

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 922 Session of 2013

INTRODUCED BY BRUBAKER, SMUCKER, BROWNE, EICHELBERGER, VULAKOVICH, WHITE, HUTCHINSON AND MENSCH, MAY 15, 2013

SENATOR CORMAN, APROPRIATIONS, RE-REPORTED AS AMENDED, JUNE 29, 2014

AN ACT

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

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

ARTICLE I

22 Section 101. The definitions of "alternate payee," <--
23 "beneficiary," "compensation," "creditable nonschool service,"
24 "credited service," "date of termination of service,"
25 "distribution," "domestic relations order," "eligible

1 annuitants," "inactive member," "intervening military service,"
2 "irrevocable beneficiary," "leave for service with a collective
3 bargaining organization," "previous school service," "salary
4 deductions," "survivor annuitant" and "valuation interest" in
5 section 8102 of Title 24 of the Pennsylvania Consolidated
6 Statutes are amended and the section is amended by adding
7 definitions to read:

8 SECTION 101. SECTION 8102 OF TITLE 24 OF THE PENNSYLVANIA <--
9 CONSOLIDATED STATUTES IS AMENDED BY ADDING A DEFINITION TO READ:

10 § 8102. Definitions.

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

14 * * *

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

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

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

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

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

15 * * *

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

21 * * *

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

1 * * *

2 ~~"Combined service employee." A current or former school~~
3 ~~employee who is both a member of the system and a participant in~~
4 ~~the plan.~~

5 * * *

6 ~~"Compensation." Pickup contributions and mandatory pickup~~
7 ~~participant contributions plus any remuneration received as a~~
8 ~~school employee excluding reimbursements for expenses incidental~~
9 ~~to employment and excluding any bonus, severance payments, any~~
10 ~~other remuneration or other emolument received by a school~~
11 ~~employee during his school service which is not based on the~~
12 ~~standard salary schedule under which he is rendering service,~~
13 ~~payments for unused sick leave or vacation leave, bonuses or~~
14 ~~other compensation for attending school seminars and~~
15 ~~conventions, payments under health and welfare plans based on~~
16 ~~hours of employment or any other payment or emolument which may~~
17 ~~be provided for in a collective bargaining agreement which may~~
18 ~~be determined by the Public School Employees' Retirement Board~~
19 ~~to be for the purpose of enhancing compensation as a factor in~~
20 ~~the determination of final average salary, and for participants,~~
21 ~~excluding payments for military leave, and any other payments~~
22 ~~made by an employer while the participant is on USERRA leave,~~
23 ~~leave of absence granted under 51 Pa.C.S. § 4102 (relating to~~
24 ~~leaves of absence for certain government employees), military~~
25 ~~leave of absence granted under 51 Pa.C.S. § 7302 (relating to~~
26 ~~granting military leaves of absence), military leave of absence~~
27 ~~granted under section 1176 of the act of March 10, 1949 (P.L.30,~~
28 ~~No.14), known as the Public School Code of 1949, or other types~~
29 ~~of military leave, including other types of leave payments,~~
30 ~~stipends, differential wage payments as defined in the Internal~~

1 ~~Revenue Code of 1986 § 414(u) (12) and any other payments,~~
2 ~~provided, however, that the limitation under section 401(a) (17)~~
3 ~~of the Internal Revenue Code of 1986 (Public Law 99 514, 26~~
4 ~~U.S.C. § 401(a) (17)) taken into account for the purpose of~~
5 ~~member contributions, including regular or joint coverage member~~
6 ~~contributions, regardless of class of service, shall apply to~~
7 ~~each member who first became a member of the Public School~~
8 ~~Employees' Retirement System on or after July 1, 1996, and who by~~
9 ~~reason of such fact is a noneligible member subject to the~~
10 ~~application of the provisions of section 8325.1 (relating to~~
11 ~~annual compensation limit under IRC § 401(a) (17)) [.] and shall~~
12 ~~apply to each participant.~~

13 * * *

14 ~~"Creditable nonschool service." Service other than service~~
15 ~~as a school employee for which an active member may obtain~~
16 ~~credit in the system.~~

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

26 ~~"Date of termination of service." The last date of service~~
27 ~~for which:~~

28 ~~(1) pickup contributions are made for an active member~~
29 ~~{or,}:~~

30 ~~(2) in the case of an inactive member, the effective~~

1 ~~date of his resignation or the date his employment is~~
2 ~~formally discontinued by his employer or two years following~~
3 ~~the last day of service for which contributions were made,~~
4 ~~whichever is earliest[.];~~

5 ~~(3) mandatory pickup participant contributions are made~~
6 ~~for an active participant;~~

7 ~~(4) in the case of an inactive participant, the date of~~
8 ~~his resignation or the date his employment is formally~~
9 ~~discontinued by his employer; or~~

10 ~~(5) in the case of a combined service employee, the~~
11 ~~latest of the dates in paragraph (3) or (4).~~

12 * * *

13 ~~"Distribution." Payment of all or any portion of a person's~~
14 ~~interest in either the Public School Employees' Retirement Fund~~
15 ~~or the School Employees' Defined Contribution Trust or both~~
16 ~~which is payable under this part.~~

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

30 * * *

1 ~~"Eligible annuitants." All current and prospective~~
2 ~~annuitants with 24 1/2 or more eligibility points and all~~
3 ~~current and prospective disability annuitants. Beginning January~~
4 ~~1, 1995, ["eligible annuitants" shall include] the term includes~~
5 ~~members with 15 or more eligibility points who terminated or who~~
6 ~~terminate school service on or after attaining superannuation~~
7 ~~retirement age and who are annuitants with an effective date of~~
8 ~~retirement after superannuation age. The term does not include~~
9 ~~participants.~~

10 * * *

11 ~~"Employer defined contributions." Contributions equal to 4%~~
12 ~~of an active participant's compensation that are made by an~~
13 ~~employer for current service to the trust to be credited in the~~
14 ~~active participant's individual investment account.~~

15 * * *

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

27 ~~"Inactive participant." A participant for whom no mandatory~~
28 ~~pickup participant contributions are being made to the trust,~~
29 ~~except in the case of an active participant for whom such~~
30 ~~contributions otherwise required for current school service are~~

1 ~~not being made solely by reason of any provision of this part~~
2 ~~relating to limitations under section 401(a) (17) or 415 of the~~
3 ~~Internal Revenue Code of 1986 (Public Law 99 514, 26 U.S.C. §~~
4 ~~401(a) (17) or 415), who has vested accumulated total defined~~
5 ~~contributions standing to his credit in the trust and who has~~
6 ~~not filed an application for an annuity.~~

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

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

21 * * *

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

28 ~~"Irrevocable successor payee." The person permanently~~
29 ~~designated in writing by a participant receiving vested~~
30 ~~distributions to the board pursuant to an approved domestic~~

1 ~~relations order to receive one or more distributions from the~~
2 ~~plan upon the death of such participant.~~

3 * * *

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

21 ~~"Mandatory pickup participant contributions." Contributions~~
22 ~~equal to 7.5% of compensation that are made by the employer for~~
23 ~~active participants for current service.~~

24 * * *

25 ~~"Participant." An active participant, inactive participant~~
26 ~~or participant receiving distributions.~~

27 ~~"Participant receiving distributions." A participant in the~~
28 ~~plan who has commenced receiving distributions from his~~
29 ~~individual investment account but who has not received a total~~
30 ~~distribution of his vested interest in the individual investment~~

1 ~~account.~~

2 ~~* * *~~

3 ~~"Plan." The School Employees' Defined Contribution Plan as~~
4 ~~established by the provisions of this part and the board.~~

5 ~~"Plan document." The documents created by the board under~~
6 ~~section 8402 (relating to plan document) that contain the terms~~
7 ~~and provisions of the plan and trust as established by the board~~
8 ~~regarding the establishment, administration and investment of~~
9 ~~the plan and trust.~~

10 ~~"Previous school service." Service [rendered] as a school~~
11 ~~employee, including service in any summer school conducted by a~~
12 ~~school district of the Commonwealth, but excluding service~~
13 ~~rendered during which the school employee was or could have been~~
14 ~~a participant in the plan, prior to the member's most recent~~
15 ~~entrance in the system.~~

16 ~~* * *~~

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

24 ~~* * *~~

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

29 ~~* * *~~

30 ~~"Salary deductions." The amounts certified by the board,~~

1 ~~deducted from the compensation of an active member or active~~
2 ~~participant or the State service compensation of a multiple~~
3 ~~service member who is an active member of the State Employees'~~
4 ~~Retirement System or active participant of the School Employees'~~
5 ~~Defined Contribution Plan and paid into the fund or trust.~~

6 * * *

7 "State Employees' Defined Contribution Plan." The defined
8 contribution plan for State employees established by 71 Pa.C.S.
9 Pt. XXV (relating to retirement for State employees and
10 officers).

11 * * *

12 ~~"Successor payee." The person or persons last designated in~~
13 ~~writing by a participant receiving distributions to the board to~~
14 ~~receive one or more distributions upon the death of such~~
15 ~~participant.~~

16 * * *

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

23 * * *

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

27 ~~"USERRA leave." Any period of time for service in the~~
28 ~~uniformed services as defined in 38 U.S.C. Ch. 43 (relating to~~
29 ~~employment and reemployment rights of members of the uniformed~~
30 ~~services) by a participant or former participant who terminated~~

1 ~~school service to perform such service in the uniformed~~
2 ~~services, if such current or former participant is entitled to~~
3 ~~reemployment rights under 38 U.S.C. Ch. 43 with respect to such~~
4 ~~uniformed service.~~

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

8 * * *

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

15 ~~Section 102. Section 8103 of Title 24 is amended by adding~~
16 ~~subsections to read:~~

17 ~~§ 8103. Construction of part.~~

18 * * *

19 ~~(c) Construction regarding inactive member and inactive~~
20 ~~participant. As used in this part:~~

21 ~~(1) The term "inactive member" does not include a~~
22 ~~combined service employee who is an "inactive participant,"~~
23 ~~unless the combined service employee is concurrently employed~~
24 ~~in a position in which such employee is a member of the~~
25 ~~system.~~

26 ~~(2) The term "inactive participant" does not include a~~
27 ~~combined service employee who is an "inactive member," unless~~
28 ~~the combined service employee is concurrently employed in a~~
29 ~~position in which such employee is a participant in the plan.~~

30 ~~(d) Provisions severable. The provisions of this part are~~

1 ~~severable and if any of its provisions shall be held to be~~
2 ~~unconstitutional, the decision of the court shall not affect or~~
3 ~~impair any of the remaining provisions. It is hereby declared to~~
4 ~~be the legislative intent that this part would have been adopted~~
5 ~~had such unconstitutional provisions not been included.~~

6 ~~(c) References to certain Federal statutes. References in~~
7 ~~this part to the IRC or the Uniformed Services Employment and~~
8 ~~Reemployment Rights Act of 1994 (Public Law 103 353, 108 Stat.~~
9 ~~3149), including administrative regulations promulgated under~~
10 ~~the IRC or the Uniformed Services Employment and Reemployment~~
11 ~~Rights Act of 1994, are intended to include laws and regulations~~
12 ~~in effect on the effective date of this section and amended,~~
13 ~~supplemented or supplanted on and after the effective date of~~
14 ~~this section.~~

15 ~~(f) Construction.~~

16 ~~(1) This part may not be construed to mean that the~~
17 ~~limitations on benefits or other requirements under IRC §~~
18 ~~401(a) or other applicable provisions of the IRC that are~~
19 ~~applicable to participants in the plan do not apply to the~~
20 ~~participants or to the members of the system and the benefits~~
21 ~~payable under Part IV.~~

22 ~~(2) This part may not be construed to mean that an~~
23 ~~interpretation or application of the provisions of Part IV or~~
24 ~~benefits available to members of the Public School Employees'~~
25 ~~Retirement System was not in accordance with the provisions~~
26 ~~of Part IV or other applicable law, including the IRC and the~~
27 ~~Uniformed Services Employment and Reemployment Rights Act of~~
28 ~~1994 before the effective date of this section.~~

29 ~~(3) This part may not be construed to mean that the~~
30 ~~release or publicizing of a record, material or data that~~

1 ~~would not constitute a public record under section 8502(e)(2)~~
2 ~~(relating to administrative duties of board) is a violation~~
3 ~~of the fiduciary duties of the board.~~

4 ~~(g) Applicability. The following shall apply:~~

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

10 ~~(i) Whether the termination occurred before or after~~
11 ~~July 1, 2015.~~

12 ~~(ii) Whether the school employee was an annuitant,~~
13 ~~inactive member, vestee or special vestee or withdrew~~
14 ~~accumulated deductions during the period of termination.~~

15 ~~(2) A terminated school employee who returns to school~~
16 ~~service on or after July 1, 2015, is subject to the~~
17 ~~provisions of Part IV regarding participation in the plan or~~
18 ~~membership in the system that are in effect on the effective~~
19 ~~date of reemployment, including, but not limited to, benefit~~
20 ~~formulas and accrual rates, eligibility for annuities and~~
21 ~~distributions, contribution rates, definitions, purchase of~~
22 ~~creditable school and nonschool service provisions and~~
23 ~~actuarial and funding assumptions.~~

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

26 ~~(i) the record, material or data was created,~~
27 ~~generated or stored before the effective date of this~~
28 ~~section;~~

29 ~~(ii) the record, material or data was previously~~
30 ~~released or made public; or~~

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

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

~~§ 8103.1. Reference to Public School Employees' Retirement System.~~

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

Section 104. Section 8301 of Title 24 is amended to read:

SECTION 102. SECTIONS 8301(A), 8346(A) AND (D)(1) AND 8507(A) OF TITLE 24 ARE AMENDED TO READ: <--

§ 8301. Mandatory and optional membership.

~~(a) Mandatory membership in system and participation in plan. [Membership] Unless an election to be a participant in the plan is made, membership~~ <--

(A) MANDATORY MEMBERSHIP.--MEMBERSHIP in the system shall be mandatory as of the effective date of employment for all school employees except the following: <--

- (1) Any officer or employee of the Department of Education, State-owned educational institutions, community colleges, area vocational-technical schools, technical institutes, or the Pennsylvania State University and who is a

1 member of the State Employees' Retirement System, THE STATE <--
2 EMPLOYEES' DEFINED CONTRIBUTION PLAN or a member of another
3 retirement program approved by the employer.

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

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

15 (4) Any part-time school employee who has an individual
16 retirement account pursuant to the Federal act of September
17 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
18 Employee Retirement Income Security Act of 1974.

19 ~~(5) Any school employee whose most recent period of~~ <--
20 ~~school service starts on or after July 1, 2015.~~

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

24 ~~(c) Optional membership in system. The school employees~~
25 ~~categorized in subsection (a)(3) and, if otherwise eligible,~~
26 ~~subsection (a)(4) shall have the right to elect membership in~~
27 ~~the system on or before July 1, 2015. Once such election is~~
28 ~~exercised, membership shall commence from the original date of~~
29 ~~eligibility and shall continue until the termination of such~~
30 ~~service[.] or until the school employee elects to be a~~

1 ~~participant in the plan.~~

2 ~~(d) Mandatory participation in the plan. Unless the~~
3 ~~employee is or elects to be a participant in the State Employees'~~
4 ~~Defined Contribution Plan, a member of the State Employees'~~
5 ~~Retirement System or a member of another retirement program~~
6 ~~approved by the employer, a school employee who, on or after~~
7 ~~July 1, 2015, begins school service or returns to school service~~
8 ~~after a break in service shall be a mandatory participant in the~~
9 ~~plan as a result of the school service. A school employee who is~~
10 ~~a nonmember and waived membership under subsection (a) (4) shall~~
11 ~~be a mandatory participant in the plan commencing for the school~~
12 ~~service rendered on or after July 1, 2015.~~

13 ~~(e) Certain agreements. The agreement of an employer to~~
14 ~~make contributions to the fund or to enroll its employees as~~
15 ~~members in the system shall be deemed to be an agreement to make~~
16 ~~contributions to the trust or to enroll its employees in the~~
17 ~~plan.~~

18 ~~Section 105. Section 8302(a), (b) and (c) of Title 24 are~~
19 ~~amended and the section is amended by adding a subsection to~~
20 ~~read:~~

21 ~~§ 8302. Credited school service.~~

22 ~~(a) Computation of credited service. In computing credited~~
23 ~~school service of a member for the determination of benefits, a~~
24 ~~full-time salaried school employee shall receive one year of~~
25 ~~credit for each school year or the corresponding fraction~~
26 ~~thereof, in accordance with the proportion of the full school~~
27 ~~year for which the required regular member contributions have~~
28 ~~been made to the fund, or for which such contributions otherwise~~
29 ~~required for such service were not made to the fund solely by~~
30 ~~reason of any provision of this part relating to the limitations~~

1 ~~under IRC § 401(a)(17) or 415(b) or another provision of this~~
2 ~~part limiting compensation. A per diem or hourly school employee~~
3 ~~shall receive one year of credited service for each~~
4 ~~nonoverlapping period of 12 consecutive months in which he is~~
5 ~~employed and for which contributions are made to the fund, or~~
6 ~~would have been made to the fund but for such limitations under~~
7 ~~the IRC, or another provision of this part limiting compensation~~
8 ~~for at least 180 full day sessions or 1,100 hours of employment.~~
9 ~~If such member was employed and contributions were made to the~~
10 ~~fund for less than 180 full day sessions or 1,100 hours, he~~
11 ~~shall be credited with a fractional portion of a year determined~~
12 ~~by the ratio of the number of full day sessions or hours of~~
13 ~~service actually rendered and for which contributions are made~~
14 ~~to the fund to 180 full day sessions or 1,100 hours, as the case~~
15 ~~may 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 or would have~~
18 ~~been made to the fund in relation to the service required as a~~
19 ~~comparable full time salaried employee. In no case shall a~~
20 ~~member receive more than one year of credited service for any 12~~
21 ~~consecutive months or a member who has elected multiple service~~
22 ~~receive an aggregate in the two systems of more than one year of~~
23 ~~credited service for any 12 consecutive months.~~

24 ~~(b) Approved leaves of absence. An active member shall~~
25 ~~receive credit, and an active participant shall receive vesting~~
26 ~~credit, for an approved leave of 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 follows:~~

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

~~he not been on USERRA leave and received the compensation on which the mandatory pickup participant contributions to receive school service credit for the USERRA leave were determined, including the right to make voluntary contributions on such compensation as permitted by law.~~

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

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

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

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

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

~~Section 106. Section 8303.1 of Title 24 is amended to read:~~

~~§ 8303.1. Waiver of adjustments.~~

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

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

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

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

1 provided by the system or plan; and

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

5 ~~(b) Time period.~~

6 ~~(1) In order to obtain consideration of a waiver under~~
7 ~~this section, the affected member, participant, beneficiary~~
8 ~~or survivor annuitant must appeal to the board in writing~~
9 ~~within 30 days after receipt of notice that benefits have~~
10 ~~been adjusted or, if no notice was given, within 30 days~~
11 ~~after the adjustment was known or should have been known to~~
12 ~~the affected member, participant, beneficiary or survivor~~
13 ~~annuitant.~~

14 ~~(2) For any adjustments made prior to the effective date~~
15 ~~of this subsection for which the member, participant,~~
16 ~~beneficiary or survivor annuitant appealed to the board and~~
17 ~~was denied, an appeal under this section must be filed within~~
18 ~~90 days of the effective date of this subsection.~~

19 ~~(3) For any adjustments made prior to the effective date~~
20 ~~of this paragraph for which the participant appealed to the~~
21 ~~board and was denied, an appeal under this section must be~~
22 ~~filed within 90 days of the effective date of this paragraph.~~

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

25 ~~§ 8303.2. Spouses rights, benefits and effect of nomination of~~
26 ~~spouse.~~

27 ~~(a) No rights of participation in spouse. The spouse of a~~
28 ~~participant does not have any of the rights, options or~~
29 ~~privileges of a participant. The rights of a spouse shall remain~~
30 ~~derivative of those of the participant, including, but not~~

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

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

16 ~~(c) Effect of nomination of spouse as beneficiary by law.~~
17 ~~Whenever the spouse of a participant in the plan is deemed to be~~
18 ~~the beneficiary by operation of law instead of by a written~~
19 ~~nomination of beneficiary filed with the board, then the person~~
20 ~~last nominated as beneficiary in writing filed with the board~~
21 ~~shall become the contingent beneficiary.~~

22 Section 108. Section 8305(b) of Title 24 is amended and the
23 section is amended by adding a subsection to read:

24 § 8305. Classes of service.

