a.1) and (a.2), a school employee who  
20 begins school service, or who returns to school service after a  
21 break in service, on or after July 1, 2015, shall be a mandatory  
22 participant in the plan as a result of such school service.

23 § 8302. Credited school service.

24 (a) Computation of credited service.--In computing credited  
25 school service of a member for the determination of benefits, a  
26 full-time salaried school employee shall receive one year of  
27 credit for each school year or the corresponding fraction  
28 thereof, in accordance with the proportion of the full school  
29 year for which the required regular member contributions have  
30 been made to the fund, or for which such contributions otherwise

1 required for such service were not made to the fund solely by  
2 reason of any provision of this part relating to the limitations  
3 under IRC § 401(a)(17) or 415(b). A per diem or hourly school  
4 employee shall receive one year of credited service for each  
5 nonoverlapping period of 12 consecutive months in which he is  
6 employed and for which contributions are made to the fund, or  
7 would have been made but for such limitations under the IRC, for  
8 at least 180 full-day sessions or 1,100 hours of employment. If  
9 such member was employed and contributions were made to the fund  
10 for less than 180 full-day sessions or 1,100 hours, he shall be  
11 credited with a fractional portion of a year determined by the  
12 ratio of the number of full-day sessions or hours of service  
13 actually rendered and for which contributions are made to the  
14 fund to 180 full-day sessions or 1,100 hours, as the case may  
15 be. A part-time salaried employee shall be credited with the  
16 fractional portion of the year which corresponds to the service  
17 actually rendered and for which contributions are made to the  
18 fund in relation to the service required as a comparable full-  
19 time salaried employee. In no case shall a member receive more  
20 than one year of credited service for any 12 consecutive months  
21 or a member who has elected multiple service receive an  
22 aggregate in the two systems of more than one year of credited  
23 service for any 12 consecutive months.

24 (b) Approved leaves of absence.--An active member or active  
25 participant shall receive credit for an approved leave of  
26 absence provided that:

27 (1) the member returns for a period at least equal to  
28 the length of the leave or one year as a member of the system  
29 or the participant returns to school service as an active  
30 participant in the plan, whichever is less, to the school

1 district which granted his leave, unless such condition is  
2 waived by the employer; and

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

5 \* \* \*

6 (c) Cancellation of credited service.--All credited service  
7 in the system shall be cancelled if a member withdraws his  
8 accumulated deductions. A partial or total distribution of  
9 accumulated total defined contributions to a combined service  
10 employee shall not cancel service credited in the system.

11 (d) Military service by a participant.--A participant who  
12 has performed USERRA leave shall be treated and may make  
13 contributions as provided by this subsection.

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

1 the mandatory pickup participant contributions to receive  
2 school service credit for the USERRA leave were determined,  
3 including the right to make voluntary contributions on such  
4 compensation as permitted by law.

5 (2) A participant who is reemployed from USERRA leave  
6 who does not make the mandatory pickup participant  
7 contributions or makes only part of the mandatory pickup  
8 participant contributions within the allowed payment period  
9 shall not be eligible to make mandatory pickup participant  
10 contributions and voluntary contributions at a later date for  
11 the period of USERRA leave for which the mandatory pickup  
12 participant contributions were not timely made.

13 (3) A participant employee who performs USERRA leave  
14 from which the employee could have been reemployed from  
15 USERRA leave had the school employee returned to school  
16 service in the time frames required by 38 U.S.C. Ch. 43 for  
17 reemployment rights, but did not do so, shall not be eligible  
18 to make mandatory pickup participant contributions or  
19 voluntary contributions for the period of USERRA leave should  
20 the employee later return to school service and be a  
21 participant in the plan.

22 (4) An active participant or inactive participant who,  
23 on or after the effective date of this subsection, is granted  
24 a leave of absence under 51 Pa.C.S. § 4102 (relating to  
25 leaves of absence for certain government employees) or a  
26 military leave under 51 Pa.C.S. Ch. 73 (relating to military  
27 leave of absence), that is not USERRA leave shall not be able  
28 to make mandatory pickup participant contributions or  
29 voluntary contributions during or for the leave of absence or  
30 military leave, and shall not have employer defined

1 contributions made during such leave, without regard to  
2 whether or not the school employee received salary, wages,  
3 stipends, differential wage payments or other payments from  
4 his employer during the leave, notwithstanding any provision  
5 to the contrary in 51 Pa.C.S. § 4102 or Ch 73.

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

13 Section 5. Section 8303.1 of Title 24 is amended to read:  
14 § 8303.1. Waiver of adjustments.

15 (a) Allowance.--Upon appeal by an affected member,  
16 participant, beneficiary or survivor annuitant, the board may  
17 waive an adjustment or any portion of an adjustment made under  
18 section 8534(b) (relating to fraud and adjustment of errors) if  
19 in the opinion of the board or the board's designated  
20 representative:

21 (1) the adjustment or portion of the adjustment will  
22 cause undue hardship to the member, participant, beneficiary  
23 or survivor annuitant;

24 (2) the adjustment was not the result of erroneous  
25 information supplied by the member, participant, beneficiary  
26 or survivor annuitant;

27 (3) the member or participant had no knowledge or notice  
28 of the error before adjustment was made, and the member,  
29 participant, beneficiary or survivor annuitant took action  
30 with respect to their benefits based on erroneous information



provided by the system or plan; and

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

(b) Time period.--In order to obtain consideration of a waiver under this section, the affected member, participant, beneficiary or survivor annuitant must appeal to the board in writing within 30 days after receipt of notice that benefits have been adjusted or, if no notice was given, within 30 days after the adjustment was known or should have been known to the affected member, participant, beneficiary or survivor annuitant. For any adjustments made prior to the effective date of this subsection for which the member, participant, beneficiary or survivor annuitant appealed to the board and was denied, an appeal under this section must be filed within 90 days of the effective date of this subsection.

Section 6. Section 8305(b) of Title 24 is amended and the section is amended by adding a subsection to read:

§ 8305. Classes of service.

\* \* \*

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

\* \* \*

1     (f) Ineligibility for active membership and classes of  
2 service.--An individual who elects to be a participant in the  
3 plan or who first becomes a school employee on or after July 1,  
4 2015, or who returns to school service on or after July 1, 2015  
5 after a termination of school service, shall be ineligible for  
6 active membership in the system. Instead, any such school  
7 employee shall be a participant in the plan as a result of such  
8 school service, subject to the provisions in section 8301  
9 (relating to mandatory and optional membership).

10     Section 7. Sections 8305.1(c) and 8305.2(c) and (d) of Title  
11 24 are amended to read:

12     § 8305.1. Election to become a Class T-D member.

13     \* \* \*

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

30     \* \* \*

1 § 8305.2. Election to become a Class T-F member.

2 \* \* \*

3 (c) Effect of election.--An election to become a Class T-F  
4 member shall be irrevocable and shall commence from the original  
5 date of eligibility and shall remain in effect for all future  
6 school service creditable in the system. [A member who elects  
7 Class T-F membership shall receive Class T-F service credit on  
8 any and all future service, regardless of whether the member  
9 terminates service or has a break in service.]

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

17 Section 8. Section 8306(b) of Title 24 is amended and the  
18 section is amended by adding a subsection to read:

19 § 8306. Eligibility points.

20 \* \* \*

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

22 (1) In determining whether a member, other than a  
23 disability annuitant who returns to school service after June  
24 30, 2001, upon termination of the disability annuity, who is  
25 not a school employee or a State employee on June 30, 2001,  
26 and July 1, 2001, and who has previous school service, has  
27 the five eligibility points required by the definition of  
28 "vestee" in sections 8102 (relating to definitions), 8307  
29 (relating to eligibility for annuities), 8308 (relating to  
30 eligibility for vesting) and 8345 (relating to member's

options), only eligibility points earned by performing credited school service as an active member of the system or credited State service as an active member of the State Employees' Retirement System after June 30, 2001, shall be counted until such member earns one eligibility point by performing credited school service or credited State service after June 30, 2001, at which time all eligibility points as determined under subsection (a) shall be counted.

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

(c) Transitional rule for members electing participation.--  
In determining whether a school employee, who is an active member or an inactive member on July 1, 2015, and who elects to become a participant in the plan under section 8416 (relating to election by members to be participants) has the five or ten eligibility points required by sections 8102, 8307(b), 8308, 8344(b) (relating to disability annuities) and 8345(a), any such combined service employee shall be considered to have satisfied any requirement for five or ten eligibility points, as applicable, if the combined service employee does not terminate school service for three or more years after the effective date of participation in the plan.

Section 9. Section 8307(a) and (b) of Title 24 are amended and the section is amended by adding a subsection to read:  
§ 8307. Eligibility for annuities.

(a) Superannuation annuity.--An active or an inactive member, or a combined service employee who is an active or

1 inactive participant, and who attains superannuation age shall  
2 be entitled to receive a superannuation annuity upon termination  
3 of service and filing of a proper application.

4 (a.1) Points.--Notwithstanding any regulation promulgated by  
5 the board, application or interpretation of Part IV (relating to  
6 retirement for school employees), or administrative practice to  
7 the contrary, a combined service employee's eligibility for a  
8 superannuation annuity or other rights and benefits based on  
9 attaining superannuation age or a superannuation score of 92  
10 shall be determined by including only those eligibility points  
11 actually accrued.

12 (b) Withdrawal annuity.--A vestee in Class T-C or Class T-D  
13 with five or more eligibility points or an active or inactive  
14 Class T-C or Class T-D member, or a combined service employee  
15 with Class T-C or T-D service, who terminates school service  
16 having five or more eligibility points shall, upon filing a  
17 proper application, be entitled to receive an early annuity. A  
18 vestee in Class T-E or Class T-F with ten or more eligibility  
19 points or an active or inactive Class T-E or Class T-F member,  
20 or a combined service employee with Class T-E or T-F service,  
21 who terminates school service having ten or more eligibility  
22 points shall, upon filing a proper application, be entitled to  
23 receive an early annuity.

24 \* \* \*

25 Section 10. Sections 8310, 8321(b), 8322.1(a), 8323(a) and  
26 (d), 8324(b), (c) and (d), 8325, 8325.1(a), 8326(a) and (c),  
27 8327, 8328(b), (c), (d), (e), (g) and (h), 8330 and 8341 of  
28 Title 24 are amended to read:

29 § 8310. Eligibility for refunds.

30 Upon termination of service any active member, regardless of

1 eligibility for benefits, may elect to receive his accumulated  
2 deductions in lieu of any benefit from the system to which he is  
3 entitled.

4 § 8321. Regular member contributions for current service.

5 \* \* \*

6 (b) Class T-E and Class T-F shared-risk contributions.--  
7 Commencing with the annual actuarial valuation performed under  
8 section 8502(j) (relating to administrative duties of board),  
9 for the period ending June 30, 2014, and every three years  
10 thereafter, the board shall compare the actual investment rate  
11 of return, net of fees, to the annual interest rate adopted by  
12 the board for the calculation of the normal contribution rate,  
13 based on the market value of assets, for the prior ten-year  
14 period. If the actual investment rate of return, net of fees, is  
15 less than the annual interest rate adopted by the board by an  
16 amount of 1% or more, the shared-risk contribution rate of Class  
17 T-E and T-F members will increase by .5%. If the actual  
18 investment rate of return, net of fees, is equal to or exceeds  
19 the annual interest rate adopted by the board, the shared-risk  
20 contributions rate of Class T-E and T-F members will decrease by  
21 .5%. Class T-E and T-F members will contribute at the total  
22 member contribution rate in effect when they are hired. The  
23 total member contribution rate for Class T-E members shall not  
24 be less than 7.5%, nor more than 9.5%. The total member  
25 contribution rate for Class T-F members shall not be less than  
26 10.3%, nor more than 12.3%. Notwithstanding this subsection, if  
27 the system's actuarial funded status is 100% or more as of the  
28 date used for the comparison required under this subsection, as  
29 determined in the current annual actuarial valuation, the  
30 shared-risk contribution rate shall be zero. In the event that

1 the annual interest rate adopted by the board for the  
2 calculation of the normal contribution rate is changed during  
3 the period used to determine the shared-risk contribution rate,  
4 the board, with the advice of the actuary, shall determine the  
5 applicable rate during the entire period, expressed as an annual  
6 rate. For periods commencing on or after July 1, 2015, the  
7 determination of the shared-risk member contribution rate shall  
8 be based on the annual interest rate adopted by the board for  
9 the calculation of the accrued liability contribution rate under  
10 section 8328(c) (relating to actuarial cost method).

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

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

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

25 § 8322.1. Pickup contributions.

26 (a) Treatment for purposes of IRC § 414(h).--All  
27 contributions to the fund required to be made under sections  
28 8321 (relating to regular member contributions for current  
29 service) and 8322 (relating to joint coverage member  
30 contributions), with respect to current school service rendered

1 by an active member on or after January 1, 1983, shall be picked  
2 up by the employer and shall be treated as the employer's  
3 contribution for purposes of IRC § 414(h).

4 \* \* \*

5 § 8323. Member contributions for creditable school service.