25 * * *

26 ~~(b) Other class membership. A school employee who is a~~
27 ~~member of a class of service other than Class T C on the~~
28 ~~effective date of this part may elect to become a member of~~
29 ~~Class T C or Class T D or may retain his membership in such~~
30 ~~other class until the service is discontinued or he elects to~~

1 ~~become a full coverage member or elects to purchase credit for~~
2 ~~previous school or creditable nonschool service. Any service~~
3 ~~thereafter as a member of the system shall be credited as Class~~
4 ~~T-C or T-D service as applicable.~~

5 * * *

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

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

18 § 8305.1. Election to become a Class T-D member.

19 * * *

20 (c) Effect of election. An election to become a Class T-D
21 member shall remain in effect until the termination of
22 employment except as otherwise provided in this part. Those
23 members who, on the effective date of this section, contribute
24 at the rate of 5 1/4% shall be deemed to have accepted the basic
25 contribution rate of 6 1/2% for all Class T-D service performed
26 on or after January 1, 2002. Those members who, on the effective
27 date of this section, contribute at the rate of 6 1/4% shall be
28 deemed to have accepted the basic contribution rate of 7 1/2%
29 for all Class T-D service performed on or after January 1, 2002.
30 Upon termination and a subsequent reemployment that occurs

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

7 * * *

8 ~~§ 8305.2. Election to become a Class T F member.~~

9 * * *

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 110. (Reserved).~~

18 ~~Section 111. (Reserved).~~

19 ~~Section 112. Sections 8306(b), 8307(a) and (b), 8310,~~
20 ~~8322.1(a), 8323(a) and (d), 8324(b), (c) and (d), 8325,~~
21 ~~8325.1(a), 8326(a) and (c), 8327, 8328(a), (b), (c), (d), (e)~~
22 ~~and (g), 8330 and 8341 of Title 24 are amended to read:~~

23 ~~§ 8306. Eligibility points.~~

24 * * *

25 ~~(b) Transitional rule. For the purposes of the transition:~~

26 ~~(1) In determining whether a member, other than a~~
27 ~~disability annuitant who returns to school service after June~~
28 ~~30, 2001, upon termination of the disability annuity, who is~~
29 ~~not a school employee or a State employee on June 30, 2001,~~
30 ~~and July 1, 2001, and who has previous school service, has~~

1 ~~the five eligibility points required by the definition of~~
2 ~~"vestee" in sections 8102 (relating to definitions), 8307~~
3 ~~(relating to eligibility for annuities), 8308 (relating to~~
4 ~~eligibility for vesting) and 8345 (relating to member's~~
5 ~~options), only eligibility points earned by performing~~
6 ~~credited school service as an active member of the system or~~
7 ~~credited State service as an active member of the State~~
8 ~~Employees' Retirement System after June 30, 2001, shall be~~
9 ~~counted until such member earns one eligibility point by~~
10 ~~performing credited school service or credited State service~~
11 ~~after June 30, 2001, at which time all eligibility points as~~
12 ~~determined under subsection (a) shall be counted.~~

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

18 ~~§ 8307. Eligibility for annuities.~~

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

26 ~~(b) Withdrawal annuity. A vestee in Class T C or Class T D~~
27 ~~with five or more eligibility points or an active or inactive~~
28 ~~Class T C or Class T D member or a combined service employee~~
29 ~~with Class T C or Class T D service who terminates school~~
30 ~~service having five or more eligibility points shall, upon~~

1 ~~filing a proper application, be entitled to receive an early~~
2 ~~annuity. A vestee in Class T E or Class T F with ten or more~~
3 ~~eligibility points or an active or inactive Class T E or Class~~
4 ~~T F member or a combined service employee with Class T E or~~
5 ~~Class T F service who terminates school service having ten or~~
6 ~~more eligibility points shall, upon filing a proper application,~~
7 ~~be entitled to receive an early annuity.~~

8 * * *

9 ~~§ 8310. Eligibility for refunds.~~

10 ~~Upon termination of service any active member, regardless of~~
11 ~~eligibility for benefits, may elect to receive his accumulated~~
12 ~~deductions in lieu of any benefit from the system to which he is~~
13 ~~entitled.~~

14 ~~§ 8322.1. Pickup contributions.~~

15 ~~(a) Treatment for purposes of IRC § 414(h). All~~
16 ~~contributions to the fund required to be made under sections~~
17 ~~8321 (relating to regular member contributions for current~~
18 ~~service) and 8322 (relating to joint coverage member~~
19 ~~contributions), with respect to current school service rendered~~
20 ~~by an active member on or after January 1, 1983, shall be picked~~
21 ~~up by the employer and shall be treated as the employer's~~
22 ~~contribution for purposes of IRC § 414(h).~~

23 * * *

24 ~~§ 8323. Member contributions for creditable school service.~~

25 ~~(a) Previous school service, sabbatical leave and full~~
26 ~~coverage. The contributions to be paid by an active member or~~
27 ~~an eligible State employee for credit in the system for~~
28 ~~reinstatement of all previously credited school service, school~~
29 ~~service not previously credited, sabbatical leave as if he had~~
30 ~~been in full time daily attendance, or full coverage membership~~

1 ~~shall be sufficient to provide an amount equal to the~~
2 ~~accumulated deductions which would have been standing to the~~
3 ~~credit of the member for such service had regular member~~
4 ~~contributions been made with full coverage at the rate of~~
5 ~~contribution necessary to be credited as Class T C service,~~
6 ~~Class T D service if the member is a Class T D member, Class T E~~
7 ~~service if the member is a Class T E member or Class T F service~~
8 ~~if the member is a Class T F member and had such contributions~~
9 ~~been credited with statutory interest during the period the~~
10 ~~contributions would have been made and during all periods of~~
11 ~~subsequent school service as an active member or inactive member~~
12 ~~and State service as an active member or inactive member on~~
13 ~~leave without pay up to the date of purchase.~~

14 * * *

15 ~~(d) Certification and payment of contributions.~~

16 ~~(1) In all cases other than for the purchase of credit~~
17 ~~for sabbatical leave and activated military service leave~~
18 ~~beginning before the effective date of paragraph (2), the~~
19 ~~amount payable shall be certified by the board in accordance~~
20 ~~with methods approved by the actuary and may be paid in a~~
21 ~~lump sum within 90 days or in the case of an active member or~~
22 ~~an eligible State employee who is an active member of the~~
23 ~~State Employees' Retirement System it may be amortized with~~
24 ~~statutory interest through salary deductions to the system~~
25 ~~in amounts agreed upon by the member and the board. The~~
26 ~~salary deduction amortization plans agreed to by members and~~
27 ~~the board may include a deferral of payment amounts and~~
28 ~~statutory interest until the termination of school service or~~
29 ~~State service or becoming a participant and combined service~~
30 ~~employee as the board in its sole discretion decides to~~

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

8 (2) In the case of activated military service leave
9 beginning before the effective date of this paragraph, the
10 amount payable may be paid according to this subsection or
11 subsection (c.1), but all lump sum payments must be made
12 within one year of the termination of activated military
13 service leave.

14 ~~§ 8324. Contributions for purchase of credit for creditable
15 nonschool service and noncreditable school service.~~

16 * * *

17 (b) ~~Nonintervening military service. The amount due for the
18 purchase of credit for military service other than intervening
19 military service shall be determined by applying the member's
20 basic contribution rate plus the normal contribution rate as
21 provided in section 8328 (relating to actuarial cost method) at
22 the time of entry of the member into school service subsequent
23 to such military service to one third of his total compensation
24 received during the first three years of such subsequent
25 credited school service and multiplying the product by the
26 number of years and fractional part of a year of creditable
27 nonintervening military service being purchased together with
28 statutory interest during all periods of subsequent school
29 service as an active member or inactive member and State service
30 as an active member or inactive member on leave without pay to~~

~~1 date of purchase. Upon certification of the amount due, payment
2 may be made in a lump sum within 90 days or in the case of an
3 active member or an eligible State employee who is an active
4 member of the State Employees' Retirement System it may be
5 amortized with statutory interest through salary deductions to
6 the system in amounts agreed upon by the member and the board.
7 The salary deduction amortization plans agreed to by members and
8 the board may include a deferral of payment amounts and
9 statutory interest until the termination of school service or
10 State service or becoming a participant and a combined service
11 employee as the board in its sole discretion decides to allow.
12 The board may limit salary deduction amortization plans to such
13 terms as the board in its sole discretion determines. In the
14 case of an eligible State employee who is an active member of
15 the State Employees' Retirement System, the agreed upon salary
16 deductions shall be remitted to the State Employees' Retirement
17 Board, which shall certify and transfer to the board the amounts
18 paid. Application may be filed for all such military service
19 credit upon completion of three years of subsequent credited
20 school service and shall be credited as Class T C service. In
21 the event that a Class T E member makes a purchase of credit for
22 such military service, then such service shall be credited as
23 Class T E service. In the event that a Class T F member makes a
24 purchase of credit for such military service, then such service
25 shall be credited as Class T F service.~~

~~26 (c) Intervening military service. Contributions on account
27 of credit for intervening military service shall be determined
28 by the member's basic contribution rate and compensation at the
29 time of entry of the member into active military service,
30 together with statutory interest during all periods of~~

1 ~~subsequent school service as an active member or inactive member~~
2 ~~and State service as an active member or inactive member on~~
3 ~~leave without pay to date of purchase. Upon application for such~~
4 ~~credit the amount due shall be certified in the case of each~~
5 ~~member by the board, in accordance with methods approved by the~~
6 ~~actuary, and contributions may be made by one of the following~~
7 ~~methods:~~

8 ~~(1) Regular monthly payments during active military~~
9 ~~service.~~

10 ~~(2) A lump sum payment within 90 days of certification~~
11 ~~of the amount due.~~

12 ~~(3) Salary deductions to the system in amounts agreed~~
13 ~~upon by the member and the board. The salary deduction~~
14 ~~amortization plans agreed to by the members and the board may~~
15 ~~include a deferral of payment amounts and statutory interest~~
16 ~~until the termination of school service or State service or~~
17 ~~becoming a participant and a combined service employee as the~~
18 ~~board in its sole discretion decides to allow. The board may~~
19 ~~limit salary deduction amortization plans to such terms as~~
20 ~~the board in its sole discretion determines. In the case of~~
21 ~~an eligible State employee who is an active member of the~~
22 ~~State Employees' Retirement System, the agreed upon salary~~
23 ~~deductions shall be remitted to the State Employees'~~
24 ~~Retirement Board, which shall certify and transfer to the~~
25 ~~board the amounts paid.~~

26 ~~(d) Other creditable nonschool service and noncreditable~~
27 ~~school service.~~

28 ~~(1) Contributions on account of Class T C credit for~~
29 ~~creditable nonschool service other than military service~~
30 ~~shall be determined by applying the member's basic~~

1 ~~contribution rate plus the normal contribution rate as~~
2 ~~provided in section 8328 at the time of the member's entry~~
3 ~~into school service subsequent to such creditable nonschool~~
4 ~~service to his total compensation received during the first~~
5 ~~year of subsequent credited school service and multiplying~~
6 ~~the product by the number of years and fractional part of a~~
7 ~~year of creditable nonschool service being purchased together~~
8 ~~with statutory interest during all periods of subsequent~~
9 ~~school service as an active member or inactive member or~~
10 ~~State service as an active member or inactive member on leave~~
11 ~~without pay to the date of purchase, except that in the case~~
12 ~~of purchase of credit for creditable nonschool service as set~~
13 ~~forth in section 8304(b)(5) (relating to creditable nonschool~~
14 ~~service) the member shall pay only the employee's share~~
15 ~~unless otherwise provided by law. Upon certification of the~~
16 ~~amount due, payment may be made in a lump sum within 90 days~~
17 ~~or in the case of an active member or an eligible State~~
18 ~~employee who is an active member of the State Employees'~~
19 ~~Retirement System it may be amortized with statutory interest~~
20 ~~through salary deductions to the system in amounts agreed~~
21 ~~upon by the member and the board. The salary deduction~~
22 ~~amortization plans agreed to by the members and the board may~~
23 ~~include a deferral of payment amounts and statutory interest~~
24 ~~until the termination of school service or State service or~~
25 ~~becoming a participant and combined service employee as the~~
26 ~~board in its sole discretion decides to allow. The board may~~
27 ~~limit salary deduction amortization plans to such terms as~~
28 ~~the board in its sole discretion determines. In the case of~~
29 ~~an eligible State employee who is an active member of the~~
30 ~~State Employees' Retirement System, the agreed upon salary~~

1 ~~deductions shall be remitted to the State Employees'~~
2 ~~Retirement Board, which shall certify and transfer to the~~
3 ~~board the amounts paid.~~

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

27 ~~(3) Contributions on account of Class T E or Class T F~~
28 ~~credit for noncreditable school service other than military~~
29 ~~service shall be the present value of the full actuarial cost~~
30 ~~of the increase in the projected superannuation annuity~~

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

20 * * *

21 ~~§ 8325. Incomplete payments.~~

22 ~~(a) Right to pay balance due. In the event that a member~~
23 ~~terminates school service or becomes a participant or a multiple~~
24 ~~service member who is an active member of the State Employees'~~
25 ~~Retirement System terminates State service before any agreed~~
26 ~~upon payments or return of benefits on account of returning to~~
27 ~~school service or entering State service and electing multiple~~
28 ~~service have been completed, the member or multiple service~~
29 ~~member who is an active member of the State Employees'~~
30 ~~Retirement System shall have the right to pay within 30 days of~~

1 ~~termination of school service or State service or becoming a~~
2 ~~participant the balance due, including interest, in a lump sum,~~
3 ~~and the annuity shall be calculated including full credit for~~
4 ~~the previous school service, creditable nonschool service, or~~
5 ~~full coverage membership.~~

6 ~~(b) Effect of failure to pay balance due. In the event a~~
7 ~~member does not pay the balance due within 30 days of~~
8 ~~termination of school service or becoming a participant or in~~
9 ~~the event a member dies in school service or within 30 days of~~
10 ~~termination of school service or in the case of a multiple~~
11 ~~service member who is an active member of the State Employees'~~
12 ~~Retirement System does not pay the balance due within 30 days of~~
13 ~~termination of State service or dies in State service or within~~
14 ~~30 days of termination of State service or becoming a~~
15 ~~participant and before the agreed upon payments have been~~
16 ~~completed, the present value of the benefit otherwise payable~~
17 ~~shall be reduced by the balance due, including interest, and the~~
18 ~~benefit payable shall be calculated as the actuarial equivalent~~
19 ~~of such reduced present value.~~

20 ~~§ 8325.1. Annual compensation limit under IRC § 401(a)(17).~~

21 ~~(a) General rule. In addition to other applicable~~
22 ~~limitations set forth in this part, and notwithstanding any~~
23 ~~provision of this part to the contrary, the annual compensation~~
24 ~~of each noneligible member and each participant taken into~~
25 ~~account for benefit purposes under this subchapter shall not~~
26 ~~exceed the limitation under IRC § 401(a)(17). On and after July~~
27 ~~1, 1996, any reference in this part to the limitation under IRC~~
28 ~~§ 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of~~
29 ~~1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual~~
30 ~~compensation limit set forth in this subsection. The OBRA '93~~

1 annual compensation limit is \$150,000, as adjusted by the
2 commissioner for increases in the cost of living in accordance
3 with IRC § 401(a)(17)(B). The cost of living adjustment in
4 effect for a calendar year applies to any determination period
5 which is a period, not exceeding 12 months, over which
6 compensation is determined, beginning in such calendar year. If
7 a determination period consists of fewer than 12 months, the
8 OBRA '93 compensation limit will be multiplied by a fraction,
9 the numerator of which is the number of months in the
10 determination period and the denominator of which is 12.

11 * * *

12 ~~§ 8326. Contributions by the Commonwealth.~~

13 ~~(a) Contributions on behalf of active members and~~
14 ~~participants. The Commonwealth shall make contributions into~~
15 ~~the fund on behalf of all active members and participants,~~
16 ~~including members and participants on activated military service~~
17 ~~leave, in an amount equal to one half the amount certified by~~
18 ~~the board as necessary to provide, together with the members'~~
19 ~~contributions, annuity reserves on account of prospective~~
20 ~~annuities as provided in this part in accordance with section~~
21 ~~8328 (relating to actuarial cost method). In case a school~~
22 ~~employee has elected membership in a retirement program approved~~
23 ~~by the employer, the Commonwealth shall contribute to such~~
24 ~~program on account of his membership an amount no greater than~~
25 ~~the amount it would have contributed had the employee been a~~
26 ~~member of the Public School Employees' Retirement System.~~

27 * * *

28 ~~(c) Contributions after June 30, 1995.—~~

29 ~~(1) The Commonwealth shall make contributions into the~~
30 ~~fund on behalf of all active members and participants,~~

1 ~~including members and participants on activated military~~
2 ~~service leave, for service performed after June 30, 1995, in~~
3 ~~the following manner:~~

4 ~~(i) For members and participants who are employees~~
5 ~~of employers that are school entities, no Commonwealth~~
6 ~~contributions shall be made.~~

7 ~~(ii) For members and participants who are employees~~
8 ~~of employers that are not school entities, the amount~~
9 ~~computed under subsection (a).~~

10 ~~(2) The Commonwealth shall make contributions into the~~
11 ~~fund on behalf of annuitants for all amounts due to the fund~~
12 ~~after June 30, 1995, including, but not limited to, amounts~~
13 ~~due pursuant to section 8328(d) and (f), in the following~~
14 ~~manner:~~

15 ~~(i) For members and participants who are employees~~
16 ~~of employers who are school entities, no Commonwealth~~
17 ~~contributions shall be made.~~

18 ~~(ii) For members and participants who are employees~~
19 ~~of employers who are not school entities, the amount~~
20 ~~computed under subsection (b).~~

21 ~~§ 8327. Payments by employers.~~

22 ~~(a) General rule. [Each]~~

23 ~~(1) For payments prior to 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] The Pennsylvania State~~
29 ~~University, shall make payments to the fund each quarter in~~
30 ~~an amount equal to one half the sum of the percentages, as~~

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

14 ~~(2) For payments after June 30, 2015, each employer,~~
15 ~~including the Commonwealth as employer of employees of the~~
16 ~~Department of Education, State owned colleges and~~
17 ~~universities, Thaddeus Stevens College of Technology, Western~~
18 ~~Pennsylvania School for the Deaf, Scotland School for~~
19 ~~Veterans' Children and The Pennsylvania State University,~~
20 ~~shall make payments to the fund each quarter in an amount~~
21 ~~equal to one half the sum of the percentages, as determined~~
22 ~~under section 8328, applied to the total compensation during~~
23 ~~the pay periods in the preceding quarter of all its employees~~
24 ~~who were members of the system during such period, including~~
25 ~~members on activated military service leave, plus the accrued~~
26 ~~liability contribution rate applied to the total compensation~~
27 ~~of all active participants in the plan. In the event a member~~
28 ~~on activated military service leave does not return to~~
29 ~~service for the necessary time or receives an undesirable,~~
30 ~~bad conduct or dishonorable discharge or does not elect to~~

~~1 receive credit for activated military service under section
2 8302(b.1)(3), the contributions made by the employer on
3 behalf of such member shall be returned with valuation
4 interest upon application by the employer.~~

~~5 (b) Deduction from appropriations.—~~

~~6 (1) To facilitate the payment of amounts due from any
7 employer to the fund and the trust through the State
8 Treasurer and to permit the exchange of credits between the
9 State Treasurer and any employer, the Secretary of Education
10 and the State Treasurer shall cause to be deducted and paid
11 into the fund and the trust from the amount of any moneys due
12 to any employer on account of any appropriation for schools
13 or other purposes amounts equal to the employer and pickup
14 contributions which an employer is required to pay to the
15 fund and the trust, as certified by the board, and as remains
16 unpaid on the date such appropriations would otherwise be
17 paid to the employer. Such amount shall be credited to the
18 appropriate accounts in the fund and the trust.~~

~~19 (2) To facilitate the payments of amounts due from any
20 charter school, as defined in Article XVII A of the act of
21 March 10, 1949 (P.L.30, No.14), known as the Public School
22 Code of 1949, to the fund and the trust through the State
23 Treasurer and to permit the exchange of credits between the
24 State Treasurer and any employer, the Secretary of Education
25 and the State Treasurer shall cause to be deducted and paid
26 into the fund and the trust from any funds appropriated to
27 the Department of Education for basic education of the
28 chartering school district of a charter school and public
29 school employees' retirement contributions amounts equal to
30 the employer and pickup contributions which a charter school~~