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

25 \* \* \*

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

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



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

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

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

27 \* \* \*

28 (b) Nonintervening military service.--The amount due for the  
29 purchase of credit for military service other than intervening  
30 military service shall be determined by applying the member's

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

1 service and shall be credited as Class T-C service. In the event  
2 that a Class T-E member makes a purchase of credit for such  
3 military service, then such service shall be credited as Class  
4 T-E service. In the event that a Class T-F member makes a  
5 purchase of credit for such military service, then such service  
6 shall be credited as Class T-F service.

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

19 (1) Regular monthly payments during active military  
20 service.

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

23 (3) Salary deductions to the system in amounts agreed  
24 upon by the member and the board. The salary deduction  
25 amortization plans agreed to by the members and the board may  
26 include a deferral of payment amounts and statutory interest  
27 until the termination of school service or State service or  
28 becoming a participant and a combined service employee as the  
29 board in its sole discretion decides to allow. The board may  
30 limit salary deduction amortization plans to such terms as

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

7 (d) Other creditable nonschool service and noncreditable  
8 school service.--

9 (1) Contributions on account of Class T-C credit for  
10 creditable nonschool service other than military service  
11 shall be determined by applying the member's basic  
12 contribution rate plus the normal contribution rate as  
13 provided in section 8328 at the time of the member's entry  
14 into school service subsequent to such creditable nonschool  
15 service to his total compensation received during the first  
16 year of subsequent credited school service and multiplying  
17 the product by the number of years and fractional part of a  
18 year of creditable nonschool service being purchased together  
19 with statutory interest during all periods of subsequent  
20 school service as an active or inactive member or State  
21 service as an active member or inactive member on leave  
22 without pay to the date of purchase, except that in the case  
23 of purchase of credit for creditable nonschool service as set  
24 forth in section 8304(b)(5) (relating to creditable nonschool  
25 service) the member shall pay only the employee's share  
26 unless otherwise provided by law. Upon certification of the  
27 amount due, payment may be made in a lump sum within 90 days  
28 or in the case of an active member or an eligible State  
29 employee who is an active member of the State Employees'  
30 Retirement System it may be amortized with statutory interest

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

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

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

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

1       \* \* \*

2   § 8325. Incomplete payments.

3       In the event that a member terminates school service or  
4 becomes a participant or a multiple service member who is an  
5 active member of the State Employees' Retirement System  
6 terminates State service before any agreed upon payments or  
7 return of benefits on account of returning to school service or  
8 entering State service and electing multiple service have been  
9 completed, the member or multiple service member who is an  
10 active member of the State Employees' Retirement System shall  
11 have the right to pay within 30 days of termination of school  
12 service or State service or becoming a participant the balance  
13 due, including interest, in a lump sum, and the annuity shall be  
14 calculated including full credit for the previous school  
15 service, creditable nonschool service, or full-coverage  
16 membership. In the event a member does not pay the balance due  
17 within 30 days of termination of school service or becoming a  
18 participant or in the event a member dies in school service or  
19 within 30 days of termination of school service or in the case  
20 of a multiple service member who is an active member of the  
21 State Employees' Retirement System does not pay the balance due  
22 within 30 days of termination of State service or dies in State  
23 service or within 30 days of termination of State service or  
24 becoming a participant and before the agreed upon payments have  
25 been completed, the present value of the benefit otherwise  
26 payable shall be reduced by the balance due, including interest,  
27 and the benefit payable shall be calculated as the actuarial  
28 equivalent of such reduced present value.

29   § 8325.1. Annual compensation limit under IRC § 401(a)(17).

30       (a) General rule.--In addition to other applicable

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

20 \* \* \*

21 § 8326. Contributions by the Commonwealth.

22 (a) Contributions on behalf of active members and  
23 participants.--The Commonwealth shall make contributions into  
24 the fund on behalf of all active members and participants,  
25 including members and participants on activated military service  
26 leave, in an amount equal to one-half the amount certified by  
27 the board as necessary to provide, together with the members'  
28 contributions, annuity reserves on account of prospective  
29 annuities as provided in this part in accordance with section  
30 8328 (relating to actuarial cost method). In case a school



1 employee has elected membership in a retirement program approved  
2 by the employer, the Commonwealth shall contribute to such  
3 program on account of his membership an amount no greater than  
4 the amount it would have contributed had the employee been a  
5 member of the Public School Employees' Retirement System.

6 \* \* \*

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

8 (1) The Commonwealth shall make contributions into the  
9 fund on behalf of all active members and participants,  
10 including members and participants on activated military  
11 service leave, for service performed after June 30, 1995, in  
12 the following manner:

13 (i) For members and participants who are employees  
14 of employers that are school entities, no Commonwealth  
15 contributions shall be made.

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

19 (2) The Commonwealth shall make contributions into the  
20 fund on behalf of annuitants for all amounts due to the fund  
21 after June 30, 1995, including, but not limited to, amounts  
22 due pursuant to section 8328(d) and (f), in the following  
23 manner:

24 (i) For members and participants who are employees  
25 of employers who are school entities, no Commonwealth  
26 contributions shall be made.

27 (ii) For members and participants who are employees  
28 of employers who are not school entities, the amount  
29 computed under subsection (b).

30 § 8327. Payments by employers.

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

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

23 (2) For payments after June 30, 2015, each employer,  
24 including the Commonwealth as employer of employees of the  
25 Department of Education, State-owned colleges and  
26 universities, Thaddeus Stevens College of Technology, Western  
27 Pennsylvania School for the Deaf, Scotland School for  
28 Veterans' Children and The Pennsylvania State University,  
29 shall make payments to the fund each quarter in an amount  
30 equal to one-half the sum of the percentages, as determined

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

14 (b) Deduction from appropriations.--

15 (1) To facilitate the payment of amounts due from any  
16 employer to the fund and the trust through the State  
17 Treasurer and to permit the exchange of credits between the  
18 State Treasurer and any employer, the Secretary of Education  
19 and the State Treasurer shall cause to be deducted and paid  
20 into the fund and the trust from the amount of any moneys due  
21 to any employer on account of any appropriation for schools  
22 or other purposes amounts equal to the employer and pickup  
23 contributions which an employer is required to pay to the  
24 fund, as certified by the board, and as remains unpaid on the  
25 date such appropriations would otherwise be paid to the  
26 employer. Such amount shall be credited to the appropriate  
27 accounts in the fund and the trust.

28 (2) To facilitate the payments of amounts due from any  
29 charter school, as defined in Article XVII-A of the act of  
30 March 10, 1949 (P.L.30, No.14), known as the Public School

1 Code of 1949, to the fund and the trust through the State  
2 Treasurer and to permit the exchange of credits between the  
3 State Treasurer and any employer, the Secretary of Education  
4 and the State Treasurer shall cause to be deducted and paid  
5 into the fund and the trust from any funds appropriated to  
6 the Department of Education for basic education of the  
7 chartering school district of a charter school and public  
8 school employees' retirement contributions amounts equal to  
9 the employer and pickup contributions which a charter school  
10 is required to pay to the fund and the trust, as certified by  
11 the board, and as remains unpaid on the date such  
12 appropriations would otherwise be paid to the chartering  
13 school district or charter school. Such amounts shall be  
14 credited to the appropriate accounts in the fund and the  
15 trust. Any reduction in payments to a chartering school  
16 district made pursuant to this section shall be deducted from  
17 the amount due to the charter school district pursuant to the  
18 Public School Code of 1949.

19 (c) Payments by employers after June 30, 1995.--After June  
20 30, 1995, and before July 1, 2015, each employer, including the  
21 Commonwealth as employer of employees of the Department of  
22 Education, State-owned colleges and universities, Thaddeus  
23 Stevens College of Technology, Western Pennsylvania School for  
24 the Deaf, Scotland School for Veterans' Children and The  
25 Pennsylvania State University, shall make payments to the fund  
26 and the trust each quarter in an amount computed in the  
27 following manner:

28 (1) For an employer that is a school entity, the amount  
29 shall be the sum of the percentages as determined under  
30 section 8328 applied to the total compensation during the pay

1 periods in the preceding quarter of all employees who were  
2 active members of the system or active participants of the  
3 plan during such period, including members or active  
4 participants on activated military service leave. In the  
5 event a member on activated military service leave does not  
6 return to service for the necessary time or receives an  
7 undesirable, bad conduct or dishonorable discharge or does  
8 not elect to receive credit for activated military service  
9 under section 8302(b.1)(3), the contribution made by the  
10 employer on behalf of such member shall be returned with  
11 valuation interest upon application by the employer.

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

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

28 (d) Payments by employers after June 30, 2014.--After June  
29 30, 2015, each employer, including the Commonwealth as employer  
30 of employees of the Department of Education, State-owned

1 colleges and universities, Thaddeus Stevens College of  
2 Technology, Western Pennsylvania School for the Deaf, Scotland  
3 School for Veterans' Children and The Pennsylvania State  
4 University, shall make payments to the fund and trust each  
5 quarter in an amount computed in the following manner:

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

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

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

1 member or participant on the basis of compensation which was  
2 subject to exclusion from total compensation in accordance  
3 with the provisions of this paragraph shall, upon the board's  
4 determination or upon application by the employer, be  
5 returned to the employer with valuation interest.

6 (e) Deemed agreed to.--The agreement of an employer listed  
7 in the definition of school employee under section 8102  
8 (relating to definitions) or any other law to make contributions  
9 to the fund or to enroll its employees as members in the system  
10 shall be deemed to be an agreement to make contributions to the  
11 trust or enroll its employees in the plan.

12 (f) Contributions.--The employer employing a participant  
13 shall pick up the required mandatory participant contributions  
14 by a reduction in the compensation of the participant.

15 (g) Contributions resulting from members reemployed from  
16 USERRA leave.--When a school employee reemployed from USERRA  
17 leave makes the member contributions required to be granted  
18 school service credit for the USERRA leave after June 30, 2015,  
19 either by actual payment or by actuarial debt under section 8325  
20 (relating to incomplete payments), the employer that employed  
21 the school employee when the member contributions are made or  
22 the last employer before termination in the case of payments  
23 under section 8325 shall make the employer contributions that  
24 would have been made under this section if the employee making  
25 the member contributions after he is reemployed from USERRA  
26 leave continued to be employed in his school office or position  
27 instead of performing USERRA leave.

28 § 8328. Actuarial cost method.

29 \* \* \*

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

1       (1) For the fiscal year ending June 30, 2014, the normal  
2       contribution rate shall be determined after each actuarial  
3       valuation. Until all accrued liability contributions have  
4       been completed, the normal contribution rate shall be  
5       determined, on the basis of an annual interest rate and such  
6       mortality and other tables as shall be adopted by the board  
7       in accordance with generally accepted actuarial principles,  
8       as a level percentage of the compensation of the average new  
9       active member, which percentage, if contributed on the basis  
10      of his prospective compensation through the entire period of  
11      active school service, would be sufficient to fund the  
12      liability for any prospective benefit payable to him, in  
13      excess of that portion funded by his prospective member  
14      contributions, excluding the shared-risk contributions.

15      (2) For fiscal years beginning on or after July 1, 2014,  
16      the normal contribution rate shall be determined after each  
17      actuarial valuation. Until all accrued liability  
18      contributions have been completed, the normal contribution  
19      rate shall be determined, on the basis of an annual interest  
20      rate and such mortality and other tables as shall be adopted  
21      by the board in accordance with generally accepted actuarial  
22      principles, as a level percentage of the compensation of all  
23      active members, which percentage, if contributed on the basis  
24      of the member's prospective compensation through the entire  
25      period of active school service, would be sufficient to fund  
26      the liability for any prospective benefit payable to him, in  
27      excess of that portion funded by his prospective member  
28      contributions, excluding the shared-risk contributions.

29      (c) Accrued liability contribution rate.--

30      (1) For the fiscal years beginning July 1, 2002, and



1 ending June 30, 2011, the accrued liability contribution rate  
2 shall be computed as the rate of total compensation of all  
3 active members which shall be certified by the actuary as  
4 sufficient to fund over a period of ten years from July 1,  
5 2002, the present value of the liabilities for all  
6 prospective benefits of active members, except for the  
7 supplemental benefits provided in sections 8348 (relating to  
8 supplemental annuities), 8348.1 (relating to additional  
9 supplemental annuities), 8348.2 (relating to further  
10 additional supplemental annuities), 8348.3 (relating to  
11 supplemental annuities commencing 1994), 8348.4 (relating to  
12 special supplemental postretirement adjustment), 8348.5  
13 (relating to supplemental annuities commencing 1998), 8348.6  
14 (relating to supplemental annuities commencing 2002) and  
15 8348.7 (relating to supplemental annuities commencing 2003),  
16 in excess of the total assets in the fund (calculated by  
17 recognizing the actuarially expected investment return  
18 immediately and recognizing the difference between the actual  
19 investment return and the actuarially expected investment  
20 return over a five-year period), excluding the balance in the  
21 annuity reserve account, and of the present value of normal  
22 contributions and of member contributions payable with  
23 respect to all active members on July 1, 2002, during the  
24 remainder of their active service.

25 (2) For the fiscal years beginning July 1, 2003, and  
26 ending June 30, 2011, the amount of each annual accrued  
27 liability contribution shall be equal to the amount of such  
28 contribution for the fiscal year, beginning July 1, 2002,  
29 except that, if the accrued liability is increased by  
30 legislation enacted subsequent to June 30, 2002, but before

1 July 1, 2003, such additional liability shall be funded over  
2 a period of ten years from the first day of July, coincident  
3 with or next following the effective date of the increase.  
4 The amount of each annual accrued liability contribution for  
5 such additional legislative liabilities shall be equal to the  
6 amount of such contribution for the first annual payment.