1 ~~is required to pay to the fund and the trust, as certified by~~
2 ~~the board, and as remains unpaid on the date such~~
3 ~~appropriations would otherwise be paid to the chartering~~
4 ~~school district or charter school. Such amounts shall be~~
5 ~~credited to the appropriate accounts in the fund and the~~
6 ~~trust. Any reduction in payments to a chartering school~~
7 ~~district made pursuant to this section shall be deducted from~~
8 ~~the amount due to the charter school district pursuant to the~~
9 ~~Public School Code of 1949.~~

10 ~~(c) Payments by employers after June 30, 1995, and before~~
11 ~~July 1, 2015. After June 30, 1995, and before July 1, 2015,~~
12 ~~each employer, including the Commonwealth as employer of~~
13 ~~employees of the Department of Education, State owned colleges~~
14 ~~and universities, Thaddeus Stevens College of Technology,~~
15 ~~Western Pennsylvania School for the Deaf, Scotland School for~~
16 ~~Veterans' Children and The Pennsylvania State University, shall~~
17 ~~make payments to the fund and the trust each quarter in an~~
18 ~~amount computed in the following manner:~~

19 ~~(1) For an employer that is a school entity, the amount~~
20 ~~shall be the sum of the percentages as determined under~~
21 ~~section 8328 applied to the total compensation during the pay~~
22 ~~periods in the preceding quarter of all employees who were~~
23 ~~active members of the system or active participants of the~~
24 ~~plan during such period, including members or active~~
25 ~~participants on activated military service leave. In the~~
26 ~~event a member on activated military service leave does not~~
27 ~~return to service for the necessary time or receives an~~
28 ~~undesirable, bad conduct or dishonorable discharge or does~~
29 ~~not elect to receive credit for activated military service~~
30 ~~under section 8302(b.1)(3), the contribution made by the~~

1 ~~employer on behalf of such member shall be returned with~~
2 ~~valuation interest upon application by the employer.~~

3 ~~(2) For an employer that is not a school entity, the~~
4 ~~amount computed under subsection (a).~~

5 ~~(3) For any employer, whether or not a school entity, in~~
6 ~~computing the amount of payment due each quarter, there shall~~
7 ~~be excluded from the total compensation referred to in this~~
8 ~~subsection and subsection (a) any amount of compensation of a~~
9 ~~noneligible member on the basis of which member or~~
10 ~~participant contributions have not been made by reason of the~~
11 ~~limitation under IRC § 401(a)(17), except as otherwise~~
12 ~~provided in this part. Any amount of contribution to the fund~~
13 ~~or trust paid by the employer on behalf of a noneligible~~
14 ~~member or participant on the basis of compensation which was~~
15 ~~subject to exclusion from total compensation in accordance~~
16 ~~with the provisions of this paragraph shall, upon the board's~~
17 ~~determination or upon application by the employer, be~~
18 ~~returned to the employer with valuation interest.~~

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

27 ~~(1) For an employer that is a school entity, the amount~~
28 ~~shall be the sum of the percentages as determined under~~
29 ~~section 8328 applied to the total compensation during the pay~~
30 ~~periods in the preceding quarter of all employees who were~~

~~active members of the system during such period, including members on activated military service leave, plus the accrued liability contribution rate applied to the total compensation of all active participants in the plan. In the event a member on activated military service leave does not return to service for the necessary time or receives an undesirable, bad conduct or dishonorable discharge or does not elect to receive credit for activated military service under section 8302(b.1)(3), the contribution made by the employer on behalf of such member shall be returned with valuation interest upon application by the employer.~~

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

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

~~(e) Deemed agreed to. The agreement of an employer listed in the definition of school employee under section 8102 (relating to definitions) or any other law to make contributions~~

1 ~~to the fund or to enroll its employees as members in the system~~
2 ~~shall be deemed to be an agreement to make contributions to the~~
3 ~~trust or enroll its employees in the plan.~~

4 ~~(f) Contributions. The employer employing a participant~~
5 ~~shall pick up the required mandatory participant contributions~~
6 ~~by a reduction in the compensation of the participant.~~

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

20 ~~§ 8328. Actuarial cost method.~~

21 ~~(a) Employer contribution rate. The amount of the total~~
22 ~~employer contributions shall be computed by the actuary as a~~
23 ~~percentage of the total compensation of all active members and~~
24 ~~active participants, as applicable, during the period for which~~
25 ~~the amount is determined and shall be so certified by the board.~~
26 ~~The total employer contribution rate shall be the sum of the~~
27 ~~final contribution rate as computed in subsection (h) plus the~~
28 ~~premium assistance contribution rate as computed in subsection~~
29 ~~(f). The actuarially required contribution rate shall consist of~~
30 ~~the normal contribution rate as defined in subsection (b), the~~

1 ~~accrued liability contribution rate as defined in subsection (c)~~
2 ~~and the supplemental annuity contribution rate as defined in~~
3 ~~subsection (d). Beginning July 1, 2004, the actuarially required~~
4 ~~contribution rate shall be modified by the experience adjustment~~
5 ~~factors as calculated in subsection (e).~~

6 ~~(b) Normal contribution rate. [The]~~

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

21 ~~(2) For fiscal years beginning on or after July 1, 2014,~~
22 ~~the normal contribution rate shall be determined after each~~
23 ~~actuarial valuation. Until all accrued liability~~
24 ~~contributions have been completed, the normal contribution~~
25 ~~rate shall be determined, on the basis of an annual interest~~
26 ~~rate and such mortality and other tables as shall be adopted~~
27 ~~by the board in accordance with generally accepted actuarial~~
28 ~~principles, as a level percentage of the compensation of all~~
29 ~~active members not limited by the Social Security taxable~~
30 ~~wage base, which percentage, if contributed on the basis of~~

~~the member's prospective compensation through the entire period of active school service, would be sufficient to fund the liability for any prospective benefit payable to him, in excess of that portion funded by his prospective member contributions, excluding the shared risk contributions.~~

~~(c) Accrued liability contribution rate.—~~

~~(1) For the fiscal years beginning July 1, 2002, and ending June 30, 2011, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of ten years from July 1, 2002, the present value of the liabilities for all prospective benefits of active members, except for the supplemental benefits provided in sections 8348 (relating to supplemental annuities), 8348.1 (relating to additional supplemental annuities), 8348.2 (relating to further additional supplemental annuities), 8348.3 (relating to supplemental annuities commencing 1994), 8348.4 (relating to special supplemental postretirement adjustment), 8348.5 (relating to supplemental annuities commencing 1998), 8348.6 (relating to supplemental annuities commencing 2002) and 8348.7 (relating to supplemental annuities commencing 2003), in excess of the total assets in the fund (calculated by recognizing the actuarially expected investment return immediately and recognizing the difference between the actual investment return and the actuarially expected investment return over a five year period), excluding the balance in the annuity reserve account, and of the present value of normal contributions and of member contributions payable with respect to all active members on July 1, 2002, during the~~

1 ~~remainder of their active service.~~

2 ~~(2) For the fiscal years beginning July 1, 2003, and~~
3 ~~ending June 30, 2011, the amount of each annual accrued~~
4 ~~liability contribution shall be equal to the amount of such~~
5 ~~contribution for the fiscal year, beginning July 1, 2002,~~
6 ~~except that, if the accrued liability is increased by~~
7 ~~legislation enacted subsequent to June 30, 2002, but before~~
8 ~~July 1, 2003, such additional liability shall be funded over~~
9 ~~a period of ten years from the first day of July, coincident~~
10 ~~with or next following the effective date of the increase.~~
11 ~~The amount of each annual accrued liability contribution for~~
12 ~~such additional legislative liabilities shall be equal to the~~
13 ~~amount of such contribution for the first annual payment.~~

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

1 ~~(4) For the fiscal year beginning July 1, 2011, the~~
2 ~~accrued liability contribution rate shall be computed as the~~
3 ~~rate of total compensation of all active members which shall~~
4 ~~be certified by the actuary as sufficient to fund as a level~~
5 ~~percentage of compensation over a period of 24 years from~~
6 ~~July 1, 2011, the present value of the liabilities for all~~
7 ~~prospective benefits calculated as of June 30, 2010,~~
8 ~~including the supplemental benefits as provided in sections~~
9 ~~8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and~~
10 ~~8348.7, in excess of the actuarially calculated assets in the~~
11 ~~fund (calculated recognizing all realized and unrealized~~
12 ~~investment gains and losses each year in level annual~~
13 ~~installments over a ten year period, provided that the~~
14 ~~resulting actuarially calculated assets are constrained~~
15 ~~within a range of 70% to 130% of market value). In the event~~
16 ~~that the accrued liability is [increased] changed by~~
17 ~~legislation enacted subsequent to June 30, 2010, such~~
18 ~~[additional] change in liability shall be funded as a level~~
19 ~~percentage of compensation over a period of ten years from~~
20 ~~the July 1 second succeeding the date such legislation is~~
21 ~~enacted.~~

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 percentage of~~
4 ~~compensation of all active members not limited by the Social~~
5 ~~Security taxable wage base and active participants over a~~
6 ~~period of ten years from the July 1 second succeeding the~~
7 ~~date such 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,~~

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

~~* * *~~

~~(g) Temporary application of collared contribution rate.~~

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

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

1 ~~contribution rate increased by 3%[,] or 3.5% [and 4.5%],~~
2 ~~respectively, of total compensation of all active members.~~
3 ~~Otherwise, and for all other fiscal years, the collared~~
4 ~~contribution rate shall not be applicable. In no case shall~~
5 ~~the collared contribution rate be less than 4% of the total~~
6 ~~compensation of all active members.~~

7 ~~(3) If, for any of the fiscal years beginning July 1,~~
8 ~~2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017,~~
9 ~~and on or after July 1, 2018, the actuarially required~~
10 ~~contribution rate, calculated without regard for the costs~~
11 ~~added by legislation, is more than 2.25%, 2.75%, 3.25%,~~
12 ~~3.75%, 4.25% and 4.5%, respectively, of the total~~
13 ~~compensation of all active members and active participants~~
14 ~~greater than the prior year's final contribution rate, then~~
15 ~~the collared contribution rate shall be applied and be equal~~
16 ~~to the prior year's final contribution rate increased by~~
17 ~~2.25%, 2.75%, 3.25%, 3.75%, 4.25% and 4.5%, respectively, of~~
18 ~~total compensation of all active members, not limited by the~~
19 ~~Social Security taxable wage base, and active participants.~~

20 ~~(4) For purposes of applying the collared contribution~~
21 ~~rate, compensation for determining the normal contribution~~
22 ~~rate shall be defined as the total compensation of all active~~
23 ~~members not limited by the Social Security taxable wage base~~
24 ~~and active participants.~~

25 ~~* * *~~

26 ~~§ 8330. Appropriations by the Commonwealth.~~

27 ~~(a) Annual submission of budget. The board shall prepare~~
28 ~~and through the Governor submit annually to the General Assembly~~
29 ~~an itemized budget consisting of the amounts necessary to be~~
30 ~~appropriated by the Commonwealth out of the General Fund~~

1 ~~required to meet the separate obligations to the fund and the~~
2 ~~trust accruing during the fiscal period beginning July 1 of the~~
3 ~~following year.~~

4 ~~(b) Appropriation and payment. The General Assembly shall~~
5 ~~make an appropriation sufficient to provide for the separate~~
6 ~~obligations of the Commonwealth to the fund and the trust. Such~~
7 ~~amount shall be paid by the State Treasurer through the~~
8 ~~Department of Revenue into the fund or the trust, as the case~~
9 ~~may be, within 30 days of receipt of the requisition presented~~
10 ~~each quarter by the board.~~

11 ~~§ 8341. Return of accumulated deductions.~~

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

15 ~~Section 113. Section 8342 of Title 24 is amended by adding a~~
16 ~~subsection to read:~~

17 ~~§ 8342. Maximum single life annuity.~~

18 ~~* * *~~

19 ~~(d) Coordination of benefits. The determination and payment~~
20 ~~of the maximum single life annuity under this section shall be~~
21 ~~in addition to any payments a combined service employee may be~~
22 ~~entitled to receive, has received or is receiving as a result of~~
23 ~~being a participant in the plan.~~

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

26 ~~§ 8344. Disability annuities.~~

27 ~~(a) Amount of annuity. A member who has made application~~
28 ~~for a disability annuity as provided in section 8507(k)~~
29 ~~(relating to rights and duties of school employees [and~~
30 ~~members], members and participants) and has been found to be~~

1 ~~eligible in accordance with the provisions of sections 8307(c)~~
2 ~~(relating to eligibility for annuities) and 8505(c)(1) (relating~~
3 ~~to duties of board regarding applications and elections of~~
4 ~~members) shall receive a disability annuity payable from the~~
5 ~~effective date of disability and continued until a subsequent~~
6 ~~determination by the board that the annuitant is no longer~~
7 ~~entitled to a disability annuity. The disability annuity shall~~
8 ~~be a single life annuity that is equal to a sum of the standard~~
9 ~~single life [annuity] annuities determined separately for each~~
10 ~~class of service if the total number of years of credited~~
11 ~~service is greater than 16.667, otherwise [the] each standard~~
12 ~~single life annuity shall be multiplied by the lesser of the~~
13 ~~following ratios:~~

14
$$\frac{Y^*}{Y} \text{ or } 16.667/Y$$

15 where Y = total number of years of credited service and Y* =
16 total years of credited service if the member were to continue
17 as a school employee until attaining superannuation age, or if
18 the member has attained superannuation age then the number of
19 years of credited service. In no event shall the disability
20 annuity plus any cost of living increases be less than \$100 for
21 each full year of credited service. The member shall be entitled
22 to the election of a joint and survivor annuity on that portion
23 of the disability annuity to which he is entitled under section
24 8342 (relating to maximum single life annuity).

25 (b) ~~Reduction on account of earned income. Payments on~~
26 ~~account of disability shall be reduced by that amount by which~~
27 ~~the earned income of the annuitant, as reported in accordance~~
28 ~~with section 8508(b) (relating to rights and duties of~~
29 ~~annuitants) for the preceding year together with the disability~~
30 ~~annuity payments for the year, exceeds the greater of \$5,000 or~~

1 ~~the last year's salary of the annuitant as a [school employee]~~
2 ~~member of the system, provided that the annuitant shall not~~
3 ~~receive less than his member's annuity or the amount to which he~~
4 ~~may be entitled under section 8342, whichever is greater.~~

5 ~~(c) Termination and modification of payments. Payment of~~
6 ~~that portion of the disability annuity in excess of the annuity~~
7 ~~to which the annuitant was entitled on the effective date of~~
8 ~~disability calculated in accordance with section 8342 shall~~
9 ~~cease if the annuitant is no longer eligible under the~~
10 ~~provisions of section 8505(c)(2) or section 8508(b) or (c) and~~
11 ~~if such annuitant on the date of termination of service was~~
12 ~~eligible for an annuity, he may file an application with the~~
13 ~~board for an election of an optional modification of the annuity~~
14 ~~to which he was entitled in accordance with section 8342.~~

15 ~~(d) Withdrawal of accumulated deductions. Upon termination~~
16 ~~of disability annuity payments in excess of an annuity~~
17 ~~calculated in accordance with section 8342, a disability~~
18 ~~annuitant who:~~

- 19 ~~(1) is a Class T C [or], Class T D member; or~~
20 ~~(2) is a Class T E or Class T F member with less than~~
21 ~~ten eligibility points~~

22 ~~and who does not return to school service may file an~~
23 ~~application with the board for an amount equal to the~~
24 ~~accumulated deductions, shared risk member contributions and~~
25 ~~statutory interest standing to his credit at the effective date~~
26 ~~of disability less the total payments received on account of his~~
27 ~~member's annuity.~~

28 ~~(e) Limitation regarding annual benefit under IRC §~~
29 ~~415(b). Notwithstanding any provision of this part to the~~
30 ~~contrary, no benefit shall be payable to the extent that such~~

1 ~~benefit exceeds any limitation under IRC § 415(b) in effect with~~
2 ~~respect to governmental plans, as such term is defined in IRC §~~
3 ~~414(d), on the date the benefit payment becomes effective.~~

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

9 * * *

<--

10 § 8346. Termination of annuities.

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

1 to his account. In the event that the cost-of-living increase
2 enacted December 18, 1979, occurred during the period of such
3 State or school employment, the frozen present value shall be
4 increased, on or after the member attains superannuation age, by
5 the percent applicable had he not returned to service.

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

30 ~~(b) Return to school service during emergency. When, in the~~

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

16 ~~(b.1) Return to school service in an extracurricular~~
17 ~~position.~~

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

~~be subject to member or participant contributions or be eligible for qualification as creditable school service or for participation in the plan, mandatory pickup participant contributions or employer defined contributions.~~

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

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

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

* * *

<--

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

1 (1) An annuitant who returns to school service ~~as an~~ <--
2 ~~active member of the system~~ and earns three eligibility
3 points by performing credited school service following the
4 most recent period of receipt of an annuity under this part,
5 or an annuitant who enters State service other than a
6 participant in the State Employees' Defined Contribution Plan
7 and:

8 (i) is a multiple service member; or

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

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

28 ~~(i) an annuity (prior to optional modification)~~
29 ~~calculated as if the freezing of the former annuitant's~~
30 ~~account pursuant to subsection (a) had not occurred,~~

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

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

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

1 ~~actuarial cost method).~~

2 ~~§ 8349. Payment of benefits from the system.~~

3 ~~(a) Annuities. Any annuity granted under the provisions of~~
4 ~~this part and paid from the fund shall be paid in equal monthly~~
5 ~~installments.~~

6 ~~(b) Death benefits. If the amount of a death benefit~~
7 ~~payable from the fund to a beneficiary of a member under section~~
8 ~~8347 (relating to death benefits) or under the provisions of~~
9 ~~Option 1 of section 8345(a)(1) (relating to member's options) is~~
10 ~~\$10,000 or more, such beneficiary may elect to receive payment~~
11 ~~according to one of the following options:~~

12 ~~(1) A lump sum payment.~~

13 ~~(2) An annuity actuarially equivalent to the amount~~
14 ~~payable.~~

15 ~~(3) A lump sum payment and an annuity such that the~~
16 ~~annuity is actuarially equivalent to the amount payable less~~
17 ~~the lump sum payment specified by the beneficiary.~~

18 ~~* * *~~

19 ~~Section 115. Title 24 is amended by adding a chapter to~~
20 ~~read:~~

21 ~~CHAPTER 84~~

22 ~~SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN~~

23 ~~Sec.~~

24 ~~8401. Establishment.~~

25 ~~8402. Plan document.~~

26 ~~8403. Individual investment accounts.~~

27 ~~8404. Participant contributions.~~

28 ~~8405. Mandatory pickup participant contributions.~~

29 ~~8406. Employer defined contributions.~~

30 ~~8407. Eligibility for benefits.~~

1 ~~8408. Death benefits.~~

2 ~~8409. Vesting.~~

3 ~~8410. Termination of distributions.~~

4 ~~8411. Agreements with financial institutions and other~~
5 ~~organizations.~~

6 ~~8412. Powers and duties of board.~~

7 ~~8413. Responsibility for investment loss.~~

8 ~~8414. Investments based on participants' investment allocation~~
9 ~~choices.~~

10 ~~8415. Expenses.~~

11 ~~8416. Election by members to be participants.~~

12 ~~8417. Tax qualification.~~

13 ~~§ 8401. Establishment.~~

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

23 ~~(b) School Employees' Defined Contribution Trust. The~~
24 ~~School Employees' Defined Contribution Trust is established as~~
25 ~~part of the plan in accordance with this part. The trust shall~~
26 ~~be comprised of the individual investment accounts and all~~
27 ~~assets and moneys in those accounts. The members of the board~~
28 ~~shall be the trustees of the trust, which shall be administered~~
29 ~~exclusively for the benefit of those school employees who~~
30 ~~participate in the plan and their beneficiaries within the~~

~~1 meaning of and in conformity with IRC § 401(a). The board shall
2 determine the terms and provisions of the trust not inconsistent
3 with this part, the IRC and other applicable law and shall
4 provide for the investment and administration of the trust.~~

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

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

~~27 § 8402. Plan document.~~

~~28 The board shall set forth the terms and provisions of the
29 plan and trust in a document containing the terms and conditions
30 of the plan and in a trust declaration that shall be published~~

~~1 in the Pennsylvania Bulletin. The creation of the document
2 containing the terms and conditions of the plan and the trust
3 declaration and the establishment of the terms and provisions of
4 the plan and the trust need not be promulgated by regulation or
5 formal rulemaking and shall not be subject to the act of July
6 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
7 Documents Law. A reference in this part or other law to the plan
8 shall include the plan document unless the context clearly
9 indicates otherwise.~~

~~10 § 8403. Individual investment accounts.~~

~~11 The board shall:~~

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

~~20 (2) separately track participant contributions,
21 including investment gains and losses, and employer
22 contributions, including investment gains and losses, but all
23 interest, investment gains and losses and administrative
24 fees, costs and expenses shall be allocated proportionately.~~