7 (3) Notwithstanding any other provision of law,  
8 beginning July 1, 2004, and ending June 30, 2011, the  
9 outstanding balance of the increase in accrued liability due  
10 to the change in benefits enacted in 2001 and the outstanding  
11 balance of the net actuarial loss incurred in fiscal year  
12 2000-2001 shall be amortized in equal dollar annual  
13 contributions over a period that ends 30 years after July 1,  
14 2002, and the outstanding balance of the net actuarial loss  
15 incurred in fiscal year 2001-2002 shall be amortized in equal  
16 dollar annual contributions over a period that ends 30 years  
17 after July 1, 2003. For fiscal years beginning on or after  
18 July 1, 2004, if the accrued liability is increased by  
19 legislation enacted subsequent to June 30, 2003, such  
20 additional liability shall be funded in equal dollar annual  
21 contributions over a period of ten years from the first day  
22 of July coincident with or next following the effective date  
23 of the increase.

24 (4) For the fiscal year beginning July 1, 2011, the  
25 accrued liability contribution rate shall be computed as the  
26 rate of total compensation of all active members which shall  
27 be certified by the actuary as sufficient to fund as a level  
28 percentage of compensation over a period of 24 years from  
29 July 1, 2011, the present value of the liabilities for all  
30 prospective benefits calculated as of June 30, 2010,

1 including the supplemental benefits as provided in sections  
2 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and  
3 8348.7, in excess of the actuarially calculated assets in the  
4 fund (calculated recognizing all realized and unrealized  
5 investment gains and losses each year in level annual  
6 installments over a ten-year period, provided that the  
7 resulting actuarially calculated assets are constrained  
8 within a range of 70%-130% of market value). In the event  
9 that the accrued liability is [increased] changed by  
10 legislation enacted subsequent to June 30, 2010, such  
11 [additional] change in liability shall be funded as a level  
12 percentage of compensation over a period of ten years from  
13 the July 1 second succeeding the date such legislation is  
14 enacted.

15 (5) Notwithstanding the above, for the fiscal years  
16 beginning July 1, 2014, compensation shall be defined as the  
17 total compensation of all active members and active  
18 participants.

19 (6) For purposes of determining the accrued liability  
20 contribution rate in subsection (c) and the experience  
21 adjustment factor in subsection (e) for The Pennsylvania  
22 State University, the State System of Higher Education,  
23 State-owned educational institutions and community colleges,  
24 the term "compensation of all active members and active  
25 participants" shall include an additional amount equal to the  
26 difference between:

27 (i) the actual compensation of all active members  
28 and active participants of The Pennsylvania State  
29 University, the State System of Higher Education, State-  
30 owned educational institutions and community colleges;

1       and,

2       (ii) the compensation of all active members, active  
3       participants, active members of the State Employees'  
4       Retirement System, active participants of the State  
5       Employees' Defined Contribution Plan and employees who  
6       are members or participants of an independent retirement  
7       program approved by the employer of The Pennsylvania  
8       State University, the State System of Higher Education,  
9       State-owned educational institutions and community  
10       collective colleges multiplied by a fraction equal to the  
11       amount determined under subparagraph (i) as part of the  
12       June 30, 2014, actuarial valuation divided by the amount  
13       of compensation of all active members, active  
14       participants, active members of the State Employees'  
15       Retirement System, active participants of the State  
16       Employees' Defined Contribution Plan and employees who  
17       are members or participants of an independent retirement  
18       program approved by the employer determined as part of  
19       the June 30, 2014, actuarial valuation.

20       (7) For the fiscal year beginning July 1, 2015, and all  
21       subsequent fiscal years, The Pennsylvania State University,  
22       the State System of Higher Education, each State-owned  
23       educational institution and each community college shall make  
24       such additional actuarial accrued liability contributions as  
25       shall be certified by the board. The additional actuarial  
26       accrued liability contributions shall be the product of:

27       (i) the amount by which the final contribution rate  
28       exceeds the employer normal contribution rate determined  
29       under subsection (b)(1); multiplied by,

30       (ii) and the difference between:

1           (A) the actual compensation of all active  
2           members and active participants of each such  
3           educational institution; and

4           (B) the compensation of all active members,  
5           active participants, active members of the State  
6           Employees' Retirement System, active participants of  
7           the State Employees' Defined Contribution Plan and  
8           employees who are members or participants of an  
9           independent retirement program approved by the  
10           employer of each such educational institution  
11           multiplied by a fraction equal to the amount  
12           determined under clause (A) as part of the June 30,  
13           2014, actuarial valuation divided by the amount of  
14           compensation of all active members, active  
15           participants, active members of the State Employees'  
16           Retirement System, active participants of the State  
17           Employees' Defined Contribution Plan and employees  
18           who are members or participants of an independent  
19           retirement program approved by the employer of each  
20           such educational institution determined as part of  
21           the June 30, 2014, actuarial valuation.

22       (d) Supplemental annuity contribution rate.--

23           (1) For the period of July 1, 2002, to June 30, 2011,  
24       contributions from the Commonwealth and other employers  
25       required to provide for the payment of the supplemental  
26       annuities provided for in sections 8348, 8348.1, 8348.2,  
27       8348.4 and 8348.5 shall be paid over a period of ten years  
28       from July 1, 2002. The funding for the supplemental annuities  
29       commencing 2002 provided for in section 8348.6 shall be as  
30       provided in section 8348.6(f). The funding for the

1 supplemental annuities commencing 2003 provided for in  
2 section 8348.7 shall be as provided in section 8348.7(f). The  
3 amount of each annual supplemental annuities contribution  
4 shall be equal to the amount of such contribution for the  
5 fiscal year beginning July 1, 2002.

6 (2) For fiscal years beginning July 1, 2011, and ending  
7 June 30, 2014, contributions from the Commonwealth and other  
8 employers whose employees are members of the system required  
9 to provide for the payment of supplemental annuities as  
10 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,  
11 8348.5, 8348.6 and 8348.7 shall be paid as part of the  
12 accrued liability contribution rate as provided for in  
13 subsection (c)(4), and there shall not be a separate  
14 supplemental annuity contribution rate attributable to those  
15 supplemental annuities. In the event that supplemental  
16 annuities are increased by legislation enacted subsequent to  
17 June 30, 2010, [the] but before July 1, 2013, such additional  
18 liability for the increase in benefits shall be funded as a  
19 level percentage of compensation over a period of ten years  
20 from the July 1 second succeeding the date such legislation  
21 is enacted.

22 (3) For fiscal years beginning on or after July 1, 2014,  
23 contributions from employers whose employees are members of  
24 the system required to provide for the payment of  
25 supplemental annuities as provided in sections 8348, 8348.1,  
26 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be  
27 paid as part of the accrued liability contribution rate as  
28 provided for in subsection (c)(4), and there shall not be a  
29 separate supplemental annuity contribution rate attributable  
30 to those supplemental annuities. In the event that

1 supplemental annuities are increased by legislation enacted  
2 subsequent to June 30, 2013, the additional liability for the  
3 increase in benefits shall be funded as a level in equal  
4 dollar installments as a percentage of compensation of all  
5 active members and active participants over a period of ten  
6 years from the July 1 second succeeding the date such  
7 legislation is enacted.

8 (e) Experience adjustment factor.--

9 (1) For each year after the establishment of the accrued  
10 liability contribution rate for the fiscal year beginning  
11 July 1, 2011, and ending June 30, 2014, any increase or  
12 decrease in the unfunded accrued liability, excluding the  
13 gains or losses on the assets of the health insurance  
14 account, due to actual experience differing from assumed  
15 experience, changes in actuarial assumptions, changes in  
16 contributions caused by the final contribution rate being  
17 different from the actuarially required contribution rate,  
18 active members making shared-risk contributions or changes in  
19 the terms and conditions of the benefits provided by the  
20 system by judicial, administrative or other processes other  
21 than legislation, including, but not limited to,  
22 reinterpretation of the provisions of this part, recognized  
23 by the actuarial valuations on June 30, 2011, and June 30,  
24 2012, shall be amortized as a level percentage of  
25 compensation over a period of 24 years beginning with the  
26 July 1 second succeeding the actuarial valuation determining  
27 said increases or decreases.

28 (2) (Reserved).

29 (3) For fiscal years beginning July 1, 2014, any  
30 increase or decrease in the unfunded accrued liability,

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

15 \* \* \*

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

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

22 (2) If, for any of the fiscal years beginning July 1,  
23 2011, July 1, 2012, [and] or on or after July 1, 2013, the  
24 actuarially required contribution rate, calculated without  
25 regard for the costs added by legislation, is more than 3%,  
26 3.5% and 4.5%, respectively, of the total compensation of all  
27 active members greater than the prior year's final  
28 contribution rate, then the collared contribution rate shall  
29 be applied and be equal to the prior year's final  
30 contribution rate increased by 3%, 3.5% and 4.5%,



1       respectively, of total compensation of all active members.  
2       Otherwise, and for all other fiscal years, the collared  
3       contribution rate shall not be applicable. In no case shall  
4       the collared contribution rate be less than 4% of the total  
5       compensation of all active members.

6       (h) Final contribution rate.--

7           (1) For the fiscal year beginning July 1, 2010, the  
8       final contribution rate is 5% of the total compensation of  
9       all active members. For each subsequent fiscal year for which  
10      the collared contribution rate is applicable, the final  
11      contribution rate shall be the collared contribution rate as  
12      calculated in subsection (g), plus the costs added by  
13      legislation.

14          (2) For all other fiscal years ending before June 30,  
15      2015, the final contribution rate shall be the actuarially  
16      required contribution rate, provided that the final  
17      contribution rate shall not be less than the normal  
18      contribution rate as provided in subsection (b).

19      \* \* \*

20   § 8330. Appropriations by the Commonwealth.

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

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

1 Such amount shall be paid by the State Treasurer through the  
2 Department of Revenue into the fund or the trust as the case may  
3 be within 30 days of receipt of the requisition presented each  
4 quarter by the board.

5 § 8341. Return of accumulated deductions.

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

9 Section 11. Section 8342 of Title 24 is amended by adding a  
10 subsection to read:

11 § 8342. Maximum single life annuity.

12 \* \* \*

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

18 Section 12. Section 8344(b) of Title 24 is amended and the  
19 section is amended by adding a subsection to read:

20 § 8344. Disability annuities.

21 \* \* \*

22 (b) Reduction on account of earned income.--Payments on  
23 account of disability shall be reduced by that amount by which  
24 the earned income of the annuitant, as reported in accordance  
25 with section 8508(b) (relating to rights and duties of  
26 annuitants) for the preceding year together with the disability  
27 annuity payments for the year, exceeds the greater of \$5,000 or  
28 the last year's salary of the annuitant as a [school employee]  
29 member of the system, provided that the annuitant shall not  
30 receive less than his member's annuity or the amount to which he

1 may be entitled under section 8342, whichever is greater.

2 \* \* \*

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

8 Section 13. Sections 8345(A), 8346 and 8349(a) and (b) of <--  
9 Title 24 are amended to read:

10 § 8345. MEMBER'S OPTIONS. <--

11 (A) GENERAL RULE.--ANY CLASS T-C OR CLASS T-D MEMBER WHO IS  
12 A VESTEE WITH FIVE OR MORE ELIGIBILITY POINTS, ANY CLASS T-E OR  
13 CLASS T-F MEMBER WHO IS A VESTEE WITH TEN OR MORE ELIGIBILITY  
14 POINTS, OR ANY OTHER ELIGIBLE MEMBER UPON TERMINATION OF SCHOOL  
15 SERVICE WHO HAS NOT WITHDRAWN HIS ACCUMULATED DEDUCTIONS AS  
16 PROVIDED IN SECTION 8341 (RELATING TO RETURN OF ACCUMULATED  
17 DEDUCTIONS) MAY APPLY FOR AND ELECT TO RECEIVE EITHER A MAXIMUM  
18 SINGLE LIFE ANNUITY, AS CALCULATED IN ACCORDANCE WITH THE  
19 PROVISIONS OF SECTION 8342 (RELATING TO MAXIMUM SINGLE LIFE  
20 ANNUITY), OR A REDUCED ANNUITY CERTIFIED BY THE ACTUARY TO BE  
21 ACTUARIALLY EQUIVALENT TO THE MAXIMUM SINGLE LIFE ANNUITY AND IN  
22 ACCORDANCE WITH ONE OF THE FOLLOWING OPTIONS, EXCEPT THAT NO  
23 MEMBER SHALL ELECT AN ANNUITY PAYABLE TO ONE OR MORE SURVIVOR  
24 ANNUITANTS OTHER THAN HIS SPOUSE OR ALTERNATE PAYEE OF SUCH A  
25 MAGNITUDE THAT THE PRESENT VALUE OF THE ANNUITY PAYABLE TO HIM  
26 FOR LIFE PLUS ANY LUMP SUM PAYMENT HE MAY HAVE ELECTED TO  
27 RECEIVE IS LESS THAN 50% OF THE PRESENT VALUE OF HIS MAXIMUM  
28 SINGLE LIFE ANNUITY. IN NO EVENT SHALL A CLASS T-E OR CLASS T-F  
29 MEMBER RECEIVE AN ANNUAL BENEFIT, CALCULATED AS OF THE EFFECTIVE  
30 DATE OF RETIREMENT, GREATER THAN THE MEMBER'S FINAL AVERAGE

1 SALARY.

2 (1) OPTION 1.--A LIFE ANNUITY TO THE MEMBER WITH A  
3 GUARANTEED TOTAL PAYMENT EQUAL TO THE PRESENT VALUE OF THE  
4 MAXIMUM SINGLE LIFE ANNUITY ON THE EFFECTIVE DATE OF  
5 RETIREMENT WITH THE PROVISION THAT, IF, AT HIS DEATH, HE HAS  
6 RECEIVED LESS THAN SUCH PRESENT VALUE, THE UNPAID BALANCE  
7 SHALL BE PAYABLE TO HIS BENEFICIARY.