~~25 § 8404. Participant contributions.~~

~~26 (a) Mandatory contributions. A participant shall make
27 mandatory pickup participant contributions through payroll
28 deductions to the participant's individual investment account
29 equal to 7.5% of compensation for current school service. The
30 employer shall cause such contributions for current service to~~

~~1 be made and deducted from each payroll or on such schedule as
2 established by the board. After the effective date of this
3 section, an employer employing a participant in the plan shall
4 pick up the required mandatory participant contributions by a
5 reduction in the compensation of the participant.~~

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

~~15 (c) Prohibition on contributions. No contributions shall be
16 allowed that would cause a violation of the limitations related
17 to contributions applicable to governmental plans contained in
18 IRC § 415 or in other provisions of law. In the event that any
19 disallowed contributions are made, any participant contributions
20 in excess of the limitations and investment earnings on those
21 contributions shall be refunded to the participant by the board.~~

~~22 § 8405. Mandatory pickup participant contributions.~~

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

1 ~~participant contributions by a reduction in the compensation of~~
2 ~~the participant.~~

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

9 ~~§ 8406. Employer defined contributions.~~

10 ~~(a) Contributions for current service. The employer of a~~
11 ~~participant shall make employer defined contributions for~~
12 ~~current service of an active participant that shall be credited~~
13 ~~to the active participant's individual investment account.~~
14 ~~Employer defined contributions must be recorded and accounted~~
15 ~~for separately from participant contributions.~~

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

29 ~~(c) Limitations on contributions. No contributions shall be~~
30 ~~allowed that would cause a violation of the limitations related~~

1 ~~to contributions applicable to governmental plans contained in~~
2 ~~IRC § 415 or in other provisions of law. In the event that any~~
3 ~~disallowed contributions are made, any employer defined~~
4 ~~contributions in excess of the limitations and investment~~
5 ~~earnings thereon shall be refunded to the employer by the board.~~
6 ~~§ 8407. Eligibility for benefits.~~

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

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

26 ~~(c) Spousal consent not required. A participant who is~~
27 ~~married may receive a lump sum distribution or other~~
28 ~~distribution directly from the board without the consent of the~~
29 ~~participant's spouse, unless the plan document provides~~
30 ~~otherwise.~~

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

5 ~~(e) Loans. Loans or other distributions, including hardship~~
6 ~~or unforeseeable emergency distributions, from the plan to~~
7 ~~school employees who have not terminated school service are not~~
8 ~~permitted, except as required by law.~~

9 ~~(f) Small individual investment accounts.~~

10 ~~(1) A participant who terminates school service and~~
11 ~~whose vested accumulated total defined contributions are~~
12 ~~below the threshold established by law as of the date of~~
13 ~~termination of service may be paid the vested accumulated~~
14 ~~total defined contributions in a lump sum as provided in IRC~~
15 ~~§ 401(a)(31).~~

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

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

1 ~~to the annuity provider.~~

2 ~~§ 8408. Death benefits.~~

3 ~~(a) General rule. In the event of the death of an active~~
4 ~~participant or inactive participant, the board shall pay to the~~
5 ~~participant's beneficiary the vested balance in the~~
6 ~~participant's individual investment account in a lump sum or in~~
7 ~~such other manner as the board may establish in the plan~~
8 ~~document.~~

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

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

27 ~~(d) Spousal consent. All nomination or change of~~
28 ~~beneficiaries made by a married participant shall be subject to~~
29 ~~the consent of the participant's spouse as provided for in this~~
30 ~~part.~~

1 ~~§ 8409. Vesting.~~

2 ~~(a) Participant and voluntary contributions. Subject to the~~
3 ~~forfeiture and attachment provisions of section 8533 (relating~~
4 ~~to taxation, attachment and assignment of funds) or otherwise as~~
5 ~~provided by law, a participant shall be fully vested with~~
6 ~~respect to all mandatory pickup participant contributions and~~
7 ~~voluntary contributions paid by or on behalf of the participant~~
8 ~~to the trust plus interest and investment earnings on the~~
9 ~~participant contributions but minus investment fees and~~
10 ~~administrative charges.~~

11 ~~(b) Employer defined contributions.~~

12 ~~(1) Subject to the forfeiture and attachment provisions~~
13 ~~of section 8533 or otherwise as provided by law, a~~
14 ~~participant shall be vested with respect to employer defined~~
15 ~~contributions paid plus interest and investment earnings by~~
16 ~~or on behalf of the participant to the trust according to the~~
17 ~~following schedule:~~

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

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

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

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

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

27 ~~(i) How the required time periods of school service~~
28 ~~in the plan are determined and calculated.~~

29 ~~(ii) The effect of periods that school employees~~
30 ~~spend on paid or unpaid leave on the determination of a~~

1 ~~participant's vested status in the plan.~~

2 ~~(iii) The effect of termination of school service or~~
3 ~~distributions from the plan on a participant's vested~~
4 ~~status in the plan.~~

5 ~~(iv) Other terms and conditions for the~~
6 ~~implementation and administration of this section.~~

7 ~~(3) Nonvested employer defined contributions, including~~
8 ~~interest and investment gains and losses that are forfeited~~
9 ~~by a participant, shall be applied to the participant's most~~
10 ~~recent employer's obligations assessed under this section in~~
11 ~~future years.~~

12 ~~(c) USERRA leave and vesting credit. A participant in the~~
13 ~~plan who is reemployed from USERRA leave or who dies while~~
14 ~~performing USERRA leave shall receive vesting credit under this~~
15 ~~section for the school service that would have been performed~~
16 ~~had the member not performed USERRA leave.~~

17 ~~§ 8410. Termination of distributions.~~

18 ~~(a) Return to school service.~~

19 ~~(1) A participant receiving distributions or an inactive~~
20 ~~participant who returns to school service shall cease~~
21 ~~receiving distributions and shall not be eligible to receive~~
22 ~~distributions until the participant subsequently terminates~~
23 ~~school service, without regard to whether the participant is~~
24 ~~a mandatory, optional or prohibited member of the system or~~
25 ~~participant in the plan.~~

26 ~~(2) This subsection shall not apply to a distribution of~~
27 ~~accumulated employer defined contributions or other~~
28 ~~distributions that the participant has received and used to~~
29 ~~purchase an annuity from a provider contracted by the board.~~

30 ~~(b) Return of benefits paid during USERRA leave.~~

1 ~~(1) If a former school employee is reemployed from~~
2 ~~USERRA leave and received any payments or annuity from the~~
3 ~~plan during the USERRA leave, the employee shall return to~~
4 ~~the board the amount so received plus interest as provided in~~
5 ~~the plan document.~~

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

17 ~~§ 8411. Agreements with financial institutions and other~~
18 ~~organizations.~~

19 ~~(a) Written agreement. To establish and administer the~~
20 ~~plan, the board shall enter into a written agreement with one or~~
21 ~~more financial institutions or pension management organizations~~
22 ~~to administer the plan and the investment of funds held pursuant~~
23 ~~to the plan. The administrator shall be selected in accordance~~
24 ~~with the following:~~

25 ~~(1) The board shall solicit proposals from financial~~
26 ~~institutions and pension management organizations.~~

27 ~~(2) The board shall publish the solicitation under~~
28 ~~paragraph (1) in the Pennsylvania Bulletin.~~

29 ~~(3) Proposals received shall be evaluated based on~~
30 ~~specific criteria adopted by the board. The criteria shall~~

1 ~~include experience, customer service history and other~~
2 ~~criteria.~~

3 ~~(b) Rebid. A contract to administer the plan under~~
4 ~~subsection (a) shall be rebid at least once every ten years.~~

5 ~~§ 8412. Powers and duties of board.~~

6 ~~The board shall have the following powers and duties to~~
7 ~~establish the plan and trust and to administer the provisions of~~
8 ~~this part:~~

9 ~~(1) The board may commingle or pool assets with the~~
10 ~~assets of other persons or entities.~~

11 ~~(2) The board shall pay all administrative fees, costs~~
12 ~~and expenses of managing, investing and administering the~~
13 ~~plan, the trust and the individual investment accounts from~~
14 ~~the balance of such individual investment accounts, except as~~
15 ~~the General Assembly otherwise provides through~~
16 ~~appropriations from the General Fund.~~

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

20 ~~(4) The board shall have the power to change the terms~~
21 ~~of the plan as may be necessary to maintain the tax qualified~~
22 ~~status of the plan.~~

23 ~~(5) The board may establish a process for election to~~
24 ~~participate in the plan by those school employees for whom~~
25 ~~participation is not mandatory.~~

26 ~~(6) The board may perform an annual or more frequent~~
27 ~~review of any qualified fund manager for the purpose of~~
28 ~~assuring it continues to meet all standards and criteria~~
29 ~~established.~~

30 ~~(7) The board may allow for eligible rollovers and~~

~~direct trustee to trustee transfers into the trust from qualified plans of other employers, regardless of whether the employers are private employers or public employers.~~

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

~~(9) The board shall administer or ensure the administration of the plan in compliance with the qualification and other rules of IRC.~~

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

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

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

~~(13) The board may establish procedures in the plan document or to promulgate rules and regulations as it deems necessary for the administration and management of the plan, including, but not limited to, establishing:~~

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

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

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

1 ~~(iv) Standards and criteria for providing not less~~
2 ~~than ten options in accordance with three or more~~
3 ~~providers of investment options to eligible individuals~~
4 ~~regarding investment of amounts deferred under the plan.~~
5 ~~The standards and criteria must provide for a variety of~~
6 ~~investment options. One of the available options must~~
7 ~~serve as the default option for participants who do not~~
8 ~~make a timely election and, to the extent commercially~~
9 ~~available, one option must have an annuity.~~

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

16 ~~(vi) Procedures, standards and criteria for the~~
17 ~~making of distributions from the plan upon termination~~
18 ~~from employment or death or in other circumstances~~
19 ~~consistent with the purpose of the plan.~~

20 ~~(14) The board may waive any reporting or information~~
21 ~~requirement contained in this part if the board determines~~
22 ~~that the information is not needed for the administration of~~
23 ~~the plan.~~

24 ~~(15) The board may contract any services and duties in~~
25 ~~lieu of staff except final adjudications and as prohibited by~~
26 ~~law. Any duties or responsibilities of the board not required~~
27 ~~by law to be performed by the board may be delegated to a~~
28 ~~third party provider subject to appeal to the board.~~

29 ~~(16) The board may provide that any duties of the~~
30 ~~employer or information provided by the participant to the~~

1 ~~employer be performed or received directly by the board.~~

2 ~~(17) The provisions and restrictions of the act of July~~
3 ~~2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's~~
4 ~~Investments Act, shall not apply to the plan or trust or the~~
5 ~~investments thereof, but the board may offer to the plan~~
6 ~~participants investment vehicles that would be allowed under~~
7 ~~the Protecting Pennsylvania's Investments Act. The board~~
8 ~~shall also to the extent commercially available provide that~~
9 ~~one option for participants have an annuity investment~~
10 ~~feature.~~

11 ~~(18) The board shall ensure that participants are~~
12 ~~provided with educational materials about investment options~~
13 ~~and choices.~~

14 ~~§ 8413. Responsibility for investment loss.~~

15 ~~The Commonwealth, the board, an employer or a school entity~~
16 ~~or other political subdivision shall not be responsible for any~~
17 ~~investment loss incurred under the plan or for the failure of~~
18 ~~any investment to earn any specific or expected return or to~~
19 ~~earn as much as any other investment opportunity, whether or not~~
20 ~~such other opportunity was offered to participants in the plan.~~

21 ~~§ 8414. Investments based on participants' investment~~
22 ~~allocation choices.~~

23 ~~(a) Investment by participant. All contributions, interest~~
24 ~~and investment earnings shall be invested based on a~~
25 ~~participant's investment allocation choices. All investment~~
26 ~~allocation choices shall be credited proportionally between~~
27 ~~contributions from the participant and employer defined~~
28 ~~contributions. Each participant shall be credited individually~~
29 ~~with the amount of contributions, interest and investment~~
30 ~~earnings.~~

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

15 ~~§ 8415. Expenses.~~

16 ~~All expenses, fees and costs of administering the plan and~~
17 ~~the trust and investing the assets of the trust shall be borne~~
18 ~~by the participants and paid from assessments against the~~
19 ~~balances of the individual investment accounts as established by~~
20 ~~the board, except that for fiscal years ending before July 1,~~
21 ~~2015, the expenses, fees and costs of establishing and~~
22 ~~administering the plan and trust shall be paid by the~~
23 ~~Commonwealth through annual appropriations from the General~~
24 ~~Fund, made on the basis of estimates from the board.~~

25 ~~§ 8416. Election by members to be participants.~~

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

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

~~(c) Effect of election. The following apply:~~

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

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

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

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

~~(5) A participant shall not be entitled to purchase any previous school service or creditable nonschool service.~~

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

~~§ 8417. Tax qualification.~~

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

~~(b) Limitations. The following shall apply:~~

~~(1) (i) Except as provided under subparagraph (ii) and~~

1 ~~notwithstanding a provision of this part, a contribution~~
2 ~~or benefit related to the plan may not exceed a~~
3 ~~limitation under IRC § 415 with respect to governmental~~
4 ~~plans that is in effect on the date the contribution or~~
5 ~~benefit payment takes effect.~~

6 ~~(ii) An increase in a limitation under IRC § 415~~
7 ~~shall apply to the participants on or after the effective~~
8 ~~date of this section.~~

9 ~~(iii) For the purposes of this paragraph, the term~~
10 ~~"government plans" shall have the same meaning as in IRC~~
11 ~~§ 414(d).~~

12 ~~(2) (i) Except as provided under subparagraph (ii), an~~
13 ~~amendment of this part on or after the effective date of~~
14 ~~this section that increases contributions or benefits for~~
15 ~~active participants, inactive participants or~~
16 ~~participants receiving distributions may not be deemed to~~
17 ~~provide for a contribution or benefit in excess of a~~
18 ~~limitation, adjusted on or after the effective date of~~
19 ~~this section, under IRC § 415 unless specifically~~
20 ~~provided by legislation.~~

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

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

27 § 8501. Public School Employees' Retirement Board.

28 (a) Status and membership. The board shall be an
29 independent administrative board and shall consist of 15
30 members: the Secretary of Education, ex officio; the State

~~1 Treasurer, ex officio; two Senators; two members of the House of
2 Representatives; the executive secretary of the Pennsylvania
3 School Boards Association, ex officio; two to be appointed by
4 the Governor, at least one of whom shall not be a school
5 employee or an officer or employee of the State; three to be
6 elected by the active professional members of the system and
7 active professional participants of the plan from among their
8 number; one to be elected by annuitants or a participant of the
9 plan who has terminated school service and is receiving or is
10 eligible to receive distributions from among their number; one
11 to be elected by the active nonprofessional members of the
12 system or active nonprofessional participants of the plan from
13 among their number; and one to be elected by members of
14 Pennsylvania public school boards from among their number. The
15 appointments made by the Governor shall be confirmed by the
16 Senate and each election shall be conducted in a manner approved
17 by the board. The terms of the appointed and nonlegislative
18 elected members shall be three years. The members from the
19 Senate shall be appointed by the President pro tempore of the
20 Senate and shall consist of one member from the majority and one
21 member from the minority. The members from the House of
22 Representatives shall be appointed by the Speaker of the House
23 of Representatives and shall consist of one member from the
24 majority and one member from the minority. The legislative
25 members shall serve on the board for the duration of their
26 legislative terms and shall continue to serve until 30 days
27 after the convening of the next regular session of the General
28 Assembly after the expiration of their respective legislative
29 terms or until a successor is appointed for the new term,
30 whichever occurs first. The chairman of the board shall be~~

1 ~~elected by the board members. Each ex officio member of the~~
2 ~~board and each legislative member of the board may appoint a~~
3 ~~duly authorized designee to act in his stead. In the event that~~
4 ~~a board member, who is designated as an active participant or as~~
5 ~~the participant in the plan who is receiving or is eligible to~~
6 ~~receive distributions, receives a total distribution of the~~
7 ~~board member's interest in the plan, that board member may~~
8 ~~continue to serve on the board for the remainder of the term.~~

9 * * *

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

19 ~~(d) Compensation and expenses. The members of the board who~~
20 ~~are members of the system or participants in the plan shall~~
21 ~~serve without compensation. Members of the board who are members~~
22 ~~of the system or participants in the plan and who are employed~~
23 ~~by a governmental entity shall not suffer loss of salary or~~
24 ~~wages through serving on the board. The board, on request of the~~
25 ~~employer of any member of the board who is an active~~
26 ~~professional or nonprofessional member of the system or active~~
27 ~~professional or nonprofessional participant in the plan, may~~
28 ~~reimburse such employer for the salary or wages of the member or~~
29 ~~participant, or for the cost of employing a substitute for such~~
30 ~~member or participant, while the member or participant is~~

1 necessarily absent from employment to execute the duties of the
2 board. The members of the board who are not members of either
3 the school system or the State Employees' Retirement System may
4 be paid \$100 per day when attending meetings and all board
5 members shall be reimbursed for any necessary expenses. However,
6 when the duties of the board as mandated are not executed, no
7 compensation or reimbursement for expenses of board members
8 shall be paid or payable during the period in which such duties
9 are not executed.

10 * * *

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

14 § 8502. Administrative duties of board.

15 * * *

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

24 (c) Expenses. —

25 (1) The board shall, through the Governor, submit to the
26 General Assembly annually a budget covering the
27 administrative expenses of [this part.] the system and a
28 separate budget covering the administrative expenses of the
29 plan. The separate budget shall include those expenses
30 necessary to establish the plan and trust.

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

4 ~~(3) For fiscal years ending on or before June 30, 2015,~~
5 ~~such expenses of the plan as approved by the General Assembly~~
6 ~~through an appropriation shall be paid from the General~~
7 ~~Fund. For fiscal years beginning on or after July 1, 2015,~~
8 ~~such expenses of the plan as approved by the General Assembly~~
9 ~~shall be paid from interest, pursuant to section 8414(b)~~
10 ~~(relating to investments based on participant investment~~
11 ~~allocation choices) or assessments on the balances of the~~
12 ~~participants' individual investment accounts.~~

13 ~~(4) Concurrently with its administrative budget, the~~
14 ~~board shall also submit to the General Assembly annually a~~
15 ~~list of proposed expenditures which the board intends to pay~~
16 ~~through the use of directed commissions, together with a list~~
17 ~~of the actual expenditures from the past year actually paid~~
18 ~~by the board through the use of directed commissions. All~~
19 ~~such directed commission expenditures shall be made by the~~
20 ~~board for the exclusive benefit of the system and its members~~
21 ~~and for the exclusive benefit of the plan and its~~
22 ~~participants, respectively.~~

23 * * *

24 ~~(e) Records.—~~

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

29 ~~(2) Any record, material or data received, prepared,~~
30 ~~used or retained by the board or its employees, investment~~

1 ~~professionals or agents relating to an investment shall not~~
2 ~~constitute a public record subject to public [inspection]~~
3 ~~access under the act of [June 21, 1957 (P.L.390, No.212),~~
4 ~~referred to] February 14, 2008 (P.L.6, No.3), known as the~~
5 ~~Right to Know Law, if, in the reasonable judgment of the~~
6 ~~board, the [inspection] access would:~~

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

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

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

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

28 ~~(ii) The sensitive investment or financial~~
29 ~~information excluded from [inspection] access under~~
30 ~~paragraph (2) (ii), to the extent not otherwise excluded~~

1 ~~from [inspection] access, shall constitute a public~~
2 ~~record subject to public [inspection] access under the~~
3 ~~Right to Know Law once:~~

4 ~~(A) the [inspection] access no longer causes~~
5 ~~substantial competitive harm to the person from whom~~
6 ~~the information was received; or~~

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

9 ~~whichever is later.~~

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

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

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

23 ~~whichever is later.~~

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

30 ~~(5) Notwithstanding the provisions of this subsection,~~

1 ~~the following information regarding an alternative investment~~
2 ~~vehicle shall be subject to public [inspection] access under~~
3 ~~the Right to Know Law:~~

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

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

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

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

13 ~~(v) The dollar amount of cash distributions received~~
14 ~~by the system or plan from the alternative investment~~
15 ~~vehicle since inception.~~

16 ~~(vi) The net internal rate of return of the~~
17 ~~alternative investment vehicle since inception, provided~~
18 ~~that the system or plan shall not be required to disclose~~
19 ~~the net internal rate of return under circumstances in~~
20 ~~which, because of the limited number of portfolio assets~~
21 ~~remaining in the alternative investment vehicle, the~~
22 ~~disclosure could reveal the values of specifically~~
23 ~~identifiable remaining portfolio assets to the detriment~~
24 ~~of the alternative investment.~~

25 ~~(vii) The aggregate value of the remaining portfolio~~
26 ~~assets attributable to the system's or plan's investment~~
27 ~~in the alternative investment vehicle, provided that the~~
28 ~~system or plan shall not be required to disclose the~~
29 ~~value under circumstances in which, because of the~~
30 ~~limited number of portfolio assets remaining in the~~

1 ~~alternative investment vehicle, the disclosure could~~
2 ~~reveal the values of specifically identifiable remaining~~
3 ~~portfolio assets to the detriment of the alternative~~
4 ~~investment.~~

5 ~~(viii) The dollar amount of total management fees~~
6 ~~and costs paid to the alternative investment vehicle by~~
7 ~~the system or plan on an annual fiscal year end basis.~~

8 ~~(6) Any record, material or data received, prepared,~~
9 ~~used or retained by the board or its employees or agents~~
10 ~~relating to a participant shall not constitute a public~~
11 ~~record subject to public access under the Right to Know Law,~~
12 ~~if, in the reasonable judgment of the board, the access would~~
13 ~~disclose any of the following:~~

14 ~~(i) The existence, date, amount and any other~~
15 ~~information pertaining to the voluntary contributions,~~
16 ~~including rollover contributions and trustee to trustee~~
17 ~~transfers, of any participant.~~

18 ~~(ii) The investment option selections of any~~
19 ~~participant.~~

20 ~~(iii) The balance of a participant's individual~~
21 ~~investment account, including the amount distributed to~~
22 ~~the participant, and any investment gains or losses, or~~
23 ~~rates of return.~~

24 ~~(iv) The identity of a participant's designated~~
25 ~~beneficiary, successor payee or alternate payee.~~

26 ~~(v) The benefit payment option of a participant.~~

27 ~~(7) Nothing in this part shall be construed to designate~~
28 ~~any record, material or data received, prepared, used or~~
29 ~~retained by the board or its employees or agents relating to~~
30 ~~the contributions, investments, account value or benefits~~

~~payable to or on account of a participant as a public record
subject to public access under the Right to Know Law.~~

~~* * *~~

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

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

~~(j) Actuarial investigation and valuation. The board shall
have the actuary make an annual valuation of the various~~

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

25 ~~(k) Certification of employer contributions to fund. The~~
26 ~~board shall, each year in addition to the itemized budget~~
27 ~~required under section 8330 (relating to appropriations by the~~
28 ~~Commonwealth), certify to the employers and the Commonwealth the~~
29 ~~employer contribution rate expressed as a percentage of members'~~
30 ~~payroll necessary for the funding of prospective annuities for~~

1 ~~active members and the annuities of annuitants, and certify the~~
2 ~~rates and amounts of the normal contributions as determined~~
3 ~~pursuant to section 8328(b) (relating to actuarial cost method),~~
4 ~~accrued liability contributions as determined pursuant to~~
5 ~~section 8328(c), supplemental annuities contribution rate as~~
6 ~~determined pursuant to section 8328(d), the experience~~
7 ~~adjustment factor as determined pursuant to section 8328(e),~~
8 ~~premium assistance contributions as determined pursuant to~~
9 ~~section 8328(f), the costs added by legislation as determined~~
10 ~~pursuant to section 8328(i), the actuarial required contribution~~
11 ~~rate as determined pursuant to section 8328(i), the collared~~
12 ~~contribution rate as determined pursuant to section 8328(g), the~~
13 ~~final contribution rate as determined pursuant to section~~
14 ~~8328(h) and the shared risk contribution rate as determined~~
15 ~~under section 8321(b) (relating to regular member contributions~~
16 ~~for current service), which shall be paid to the fund and~~
17 ~~credited to the appropriate accounts. These certifications shall~~
18 ~~be regarded as final and not subject to modification by the~~
19 ~~Secretary of the Budget.~~

20 * * *

21 ~~(n) Annual financial statement. The board shall prepare and~~
22 ~~have published, on or before January 1 of each year, [a~~
23 ~~financial statement] financial statements as of the fiscal year~~
24 ~~ending June 30 of the previous year showing the condition of the~~
25 ~~fund, the trust and the various accounts, including, but not~~
26 ~~limited to, the board's accrual and expenditure of directed~~
27 ~~commissions, and setting forth such other facts, recommendations~~
28 ~~and data as may be of use in the advancement of knowledge~~
29 ~~concerning annuities and other benefits provided by this part.~~
30 ~~The board shall submit said financial [statement] statements to~~

1 ~~the Governor and shall make copies available to the employers~~
2 ~~for the use of the school employees and the public.~~

3 ~~(e) Independent [audit] audits. The board shall provide for~~
4 ~~[an annual audit] annual audits of the system and the plan by an~~
5 ~~independent certified public accounting firm, which [audit]~~
6 ~~audits shall include the board's accrual and expenditure of~~
7 ~~directed commissions. The board may use the same independent~~
8 ~~certified public accounting firm for the audits of both the~~
9 ~~system and the plan.~~

10 * * *

11 ~~(g) Participant and employer contributions to trust. The~~
12 ~~board shall, each year in addition to any fees and itemized~~
13 ~~budget required under section 8330, certify, as a percentage of~~
14 ~~each participant's compensation, the employer defined~~
15 ~~contributions, which shall be paid to the trust and credited to~~
16 ~~each participant's individual investment account. These~~
17 ~~certifications shall be regarded as final and not subject to~~
18 ~~modification by the Secretary of the Budget. The board shall~~
19 ~~cause all mandatory pickup participant contributions made on~~
20 ~~behalf of a participant and all voluntary contributions made by~~
21 ~~a participant to be credited to the participant's individual~~
22 ~~investment account.~~

23 ~~Section 118. Section 8502.2(a) of Title 24 is amended to~~
24 ~~read:~~

25 ~~§ 8502.2. Health insurance.~~

26 ~~(a) Authority. The board may sponsor a participant funded~~
27 ~~group health insurance program for annuitants, participants~~
28 ~~receiving distributions, spouses of annuitants and participants~~
29 ~~receiving distributions, survivor annuitants and their~~
30 ~~dependents. The board may promulgate regulations regarding the~~

1 ~~prudent and efficient operation of the program, including, but~~
2 ~~not limited to:~~

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

5 ~~(2) Determination of the benefits structure.~~

6 ~~(3) Determination of enrollment procedures.~~

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

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

12 ~~***~~

13 ~~Section 119. Section 8503 heading and (a) of Title 24 are~~
14 ~~amended and the section is amended by adding a subsection to~~
15 ~~read:~~

16 ~~§ 8503. Duties of board to advise and report to employers [and~~
17 ~~members], members and participants.~~

18 ~~(a) Manual of regulations. The board shall, with the advice~~
19 ~~of the Attorney General and the actuary, prepare, within 90 days~~
20 ~~of the effective date of this part, a manual incorporating rules~~
21 ~~and regulations consistent with the provisions of this part for~~
22 ~~the employers who shall make information contained therein~~
23 ~~available to the general membership. The board shall thereafter~~
24 ~~advise the employers within 90 days of any changes in such rules~~
25 ~~and regulations due to changes in the law or due to changes in~~
26 ~~administrative policies. As soon as practicable after the~~
27 ~~commissioner's publication with respect thereto, the board shall~~
28 ~~also advise the employers as to any cost of living adjustment~~
29 ~~for the succeeding calendar year in the amount of the limitation~~
30 ~~under IRC § 401(a) (17) and the dollar amounts of the limitations~~

1 ~~under IRC § 415[(b)].~~

2 ~~***~~

3 ~~(b.1) Participant status statements. The board shall have~~
4 ~~furnished annually to each participant on or before December 31,~~
5 ~~and more frequently as the board may agree or as required by~~
6 ~~law, a statement showing the accumulated total defined~~
7 ~~contributions credited to the participant's individual~~
8 ~~investment account, the nature and type of investments and the~~
9 ~~investment allocation of future contributions as of June 30 of~~
10 ~~the current year and requesting the participant to make any~~
11 ~~necessary correction or revision regarding his designated~~
12 ~~beneficiary.~~

13 ~~***~~

14 ~~Section 120. Section 8504(c) of Title 24 is amended to read:~~
15 ~~§ 8504. Duties of board to report to State Employees'~~
16 ~~Retirement Board.~~

17 ~~***~~

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

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

26 ~~(i) The salary history as a member of the Public~~
27 ~~School Employees' Retirement System and the final average~~
28 ~~salary as calculated on the basis of the compensation~~
29 ~~received as a State and school employee.~~

30 ~~(ii) The annuity or benefit which the member or his~~

1 beneficiary is entitled to receive under this part and
2 modified according to the option selected.

3 ~~(2) Transfer to the State Employees' Retirement Fund the~~
4 ~~accumulated deductions standing to such member's credit and~~
5 ~~the actuarial reserve required on account of the member's~~
6 ~~years of credited service in the school system and his final~~
7 ~~average salary determined on the basis of his compensation as~~
8 ~~a member in both systems.~~

9 Section 121. Sections 8505 heading, (b), (h) and (i),
10 8506(a), (d), (e), (g) and (h) and 8507 heading, (a), (e) and
11 (f) of Title 24 are amended and the sections are amended by
12 adding subsections to read:

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

15 * * *

16 ~~(b) State employees electing multiple service status. Upon~~
17 ~~receipt of notification from the State Employees' Retirement~~
18 ~~Board that a former school employee has become an active member~~
19 ~~in the State Employees' Retirement System and has elected to~~
20 ~~become a member with multiple service status, the board shall:~~

21 ~~(1) In case of a member who is receiving an annuity from~~
22 ~~the system:~~

23 ~~(i) Discontinue payments, transfer the present value~~
24 ~~of the member's annuity at the time of entering State~~
25 ~~service, plus the amount withdrawn in a lump sum payment,~~
26 ~~on or after the date of entering State service, pursuant~~
27 ~~to section 8345 (relating to member's options), with~~
28 ~~statutory interest to date of transfer, minus the amount~~
29 ~~to be returned to the board on account of return to~~
30 ~~service that the board has determined is to be credited~~

1 ~~in the members' savings account, from the annuity reserve~~
2 ~~account to the members' savings account and resume~~
3 ~~crediting of statutory interest on the amount restored to~~
4 ~~his credit.~~

5 ~~(ii) Transfer the balance of the present value of~~
6 ~~the total annuity, minus the amount to be returned to the~~
7 ~~board on account of return to service that the board has~~
8 ~~determined is to be credited in the State accumulation~~
9 ~~account, from the annuity reserve account to the State~~
10 ~~accumulation account.~~

11 ~~(iii) Certify to the member the amount of lump sum~~
12 ~~and annuity payments with statutory interest the member~~
13 ~~is to return to the board and, of those amounts, which~~
14 ~~amount shall be credited to the members' savings account~~
15 ~~and credited with statutory interest as such payments are~~
16 ~~returned and which amount shall be credited to the State~~
17 ~~accumulation account.~~

18 ~~(2) In case of a member who is not receiving an annuity~~
19 ~~from the system and who has not withdrawn his accumulated~~
20 ~~deductions, continue or resume the crediting of statutory~~
21 ~~interest on his accumulated deductions.~~

22 ~~(3) In case of a member who is not receiving an annuity~~
23 ~~from the system and his accumulated deductions were~~
24 ~~withdrawn, certify to the member the accumulated deductions~~
25 ~~as they would have been at the time of his separation had he~~
26 ~~been a full coverage member together with statutory interest~~
27 ~~for all periods of subsequent State service eligible for~~
28 ~~membership in the State Employees' Retirement System and~~
29 ~~school service eligible for membership in the system to the~~
30 ~~date of repayment. Such amount shall be restored by him and~~

1 shall be credited with statutory interest as such payments
2 are restored.

3 * * *

4 ~~(e.1) Certification to participants terminating service.~~

5 ~~The board shall certify to a participant, within one year of~~
6 ~~termination of service of such participant, and, if the~~
7 ~~participant is married, the board is authorized to advise the~~
8 ~~participant's spouse, in writing of the vested accumulated total~~
9 ~~defined contributions credited to the participant's individual~~
10 ~~investment account as of the date stated in the writing, any~~
11 ~~notices regarding rollover or other matters required by IRC or~~
12 ~~other law, the obligation of the participant to commence~~
13 ~~distributions from the plan by the participant's required~~
14 ~~beginning date, and the ability to receive all or part of the~~
15 ~~vested balance in the participant's individual investment~~
16 ~~account in a lump sum or in such other form as the board may~~
17 ~~authorize or as required by law.~~

18 * * *

19 ~~(f.1) Notification to inactive participants approaching~~
20 ~~required beginning date. The board shall notify each inactive~~
21 ~~participant who has terminated school service and for whom~~
22 ~~distribution has not commenced by 90 days before the~~
23 ~~participant's required beginning date, and, if the participant~~
24 ~~is married, the board may advise the participant's spouse, in~~
25 ~~writing, that the inactive participant has an obligation to~~
26 ~~commence distributions by the required beginning date in a form~~
27 ~~and manner required by IRC § 401(a)(9) and other applicable~~
28 ~~provisions of IRC.~~

29 * * *

30 ~~(g.1) Initial payment to a participant. The board shall~~

1 ~~make the initial payment to a participant who has applied for a~~
2 ~~distribution within 60 days of the filing of the application.~~

3 ~~(h) Death benefits. Upon receipt of notification of the~~
4 ~~death of a member, an active participant, an inactive~~
5 ~~participant or a former participant performing USERRA leave, the~~
6 ~~board shall notify the designated beneficiary or survivor~~
7 ~~annuitant of the benefits to which he is entitled and shall make~~
8 ~~the first payment to the beneficiary under the plan elected by~~
9 ~~the beneficiary within 60 days of receipt of certification of~~
10 ~~death and other necessary data. If no beneficiary designation is~~
11 ~~in effect at the date of the member's or participant's death or~~
12 ~~no notice has been filed with the board to pay the amount of~~
13 ~~such benefits to the member's or participant's estate, the board~~
14 ~~is authorized to pay such benefits to the executor,~~
15 ~~administrator, surviving spouse or next of kin of the deceased~~
16 ~~member or participant, and payment pursuant hereto shall fully~~
17 ~~discharge the fund or plan from any further liability to make~~
18 ~~payment of such benefits to any other person. If the surviving~~
19 ~~spouse or next of kin of the deceased member or participant~~
20 ~~cannot be found for the purpose of paying such benefits for a~~
21 ~~period of seven years from the date of death of the member or~~
22 ~~participant, then such benefits shall be escheated to the~~
23 ~~Commonwealth for the benefit of the fund or plan.~~

24 ~~(i) Medical insurance coverage. Upon receipt of~~
25 ~~notification from an insurance carrier offering a health~~
26 ~~insurance program approved by the board that an annuitant of the~~
27 ~~system who has attained age 65 has elected medical, major~~
28 ~~medical, and hospitalization insurance coverage or notification~~
29 ~~that annuitants of the system with less than 24 1/2 eligibility~~
30 ~~points (other than disability annuitants of the system), spouses~~

1 ~~of annuitants and survivor annuitants eligible to elect to~~
2 ~~enroll in the approved health insurance program have elected~~
3 ~~participation in such health insurance program, the board may~~
4 ~~deduct from the annuity payments the appropriate annual charges~~
5 ~~in equal monthly installments. Such deductions shall be~~
6 ~~transmitted to the insurance carrier.~~

7 * * *

8 ~~§ 8506. Duties of employers.~~

9 ~~(a) Status of members and participants. The employer shall,~~
10 ~~each month, notify the board in a manner prescribed by the board~~
11 ~~of the salary changes effective during the past month, the date~~
12 ~~of all removals from the payroll, and the type of leave of any~~
13 ~~member or participant who has been removed from the payroll for~~
14 ~~any time during that month, and:~~

15 ~~(1) if the removal is due to leave without pay, the~~
16 ~~employer shall furnish the board with the date of beginning~~
17 ~~leave, the date of return to service, and the reason for~~
18 ~~leave;~~

19 ~~(2) if the removal is due to a transfer to another~~
20 ~~employer, the former employer shall furnish such employer and~~
21 ~~the board with a complete school service record, including~~
22 ~~credited or creditable nonschool service; or~~

23 ~~(3) if the removal is due to termination of school~~
24 ~~service, the employer shall furnish the board with a complete~~
25 ~~school service record including credited or creditable~~
26 ~~nonschool service and in the case of death of the member the~~
27 ~~employer shall so notify the board.~~

28 * * *

29 ~~(c.1) Participant and employer defined contributions. The~~
30 ~~employer shall cause the mandatory pickup participant~~

~~1 contributions on behalf of a participant to be made and shall
2 cause to be deducted any voluntary contributions authorized by a
3 participant. The employer shall also cause the employer defined
4 contributions on behalf of a participant to be made. The
5 employer shall notify the board at times and in a manner
6 prescribed by the board of the compensation of any participant
7 to whom the limitation under IRC § 401(a)(17) either applies or
8 is expected to apply and shall cause the participant's
9 contributions to be deducted from payroll to cease at the
10 limitation under IRC § 401(a)(17) on the payroll date if and
11 when such limit shall be reached. The employer shall certify to
12 the board the amounts picked up and deducted and the employer
13 defined contributions being made and shall send the total amount
14 picked up, deducted and contributed together with a duplicate of
15 such voucher to the secretary of the board every pay period or
16 on such schedule as established by the board.~~

~~17 (d) New employees subject to mandatory membership or
18 participation. Upon the assumption of duties of each new school
19 employee whose membership in the system or plan is mandatory,
20 the employer shall no later than 30 days thereafter cause an
21 application for membership or participation, which application
22 shall include the employee's home address, birthdate certified
23 by the employer, previous school or State service and any other
24 information requested by the board, and a nomination of
25 beneficiary to be made by such employee, who shall be the
26 participant's spouse if the participant is married, unless the
27 spouse consents otherwise, and filed with the board and shall
28 make pickup contributions or mandatory pickup participant
29 contributions from the effective date of school employment.~~

~~30 (e) New employees subject to optional membership or~~

1 ~~participation.~~ The employer shall inform any eligible school
2 employee whose membership in the system ~~or participation in the~~
3 ~~plan~~ is not mandatory of his opportunity to become a member of
4 the system ~~or participant in the plan~~ provided that he elects to
5 purchase credit for all such continuous creditable service. If
6 such employee so elects, the employer shall no later than 30
7 days thereafter cause an application for membership which
8 application shall include the employee's home address, birthdate
9 certified by the employer, previous school or State service and
10 any other information requested by the board, and a nomination
11 of beneficiary, ~~who shall be the participant's spouse if the~~
12 ~~participant is married, unless the spouse consents otherwise,~~ to
13 be made by him and filed with the board and shall cause proper
14 contributions to be made from the date of election of membership
15 ~~or participation.~~

16 * * *

17 ~~(g) Former State employee contributors.~~

18 ~~(1) The employer shall, upon the employment of a former~~
19 ~~member of the State Employees' Retirement System who is not~~
20 ~~an annuitant of the State Employees' Retirement System,~~
21 ~~advise such employee of his right to elect multiple service~~
22 ~~membership within 365 days of entry into the system and, in~~
23 ~~the case any such employee who so elects has withdrawn his~~
24 ~~accumulated deductions, require him to restore his~~
25 ~~accumulated deductions as they would have been at the time of~~
26 ~~his separation had he been a full coverage member, together~~
27 ~~with statutory interest for all periods of subsequent State~~
28 ~~and school service to date of repayment. The employer shall~~
29 ~~advise the board of such election.~~

30 ~~(2) Paragraph (1) shall not apply to a school employee~~

~~who is employed in a position where the school employee is or could be a participant in the plan other than a member who elects to become a participant in the plan.~~

~~(h) Former State employee annuitants.~~

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

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

~~* * *~~

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

1 ~~the school employee is reemployed from USERRA leave or returns~~
2 ~~after the leave of absence or military leave of absence, if such~~
3 ~~event occurs, and any other information the board may require or~~
4 ~~direct.~~

5 ~~(1) Differential wage payments and military leave of absence~~
6 ~~payments. Notwithstanding the exclusion of differential wage~~
7 ~~payments as defined in IRC § 414(u)(12) from compensation under~~
8 ~~this part, the employer of any school employee on USERRA leave~~
9 ~~shall report differential wage payments made to the employee to~~
10 ~~the board, and the employer of any school employee on leave of~~
11 ~~absence pursuant to 51 Pa.C.S. § 4102 shall report any payment~~
12 ~~made to the employee, in the form and manner established by the~~
13 ~~board.~~

14 * * *

<--

15 § 8507. Rights and duties of school employees ~~{and members},~~

<--

16 ~~members and participants.~~

17 (a) Information on new employees.--Upon his assumption of
18 duties, each new school employee shall furnish his employer with
19 a complete record of his previous school or State service, or
20 creditable nonschool service, ~~name and address of his spouse, if~~
21 ~~married and he is or is eligible to be a participant in the~~
22 ~~plan,~~ proof of his date of birth, his home address, his current
23 status in the system ~~and the plan~~ and in the State Employees' <--
24 Retirement System ~~and the State Employees' Defined Contribution~~
25 ~~Plan~~ and such other information as the board may require.
26 Willful failure to provide the information required by this
27 subsection to the extent available or the provision of erroneous
28 information upon entrance into the system shall result in the
29 forfeiture of the right of the member to subsequently assert any
30 right to benefits based on erroneous information or on any of

1 the required information which he failed to provide. In any case
2 in which the board finds that a member is receiving an annuity
3 based on false information, the additional amounts received
4 predicated on such false information together with statutory
5 interest doubled and compounded shall be deducted from the
6 present value of any remaining benefits to which the member is
7 legally entitled and such remaining benefits shall be
8 correspondingly decreased.