8 (2) OPTION 2.--A JOINT AND SURVIVOR ANNUITY PAYABLE  
9 DURING THE LIFETIME OF THE MEMBER WITH THE FULL AMOUNT OF  
10 SUCH ANNUITY PAYABLE THEREAFTER TO HIS SURVIVOR ANNUITANT, IF  
11 LIVING AT HIS DEATH.

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

16 (4) OPTION 4.--SOME OTHER BENEFIT WHICH SHALL BE  
17 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE  
18 MAXIMUM SINGLE LIFE ANNUITY, SUBJECT TO THE FOLLOWING  
19 RESTRICTIONS:

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

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

25 (III) A PORTION OF THE BENEFIT MAY BE PAYABLE AS A  
26 LUMP SUM, EXCEPT THAT SUCH LUMP SUM PAYMENT SHALL NOT  
27 EXCEED AN AMOUNT EQUAL TO THE ACCUMULATED DEDUCTIONS  
28 STANDING TO THE CREDIT OF THE MEMBER. THE BALANCE OF THE  
29 PRESENT VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY ADJUSTED  
30 IN ACCORDANCE WITH SECTION 8342(B) SHALL BE PAID IN THE

1 FORM OF AN ANNUITY WITH A GUARANTEED TOTAL PAYMENT, A  
2 SINGLE LIFE ANNUITY, OR A JOINT AND SURVIVOR ANNUITY OR  
3 ANY COMBINATION THEREOF BUT SUBJECT TO THE RESTRICTIONS  
4 OF SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH. THIS  
5 SUBPARAGRAPH SHALL NOT APPLY TO A CLASS T-E OR CLASS T-F  
6 MEMBER. FOR PURPOSES OF THIS SUBPARAGRAPH ONLY, THE TERM  
7 "ACTUARIALLY EQUIVALENT," AS APPLIED TO ANY LUMP SUM  
8 WITHDRAWAL ATTRIBUTABLE TO CONTRIBUTIONS CREDITED TO THE  
9 MEMBER'S SAVINGS ACCOUNT ON OR AFTER JULY 1, 2015,  
10 TOGETHER WITH ALL INTEREST THEREON, SHALL MEAN EQUAL  
11 PRESENT VALUES, COMPUTED ON THE BASIS OF THE INTEREST  
12 RATE AND SUCH MORTALITY AND OTHER TABLES AS ADOPTED BY  
13 THE BOARD PURSUANT TO SECTION 8328(B) (RELATING TO  
14 ACTUARIAL COST METHOD) IN EFFECT ON THE EFFECTIVE DATE OF  
15 RETIREMENT OF THE MEMBER.

16 \* \* \*

17 § 8346. Termination of annuities.

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

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

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

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

7 (b) Return to school service during emergency.--When, in the  
8 judgment of the employer, an emergency creates an increase in  
9 the work load such that there is serious impairment of service  
10 to the public or in the event of a shortage of appropriate  
11 subject certified teachers or other personnel, an annuitant or  
12 participant receiving distributions may be returned to school  
13 service for a period not to extend beyond the school year during  
14 which the emergency or shortage occurs, without loss of his  
15 annuity or distributions. The annuitant shall not be entitled to  
16 earn any credited service, and no contributions may be made by  
17 the annuitant, the employer or the Commonwealth on account of  
18 such employment. Such service shall not be subject to member  
19 contributions or be eligible for qualification as creditable  
20 school service or for participation in the plan, mandatory  
21 pickup participant contributions or employer defined  
22 contributions.

23 (b.1) Return to school service in an extracurricular  
24 position.--

25 (1) An annuitant or participant receiving distributions  
26 may be employed under separate contract by a public school or  
27 charter school in an extracurricular position performed  
28 primarily outside regular instructional hours and not part of  
29 mandated curriculum without loss of annuity. Neither the  
30 annuitant, the participant receiving distributions, nor the

1 employer shall make contributions to the member's savings  
2 account, the individual investment account or State  
3 accumulation account respectively for such service. Further,  
4 such contract shall contain a waiver whereby the annuitant  
5 waives any potential retirement benefits that could arise  
6 from the contract and releases the employer and the board  
7 from any liability for such benefits. Such service shall not  
8 be subject to member or participant contributions nor be  
9 eligible for qualification as creditable school service or  
10 for participation in the plan, mandatory pickup participant  
11 contributions or employer defined contributions.

12 (2) Nothing in this subsection shall be construed to  
13 abridge or limit any rights provided under a collective  
14 bargaining agreement or any rights provided under the act of  
15 July 23, 1970 (P.L.563, No.195), known as the Public Employe  
16 Relations Act.

17 (3) For purposes of this subsection, the term  
18 "extracurricular position" means a contract position filled  
19 by an annuitant that is separate from the established  
20 academic course structure, including the position of athletic  
21 director.

22 (c) Subsequent discontinuance of service.--Upon subsequent  
23 discontinuance of service, such [member] terminating school  
24 employee other than a former annuitant who had the effect of his  
25 frozen present value eliminated in accordance with subsection  
26 (d) or a former disability annuitant shall be entitled to an  
27 annuity which is actuarially equivalent to the sum of the  
28 present value as determined under subsection (a) [and] to which  
29 shall be added, if the service after reemployment was as a  
30 member of the system, the present value of a maximum single life



1 annuity based on years of service credited subsequent to reentry  
2 in the system and his final average salary computed by reference  
3 to his compensation as a member of the system or as a member of  
4 the State Employees' Retirement System during his entire period  
5 of school and State service.

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

7 (1) An annuitant who returns to school service as an  
8 active member of the system and earns three eligibility  
9 points by performing credited school service following the  
10 most recent period of receipt of an annuity under this part,  
11 or an annuitant who enters State service other than a  
12 participant in the State Employees' Defined Contribution Plan  
13 and:

14 (i) is a multiple service member; or

15 (ii) who elects multiple service membership, and

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

29 (2) Upon subsequent discontinuance of service and the  
30 filing of an application for an annuity, a former annuitant

1 who qualifies to have the effect of a frozen present value  
2 eliminated under this subsection shall be entitled to receive  
3 the higher of either:

4 (i) an annuity (prior to optional modification)  
5 calculated as if the freezing of the former annuitant's  
6 account pursuant to subsection (a) had not occurred,  
7 adjusted by crediting Class T-C school service as Class  
8 T-D service as provided for in section 8305(c) (relating  
9 to classes of service) and further adjusted according to  
10 paragraph (3), provided that a former annuitant of the  
11 system or a former annuitant of the State Employees'  
12 Retirement System who retired under a provision of law  
13 granting additional service credit if termination of  
14 school or State service or retirement occurred during a  
15 specific period of time shall not be permitted to retain  
16 the additional service credit under the prior law when  
17 the annuity is computed for his most recent retirement;  
18 or

19 (ii) an annuity (prior to optional modification)  
20 calculated as if the former annuitant did not qualify to  
21 have the effect on the frozen present value eliminated,  
22 unless the former annuitant notifies the board in writing by  
23 the later of the date the application for annuity is filed or  
24 the effective date of retirement that the former annuitant  
25 wishes to receive the lower annuity.

26 (3) In addition to any other adjustment to the present  
27 value of the maximum single life annuity that a member may be  
28 entitled to receive that occurs as a result of any other  
29 provision of law, the present value of the maximum single  
30 life annuity shall be reduced by all amounts paid or payable

1 to him during all previous periods of retirement plus  
2 interest on these amounts until the date of subsequent  
3 retirement. The interest for each year shall be calculated  
4 based upon the annual interest rate adopted for that school  
5 year by the board for the calculation of the normal  
6 contribution rate pursuant to section 8328(b) (relating to  
7 actuarial cost method).

8 § 8349. 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 8347 (relating to death benefits) or under the provisions of  
15 Option 1 of section 8345(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.

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

26 CHAPTER 84

27 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

28 Sec.

29 8401. Establishment.

30 8402. Plan document.

1 8403. Individual investment accounts.  
2 8404. Participant contributions.  
3 8405. Mandatory participant pickup contributions.  
4 8406. Employer defined contributions.  
5 8407. Eligibility for benefits.  
6 8408. Death benefits.  
7 8409. Vesting.  
8 8410. Termination of distributions.  
9 8411. Agreements with financial institutions and other  
10 organizations.  
11 8412. Powers and duties of board.  
12 8413. Responsibility for investment loss.  
13 8414. Investments based on participants' investment allocation  
14 choices.  
15 8415. Expenses.  
16 8416. Election by members to be participants.  
17 8417. Required distributions.  
18 § 8401. Establishment.  
19 (a) School Employees' Defined Contribution Plan.---The plan  
20 is established in accordance with this part. The board shall  
21 administer and manage the plan, which shall be a defined  
22 contribution plan exclusively for the benefit of those school  
23 employees who participate in the plan and their beneficiaries  
24 within the meaning of and in conformity with IRC § 401(a). The  
25 board shall determine the terms and provisions of the plan not  
26 inconsistent with this part, the Internal Revenue Code of 1986  
27 and other applicable law and shall provide for the plan's  
28 administration.  
29 (b) School Employees Defined Contribution Trust.--The trust  
30 is established as part of the plan in accordance with this part.

1 The trust shall be comprised of the individual investment  
2 accounts and all assets and moneys in those accounts. The  
3 members of the board shall be the trustees of the trust, which  
4 shall be administered exclusively for the benefit of those  
5 school employees who participate in the plan and their  
6 beneficiaries within the meaning of and conformity with IRC §  
7 401(a). The board shall determine the terms and provisions of  
8 the trust not inconsistent with this part, the Internal Revenue  
9 Code of 1986 and other applicable law and shall provide for the  
10 investment and administration of the trust.

11 (c) Assets held in trust.--All assets and income in the plan  
12 that have been or shall be withheld or contributed by the  
13 participants, the Commonwealth and employers in accordance with  
14 this part shall be held in trust in any funding vehicle  
15 permitted by the applicable provisions of IRC for the exclusive  
16 benefit of the plan's participants and their beneficiaries until  
17 such time as the funds are distributed to the participants or  
18 their beneficiaries in accordance with the terms of the plan  
19 document. The assets of the plan held in trust for the exclusive  
20 benefit of the participants and their beneficiaries may be used  
21 for the payment of the fees, costs and expenses related to the  
22 administration and investment of the plan and the trust.

23 (d) Name for transacting business.--By the name of "The  
24 School Employees' Defined Contribution Plan," all of the  
25 business of the plan shall be transacted, the trust invested,  
26 all requisitions for money drawn and payments made, and all of  
27 its cash and securities and other property shall be held, except  
28 that, any other law to the contrary notwithstanding, the board  
29 may establish a nominee registration procedure for the purpose  
30 of registering securities in order to facilitate the purchase,

sale or other disposition of securities pursuant to the  
provisions of this part.  
§ 8402. Plan document.

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

§ 8403. Individual investment accounts.

The board shall:

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

(2) Separately track participant contributions,  
including investment gains and losses and employer  
contributions, including investment gains and losses, but all  
interest, investment gains and losses and investment and  
administrative fees, costs and expenses shall be allocated

1 proportionately.

2 § 8404. Participant contributions.

3 (a) Mandatory contributions.--Each participant shall make  
4 mandatory pickup participant contributions through payroll  
5 deductions to his individual investment account equal to 4% of  
6 compensation for current school service. The employer shall  
7 cause such contributions for current service to be made and  
8 deducted from each payroll or on such schedule established by  
9 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. Such 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) Limitations on contributions.--No contributions shall 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 thereon  
24 shall be refunded to the participant by the board.

25 § 8405. Mandatory pickup participant contributions.

26 (a) Treatment for purposes of IRC § 414(h).--All  
27 contributions to the trust required to be made under section  
28 8404(a) (relating to participant contributions) with respect to  
29 current school service rendered by an active participant shall  
30 be picked up by the employer and shall be treated as the

1 employer's contribution for purposes of IRC § 414(h). After the  
2 effective date of this section, an employer employing a  
3 participant in the plan shall pick up the required mandatory  
4 participant contributions by a reduction in the compensation of  
5 the participant.

6 (b) Treatment for other purposes.--For all other purposes  
7 under this part and otherwise, such mandatory pickup participant  
8 contributions shall be treated as contributions made by a  
9 participant in the same manner and to the same extent as if the  
10 contributions were made directly by the participant and not  
11 picked up.

12 § 8406. Employer defined contributions.

13 (a) Contributions for current service.--The employer of a  
14 participant shall make employer defined contributions for  
15 current service of each active participant, which shall be  
16 credited to the active participant's individual investment  
17 account. Employer defined contributions must be recorded and  
18 accounted for separately from participant contributions.

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



1 provided by this part.

2 (c) Limitations on contributions.--No contributions shall 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 thereon shall be refunded to the employer by the board.  
9 § 8407. Eligibility for benefits.

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

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

27 (c) Spousal consent not required.--A participant who is  
28 married may receive a lump sum distribution or other  
29 distribution directly from the board without the consent of the  
30 spouse.

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

5 (e) Prohibition.--Loans or other distributions from the plan  
6 to school employees who have not terminated school service are  
7 not permitted.

8 (f) Small individual investment accounts.--A participant who  
9 terminates school service and whose vested accumulated total  
10 defined contributions are below the threshold established by law  
11 as of the date of termination of service may be paid the vested  
12 accumulated total defined contributions in a lump sum as  
13 provided in IRC § 401(a)(31).  
14 § 8408. Death benefits.

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

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

30 (c) Contracts.--The board may contract with financial

institutions, insurance companies or other types of third-party providers to allow participants who receive a lump sum distribution to receive payments and death benefits in a form and manner as provided by the contract.

§ 8409. Vesting.

Subject to the forfeiture and attachment provisions of section 8533 (relating to taxation, attachment and assignment of funds) or otherwise as provided by law, a participant shall be 100% vested with respect to all mandatory pickup participant contributions, voluntary contributions and employer defined contributions paid by or on behalf of the participant to the trust plus interest and earnings on the participant and employer contributions but minus investment fees and administrative charges.

§ 8410. Termination of distributions.

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

(b) Return of benefits paid during USERRA leave.--In the event that a former school employee is reemployed from USERRA leave who had received any payments or annuity from the plan during the USERRA leave, the employee shall return to the board the amount so received plus interest as provided in the plan document. The amount payable shall be certified in each case by the board in accordance with methods approved by the actuary and shall be paid in a lump sum within 30 days or in the case of an

1 active participant may be amortized with interest as provided in  
2 the plan document through salary deductions to the trust in  
3 amounts agreed upon by the active participant and the board, but  
4 not longer than a period that starts with the date of  
5 reemployment and continuing for up to three times the length of  
6 the participant's immediate past period of USERRA leave, with  
7 the repayment period not to exceed five years.

8 § 8411. Agreements with financial institutions and other  
9 organizations.

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

14 § 8412. Powers and duties of board.

15 The board shall have the following powers and duties to  
16 establish the plan and trust and to administer the provisions of  
17 this part:

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

20 (2) The board shall pay all administrative fees, costs  
21 and expenses of managing, investing, and administering the  
22 plan, the trust and the individual investment accounts from  
23 the balance of such individual investment accounts except as  
24 may be provided otherwise by law.

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

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

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

4       (6) The board may perform an annual review of any  
5 qualified fund manager for the purpose of assuring it  
6 continues to meet all standards and criteria established.

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

11       (8) The board may allow a former participant to maintain  
12 the participant's individual investment account within the  
13 plan.

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

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

18       (11) The board shall determine what constitutes a  
19 termination of school service.

20       (12) The board may establish procedures for  
21 distributions of small accounts as required or permitted by  
22 IRC.

23       (13) The board shall have the power to establish  
24 procedures in the plan document or to promulgate rules and  
25 regulations as it deems necessary for the administration and  
26 management of the plan, including, but not limited to,  
27 establishing:

28           (i) Procedures whereby eligible participants may  
29 change voluntary contribution amounts or their investment  
30 choices on a periodic basis or make other elections

1 regarding their participation in the plan.

2 (ii) Procedures for deducting mandatory pick up  
3 participant contributions and voluntary contributions  
4 from a participant's compensation.

5 (iii) Procedures for rollovers and trustee-to-  
6 trustee transfers allowed under IRC and permitted by the  
7 board as part of the plan.

8 (iv) Standards and criteria for disclosing and  
9 providing options to eligible individuals regarding  
10 investments of amounts deferred under the plan, provided  
11 that one of the available options must serve as the  
12 default option for participants who do not make a timely  
13 election.

14 (v) Standards and criteria for disclosing to the  
15 participants the anticipated and actual income  
16 attributable to amounts invested, property rights and all  
17 fees, costs and expenses to be made against amounts  
18 deferred to cover the costs and expenses of administering  
19 and managing the plan or trust.

20 (vi) Procedures, standards and criteria for the  
21 making of distributions from the plan upon termination  
22 from employment or death or in other circumstances  
23 consistent with the purpose of the plan.

24 (14) The board may waive any reporting or information  
25 requirement contained in this part if the board determines  
26 that the information is not needed for the administration of  
27 the plan.

28 (15) The board may contract any services and duties in  
29 lieu of staff except final adjudications and as prohibited by  
30 law. Any duties or responsibilities of the board not required

1 by law to be performed by the board can be delegated to a  
2 third-party provider subject to appeal to the board.

3 (16) The board may provide that any duties of the  
4 employer or information provided by the participant to the  
5 employer can be performed or received directly by the board.

6 (17) The provisions and restrictions of the act of July  
7 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's  
8 Investments Act, shall not apply to the plan or trust or the  
9 investments thereof, but the board is authorized to offer to  
10 the plan participants investment vehicles that would be  
11 allowed under the Protecting Pennsylvania's Investments Act.  
12 The board shall also to the extent commercially available  
13 provide that one option for participants will have an annuity  
14 investment feature.

15 § 8413. Responsibility for investment loss.

16 Neither the Commonwealth, the board, an employer nor any  
17 school entity or other political subdivision shall be  
18 responsible for any investment loss incurred under the plan or  
19 for the failure of any investment to earn any specific or  
20 expected return, or to earn as much as any other investment  
21 opportunity, whether or not such other opportunity was offered  
22 to participants in the plan.

23 § 8414. Investments based on participants' investment  
24 allocation choices.

25 (a) Vesting.--All contributions, interest and investment  
26 earnings shall be 100% vested and shall be invested based on the  
27 participant's investment allocation choices. Each participant  
28 shall be credited individually with the amount of contributions,  
29 interest and investment earnings. All investment allocation  
30 choices shall be credited proportionately between participant

1 contributions and employer defined contributions.

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

15 § 8415. Expenses.

16 All expenses, fees and cost of administering the plan and  
17 investing the assets of the trust shall be borne by the  
18 participants and paid from assessments against the balances of  
19 the individual investment accounts as established by the board  
20 except as may be provided otherwise by law.

21 § 8416. Election by members to be participants.

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

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



1     (c) Effect of election.--An election to become a participant  
2 shall be irrevocable. Participation shall be effective at the  
3 beginning of the next pay period starting after the election is  
4 filed with the board. A member who elects to become a  
5 participant shall remain a participant for all future school  
6 service. Any prior school or nonschool service credited in the  
7 system shall remain in the class of service in which it is  
8 credited on the effective date of participation. A combined  
9 service employee shall not be eligible to receive an annuity  
10 from the system or a withdrawal of accumulated deductions until  
11 the employee has terminated school service. A participant shall  
12 not be entitled to purchase any previous school service or  
13 creditable nonschool service. The eligibility of a combined  
14 service employee for an annuity from the system and, if  
15 eligible, the amount of such annuity shall be as determined  
16 under this part.

17 § 8417. Required distributions.

18     (a) Compliance.--All payments pursuant to this chapter shall  
19 start and be made in compliance with the minimum distribution  
20 requirements and incidental death benefit rules of IRC § 401(a).

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

22         (1) (i) Except as provided under subparagraph (ii) and  
23         notwithstanding any provision of this part, a  
24         contribution or benefit related to the plan may not  
25         exceed a limitation under IRC § 415 with respect to  
26         governmental plans that are in effect on the date the  
27         contribution or benefit payment takes effect.

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

1           (iii) For the purposes of this paragraph, the term  
2           "government plans" shall have the same meaning as in IRC  
3           § 414(d).

4           (2) (i) Except as provided under subparagraph (ii), an  
5           amendment of this part on or after the effective date of  
6           the addition of subsection (b) to this section that  
7           increases contributions or benefits for active  
8           participants, inactive participants or participants  
9           receiving distributions may not be deemed to provide for  
10           a contribution or benefit in excess of a limitation,  
11           adjusted on or after the effective date of the addition  
12           of subsection (b) to this section, under IRC §415 unless  
13           specifically provided for by legislation.

14           (ii) Notwithstanding subparagraph (i), an increase  
15           in benefits on or after the effective date of the  
16           addition of subsection (b) to this section for a  
17           participant in the plan shall be authorized and apply to  
18           the fullest extent allowed by law.

19       Section 15. Section 8501(a), (c) and (d) of Title 24 are  
20 amended to read:

21       § 8501. Public School Employees' Retirement Board.

22       (a) Status and membership.--The board shall be an  
23 independent administrative board and shall consist of 15  
24 members: the Secretary of Education, ex officio; the State  
25 Treasurer, ex officio; two Senators; two members of the House of  
26 Representatives; the executive secretary of the Pennsylvania  
27 School Boards Association, ex officio; two to be appointed by  
28 the Governor, at least one of whom shall not be a school  
29 employee or an officer or employee of the State; three to be  
30 elected by the active professional members of the system and

1 active professional participants of the plan from among their  
2 number; one to be elected by annuitants or a participant of the  
3 plan who has terminated school service and is receiving or is  
4 eligible to receive distributions from among their number; one  
5 to be elected by the active nonprofessional members of the  
6 system or active nonprofessional participants of the plan from  
7 among their number; and one to be elected by members of  
8 Pennsylvania public school boards from among their number. The  
9 appointments made by the Governor shall be confirmed by the  
10 Senate and each election shall be conducted in a manner approved  
11 by the board. The terms of the appointed and nonlegislative  
12 elected members shall be three years. The members from the  
13 Senate shall be appointed by the President pro tempore of the  
14 Senate and shall consist of one member from the majority and one  
15 member from the minority. The members from the House of  
16 Representatives shall be appointed by the Speaker of the House  
17 of Representatives and shall consist of one member from the  
18 majority and one member from the minority. The legislative  
19 members shall serve on the board for the duration of their  
20 legislative terms and shall continue to serve until 30 days  
21 after the convening of the next regular session of the General  
22 Assembly after the expiration of their respective legislative  
23 terms or until a successor is appointed for the new term,  
24 whichever occurs first. The chairman of the board shall be  
25 elected by the board members. Each ex officio member of the  
26 board and each legislative member of the board may appoint a  
27 duly authorized designee to act in his stead. In the event that  
28 a board member, who is designated as an active participant or as  
29 the participant in the plan who is receiving or is eligible to  
30 receive distributions, receives a total distribution of the

board member's interest in the plan, that board member may  
continue to serve on the board for the remainder of the term.

\* \* \*

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

(d) Compensation and expenses.--The members of the board who are members of the system or participants in the plan shall serve without compensation. Members of the board who are members of the system or participants in the plan and who are employed by a governmental entity shall not suffer loss of salary or wages through serving on the board. The board, on request of the employer of any member of the board who is an active professional or nonprofessional member of the system or active professional or nonprofessional participant in the plan, may reimburse such employer for the salary or wages of the member, or for the cost of employing a substitute for such member or participant, while the member or participant is necessarily absent from employment to execute the duties of the board. The members of the board who are not members of either the school system or the State Employees' Retirement System may be paid \$100 per day when attending meetings and all board members shall be reimbursed for any necessary expenses. However, when the duties of the board as mandated are not executed, no

1 compensation or reimbursement for expenses of board members  
2 shall be paid or payable during the period in which such duties  
3 are not executed.

4 \* \* \*

5 Section 16. Section 8502(b), (c), (e), (h), (i), (j), (k),  
6 (n) and (o) of Title 24 are amended and the section is amended  
7 by adding a subsection to read:

8 § 8502. Administrative duties of board.

9 \* \* \*

10 (b) Professional personnel.--The board shall contract for  
11 the services of a chief medical examiner, an actuary, investment  
12 advisors, counselors, an investment coordinator, and such other  
13 professional personnel as it deems advisable. The board may  
14 utilize the same individuals and firms contracted under this  
15 subsection for both the system and the plan but shall allocate  
16 the fees, costs and expenses incurred under this subsection  
17 between the system and the plan as appropriate.

18 (c) Expenses.--The board shall, through the Governor, submit  
19 to the General Assembly annually a budget covering the  
20 administrative expenses of [this part] the system and a separate  
21 budget covering the administrative expenses of the plan. Such  
22 expenses of the system as approved by the General Assembly in an  
23 appropriation bill shall be paid from investment earnings of the  
24 fund. Such expenses of the plan as approved by the General  
25 Assembly shall be paid from interest, pursuant to section  
26 8414(b) (relating to investments based on participant investment  
27 allocation choices) or assessments on the balances of the  
28 participants' individual investment accounts except as may be  
29 provided otherwise by law. Concurrently with its administrative  
30 budget, the board shall also submit to the General Assembly

1 annually a list of proposed expenditures which the board intends  
2 to pay through the use of directed commissions, together with a  
3 list of the actual expenditures from the past year actually paid  
4 by the board through the use of directed commissions. All such  
5 directed commission expenditures shall be made by the board for  
6 the exclusive benefit of the system and its members and for the  
7 exclusive benefit of the plan and its participants,  
8 respectively.