9 * * *

10 ~~(b.1) Application for participation. On or after July 1, <--~~
11 ~~2015, in the case of a new employee who is not currently a~~
12 ~~participant in the plan and whose participation is mandatory, or~~
13 ~~in the case of a new employee whose participation is not~~
14 ~~mandatory but is permitted and who desires to become a~~
15 ~~participant in the plan, the new employee shall execute an~~
16 ~~application for participation and a nomination of a beneficiary,~~
17 ~~who shall be the participant's spouse if the participant is~~
18 ~~married, unless the spouse consents otherwise.~~

19 * * *

20 ~~(d.1) Voluntary contributions by a participant. Any~~
21 ~~participant who desires to make voluntary contributions to be~~
22 ~~credited to his individual investment account shall notify the~~
23 ~~board and, upon compliance with the requirements, procedures and~~
24 ~~limitations established by the board in the plan document, may~~
25 ~~do so subject to the limitations under IRC §§ 401(a) and 415 and~~
26 ~~other applicable law.~~

27 ~~(d.2) Contributions for USERRA leave. Any active~~
28 ~~participant or inactive participant or former participant who~~
29 ~~was reemployed from USERRA leave and who desires to make~~
30 ~~mandatory pickup participant contributions and voluntary~~

1 ~~contributions for his USERRA leave shall so notify the board~~
2 ~~within the time period required under 38 U.S.C. Ch. 43 (relating~~
3 ~~to employment and reemployment rights of members of the~~
4 ~~uniformed services) and IRC § 414(u) of his desire to make such~~
5 ~~contributions. Upon making the permitted mandatory pickup~~
6 ~~participant contributions within the allowed time period, the~~
7 ~~employer shall make the corresponding employer defined~~
8 ~~contributions at the same time.~~

9 ~~(e) Beneficiary for death benefits from system. Every~~
10 ~~member shall nominate a beneficiary by written designation filed~~
11 ~~with the board to receive the death benefit or the benefit~~
12 ~~payable under the provisions of Option 1. Such nomination may be~~
13 ~~changed at any time by the member by written designation filed~~
14 ~~with the board. A member may also nominate a contingent~~
15 ~~beneficiary or beneficiaries to receive the death benefit or the~~
16 ~~benefit payable under the provisions of Option 1.~~

17 ~~(e.1) Beneficiary for death benefits from plan. Every~~
18 ~~participant shall nominate a beneficiary by written designation~~
19 ~~filed with the board as provided in section 8506 (relating to~~
20 ~~duties of employers) to receive the death benefit payable under~~
21 ~~section 8347 (relating to death benefits). A participant may~~
22 ~~also nominate a contingent beneficiary or beneficiaries to~~
23 ~~receive the death benefit provided under this section. Such~~
24 ~~nomination may be changed at any time by the participant by~~
25 ~~written designation filed with the board, provided that, if the~~
26 ~~participant is married, the participant's spouse consents to the~~
27 ~~change unless the change is to name the spouse as beneficiary or~~
28 ~~unless the change is limited to contingent beneficiaries and the~~
29 ~~spouse is the primary beneficiary. If the spouse of a~~
30 ~~participant in the plan is deemed to be the beneficiary by~~

1 ~~operation of law, the person last nominated as beneficiary in a~~
2 ~~writing filed with the board shall become the contingent~~
3 ~~beneficiary.~~

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

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

14 ~~(1) Withdraw his accumulated deductions.~~

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

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

23 ~~* * *~~

24 ~~(g.1) Deferral of retirement rights. If a participant~~
25 ~~terminates school service and does not commence receiving a~~
26 ~~distribution, he shall nominate a beneficiary, who shall be the~~
27 ~~participant's spouse if the participant is married, unless the~~
28 ~~spouse consents otherwise, by written designation filed with the~~
29 ~~board, and he may anytime thereafter, but no later than his~~
30 ~~required beginning date, withdraw the vested accumulated total~~

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

4 * * *

5 ~~(1) Continuing obligation regarding spouses. A participant~~
6 ~~shall have the continuing obligation to notify the board in~~
7 ~~writing of any change in marital status and, if applicable, the~~
8 ~~name and current address of the participant's spouse.~~

9 ~~Section 122. Sections 8521(b), 8522, 8524, 8525, 8531, 8533,~~
10 ~~8533.1, 8533.3 and 8533.4(a) of Title 24 are amended to read:~~
11 ~~§ 8521. Management of fund and accounts.~~

12 * * *

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

30 * * *

1 ~~§ 8522. Public School Employees' Retirement Fund.~~

2 ~~(a) General rule. The fund shall consist of all moneys in~~
3 ~~the several separate funds in the State Treasury set apart to be~~
4 ~~used under the direction of the board for the benefit of members~~
5 ~~of the system; and the Treasury Department shall credit to the~~
6 ~~fund all moneys received from the Department of Revenue arising~~
7 ~~from the contributions relating to or on behalf of the members~~
8 ~~of the system required under the provisions of Chapter 83~~
9 ~~(relating to membership, contributions and benefits) and all~~
10 ~~earnings from investments or moneys of said fund. There shall be~~
11 ~~established and maintained by the board the several ledger~~
12 ~~accounts specified in sections 8523 (relating to members'~~
13 ~~savings account), 8524 (relating to State accumulation account),~~
14 ~~8525 (relating to annuity reserve account) and 8526 (relating to~~
15 ~~health insurance account).~~

16 ~~(b) Individual investment accounts and trust. The~~
17 ~~individual investment accounts that are part of the trust are~~
18 ~~not part of the fund. Mandatory pickup participant~~
19 ~~contributions, voluntary contributions and employer defined~~
20 ~~contributions made under this part and any income earned by the~~
21 ~~investment of such contributions shall not be paid or credited~~
22 ~~to the fund but instead shall be paid to the trust and credited~~
23 ~~to the individual investment accounts.~~

24 ~~§ 8524. State accumulation account.~~

25 ~~The State accumulation account shall be the ledger account to~~
26 ~~which shall be credited all contributions of the Commonwealth~~
27 ~~and other employers as well as the earnings of the fund, except~~
28 ~~the premium assistance contributions and earnings thereon in the~~
29 ~~health insurance account. Valuation interest shall be allowed on~~
30 ~~the total amount of such account less any earnings of the fund~~

1 credited during the year. The reserves necessary for the payment
2 of annuities and death benefits resulting from membership in the
3 system as approved by the board and as provided in Chapter 83-
4 (relating to membership, contributions and benefits) shall be
5 transferred from the State accumulation account to the annuity
6 reserve account. At the end of each year the required interest
7 shall be transferred from the State accumulation account to the
8 credit of the members' savings account and the annuity reserve
9 account. The administrative expenses of the board shall be
10 charged to the State accumulation account.

11 ~~§ 8525. Annuity reserve account.~~

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

1 ~~account), all annuity and death benefit payments shall be~~
2 ~~charged to the annuity reserve account and paid from the fund.~~

3 ~~(b) Transfers from account. Should an annuitant be~~
4 ~~subsequently restored to active service either as a member of~~
5 ~~the system or participant in the plan, the present value of his~~
6 ~~member's annuity at the time of reentry into school service~~
7 ~~shall be transferred from the annuity reserve account and placed~~
8 ~~to his individual credit in the members' savings account. In~~
9 ~~addition, the actuarial reserve for his annuity less the amount~~
10 ~~transferred to the members' savings account shall be transferred~~
11 ~~from the annuity reserve account to the State accumulation~~
12 ~~account.~~

13 ~~§ 8531. State guarantee regarding the system.~~

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

24 ~~§ 8533. Taxation, attachment and assignment of funds.~~

25 ~~(a) General rule. Except as provided in subsections (b),~~
26 ~~(c) [and (d)], (d) and (e), the right of a person to a member's~~
27 ~~annuity, a State annuity, or retirement allowance, to the return~~
28 ~~of contributions, any benefit or right accrued or accruing to~~
29 ~~any person under the provisions of this part, and the moneys in~~
30 ~~the fund and the trust are hereby exempt from any State or~~

1 ~~municipal tax, and exempt from levy and sale, garnishment,~~
2 ~~attachment, the provisions of Article XIII.1 of the the act of~~
3 ~~April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, or~~
4 ~~any other process whatsoever, and shall be unassignable.~~

5 ~~(a.1) Individual investment accounts and distributions. No~~
6 ~~participant or beneficiary, successor payee, spouse or alternate~~
7 ~~payee of a participant shall have the ability to commute, sell,~~
8 ~~assign, alienate, anticipate, mortgage, pledge, hypothecate,~~
9 ~~commutate or otherwise transfer or convey any benefit or~~
10 ~~interest in an individual investment account or rights to~~
11 ~~receive or direct distributions under this part or under~~
12 ~~agreements entered into under this part except as otherwise~~
13 ~~provided in this part and in the case of either a member or a~~
14 ~~participant.~~

15 ~~(b) Forfeiture.~~

16 ~~(1) Rights under this part shall be subject to~~
17 ~~forfeiture as provided by the act of July 8, 1978 (P.L.752,~~
18 ~~No.140), known as the Public Employee Pension Forfeiture Act.~~
19 ~~Forfeitures under this subsection or under any other~~
20 ~~provision of law may not be applied to increase the benefits~~
21 ~~that any member would otherwise receive under this part.~~

22 ~~(2) Notwithstanding paragraph (1), the act of July 8,~~
23 ~~1978 (P.L.752, No.140), known as the Public Employee Pension~~
24 ~~Forfeiture Act, section 16(b) of Article V of the~~
25 ~~Constitution of Pennsylvania and 42 Pa.C.S. § 3352 (relating~~
26 ~~to pension rights), the accumulated mandatory participant~~
27 ~~contributions and accumulated voluntary contributions~~
28 ~~standing to the credit of a participant shall not be~~
29 ~~forfeited but shall be available for payment of fines and~~
30 ~~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 and used for the payment of expenses of the plan.~~

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

~~(d) Direct rollover. Effective with distributions made on or after January 1, 1993, and notwithstanding any other provision of this part to the contrary, a distributee may elect, at the time and in the manner prescribed by the board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan by way of a direct rollover. For purposes of this subsection, a "distributee" includes a member [and], a participant, a spouse, a member's surviving spouse [and], a participant's surviving spouse, a member's former spouse who is an alternate payee under an approved domestic relations order and a participant's former spouse who is an alternate payee under an approved domestic relations order and anyone else authorized under IRC and the plan terms approved by the board to have an eligible rollover distribution paid directly to an eligible retirement plan by way of a direct~~

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

11 ~~(c) Married participants. No married participant may take~~
12 ~~an action inconsistent with the spousal consent provisions of~~
13 ~~this part or the plan.~~

14 ~~§ 8533.1. Approval of domestic relations orders.~~

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

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

23 ~~(2) Requires the system to provide no more than the~~
24 ~~total amount of benefits than the member would otherwise~~
25 ~~receive (determined on the basis of actuarial value) unless~~
26 ~~increased benefits are paid to the member or alternate payee~~
27 ~~based upon cost of living increases or increases based on~~
28 ~~other than actuarial value.~~

29 ~~(3) Specifies the amount or percentage of the member's~~
30 ~~benefits to be paid by the system to each such alternate~~

1 ~~payee or the manner in which the amount or percentage is to~~
2 ~~be determined.~~

3 ~~(4) Specifies the retirement option to be selected by~~
4 ~~the member upon retirement or states that the member may~~
5 ~~select any retirement option offered by this part upon~~
6 ~~retirement.~~

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

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

14 ~~(7) Requires the member to execute an authorization~~
15 ~~allowing each alternate payee to monitor the member's~~
16 ~~compliance with the terms of the domestic relations order~~
17 ~~through access to information concerning the member~~
18 ~~maintained by the system.~~

19 ~~(a.1) Certification regarding participants. A domestic~~
20 ~~relations order pertaining to a participant shall be certified~~
21 ~~as an approved domestic relations order by the secretary of the~~
22 ~~board, or his designated representative, only if that order~~
23 ~~meets all of the following:~~

24 ~~(1) Does not require the plan to provide any type or~~
25 ~~form of benefit or any option applicable to members of the~~
26 ~~system or participants in the plan.~~

27 ~~(2) Does not require the segregation of the alternate~~
28 ~~payee's share of the participant's individual investment~~
29 ~~account into a subaccount or newly established individual~~
30 ~~account titled in the name of the alternate payee.~~

1 ~~(3) Does not require the plan to recover or distribute~~
2 ~~any funds which were distributed to the participant or at the~~
3 ~~participant's direction prior to the approval of the domestic~~
4 ~~relations order by the secretary of the board or his~~
5 ~~designated representative.~~

6 ~~(4) Requires the plan to pay to the alternate payee no~~
7 ~~more than the lesser of the vested amount of the~~
8 ~~participant's individual investment account specified by the~~
9 ~~domestic relations order or the vested amount of the~~
10 ~~participant's individual investment account as of the date of~~
11 ~~the transfer of the alternate payee's share to the alternate~~
12 ~~payee.~~

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

18 ~~(6) Specifies the amount or percentage of the~~
19 ~~participant's individual investment account to be paid to the~~
20 ~~alternate payee and the date upon which such valuation is~~
21 ~~based.~~

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

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

30 ~~(9) Requires the participant to execute an authorization~~

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

14 ~~(10) In the case of participants who have not yet begun~~
15 ~~to receive distributions as of the date the domestic~~
16 ~~relations order is approved by the secretary of the board or~~
17 ~~his designated representative, requires the immediate~~
18 ~~distribution of the alternate payee's share of the~~
19 ~~participant's individual investment account, which may be~~
20 ~~made by direct payment, eligible rollover or trustee to~~
21 ~~trustee transfer to another eligible plan or qualified~~
22 ~~account owned by the alternate payee, notwithstanding any~~
23 ~~other provision of this part or the plan that would otherwise~~
24 ~~require a distribution of accumulated employer defined~~
25 ~~contributions in the form of an annuity or to require the~~
26 ~~purchase of an annuity.~~

27 ~~(11) In the case of participants who are currently~~
28 ~~receiving distributions from the trust as of the date the~~
29 ~~domestic relations order is approved by the secretary of the~~
30 ~~board or his designated representative, the domestic~~

~~relations order may not order the board to pay the alternate payee more than the balance available in the participant's individual investment account as of the date the order is approved or require that distributions continue to the alternate payee after the death of the participant and final settlement of the participant's individual investment account.~~

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

~~(c) Other orders. The requirements for approval identified in [subsection (a)] subsections (a) and (a.1) shall not apply to any domestic relations order which is an order for support as that term is defined in 23 Pa.C.S. § 4302 (relating to definitions) or an order for the enforcement of arrearages as provided in 23 Pa.C.S. § 3703 (relating to enforcement of arrearages). These orders shall be approved to the extent that they do not attach moneys in excess of the limits on attachments as established by the laws of this Commonwealth and the United~~

1 ~~States[.], require distributions of benefits in a manner that~~
2 ~~would violate the laws of the United States, any other state or~~
3 ~~this Commonwealth or require the distribution of funds for~~
4 ~~support or enforcement of arrearages against any participant who~~
5 ~~is not receiving distributions from the plan at the time such~~
6 ~~order is entered. These orders may be approved notwithstanding~~
7 ~~any other provision of this part or the plan that would~~
8 ~~otherwise require a distribution of accumulated employer defined~~
9 ~~contributions in the form of an annuity or to require the~~
10 ~~purchase of an annuity.~~

11 ~~(d) Obligation discharged. Only the requirements of this~~
12 ~~part and any regulations promulgated hereunder shall be used to~~
13 ~~govern the approval or disapproval of a domestic relations~~
14 ~~order. Therefore, if the secretary of the board, or his~~
15 ~~designated representative, acts in accordance with the~~
16 ~~provisions of this part and any promulgated regulations in~~
17 ~~approving or disapproving a domestic relations order, then the~~
18 ~~obligations of the system or plan with respect to such approval~~
19 ~~or disapproval shall be discharged.~~

20 ~~§ 8533.3. Irrevocable survivor annuitant.~~

21 ~~Notwithstanding any other provisions of this part, a domestic~~
22 ~~relations order pertaining to a member may provide for an~~
23 ~~irrevocable survivor annuitant. A domestic relations order~~
24 ~~requiring the designation of an irrevocable survivor annuitant~~
25 ~~shall be deemed to be one that requires a member to designate an~~
26 ~~alternate payee as a survivor annuitant and that prohibits the~~
27 ~~removal or change of that survivor annuitant without approval of~~
28 ~~a court of competent jurisdiction, except by operation of law.~~
29 ~~Such a domestic relations order may be certified as an approved~~
30 ~~domestic relations order by the secretary of the board, or his~~

1 ~~designated representative, in which case the irrevocable~~
2 ~~survivor annuitant so ordered by the court cannot be changed by~~
3 ~~the member without approval by the court. A person ineligible to~~
4 ~~be designated as a survivor annuitant may not be designated an~~
5 ~~irrevocable survivor annuitant.~~

6 ~~§ 8533.4. Amendment of approved domestic relations orders.~~

7 ~~(a) Deceased alternate payee. In the event that the~~
8 ~~alternate payee predeceases the member or participant and there~~
9 ~~are benefits payable to the alternate payee, the divorce court~~
10 ~~may amend the approved domestic relations order to substitute a~~
11 ~~person for the deceased alternate payee to receive any benefits~~
12 ~~payable to the deceased alternate payee.~~

13 ~~* * *~~

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

15 ~~§ 8533.5. Irrevocable successor payee.~~

16 ~~(a) Condition. Notwithstanding any other provisions of this~~
17 ~~part, a domestic relations order pertaining to a participant may~~
18 ~~provide for an irrevocable successor payee, only if the~~
19 ~~participant is receiving a payment pursuant to a payment option~~
20 ~~provided by the board that allows for a successor payee.~~

21 ~~(b) Determination. A domestic relations order requiring the~~
22 ~~designation of an irrevocable successor payee shall be deemed to~~
23 ~~be one that requires a participant who is receiving payments~~
24 ~~from an annuity or other distribution option to designate an~~
25 ~~alternate payee as a successor payee and that prohibits the~~
26 ~~removal or change of that successor payee without approval of a~~
27 ~~court of competent jurisdiction, except by operation of law.~~

28 ~~(c) Certification. A domestic relations order under~~
29 ~~subsection (b) may be certified as an approved domestic~~
30 ~~relations order by the secretary of the board, or his designated~~

1 ~~representative, in which case the irrevocable successor payee so~~
2 ~~ordered by the court cannot be changed by the participant~~
3 ~~without approval by the court.~~

4 ~~(d) Ineligibility. A person ineligible to be designated as~~
5 ~~a successor payee may not be designated as an irrevocable~~
6 ~~successor payee. A court may not name an irrevocable successor~~
7 ~~payee if the alternate payee is eligible to receive a lump sum~~
8 ~~distribution of the alternate payee's portion of the marital~~
9 ~~portion of the pension benefit.~~

10 ~~§ 8533.6. Exemption from spousal consent.~~

11 ~~If a domestic relations order approved under section 8533.1~~
12 ~~(relating to approval of domestic relations orders) requires any~~
13 ~~nomination of irrevocable beneficiary or irrevocable survivor~~
14 ~~annuitant or the selection of any benefit by a participant, the~~
15 ~~provisions of this part or the plan requiring the spouse of a~~
16 ~~married participant to be nominated as beneficiary or designated~~
17 ~~as survivor annuitant or to grant consent to any action,~~
18 ~~election or application of a participant shall not apply to any~~
19 ~~action or nomination so required by the approved domestic~~
20 ~~relations order to the extent that the required action or~~
21 ~~nomination is inconsistent with the rights of the spouse set~~
22 ~~forth in this part.~~