9 \* \* \*

10 (e) Records.--

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

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

23 (i) in the case of an alternative investment or  
24 alternative investment vehicle involve the release of  
25 sensitive investment or financial information relating to  
26 the alternative investment or alternative investment  
27 vehicle which the fund or trust was able to obtain only  
28 upon agreeing to maintain its confidentiality;

29 (ii) cause substantial competitive harm to the  
30 person from whom sensitive investment or financial

1 information relating to the investment was received; or  
2 (iii) have a substantial detrimental impact on the  
3 value of an investment to be acquired, held or disposed  
4 of by the fund or trust, or would cause a breach of the  
5 standard of care or fiduciary duty set forth in this  
6 part.

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

14 (ii) The sensitive investment or financial  
15 information excluded from inspection under paragraph (2)  
16 (ii), to the extent not otherwise excluded from  
17 [inspection] access, shall constitute a public record  
18 subject to public [inspection] access under the Right-to-  
19 Know Law once:

20 (A) the [inspection] access no longer causes  
21 substantial competitive harm to the person from whom  
22 the information was received; or

23 (B) the entity in which the investment was made  
24 is liquidated;

25 whichever is later.

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

Right-to-Know Law once:

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

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

whichever is later.

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

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

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

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

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

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

(v) The dollar amount of cash distributions received by the system or plan from the alternative investment



1 vehicle since inception.

2 (vi) The net internal rate of return of the  
3 alternative investment vehicle since inception, provided  
4 that the system or plan shall not be required to disclose  
5 the net internal rate of return under circumstances in  
6 which, because of the limited number of portfolio assets  
7 remaining in the alternative investment vehicle, the  
8 disclosure could reveal the values of specifically  
9 identifiable remaining portfolio assets to the detriment  
10 of the alternative investment.

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

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

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

30 (i) The existence, date, amount and any other

1 information pertaining to the voluntary contributions,  
2 including rollover contributions and trustee-to-trustee  
3 transfers, of any participant.

4 (ii) The investment option selections of any  
5 participant.

6 (iii) The balance of a participant's individual  
7 investment account, including the amount distributed to  
8 the participant, and any investment gains or losses, or  
9 rates of return.

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

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

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

20 \* \* \*

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

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

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

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

1 and other benefits to be published in the Pennsylvania Bulletin  
2 in accordance with the provisions of 45 Pa.C.S. § 725(a)  
3 (relating to additional contents of Pennsylvania Bulletin) and,  
4 unless the board specifies therein a later effective date, such  
5 tables shall become effective on such publication. The board  
6 shall include a report on the significant facts, recommendations  
7 and data developed in each five-year actuarial investigation and  
8 evaluation of the system in the annual financial statement  
9 published pursuant to the requirements of subsection (n) for the  
10 fiscal year in which such investigation and evaluation were  
11 concluded.

12 (k) Certification of employer contributions to fund.--The  
13 board shall, each year in addition to the itemized budget  
14 required under section 8330 (relating to appropriations by the  
15 Commonwealth), certify to the employers and the Commonwealth the  
16 employer contribution rate expressed as a percentage of members'  
17 payroll necessary for the funding of prospective annuities for  
18 active members and the annuities of annuitants, and certify the  
19 rates and amounts of the normal contributions as determined  
20 pursuant to section 8328(b) (relating to actuarial cost method),  
21 accrued liability contributions as determined pursuant to  
22 section 8328(c), supplemental annuities contribution rate as  
23 determined pursuant to section 8328(d), the experience  
24 adjustment factor as determined pursuant to section 8328(e),  
25 premium assistance contributions as determined pursuant to  
26 section 8328(f), the costs added by legislation as determined  
27 pursuant to section 8328(i), the actuarial required contribution  
28 rate as determined pursuant to section 8328(i), the collared  
29 contribution rate as determined pursuant to section 8328(g), the  
30 final contribution rate as determined pursuant to section

8328(h) and the shared-risk contribution rate as determined under section 8321(b) (relating to regular member contributions for current service), which shall be paid to the fund and credited to the appropriate accounts. These certifications shall be regarded as final and not subject to modification by the Secretary of the Budget.

\* \* \*

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

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

\* \* \*

(q) Participant and employer contributions to trust.--The board shall, each year in addition to any fees and itemized budget required under section 8330, certify, as a percentage of

each participant's compensation, the employer defined  
contributions, which shall be paid to the trust and credited to  
each participant's individual investment account. These  
certifications shall be regarded as final and not subject to  
modification by the Secretary of the Budget. The board shall  
cause all mandatory pickup participant contributions made on  
behalf of a participant and all voluntary contributions made by  
a participant to be credited to the participant's individual  
investment account.

Section 17. Section 8502.2(a) of Title 24 is amended to  
read:

§ 8502.2. Health insurance.

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

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

(2) Determination of the benefits structure.

(3) Determination of enrollment procedures.

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

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

\* \* \*

Section 18. Section 8503 heading and (a) of Title 24 are

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

3 § 8503. Duties of board to advise and report to employers [and  
4 members], members and participants.

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

19 \* \* \*

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

30 \* \* \*

1 Section 19. Section 8504(c) of Title 24 is amended to read:

2 § 8504. Duties of board to report to State Employees'

3 Retirement Board.

4 \* \* \*

5 (c) Applications for benefits for State employees.--Upon  
6 receipt of notification and the required data from the State  
7 Employees' Retirement Board that a former school employee who  
8 elected multiple service has applied for a State employee's  
9 retirement benefit or, in the event of his death, his legally  
10 constituted representative has applied for such benefit, the  
11 board shall:

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

13 (i) The salary history as a member of the Public  
14 School Employees' Retirement System and the final average  
15 salary as calculated on the basis of the compensation  
16 received as a State and school employee.

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

20 (2) Transfer to the State Employees' Retirement Fund the  
21 accumulated deductions standing to such member's credit and  
22 the actuarial reserve required on account of the member's  
23 years of credited service in the school system and his final  
24 average salary determined on the basis of his compensation as  
25 a member in both systems.

26 Section 20. Sections 8505 heading, (b), (h), and (i),  
27 8506(a), (d), (e), (g) and (h) and 8507 heading, (a), (e) and  
28 (f) of Title 24 are amended and the sections are amended by  
29 adding subsections to read:

30 § 8505. Duties of board regarding applications and elections of



1           members and participants.

2           \* \* \*

3           (b) State employees electing multiple service status.--Upon  
4 receipt of notification from the State Employees' Retirement  
5 Board that a former school employee has become an active member  
6 in the State Employees' Retirement System and has elected to  
7 become a member with multiple service status, the board shall:

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

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

22           (ii) Transfer the balance of the present value of  
23 the total annuity, minus the amount to be returned to the  
24 board on account of return to service that the board has  
25 determined is to be credited in the State accumulation  
26 account, from the annuity reserve account to the State  
27 accumulation account.

28           (iii) Certify to the member the amount of lump sum  
29 and annuity payments with statutory interest the member  
30 is to return to the board and, of those amounts, which

1 amount shall be credited to the members' savings account  
2 and credited with statutory interest as such payments are  
3 returned and which amount shall be credited to the State  
4 accumulation account.

5 (2) In case of a member who is not receiving an annuity  
6 from the system and who has not withdrawn his accumulated  
7 deductions, continue or resume the crediting of statutory  
8 interest on his accumulated deductions.

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

20 \* \* \*

21 (e.1) Certification to participants terminating service.--  
22 The board shall certify to a participant, within one year of  
23 termination of service of such participant, in writing of the  
24 vested accumulated total defined contributions credited to the  
25 participant's individual investment account as of the date  
26 stated in the writing, any notices regarding rollover or other  
27 matters required by IRC or other law, the obligation of the  
28 participant to commence distributions from the plan by the  
29 participant's required beginning date, and the ability to  
30 receive all or part of the vested balance in the participant's

individual investment account in a lump sum or in such other  
form as the board may authorize or as is required by law.

\* \* \*

(f.1) Notification to inactive participants approaching  
required beginning date.--The board shall notify each inactive  
participant who has terminated school service and had not  
commenced distribution by 90 days before the participant's  
required beginning date, in writing that the inactive  
participant has an obligation to commence distributions by his  
required beginning date in a form and manner required by IRC §  
401(a)(9) and other applicable provisions of IRC.

\* \* \*

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

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

1 payment of such benefits to any other person. If the surviving  
2 spouse or next-of-kin of the deceased member or participant  
3 cannot be found for the purpose of paying such benefits for a  
4 period of seven years from the date of death of the member or  
5 participant, then such benefits shall be escheated to the  
6 Commonwealth for the benefit of the fund or plan.

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

20 \* \* \*

21 § 8506. Duties of employers.

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

28 (1) if the removal is due to leave without pay, the  
29 employer shall furnish the board with the date of beginning  
30 leave, the date of return to service, and the reason for

1 leave;

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

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

11 \* \* \*

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

30 (d) New employees subject to mandatory membership or

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

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

26 \* \* \*

27 (g) Former State employee contributors.--The employer shall,  
28 upon the employment of a former member of the State Employees'  
29 Retirement System who is not an annuitant of the State  
30 Employees' Retirement System, advise such employee of his right

1 to elect multiple service membership within 365 days of entry  
2 into the system and, in the case any such employee who so elects  
3 has withdrawn his accumulated deductions, require him to restore  
4 his accumulated deductions as they would have been at the time  
5 of his separation had he been a full coverage member, together  
6 with statutory interest for all periods of subsequent State and  
7 school service to date of repayment. The employer shall advise  
8 the board of such election. This subsection shall not apply to a  
9 school employee who is employed in a position where the school  
10 employee is or could be a participant in the plan other than a  
11 member who elects to become a participant in the plan.

12 (h) Former State employee annuitants.--The employer shall,  
13 upon the employment of an annuitant of the State Employees'  
14 Retirement System who applies for membership in the system,  
15 advise such employee that he may elect multiple service  
16 membership within 365 days of entry into the system and that if  
17 he so elects his annuity from the State Employees' Retirement  
18 System will be discontinued effective upon the date of his  
19 return to school service and, upon termination of school service  
20 and application for an annuity, the annuity will be adjusted in  
21 accordance with section 8346 (relating to termination of  
22 annuities). The employer shall advise the board of such  
23 election. This subsection shall not apply to a school employee  
24 who is employed in a position where the school employee is or  
25 could be a participant in the plan other than a member who  
26 elects to become a participant in the plan.

27 \* \* \*

28 (k) School employees performing USERRA or military related  
29 leave of absence.--The employer shall report to the board any  
30 school employee who ceases to be an active participant to

perform USERRA service, or who is granted a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves of absences for certain government employees) or a military leave of absence under 51 Pa.C.S. § 7302 (relating to granting military leaves of absence), the date on which such USERRA service, leave of absence or military leave of absence began, the date on which the school employee is reemployed from USERRA leave or returns after the leave of absence or military leave of absence, if such event occurs, and any other information the board may require or direct.

(l) Differential wage payments and military leave of absence payments.--Notwithstanding the exclusion of differential wage payments as defined in IRC § 414(u)(12) from compensation under this part, the employer of any school employee on USERRA leave shall report differential wage payments made to such employee to the board, and the employer of any school employee on leave of absence pursuant to 51 Pa.C.S. § 4102 shall report any payment made to such employee, in the form and manner established by the board.

(m) Obligation of educational institutions to report participation and compensation of employees in independent retirement programs.--The Pennsylvania State University, the State System of Higher Education, State-owned educational institutions and community colleges shall report to the board the compensation and other information as the board may request for employees who are participants or members in the State Employees' Retirement System, plan or independent retirement programs approved by the employer.

§ 8507. Rights and duties of school employees [and members], 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, proof of his date of birth, his  
5 home address, his current status in the system and the plan and  
6 in the State Employees' Retirement System and the State  
7 Employees' Defined Contribution Plan and such other information  
8 as the board may require. Willful failure to provide the  
9 information required by this subsection to the extent available  
10 or the provision of erroneous information upon entrance into the  
11 system shall result in the forfeiture of the right of the member  
12 to subsequently assert any right to benefits based on erroneous  
13 information or on any of the required information which he  
14 failed to provide. In any case in which the board finds that a  
15 member is receiving an annuity based on false information, the  
16 additional amounts received predicated on such false information  
17 together with statutory interest doubled and compounded shall be  
18 deducted from the present value of any remaining benefits to  
19 which the member is legally entitled and such remaining benefits  
20 shall be correspondingly decreased.

21 \* \* \*

22 (b.1) Application for participation.--On or after July 1,  
23 2015, in the case of a new employee who is not currently a  
24 participant in the plan and whose participation is mandatory, or  
25 in the case of a new employee whose participation is not  
26 mandatory but is permitted and who desires to become a  
27 participant in the plan, the new employee shall execute an  
28 application for participation and a nomination of a beneficiary.