23 ~~Section 124. Section 8534 of Title 24 is amended to read:~~

24 ~~§ 8534. Fraud and adjustment of errors.~~

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

30 ~~(b) Adjustment of errors. Should any change or mistake in~~

1 ~~records result in any member, participant, beneficiary, [or],~~
2 ~~survivor annuitant or successor payee receiving from the system~~
3 ~~or plan more or less than he would have been entitled to receive~~
4 ~~had the records been correct, then regardless of the intentional~~
5 ~~or unintentional nature of the error and upon the discovery of~~
6 ~~such error, the board shall correct the error and if the error~~
7 ~~affects contributions to or payments from the system, then so~~
8 ~~far as practicable shall adjust the payments which may be made~~
9 ~~for and to such person in such a manner that the actuarial~~
10 ~~equivalent of the benefit to which he was correctly entitled~~
11 ~~shall be paid. If the error affects contributions to or payments~~
12 ~~from the plan, the board shall take such action as shall be~~
13 ~~provided for in the plan document.~~

14 Section 125. Title 24 is amended by adding a section to
15 read:

16 ~~§ 8534.1. Spousal consent and participants.~~

17 ~~(a) General rule. No married participant may:~~

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

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

20 ~~(3) file a valid application regarding the consent of~~

21 ~~the participant's spouse unless the participant's spouse~~

22 ~~consents in writing to that action, election or application.~~

23 ~~A consent shall be valid only if the consent is:~~

24 ~~(i) signed after the participant's spouse receives~~

25 ~~counseling or affirmatively waives the right to receive~~

26 ~~counseling;~~

27 ~~(ii) witnessed before a notary public; and~~

28 ~~(iii) filed with the board within 90 days of the~~

29 ~~filing of the application or within 90 days of the date~~

30 ~~the action or election would otherwise be valid. A~~

1 ~~consent or lack thereof shall not affect the effective~~
2 ~~date of any action or election.~~

3 ~~(b) Exceptions to consent. Spousal consent shall not be~~
4 ~~required where:~~

5 ~~(1) the spouse cannot be located; or~~

6 ~~(2) such other circumstances as the board may establish~~
7 ~~in the plan document.~~

8 ~~(c) Legal guardians and powers of attorney. A legal~~
9 ~~guardian, even if the participant, may execute a valid spousal~~
10 ~~consent. A participant, as agent under a power of attorney, may~~
11 ~~not execute a valid spousal consent unless the spouse is~~
12 ~~incapacitated and the spouse had executed a valid durable power~~
13 ~~of attorney.~~

14 ~~(d) Spouse of participant. This part does not grant to the~~
15 ~~spouse of a participant of the plan the rights, options or~~
16 ~~privileges of a participant. The rights of the spouse shall~~
17 ~~remain derivative of the rights of the participant, including~~
18 ~~rights under the act of July 8, 1978 (P.L.752, No.140), known as~~
19 ~~the Public Employee Pension Forfeiture Act, section 16(b) of~~
20 ~~Article V of the Constitution of Pennsylvania and 42 Pa.C.S. §~~
21 ~~3352 (relating to pension rights). The spouse may not do the~~
22 ~~following:~~

23 ~~(1) compel the participant to take, or prevent the~~
24 ~~participant from taking, an action regarding membership,~~
25 ~~rights or benefits in the plan other than as provided under~~
26 ~~this part; or~~

27 ~~(2) take any action on behalf of the participant, except~~
28 ~~as provided under this part.~~

29 ~~(e) Waiver. If a law allows a participant in the plan to~~
30 ~~waive benefits or return of contributions that the participant~~

1 ~~is receiving, entitled to currently receive or receive in the~~
2 ~~future, the waiver is not valid unless the spouse of the~~
3 ~~participant consents to the waiver as provided for under this~~
4 ~~part.~~

5 ~~Section 126. Section 8535 of Title 24 is amended to read:~~
6 ~~§ 8535. Payments to school entities by Commonwealth.~~

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

12 ~~(1) The Commonwealth shall pay each school entity for~~
13 ~~contributions made to the Public School Employees' Retirement~~
14 ~~Fund based upon school service of all active members,~~
15 ~~including members on activated military service leave, whose~~
16 ~~effective dates of employment with their school entities are~~
17 ~~after June 30, 1994, and who also had not previously been~~
18 ~~employed by any school entity within this Commonwealth an~~
19 ~~amount equal to the amount certified by the Public School~~
20 ~~Employees' Retirement Board as necessary to provide, together~~
21 ~~with the members' contributions, reserves on account of~~
22 ~~prospective annuities, supplemental annuities and the premium~~
23 ~~assistance program as provided in this part in accordance~~
24 ~~with section 8328 (relating to actuarial cost method),~~
25 ~~multiplied by the market value/income aid ratio of the school~~
26 ~~entity. For no school year shall any school entity receive~~
27 ~~less than the amount that would result if the market~~
28 ~~value/income aid ratio as defined in section 2501(14.1) of~~
29 ~~the Public School Code [of 1949] was 0.50.~~

30 ~~(2) The Commonwealth shall pay each school entity for~~

1 ~~contributions made to the Public School Employees' Retirement~~
2 ~~Fund based upon school service of all active members,~~
3 ~~including members on activated military service leave, who~~
4 ~~are not described in paragraph (1), one half of the amount~~
5 ~~certified by the Public School Employees' Retirement Board as~~
6 ~~necessary to provide, together with the members'~~
7 ~~contributions, reserves on account of prospective annuities,~~
8 ~~supplemental annuities and the premium assistance program as~~
9 ~~provided in this part in accordance with section 8328.~~

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

20 ~~Section 127. Title 24 is amended by adding a section to~~
21 ~~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 128. 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:~~

15 ~~(1) an annuitant or survivor annuitant or the spouse or~~
16 ~~dependent of an annuitant or survivor annuitant; or~~

17 ~~(2) a participant receiving distributions or a successor~~
18 ~~payee, or the spouse or dependent of a participant receiving~~
19 ~~distributions or successor payee.~~

20 * * *

21 ARTICLE II

22 Section 201. Section 7306(a) introductory paragraph of Title
23 51, amended October 24, 2012 (P.L.1436, No.181) JULY 1, 2013 <--
24 (P.L.174, NO.32), is amended and the section is amended by
25 adding a subsection to read:

26 § 7306. Retirement rights.

27 (a) Options available to employees.--Any employee who is a
28 member of a retirement system other than an active member or
29 inactive member on leave without pay of the State Employees'
30 Retirement System, ~~an active or inactive participant of the~~ <--

1 ~~School Employees' Defined Contribution Plan or an active~~ [OR], <--
2 AN ACTIVE OR INACTIVE MEMBER OF THE PUBLIC SCHOOL EMPLOYEES'
3 ~~RETIREMENT SYSTEM OR AN ACTIVE participant or inactive~~
4 ~~participant on leave without pay of the State Employees' Defined~~
5 ~~Contribution Plan,~~ at the time he is granted a military leave of
6 absence shall be entitled to exercise any one of the following
7 options in regard thereto:

8 * * *

9 ~~(e) Participant of a defined contribution plan.~~ <--

10 ~~(1) An employee who is an active or inactive participant~~
11 ~~of the School Employees' Defined Contribution Plan at the~~
12 ~~time the employee is granted a military leave of absence~~
13 ~~shall be entitled to make contributions to the Public School~~
14 ~~Employees' Defined Contribution Trust for the leave as~~
15 ~~provided in 24 Pa.C.S. Pt. IV (relating to retirement for~~
16 ~~school employees).~~

17 ~~(2) An employee who is an active participant or inactive~~

18 ~~(F) PARTICIPANT OF A DEFINED CONTRIBUTION PLAN.--AN EMPLOYEE~~ <--

19 ~~WHO IS AN ACTIVE PARTICIPANT OR INACTIVE participant on leave~~
20 ~~without pay of the State Employees' Defined Contribution Plan at~~
21 ~~the time he is granted a military leave of absence shall be~~
22 ~~entitled to make contributions to the State Employees' Defined~~
23 ~~Contribution Trust for the leave as provided in 71 Pa.C.S. Pt.~~
24 ~~XXV (relating to retirement for State employees and officers).~~

25 ARTICLE III

26 Section 301. Section 5102 of Title 71, amended October 24,
27 2012 (P.L.1436, No.181), is amended to read:

28 § 5102. Definitions.

29 The following words and phrases as used in this part, unless
30 a different meaning is plainly required by the context, shall

1 have the following meanings:

2 "Academic administrator." A management employee in the field
3 of public education whose work is directly related to academic
4 instruction, excluding any employee in a position that is
5 nonacademic in nature, such as, without limitation, a position
6 that relates to admissions, financial aid, counseling,
7 secretarial and clerical services, records management, housing,
8 food service, maintenance and security.

9 "Accumulated employer defined contributions." The total of
10 the employer defined contributions paid into the trust on
11 account of a participant's State service together with any
12 investment earnings and losses and adjustment for fees, costs
13 and expenses credited or charged thereon.

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

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

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

1 "Active member." A State employee, or a member on leave
2 without pay, for whom pickup contributions are being made to the
3 fund or for whom such contributions otherwise required for
4 current State service are not being made solely by reason of
5 section 5502.1 (relating to waiver of regular member
6 contributions and Social Security integration member
7 contributions) or any provision of this part relating to the
8 limitations under section 401(a)(17) or section 415(b) of the
9 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
10 401(a)(17) or 415(b)).

11 "Active participant." A State employee for whom mandatory
12 pickup participant contributions are being made to the trust or
13 for whom such contributions otherwise required for current State
14 service are not being made solely by reason of any provision of
15 this part relating to the limitations under section 401(a)(17)
16 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
17 26 U.S.C. § 401(a)(17) or § 415). ~~The term does not include a~~ <--
18 sworn member of the Pennsylvania State Police or a correction
19 officer.

20 "Actuarial increase factor." A factor calculated at the
21 member's birthday by dividing the cost of a dollar annuity based
22 on the age of the member on the member's immediately previous
23 birthday by the cost of a one-year deferred dollar annuity
24 calculated at that same age. Unless the member terminates State
25 or school service on the member's birthday, the actuarial
26 increase factor for the year of termination shall be adjusted
27 by:

- 28 (1) subtracting one from the calculated factor; then
- 29 (2) dividing the difference by twelve; then
- 30 (3) multiplying the resulting quotient by the number of

1 whole months between the member's immediately previous
2 birthday and the date of termination of service; then

3 (4) adding one to the resulting product.

4 "Actuarially equivalent." Equal present values, computed on
5 the basis of statutory interest and the mortality tables adopted
6 by the board.

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

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

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

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

16 "Additional accumulated deductions." The total of the
17 additional member contributions paid into the fund on account of
18 current service or previous State or creditable nonstate
19 service, together with the statutory interest credited thereon
20 until the date of termination of service. In the case of a
21 vestee, statutory interest shall be credited until the effective
22 date of retirement. A member's account shall not be credited
23 with statutory interest for more than two years during a leave
24 without pay.

25 "Alternative investment." An investment in a private equity
26 fund, private debt fund, venture fund, real estate fund, hedge
27 fund or absolute return fund.

28 "Alternative investment vehicle." A limited partnership,
29 limited liability company or any other legal vehicle for
30 authorized investments under section 5931(i) (relating to

1 management of fund and accounts) through which the system makes
2 an alternative investment.

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

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

10 "Approved domestic relations order." Any domestic relations
11 order which has been determined to be approved in accordance
12 with section 5953.1 (relating to approval of domestic relations
13 orders).

14 "Average noncovered salary." The average of the amounts of
15 compensation received by an active member each calendar year
16 since January 1, 1956, exclusive of the amount which was or
17 could have been covered by the Federal Social Security Act[,]
18 (42 U.S.C. § 301 et seq.), during that portion of the member's
19 service since January 1, 1956, for which he has received social
20 security integration credit.

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

27 "Beneficiary." [The] In the case of the system, the person
28 or persons last designated in writing to the board by a member
29 to receive his accumulated deductions or a lump sum benefit upon
30 the death of such member. In the case of the plan, the spouse of

1 a participant. If the participant is not married or the spouse
2 consents, then the person or persons last designated in writing
3 to the board by the participant to receive the participant's
4 vested accumulated total defined contributions or a lump sum
5 benefit upon the death of the participant.

6 "Board." The State Employees' Retirement Board or the State
7 Employees' Retirement Board.

8 "Class of service multiplier."

9	Class of Service		Multiplier
10	A		1
11	AA	for all purposes	
12		except calculating	
13		regular member	
14		contributions on	
15		compensation paid	
16		prior to	
17		January 1, 2002	1.25
18	AA	for purposes of	
19		calculating	
20		regular member	
21		contributions on	
22		compensation paid	
23		prior to January	
24		1, 2002	1
25	A-3	for all purposes	
26		except the	
27		calculation of	
28		regular member	
29		contributions and	
30		contributions for	

1		creditable	
2		nonstate service	1
3	A-3	for purposes of	
4		calculating	
5		regular member	
6		contributions and	
7		contributions for	
8		creditable	
9		nonstate service	1.25
10	A-4	for all purposes	
11		except the	
12		calculation of	
13		regular member	
14		contributions	1.25
15	A-4	for purposes of	
16		calculating	
17		regular member	
18		contributions	1.86
19	B		.625
20	C		1
21	D		1.25
22	D-1	prior to January	
23		1, 1973	1.875
24	D-1	on and subsequent	
25		to January 1, 1973	1.731
26	D-2	prior to January	
27		1, 1973	2.5
28	D-2	on and subsequent	
29		to January 1, 1973	1.731
30	D-3	prior to January	

1		1, 1973	3.75	
2	D-3	on and		
3		subsequent to		
4		January 1, 1973	1.731	except prior
5				to December
6				1, 1974
7				as applied
8				to any
9				additional
10				legislative
11				compensation
12				as an
13				officer of
14				the General
15				Assembly
16			3.75	
17	D-4	for all purposes		
18		except calculating		
19		regular member		
20		contributions on		
21		compensation paid		
22		prior to July 1,		
23		2001	1.5	
24	D-4	for purposes of		
25		calculating		
26		regular member		
27		contributions on		
28		compensation		
29		paid prior to		
30		July 1, 2001	1	

1	E, E-1	prior to January		
2		1, 1973	2	for each of
3				the first
4				ten years
5				of judicial
6				service, and
7			1.5	for each
8				subsequent
9				year of
10				judicial
11				service
12	E, E-1	on and subsequent		
13		to January 1, 1973	1.50	for each of
14				the first
15				ten years of
16				judicial
17				service and
18			1.125	for each
19				subsequent
20				year of
21				judicial
22				service
23	E-2	on and subsequent		
24		to September 1,		
25		1973	1.125	
26	G		0.417	
27	H		0.500	
28	I		0.625	
29	J		0.714	
30	K		0.834	

1	L	1.000
2	M	1.100
3	N	1.250
4	T-C (Public School	1
5	Employees'	
6	Retirement Code)	
7	T-E (Public School	1
8	Employees'	
9	Retirement Code)	
10	T-F (Public School	1
11	Employees'	
12	Retirement Code)	

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

16 "Commissioner." The Commissioner of the Internal Revenue
17 Service.

18 "Compensation." Pickup contributions and mandatory
19 participant pickup contributions plus remuneration actually
20 received as a State employee excluding refunds for expenses,
21 contingency and accountable expense allowances; excluding any
22 severance payments or payments for unused vacation or sick
23 leave; and excluding payments for military leave and any other
24 payments made by an employer while on USERRA leave, leave of
25 absence granted under 51 Pa.C.S. § 4102 (relating to leaves of
26 absence for certain government employees), military leave of
27 absence granted under 51 Pa.C.S. § 7302 (relating to granting
28 military leaves of absence) or other types of military leave,
29 including other types of leave payments, stipends, differential
30 wage payments as defined in IRC § 414(u)(12) and any other

1 payments: Provided, however, That compensation received prior to
2 January 1, 1973, shall be subject to the limitations for
3 retirement purposes in effect December 31, 1972, if any:
4 Provided further, That the limitation under section 401(a)(17)
5 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
6 U.S.C. § 401(a)(17)) taken into account for the purpose of
7 member contributions, including any additional member
8 contributions in addition to regular or joint coverage member
9 contributions and Social Security integration contributions,
10 regardless of class of service, shall apply to each member who
11 first became a member of the State Employees' Retirement System
12 on or after January 1, 1996, and who by reason of such fact is a
13 noneligible member subject to the application of the provisions
14 of section 5506.1(a) (relating to annual compensation limit
15 under IRC § 401(a)(17)) and shall apply to each participant.

16 "Concurrent service." Service credited in more than one
17 class of service during the same period of time.

18 "Correction officer." Any full-time employee assigned to the
19 Department of Corrections or the Department of Public Welfare
20 whose principal duty is the care, custody and control of inmates
21 or direct therapeutic treatment, care, custody and control of
22 inmates of a penal or correctional institution, community
23 treatment center, forensic unit in a State hospital or secure
24 unit of a youth development center operated by the Department of
25 Corrections or by the Department of Public Welfare.

26 "County service." Service credited in a retirement system or
27 pension plan established or maintained by a county to provide
28 retirement benefits for its employees to the account of county
29 employees who are transferred to State employment and become
30 State employees pursuant to 42 Pa.C.S. § 1905 (relating to

1 county-level court administrators) regardless of whether the
2 service was performed for the county or another employer or
3 allowed to be purchased in the county retirement system or
4 pension plan.

5 "Creditable nonstate service." Service FOR WHICH AN ACTIVE <--
6 MEMBER MAY OBTAIN CREDIT IN THE SYSTEM, other than:

7 (1) service as a State employee;

8 (2) service converted to State service pursuant to
9 section 5303.1 (relating to election to convert county
10 service to State service); or

11 (3) school service converted to State service pursuant
12 to section 5303.2 (relating to election to convert school
13 service to State service) [for which an active member may
14 obtain credit] ~~for which an active member may obtain credit~~ <--
15 ~~in the system.~~

16 "Credited service." State or creditable nonstate service for
17 which the required contributions have been made TO THE FUND or <--
18 for which the contributions otherwise required for such service
19 were not made solely by reason of section 5502.1 (relating to
20 waiver of regular member contributions and Social Security
21 integration member contributions) or any provision of this part
22 relating to the limitations under section 401(a)(17) or 415(b)
23 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
24 U.S.C. § 401(a)(17) or 415(b)), or for which salary deductions
25 to the system or lump sum payments have been agreed upon in
26 writing.

27 "Date of termination of service." The last day of service
28 for which:

29 (1) pickup contributions are made for an active member
30 [or];

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

4 (3) mandatory pickup participant contributions are made
5 for an active participant;

6 (4) in the case of an inactive participant on leave
7 without pay, the date of his resignation or the date his
8 employment is formally discontinued by his employer; or

9 (5) in the case of a combined service employee, the
10 latest of the dates in paragraphs (1), (2), (3) and (4).

11 "DC PLAN EXEMPT EMPLOYEE." A STATE EMPLOYEE OTHER THAN THE <--
12 GOVERNOR, LIEUTENANT GOVERNOR, ATTORNEY GENERAL, AUDITOR
13 GENERAL, STATE TREASURER, A MEMBER OF THE GENERAL ASSEMBLY OR A
14 MEMBER OF THE JUDICIARY.

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

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

23 "Domestic relations order." Any judgment, decree or order,
24 including approval of a property settlement agreement, entered
25 on or after the effective date of this definition by a court of
26 competent jurisdiction pursuant to a domestic relations law
27 which relates to the marital property rights of the spouse or
28 former spouse of a member or participant, including the right to
29 receive all or a portion of the moneys payable to that member or
30 participant under this part in furtherance of the equitable

1 distribution of marital assets. The term includes orders of
2 support as that term is defined by 23 Pa.C.S. § 4302 (relating
3 to definitions) and orders for the enforcement of arrearages as
4 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
5 arrearages).

6 "Effective date of retirement." The first day following the
7 date of termination of service of a member if he has properly
8 filed an application for an annuity within 90 days of such date;
9 in the case of a vestee or a member who does not apply for an
10 annuity within 90 days after termination of service, the date of
11 filing an application for an annuity or the date specified on
12 the application, whichever is later. In the case of a finding of
13 disability, the date certified by the board as the effective
14 date of disability.

15 "ELECTED OFFICER." AN INDIVIDUAL WHO IS ELECTED, REELECTED <--
16 OR RETAINED IN A RETENTION ELECTION TO A TERM OF OFFICE THAT
17 BEGINS AFTER NOVEMBER 30, 2014, AS GOVERNOR, LIEUTENANT
18 GOVERNOR, ATTORNEY GENERAL, AUDITOR GENERAL, STATE TREASURER, A
19 MEMBER OF THE GENERAL ASSEMBLY OR A MEMBER OF THE JUDICIARY.