29 \* \* \*

30 (d.1) Voluntary contributions by a participant.--Any active

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

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

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

27 (e.1) Beneficiary for death benefits from plan.--Every  
28 participant shall nominate a beneficiary by written designation  
29 filed with the board as provided in section 8506 (relating to  
30 duties of employers) to receive the death benefit payable under

section 8347 (relating to death benefits). A participant may also nominate a contingent beneficiary or beneficiaries to receive the death benefit provided under this section. Such nomination may be changed at any time by the participant by written designation filed with the board.

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

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

(1) Withdraw his accumulated deductions.

(2) Vest his retirement rights and if he is a joint coverage member, and so desires, elect to become a full coverage member and agree to pay within 30 days of the date of termination of service the lump sum required.

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

\* \* \*

(g.1) Deferral of retirement rights.--If a participant terminates school service and does not commence receiving a distribution, he shall nominate a beneficiary by written designation filed with the board, and he may anytime thereafter, but no later than his required beginning date, withdraw the

1 vested accumulated total defined contributions standing to his  
2 credit or apply for another form of distribution required by law  
3 or authorized by the board.

4 \* \* \*

5 Section 21. Sections 8521(b), 8522, 8524, 8525, 8531, 8533,  
6 8533.1, 8533.3 and 8533.4(a) of Title 24 are amended to read:

7 § 8521. Management of fund and accounts.

8 \* \* \*

9 (b) Crediting of interest.--The board annually shall allow  
10 statutory interest, excluding the individual investment  
11 accounts, to the credit of the members' savings account on the  
12 mean amount of the accumulated deductions of all members for  
13 whom interest is payable for the preceding year and valuation  
14 interest on the mean amount of the annuity reserve account for  
15 the preceding year to the credit of that account. The board  
16 annually shall allow valuation interest calculated on the mean  
17 amount for the preceding year of the balance in the State  
18 accumulation account excluding any earnings of the fund credited  
19 to the account during that year. In the event the total earnings  
20 for the year do not exceed 5 1/2% of the mean amount for the  
21 preceding year of the total assets of the fund less earnings  
22 credited to the fund during that year plus the administrative  
23 expenses of the board, the difference required to be  
24 appropriated from the General Fund shall be credited to the  
25 State accumulation account.

26 \* \* \*

27 § 8522. Public School Employees' Retirement Fund.

28 The fund shall consist of all moneys in the several separate  
29 funds in the State Treasury set apart to be used under the  
30 direction of the board for the benefit of members of the system;

1 and the Treasury Department shall credit to the fund all moneys  
2 received from the Department of Revenue arising from the  
3 contributions relating to or on behalf of the members of the  
4 system required under the provisions of Chapter 83 (relating to  
5 membership, contributions and benefits) and all earnings from  
6 investments or moneys of said fund. There shall be established  
7 and maintained by the board the several ledger accounts  
8 specified in sections 8523 (relating to members' savings  
9 account), 8524 (relating to State accumulation account), 8525  
10 (relating to annuity reserve account) and 8526 (relating to  
11 health insurance account). The individual investment accounts  
12 that are part of the trust are not part of the fund. Mandatory  
13 pickup participant contributions, voluntary contributions and  
14 employer defined contributions made under this part and any  
15 income earned by the investment of such contributions shall not  
16 be paid or credited to the fund but instead shall be paid to the  
17 trust and credited to the individual investment accounts.

18 § 8524. State accumulation account.

19 The State accumulation account shall be the ledger account to  
20 which shall be credited all contributions of the Commonwealth  
21 and other employers as well as the earnings of the fund, except  
22 the premium assistance contributions and earnings thereon in the  
23 health insurance account. Valuation interest shall be allowed on  
24 the total amount of such account less any earnings of the fund  
25 credited during the year. The reserves necessary for the payment  
26 of annuities and death benefits resulting from membership in the  
27 system as approved by the board and as provided in Chapter 83  
28 (relating to membership, contributions and benefits) shall be  
29 transferred from the State accumulation account to the annuity  
30 reserve account. At the end of each year the required interest

1 shall be transferred from the State accumulation account to the  
2 credit of the members' savings account and the annuity reserve  
3 account. The administrative expenses of the board shall be  
4 charged to the State accumulation account.

5 § 8525. Annuity reserve account.

6 (a) Credits and charges to account.--The annuity reserve  
7 account shall be the ledger account to which shall be credited  
8 the reserves held for the payment of annuities and death  
9 benefits resulting from membership in the system on account of  
10 all annuitants and the contributions from the Commonwealth and  
11 other employers as determined in accordance with section 8328  
12 (relating to actuarial cost method) for the payment of the  
13 supplemental annuities provided in sections 8348 (relating to  
14 supplemental annuities), 8348.1 (relating to additional  
15 supplemental annuities), 8348.2 (relating to further additional  
16 supplemental annuities), 8348.3 (relating to supplemental  
17 annuities commencing 1994), 8348.4 (relating to special  
18 supplemental postretirement adjustment), 8348.5 (relating to  
19 supplemental annuities commencing 1998), 8348.6 (relating to  
20 supplemental annuities commencing 2002) and 8348.7 (relating to  
21 supplemental annuities commencing 2003). The annuity reserve  
22 account shall be credited with valuation interest. After the  
23 transfers provided in sections 8523 (relating to members'  
24 savings account) and 8524 (relating to State accumulation  
25 account), all annuity and death benefit payments shall be  
26 charged to the annuity reserve account and paid from the fund.

27 (b) Transfers from account.--Should an annuitant be  
28 subsequently restored to active service either as a member of  
29 the system or as a participant in the plan, the present value of  
30 his member's annuity at the time of reentry into school service

1 shall be transferred from the annuity reserve account and placed  
2 to his individual credit in the members' savings account. In  
3 addition, the actuarial reserve for his annuity less the amount  
4 transferred to the members' savings account shall be transferred  
5 from the annuity reserve account to the State accumulation  
6 account.

7 § 8531. State guarantee regarding the system.

8 Statutory interest charges payable, the maintenance of  
9 reserves in the fund, and the payment of all annuities and other  
10 benefits granted by the board from the system under the  
11 provisions of this part relating to the establishment and  
12 administration of the system are hereby made obligations of the  
13 Commonwealth. All income, interest, and dividends derived from  
14 deposits and investments of the system authorized by this part  
15 shall be used for the payment of the said obligations of the  
16 Commonwealth and shall not be used for any obligations of the  
17 plan or trust.

18 § 8533. Taxation, attachment and assignment of funds.

19 (a) General rule.--Except as provided in subsections (b),  
20 (c) and (d), the right of a person to a member's annuity, a  
21 State annuity, or retirement allowance, to the return of  
22 contributions, any benefit or right accrued or accruing to any  
23 person under the provisions of this part, and the moneys in the  
24 fund and the trust are hereby exempt from any State or municipal  
25 tax, and exempt from levy and sale, garnishment, attachment, the  
26 provisions of Article XIII.1 of the the act of April 9, 1929  
27 (P.L.343, No.176), known as The Fiscal Code, or any other  
28 process whatsoever, and shall be unassignable. No participant or  
29 beneficiary, successor payee, spouse or alternate payee of a  
30 participant shall have the ability to commute, sell, assign,

alienate, anticipate, mortgage, pledge, hypothecate, commutate or otherwise transfer or convey any benefit or interest in an individual investment account or rights to receive or direct distributions under this part or under agreements entered into under this part except as otherwise provided in this part and in the case of either a member or a participant.

(b) Forfeiture.--Rights under this part shall be subject to forfeiture as provided by the act of July 8, 1978 (P.L.752, No.140), known as the Public Employee Pension Forfeiture Act. Forfeitures under this subsection or under any other provision of law may not be applied to increase the benefits that any member would otherwise receive under this part. Notwithstanding this paragraph, the act of July 8, 1978 (P.L.752, No.140), known as the Public Employee Pension Forfeiture Act, section 16(b) of Article V of the Constitution of Pennsylvania or 42 Pa.C.S. § 3352 (relating to pension rights), the accumulated mandatory participant contributions and accumulated voluntary contributions standing to the credit of a participant shall not be forfeited but shall be available for payment of fines and restitution as provided by law. Furthermore, amounts in the trust that have been ordered to be distributed to an alternate payee as the result of an equitable distribution of marital property as part of an approved domestic relations order entered before the date of the order or action in a court or other tribunal resulting in a forfeiture of a participant's interest in the trust shall not be subject to the Public Employee Pension Forfeiture Act, section 16(b) of the Article V of the Constitution of Pennsylvania or 42 Pa.C.S. § 3352. Any accumulated employer defined contributions forfeited as a result of this subsection or other law shall be retained by the board



1 and used for the payment of expenses of the plan.

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

5 (d) Direct rollover.--Effective with distributions made on  
6 or after January 1, 1993, and notwithstanding any other  
7 provision of this part to the contrary, a distributee may elect,  
8 at the time and in the manner prescribed by the board, to have  
9 any portion of an eligible rollover distribution paid directly  
10 to an eligible retirement plan by way of a direct rollover. For  
11 purposes of this subsection, a "distributee" includes a member,  
12 a participant, [and] a member's surviving spouse, a  
13 participant's surviving spouse [and] a member's former spouse  
14 who is an alternate payee under an approved domestic relations  
15 order and a participant's former spouse who is an alternate  
16 payee under an approved domestic relations order and anyone else  
17 authorized under the IRC and the plan terms approved by the  
18 board to have an eligible rollover distribution paid directly to  
19 an eligible retirement plan by way of a direct rollover. For  
20 purposes of this subsection, the term "eligible rollover  
21 distribution" has the meaning given such term by IRC § 402(f)(2)  
22 (A) and "eligible retirement plan" has the meaning given such  
23 term by IRC § 402(c)(8)(B), except that a qualified trust shall  
24 be considered an eligible retirement plan only if it accepts the  
25 distributee's eligible rollover distribution; however, in the  
26 case of an eligible rollover distribution to a surviving spouse,  
27 an eligible retirement plan is an "individual retirement  
28 account" or an "individual retirement annuity" as those terms  
29 are defined in IRC § 408(a) and (b).  
30 § 8533.1. Approval of domestic relations orders.

1 (a) Certification regarding members.--A domestic relations  
2 order pertaining to a member of the system shall be certified as  
3 an approved domestic relations order by the secretary of the  
4 board, or his designated representative, only if such order  
5 meets all of the following:

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

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

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

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

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

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

30 (7) Requires the member to execute an authorization

1 allowing each alternate payee to monitor the member's  
2 compliance with the terms of the domestic relations order  
3 through access to information concerning the member  
4 maintained by the system.

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

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

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

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

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

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

1 the valuation of the account used for equitable distribution  
2 purposes and the date of distribution to the alternate payee.

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

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

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

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

29 (10) In the case of participants who have not yet begun  
30 to receive distributions as of the date the domestic

1 relations order is approved by the secretary of the board or  
2 his designated representative, requires the immediate  
3 distribution of the alternate payee's share of the  
4 participant's individual investment account, which may be  
5 made by direct payment, eligible rollover or trustee-to-  
6 trustee transfer to another eligible plan or qualified  
7 account owned by the alternate payee.

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

19 (b) Determination by secretary.--Within a reasonable period  
20 of time after receipt of a domestic relations order, the  
21 secretary of the board, or his designated representative, shall  
22 determine whether this order is an approved domestic relations  
23 order and notify the member or participant and each alternate  
24 payee of this determination. Notwithstanding any other provision  
25 of law, the exclusive remedy of any member, participant or  
26 alternate payee aggrieved by a decision of the secretary of the  
27 board, or his designated representative, shall be the right to  
28 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to  
29 practice and procedure) with appeal therefrom to the  
30 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial

1 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals  
2 from government agencies).

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

18 (d) Obligation discharged.--Only the requirements of this  
19 part and any regulations promulgated hereunder shall be used to  
20 govern the approval or disapproval of a domestic relations  
21 order. Therefore, if the secretary of the board, or his  
22 designated representative, acts in accordance with the  
23 provisions of this part and any promulgated regulations in  
24 approving or disapproving a domestic relations order, then the  
25 obligations of the system or plan with respect to such approval  
26 or disapproval shall be discharged.

27 § 8533.3. Irrevocable survivor annuitant.

28 Notwithstanding any other provisions of this part, a domestic  
29 relations order pertaining to a member may provide for an  
30 irrevocable survivor annuitant. A domestic relations order

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

13 § 8533.4. Amendment of approved domestic relations orders.

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

20 \* \* \*

21 Section 22. Title 24 is amended by adding a section to read:

22 § 8533.5. Irrevocable successor payee.

23 Notwithstanding any other provisions of this part, a domestic  
24 relations order pertaining to a participant may provide for an  
25 irrevocable successor payee, only if the participant is  
26 receiving a payment pursuant to a payment option provided by the  
27 board that allows for a successor payee. A domestic relations  
28 order requiring the designation of an irrevocable successor  
29 payee shall be deemed to be one that requires a participant who  
30 is receiving payments from an annuity or other distribution

option to designate an alternate payee as a successor payee and  
that prohibits the removal or change of that successor payee  
without approval of a court of competent jurisdiction, except by  
operation of law. Such a domestic relations order may be  
certified as an approved domestic relations order by the  
secretary of the board, or his designated representative, in  
which case the irrevocable successor payee so ordered by the  
court cannot be changed by the participant except by approval by  
the court. A person ineligible to be designated as a successor  
payee may not be designated as an irrevocable successor payee. A  
court may not name an irrevocable successor payee if the  
alternate payee is eligible to receive a lump sum distribution  
of the alternate payee's portion of the marital portion of the  
pension benefit.

Section 23. Sections 8534 and 8535 of Title 24 are amended  
to read:

§ 8534. Fraud and adjustment of errors.

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

(b) Adjustment of errors.--Should any change or mistake in  
records result in any member, participant, beneficiary, [or],  
survivor annuitant or successor payee receiving from the system  
or plan more or less than he would have been entitled to receive  
had the records been correct, then regardless of the intentional  
or unintentional nature of the error and upon the discovery of  
such error, the board shall correct the error and if the error  
affects contributions to or payments from the system, then so



1 far as practicable shall adjust the payments which may be made  
2 for and to such person in such a manner that the actuarial  
3 equivalent of the benefit to which he was correctly entitled  
4 shall be paid. If the error affects contributions to or payments  
5 from the plan, the board shall take such action as shall be  
6 provided for in the plan document.

7 § 8535. Payments to school entities by Commonwealth.

8 For each school year beginning with the 1995-1996 school year  
9 and ending with the 2014-2015 school year, each school entity  
10 shall be paid by the Commonwealth for contributions based upon  
11 school service of active members of the system after June 30,  
12 1995, as follows:

13 (1) The Commonwealth shall pay each school entity for  
14 contributions made to the Public School Employees' Retirement  
15 Fund based upon school service of all active members,  
16 including members on activated military service leave, 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 Public School  
21 Employees' Retirement Board as necessary to provide, together  
22 with the members' 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 [of 1949] was 0.50.

1           (2) The Commonwealth shall pay each school entity for  
2       contributions made to the Public School Employees' Retirement  
3       Fund based upon school service of all active members,  
4       including members on activated military service leave, who  
5       are not described in paragraph (1), one-half of the amount  
6       certified by the Public School Employees' Retirement Board as  
7       necessary to provide, together with the members'  
8       contributions, reserves on account of prospective annuities,  
9       supplemental annuities and the premium assistance program as  
10      provided in this part in 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 Public School Employees'  
14      Retirement Fund. School entities are expected to make the  
15      full payment to the Public School Employees' Retirement Fund  
16      in accordance with section 8327 (relating to payments by  
17      employers) in the event the receipt of the Commonwealth's  
18      portion of the employer's liability is delayed because of  
19      delinquent salary reporting or other conduct by the school  
20      entities.

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

22      § 8535.1. Payments to school entities by Commonwealth  
23                               commencing with the 2015-2016 school year.

24      For each school year, beginning with the 2015-2016 school  
25      year, each school entity shall be paid by the Commonwealth for  
26      contributions based upon school service of active members of the  
27      system and active participants of the plan after June 30, 2015,  
28      as follows:

29           (1) The Commonwealth shall pay each school entity for  
30      contributions made to the fund based upon school service of

1 all active members, including members on activated military  
2 service leave, and active participants of the plan whose  
3 effective dates of employment with their school entities are  
4 after June 30, 1994, and who also had not previously been  
5 employed by any school entity within this Commonwealth an  
6 amount equal to the amount certified by the board as  
7 necessary to provide, together with the members' and  
8 participants' contributions, reserves on account of  
9 prospective annuities, supplemental annuities and the premium  
10 assistance program as provided in this part in accordance  
11 with section 8328 (relating to actuarial cost method),  
12 multiplied by the market value/income aid ratio of the school  
13 entity. For no school year shall any school entity receive  
14 less than the amount that would result if the market  
15 value/income aid ratio as defined in section 2501(14.1) of  
16 the Public School Code was 0.50.

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

27 (3) School entities shall have up to five days after  
28 receipt of the Commonwealth's portion of the employer's  
29 liability to make payment to the fund. School entities are  
30 expected to make the full payment to the fund in accordance

1 with section 8327 (relating to payments by employers) in the  
2 event the receipt of the Commonwealth's portion of the  
3 employer's liability is delayed because of delinquent salary  
4 reporting or other conduct by the school entities.

5 Section 25. The definition of "eligible person" in section  
6 8702(a) of Title 24 is amended to read:

7 § 8702. Definitions.

8 (a) General rule.--Subject to additional definitions  
9 contained in subsequent provisions of this part which are  
10 applicable to specific provisions of this part, the following  
11 words and phrases when used in this part shall have the meanings  
12 given to them in this section unless the context clearly  
13 indicates otherwise:

14 "Eligible person." An individual who is an annuitant or  
15 survivor annuitant or the spouse or dependent of an annuitant or  
16 survivor annuitant, or an individual who is a participant  
17 receiving distributions or a successor payee, or the spouse or  
18 dependent of a participant receiving distributions or successor  
19 payee.

20 \* \* \*

21 Section 26. Section 7306(a) of Title 51, amended October 24,  
22 2012 (P.L.1436, No.181), is amended and the section is amended  
23 by adding a subsection to read:

24 § 7306. Retirement rights.

25 (a) Options available to employees.--Any employee who is a  
26 member of a retirement system other than an active member or  
27 inactive member on leave without pay of the State Employees'  
28 Retirement System or an active or inactive participant of the  
29 School Employees' Defined Contribution Plan at the time he is  
30 granted a military leave of absence shall be entitled to

1 exercise any one of the following options in regard thereto:

2 (1) He may continue to make regular payments into the  
3 fund during the period of his military leave of absence. The  
4 amount of such payments shall be the same as they would have  
5 been, had he not been granted a military leave of absence,  
6 but had instead remained actively in his employment. The time  
7 of making such payments shall be mutually agreed upon by the  
8 employee and the retirement association of which he is a  
9 member, but in no event shall be less frequent than  
10 semiannually. The employer shall make its contributions on  
11 the same basis as is used to compute the employee's  
12 contributions. In this case, his retirement rights shall be  
13 determined on the basis that he was in the active, continuous  
14 and uninterrupted employ of his employer for the period  
15 during which he was on military leave of absence.

16 (2) He may discontinue making payments into the fund  
17 during the period of his military leave of absence. In such  
18 event, the employer shall also discontinue making its  
19 contributions during this period. In this case, his  
20 retirement rights shall be determined by completely  
21 disregarding the period of his military leave of absence for  
22 all purposes.

23 \* \* \*

24 (e) Participants of the School Employees' Defined  
25 Contribution Plan.--An employee who is an active or inactive  
26 participant of the School Employees' Defined Contribution Plan  
27 at the time he is granted a military leave of absence shall be  
28 entitled to make contributions to the Public School Employees'  
29 Defined Contribution Trust for such leave as provided in the  
30 Public School Employees' Retirement Code.

1       Section 27. (1) None of the following shall create in any  
2 member of the School Employees' Retirement System or participant  
3 in the School Employees' Defined Contribution Plan or in any  
4 other person claiming an interest in the account of any such  
5 member or participant a contractual right, either express or  
6 implied, in such provisions nor in any construction of 24  
7 Pa.C.S. Pt. IV or 51 Pa.C.S., as so amended or supplemented, or  
8 any rules or regulations adopted under 24 Pa.C.S. Pt. IV or 51  
9 Pa.C.S.:

10               (i) Anything in this act which amends or supplements  
11 provisions of 51 Pa.C.S. or 24 Pa.C.S. Pt. IV in relation  
12 to requirements for:

13                       (A) qualification of the School Employees'  
14 Defined Contribution Plan as a qualified pension plan  
15 under the Internal Revenue Code of 1986 (Public Law  
16 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance  
17 with the Uniformed Services Employment and  
18 Reemployment Rights Act of 1994 (Public Law 103-353,  
19 108 Stat. 3149);

20                       (B) contributions to, participation in or  
21 benefits from the School Employees' Defined  
22 Contribution Plan or School Employees' Defined  
23 Contribution Trust; and

24                       (C) domestic relations orders regarding  
25 alternate payees of participants in the Public School  
26 Employees' Defined Contribution Plan.

27               (ii) Any construction of 24 Pa.C.S. Pt. IV or 51  
28 Pa.C.S., as so amended or supplemented, or any rules or  
29 regulations adopted under 24 Pa.C.S. Pt. IV or 51  
30 Pa.C.S., or any term or provision of the School

1 Employees' Defined Contribution Plan or School Employees'  
2 Defined Contribution Trust, whether established by  
3 statute or in 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 such further exercise of its legislative power to  
10 amend or supplement such provisions as may from time to time  
11 be required in order to maintain the qualification of such  
12 system as a qualified pension plan under section 401(a) and  
13 other applicable provisions of the Internal Revenue Code of  
14 1986 and the Uniformed Services Employment and Reemployment  
15 Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

16 Section 28. Nothing in this act shall be construed or deemed  
17 to imply that, but for the expressed applications of the  
18 limitations on benefits or other requirements under section  
19 401(a) or applicable provisions of the Internal Revenue Code of  
20 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.) to  
21 participants in the School Employees' Defined Contribution Plan,  
22 those limitations would not otherwise apply to such participants  
23 or to members of the Public School Employees' Retirement System  
24 and the benefits payable pursuant to 24 Pa.C.S. Pt. IV.

25 Section 29. The amendment of 24 Pa.C.S. Pt. IV regarding the  
26 establishment of and participation in the School Employees'  
27 Defined Contribution Plan shall apply to all current and former  
28 members of the Public School Employees' Retirement System who  
29 have returned to school service on or after July 1, 2015, after  
30 a termination of school service, without regard to whether the

1 termination occurred before or after July 1, 2015, and without  
2 regard to whether the school employee was an annuitant, inactive  
3 member, vestee or special vestee or withdrew accumulated  
4 deductions during the period of termination. A terminated school  
5 employee who returns to school service on or after July 1, 2015,  
6 does so with the expressed and specific understanding that he is  
7 subject to and accepts the terms and provisions of 24 Pa.C.S.  
8 Pt. IV as they exist regarding participation in the plan or  
9 membership in the system on the effective date of reemployment,  
10 including, but not limited to, benefit formulas and accrual  
11 rates, eligibility for annuities and distributions, contribution  
12 rates, definitions, purchase of creditable school, nonschool,  
13 school and nonschool service provisions and actuarial and  
14 funding assumptions.

15 Section 30. Nothing in this act shall be construed or deemed  
16 to imply that any calculation or actuarial method used by the  
17 Public School Employees' Retirement Board, its actuaries or the  
18 Public School Employees' Retirement System was not in accordance  
19 with the provisions of the 24 Pa.C.S. Pt. IV or other applicable  
20 law prior to the effective date of this section.

21 Section 31. Nothing in this act shall be construed or deemed  
22 to imply that any interpretation or application of the  
23 provisions of 24 Pa.C.S. Pt. IV or benefits available to members  
24 of the Public School Employees' Retirement System was not in  
25 accordance with the provisions of 24 Pa.C.S. Pt. IV or other  
26 applicable law, including the Internal Revenue Code of 1986  
27 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed  
28 Services Employment and Reemployment Rights Act of 1994 (Public  
29 Law 103-353, 108 Stat. 3149) prior to the effective date of this  
30 section.



1       Section 32. This act shall be construed and administered in  
2 such a manner that the Public School Employees' Retirement  
3 System and the School Employees' Defined Contribution Plan will  
4 satisfy the requirements necessary to qualify as a qualified  
5 pension plan under section 401(a) and other applicable  
6 provisions of the Internal Revenue Code of 1986 (Public Law 99-  
7 514, 26 U.S.C. § 1 et seq.) and the Uniformed Services  
8 Employment and Reemployment Rights Act of 1994 (Public Law 103-  
9 353, 108 Stat. 3149). The rules, regulations and procedures  
10 adopted and promulgated by the Public School Employees'  
11 Retirement Board, and the terms and conditions of the plan  
12 document and trust declaration adopted by the Public School  
13 Employees' Retirement Board, may include those necessary to  
14 accomplish the purpose of this section.

15       Section 33. If the application of any provision of this act  
16 to any person is held invalid, the invalidity shall not affect  
17 the application of this act to any other person, but the entire  
18 act shall be invalid as to the person to whom part of it was  
19 invalid. In the event that a school employee's participation in  
20 the School Employees' Defined Contribution Plan is declared  
21 invalid, the affected school employee shall return to the School  
22 Employees' Defined Contribution Trust any distributions and  
23 shall be granted status and service credit in the Public School  
24 Employees' Retirement System and shall be required to make all  
25 contributions to the Public School Employees' Retirement Fund as  
26 if this act had not been enacted. The affected school employee's  
27 accumulated mandatory participant contributions and accumulated  
28 voluntary contributions shall be transferred to the affected  
29 employee's member savings account to the extent necessary to  
30 fund that account with the member contributions and interest

1 that would have been standing to the member's account had this  
2 act not been passed. Any remaining balance shall be refunded to  
3 the school employee who shall be responsible for paying to the  
4 fund in a manner and time determined by the Public School  
5 Employees' Retirement Board any additional funds required if the  
6 accumulated mandatory participant contributions and accumulated  
7 voluntary contributions were not sufficient. The accumulated  
8 employer defined contributions shall be transferred to the State  
9 accumulation account, and no further amount shall be due from  
10 the employer or refund paid on account of the service performed  
11 as a participant.

12 Section 34. This act shall take effect immediately.