20 "Eligibility points." Points which are accrued by an active
21 member or a multiple service member who is an active member in
22 the Public School Employees' Retirement System for credited
23 service or a member who has been reemployed from USERRA leave or
24 a member who dies while performing USERRA leave and are used in
25 the determination of eligibility for benefits.

26 ~~"Employer defined contributions."~~ <--
27 ~~(1) Unless paragraph (2) applies, contributions equal to~~
28 "EMPLOYER DEFINED CONTRIBUTIONS." CONTRIBUTIONS EQUAL TO 4% <--
29 of an active participant's compensation which THAT are made by <--
30 the Commonwealth or other employer for current service to the

1 trust to be credited in the active participant's individual
2 investment account.

3 ~~(2) For an enforcement officer, psychiatric security~~ <--
4 ~~aide, Delaware River Port Authority policeman, park~~
5 ~~ranger or Capitol Police officer, contributions equal to~~
6 ~~5.5% of an active participant's compensation which are~~
7 ~~made by the Commonwealth or other employer for current~~
8 ~~service to the trust to be credited in the active~~
9 ~~participant's individual investment account.~~

10 "Enforcement officer."

11 (1) Any enforcement officer or investigator of the
12 Pennsylvania Liquor Control Board who is a peace officer
13 vested with police power and authority throughout the
14 Commonwealth and any administrative or supervisory employee
15 of the Pennsylvania Liquor Control Board vested with police
16 power who is charged with the administration or enforcement
17 of the liquor laws of the Commonwealth.

18 (2) Special agents, narcotics agents, asset forfeiture
19 agents, medicaid fraud agents and senior investigators
20 hazardous waste prosecutions unit, classified as such and
21 employed by the Office of Attorney General who have within
22 the scope of their employment as law enforcement officers the
23 power to enforce the law and make arrests under the authority
24 of the act of October 15, 1980 (P.L.950, No.164), known as
25 the Commonwealth Attorneys Act.

26 (3) Parole agents, classified as such by the Executive
27 Board and employed by the Pennsylvania Board of Probation and
28 Parole.

29 (4) Waterways conservation officers and other
30 commissioned law enforcement personnel employed by the

1 Pennsylvania Fish and Boat Commission who have and exercise
2 the same law enforcement powers as waterways conservation
3 officers. This paragraph shall not apply to deputy waterways
4 conservation officers.

5 "Final average salary." The highest average compensation
6 received as a member during any three nonoverlapping periods of
7 four consecutive calendar quarters during which the member was a
8 State employee, with the compensation for part-time service
9 being annualized on the basis of the fractional portion of the
10 year for which credit is received; except if the employee was
11 not a member for three nonoverlapping periods of four
12 consecutive calendar quarters, the total compensation received
13 as a member, annualized in the case of part-time service,
14 divided by the number of nonoverlapping periods of four
15 consecutive calendar quarters of membership; in the case of a
16 member with multiple service, the final average salary shall be
17 determined on the basis of the compensation received by him as a
18 [State employee] member of the system or as a school employee, ~~or~~ <--
19 ~~other than as a participant in the School Employees' Defined-~~
20 ~~Contribution Plan,~~ or both; in the case of a member with Class
21 A-3 or Class A-4 service and service in one or more other
22 classes of service, the final average salary shall be determined
23 on the basis of the compensation received by him in all classes
24 of State service credited in the system; and, in the case of a
25 member who first became a member on or after January 1, 1996,
26 the final average salary shall be determined as hereinabove
27 provided but subject to the application of the provisions of
28 section 5506.1(a) (relating to annual compensation limit under
29 IRC § 401(a)(17)). Final average salary shall be determined by
30 including in compensation payments deemed to have been made to a

1 member reemployed from USERRA leave to the extent member
2 contributions have been made as provided in section 5302(f)(2)
3 (relating to credited State service) and payments made to a
4 member on leave of absence under 51 Pa.C.S. § 4102 (relating to
5 leaves of absence for certain government employees) as provided
6 in section 5302(f)(6).

7 "Full coverage member." Any member for whom member pickup
8 contributions are being picked up or who has paid or has agreed
9 to pay to the fund the actuarial equivalent of regular member
10 contributions due on account of service prior to January 1,
11 1982.

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

13 "Head of department." The chief administrative officer of
14 the department, the chairman or executive director of the
15 agency, authority, or independent board or commission, the Court
16 Administrator of Pennsylvania, and the Chief Clerk of the
17 Senate, or the Chief Clerk of the House of Representatives.

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

1 "Inactive member on leave without pay." The term does not
2 include a combined service employee who is an inactive
3 participant on leave without pay- UNLESS THE COMBINED SERVICE <--
4 EMPLOYEE CONCURRENTLY IS EMPLOYED IN AN OFFICE OR A POSITION IN
5 WHICH THE COMBINED SERVICE EMPLOYEE IS A MEMBER OF THE SYSTEM.

6 "Inactive participant." A participant for whom no mandatory
7 pickup participant contributions are being made to the trust,
8 except in the case of an active participant for whom such
9 contributions otherwise required for current State service are
10 not being made solely by reason of any provision of this part
11 relating to limitations under section 401(a)(17) or 415 of the
12 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
13 401(a)(17) or 415), but who has vested accumulated total defined
14 contributions standing to his credit in the trust and who has
15 not filed an application for an annuity.

16 "Inactive participant on leave without pay." The term does
17 not include a combined service employee who is an inactive
18 member on leave without pay- UNLESS THE COMBINED SERVICE <--
19 EMPLOYEE CONCURRENTLY IS EMPLOYED IN AN OFFICE OR A POSITION IN
20 WHICH THE COMBINED SERVICE EMPLOYEE IS A PARTICIPANT IN THE
21 PLAN.

22 "Individual investment account." The account in the trust to
23 which are credited the amounts of the contributions made by a
24 participant and the participant's employer in accordance with
25 the provisions of this part, together with all interest and
26 investment earnings after deduction for fees, costs, expenses
27 and investment losses and charges for distributions.

28 "Intervening military service." Active military service of a
29 member who was a State employee and active member of the system
30 immediately preceding his induction into the armed services or

1 forces of the United States in order to meet a military
2 obligation excluding any voluntary extension of such service and
3 who becomes a State employee within 90 days of the expiration of
4 such service.

5 "IRC." The Internal Revenue Code of 1986, as designated and
6 referred to in section 2 of the Tax Reform Act of 1986 (Public
7 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to
8 "IRC § " shall be deemed to refer to the identically numbered
9 section and subsection or other subdivision of such section in
10 26 United States Code (relating to Internal Revenue Code).

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

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

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

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

30 "Joint coverage member contributions." Regular member

1 contributions reduced for a joint coverage member.

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

5 "Member." Active member, inactive member, annuitant, vestee
6 or special vestee.

7 "Member of the judiciary." Any justice of the Supreme Court,
8 any judge of the Superior Court, the Commonwealth Court, any
9 court of common pleas, the Municipal Court and the Traffic Court
10 of Philadelphia, or any community court.

11 "Member's annuity." The single life annuity which is
12 actuarially equivalent, at the effective date of retirement, to
13 the sum of the regular accumulated deductions, shared-risk
14 accumulated deductions, the additional accumulated deductions
15 and the social security integration accumulated deductions
16 standing to the member's credit in the members' savings account.

17 "Military service." All active military service for which a
18 member has received a discharge other than an undesirable, bad
19 conduct, or dishonorable discharge.

20 "Multiple service." Credited service of a member who has
21 elected to combine his credited service in both the State
22 Employees' Retirement System and the Public School Employees'
23 Retirement System.

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

27 "Nonstudent service." Employment in an educational
28 institution that is not contingent on the employee's enrollment
29 as a student or maintenance of student status at such
30 institution and for which only monetary compensation is

1 received, excluding tuition waivers or reimbursement, academic
2 credit, housing, meals and other in-kind compensation.

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

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

10 "Pickup contributions." Regular or joint coverage member
11 contributions, shared risk member contributions, social security
12 integration contributions and additional member contributions
13 which are made by the Commonwealth or other employer for active
14 members for current service on and after January 1, 1982.

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

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

22 "Previous State service." Service rendered as a State
23 employee prior to his most recent entrance in the system[.],
24 provided that the State employee was not a participant in the
25 plan, was not eligible to be an optional participant in the plan
26 under section 5301(b.1) (relating to mandatory and optional
27 membership in the system and participation in the plan) or was
28 not prohibited from being a participant under section 5301(c.1)
29 during such service.

30 "Psychiatric security aide." Any employee whose principal

1 duty is the care, custody and control of the criminally insane
2 inmates of a maximum security institution for the criminally
3 insane or detention facility operated by the Department of
4 Public Welfare.

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

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

17 "Regular accumulated deductions." The total of the regular
18 or joint coverage member contributions paid into the fund on
19 account of current service or previous State or creditable
20 nonstate service, together with the statutory interest credited
21 thereon until the date of termination of service. In the case of
22 a vestee or a special vestee, statutory interest shall be
23 credited until the effective date of retirement. A member's
24 account shall not be credited with statutory interest for more
25 than two years during a leave without pay.

26 "Regular member contributions." The product of the basic
27 contribution rate, the class of service multiplier if greater
28 than one and the compensation of the member.

29 "Required beginning date." The latest date by which
30 distributions of a participant's interest in his individual

1 investment account must commence under section 401(a)(9) of the
2 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
3 401(a)(9)).

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

7 "Salary deductions." The amounts certified by the board,
8 deducted from the compensation of an active member or active
9 participant, or the school service compensation of a multiple
10 service member who is an active member of the Public School
11 Employees' Retirement System, and paid into the fund or trust.

12 ~~"School Employees' Defined Contribution Plan." The defined <--~~
13 ~~contribution plan for school employees established under 24~~
14 ~~Pa.C.S. Pt. IV (relating to retirement for school employees).~~

15 "School service." Service rendered as a public school
16 employee and credited as service in the Public School Employees'
17 Retirement System.

18 "Service connected disability." A disability resulting from
19 an injury arising in the course of State employment, and which
20 is compensable under the applicable provisions of the act of
21 June 2, 1915 (P.L.736, No.338), known as "The Pennsylvania
22 Workmen's Compensation Act," or the act of June 21, 1939
23 (P.L.566, No.284), known as "The Pennsylvania Occupational
24 Disease Act."

25 "Shared-risk accumulated deductions." The total of the
26 shared-risk member contributions paid into the fund on account
27 of current service or previous State service or creditable
28 nonstate service, together with the statutory interest credited
29 on the contributions until the date of termination of service.
30 In the case of a vestee, statutory interest shall be credited

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

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

7 "Social security integration accumulated deductions." The
8 total of the member contributions paid into the fund on account
9 of social security integration credit, together with the
10 statutory interest credited thereon until the date of
11 termination of service or until the date of withdrawal thereof,
12 whichever is earlier. In the case of a vestee statutory interest
13 shall be credited until the effective date of retirement. A
14 member's account shall not be credited with statutory interest
15 for more than two years during a leave without pay.

16 "Special vestee." An employee of The Pennsylvania State
17 University who is a member of the State Employees' Retirement
18 System with five or more but less than ten eligibility points
19 and who has a date of termination of service from The
20 Pennsylvania State University of June 30, 1997, because of the
21 transfer of his job position or duties to a controlled
22 organization of the Penn State Geisinger Health System or
23 because of the elimination of his job position or duties due to
24 the transfer of other job positions or duties to a controlled
25 organization of the Penn State Geisinger Health System, provided
26 that:

27 (1) subsequent to termination of State service as an
28 employee of The Pennsylvania State University, the member has
29 not returned to State service in any other capacity or
30 position as a State employee;

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

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

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

10 "Standard single life annuity." An annuity equal to 2% of
11 the final average salary, multiplied by the total number of
12 years and fractional part of a year of credited service of a
13 member.

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

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

23 (ii) State-owned educational institutions.

24 (iii) Community colleges.

25 (iv) The Pennsylvania State University, except an
26 employee in the College of Agriculture who is paid wholly
27 from Federal funds or an employee who is participating in
28 the Federal Civil Service Retirement System. The
29 university shall be totally responsible for all employer
30 contributions under [section] sections 5507 (relating to

1 contributions to the system by the Commonwealth and other
2 [employers).] employers before July 1, 2015) and 5507.1
3 (relating to contributions to the system by the
4 Commonwealth and other employers commencing July 1,
5 2015).

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

25 (3) Any separate independent public corporation created
26 by statute, not including any municipal or quasi-municipal
27 corporation, so long as he remains an officer or employee of
28 such public corporation, and provided that such officer or
29 employee of such public corporation was an employee of the
30 Commonwealth immediately prior to his employment by such

1 corporation, and further provided such public corporation
2 shall agree to contribute and contributes to the fund ~~or~~ <--
3 ~~trust~~, from time to time, the moneys required to build up the
4 reserves necessary for the payment of the annuities or other
5 benefits of such officers and employees without any liability
6 on the part of the Commonwealth to make appropriations for
7 such purposes.

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

14 "State service." Service converted from county service
15 pursuant to section 5303.1 (relating to election to convert
16 county service to State service), converted from school service
17 pursuant to section 5303.2 (relating to election to convert
18 school service to State service) or rendered as a State
19 employee.

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

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

26 "Superannuation age." For classes of service in the system
27 other than Class A-3 and Class A-4, any age upon accrual of 35
28 eligibility points or age 60, except for a member of the General
29 Assembly, an enforcement officer, a correction officer, a
30 psychiatric security aide, a Delaware River Port Authority

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

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

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

27 "Survivor annuitant." The person or persons last designated
28 by a member under a joint and survivor annuity option to receive
29 an annuity upon the death of such member.

30 "System." The State Employees' Retirement System of

1 Pennsylvania as established by the act of June 27, 1923
2 (P.L.858, No.331), and codified by the act of June 1, 1959
3 (P.L.392, No.78) and the provisions of this part.

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

15 "Trust." The State Employees' Defined Contribution Trust
16 established under Chapter 54 (relating to State Employees'
17 Defined Contribution Plan).

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

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

29 "Vestee." A member [with five or more eligibility points in <--
30 a class of service other than Class A-3 or Class A-4 or Class T-

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

8 MEETS ALL OF THE FOLLOWING:

9 (1) THE MEMBER HAS:

10 (I) FIVE OR MORE ELIGIBILITY POINTS IN A CLASS OF
11 SERVICE OTHER THAN:

12 (A) CLASS A-3 OR CLASS A-4; OR

13 (B) CLASS T-E OR CLASS T-F IN THE PUBLIC SCHOOL
14 EMPLOYEES' RETIREMENT SYSTEM;

15 (II) FIVE OR MORE ELIGIBILITY POINTS IF THE MEMBER
16 HAS ANY CLASS G, CLASS H, CLASS I, CLASS J, CLASS K,
17 CLASS L, CLASS M OR CLASS N SERVICE; OR

18 (III) TEN OR MORE ELIGIBILITY POINTS IF THE MEMBER
19 HAS ANY CLASS A-3 OR CLASS A-4 SERVICE.

20 (2) THE MEMBER MEETS ONE OF THE FOLLOWING:

21 (I) THE MEMBER HAS:

22 (A) TERMINATED STATE SERVICE; AND

23 (B) ELECTED TO:

24 (I) LEAVE HIS TOTAL ACCUMULATED DEDUCTIONS
25 IN THE FUND; AND

26 (II) DEFER RECEIPT OF AN ANNUITY.

27 (II) THE MEMBER IS A COMBINED SERVICE EMPLOYEE WHO:

28 (A) IS NOT AN ACTIVE MEMBER OR AN INACTIVE
29 PARTICIPANT ON LEAVE WITHOUT PAY; AND

30 (B) IS AN ACTIVE PARTICIPANT OR AN INACTIVE

1 PARTICIPANT ON LEAVE WITHOUT PAY, WHO IS NOT
2 RECEIVING AN ANNUITY.

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

9 Section 302. Section 5103 of Title 71 is amended to read:

10 § 5103. Notice to members and participants.

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

20 Section 303. Title 71 is amended by adding a section to
21 read:

22 § 5104. Reference to State Employees' Retirement System.

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

1 ~~(b) Agreement. The agreement of an employer listed in the~~ <--
2 ~~definition of "State employee" or any other law to make~~
3 ~~contributions to the fund or to enroll its employees as members~~
4 ~~in the system shall be deemed to be an agreement to make~~
5 ~~contributions to the trust or to enroll its employees in the~~
6 ~~plan.~~

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

10 § 5301. Mandatory and optional membership in the system and
11 participation in the plan.

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

- 16 (1) Governor.
- 17 (2) Lieutenant Governor.
- 18 (3) Members of the General Assembly.
- 19 (4) Heads or deputy heads of administrative departments.
- 20 (5) Members of any independent administrative board or
21 commission.
- 22 (6) Members of any departmental board or commission.
- 23 (7) Members of any advisory board or commission.
- 24 (8) Secretary to the Governor.
- 25 (9) Budget Secretary.
- 26 (10) Legislative employees.
- 27 (11) School employees who have elected membership in the
28 Public School Employees' Retirement System.
- 29 (12) School employees who have elected membership in an
30 independent retirement program approved by the employer,

1 provided that in no case, except as hereinafter provided,
2 shall the employer contribute on account of such elected
3 membership at a rate greater than the employer normal
4 contribution rate as determined in section 5508(b) (relating
5 to actuarial cost method for fiscal years ending before July
6 1, 2015). For the fiscal year 1986-1987 an employer may
7 contribute on account of such elected membership at a rate
8 which is the greater of 7% or the employer normal
9 contribution rate as determined in section 5508(b) and for
10 the fiscal year 1992-1993 and all fiscal years after that at
11 a rate of 9.29%.

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

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

19 (15) Employees of the Philadelphia Regional Port
20 Authority who have elected to retain membership in the
21 pension plan or retirement system in which they were enrolled
22 as employees of the predecessor Philadelphia Port Corporation
23 prior to the creation of the Philadelphia Regional Port
24 Authority.

25 (16) Employees of the Juvenile Court Judges' Commission
26 who, before the effective date of this paragraph, were
27 transferred from the State System of Higher Education to the
28 Juvenile Court Judges' Commission as a result of an
29 interagency transfer of staff approved by the Office of
30 Administration and who, while employees of the State System

1 of Higher Education, had elected membership in an independent
2 retirement program approved by the employer.

3 (17) State employees, OTHER THAN DC PLAN EXEMPT <--
4 EMPLOYEES, whose most recent period of State service starts
5 on or after January 1, 2015. For purposes of this paragraph
6 and section 5955(e) and (e) 5955(E) (relating to construction <--
7 of part), a State employee who is furloughed under section
8 802 of the act of August 5, 1941 (P.L.752, No.286), known as
9 the Civil Service Act, and reemployed pursuant to the Civil
10 Service Act in any class of service or civil service status
11 which was previously held shall not be treated as having a
12 break in State service.

13 (18) ELECTED OFFICERS. THIS PARAGRAPH SHALL NOT APPLY <--
14 FOR THE PERIOD PRIOR TO JANUARY 1, 2015, TO AN ELECTED
15 OFFICER WHO IS A MEMBER OF THE SYSTEM AT THE TIME HE OR SHE
16 BECOMES AN ELECTED OFFICER.

17 (a.1) Mandatory participation in the plan.--

18 (1) State employees listed in subsection (a) (17) who are
19 not listed in subsection (a) (1) through (13) shall be
20 mandatory participants as of the most recent effective date
21 of State service without regard to whether or not they are
22 combined service employees.

23 ~~(2) State employees listed in subsection (a) (17) who are~~ <--
24 ~~employees of The Pennsylvania State University, the State~~
25 ~~System of Higher Education, State owned educational~~
26 ~~institutions or community colleges and who are members of the~~
27 ~~system or participants in the plan shall be mandatory~~
28 ~~participants as of the most recent effective date of State~~
29 ~~service.~~

30 (2) (RESERVED). <--

1 (3) AN ELECTED OFFICER WHO IS NOT LISTED IN SUBSECTION
2 (A) (1) THROUGH (4), OR WHO IS LISTED IN SUBSECTION (A) (1)
3 THROUGH (4) AND IS A MEMBER OF THE SYSTEM OR A PARTICIPANT IN
4 THE PLAN, SHALL BE A MANDATORY PARTICIPANT FOR HIS OR HER
5 SERVICE AS AN ELECTED OFFICER AS OF THE START OF THE FIRST
6 TERM OF OFFICE BEGINNING AFTER NOVEMBER 30, 2014,
7 NOTWITHSTANDING THAT EITHER IMMEDIATELY OR AT ANY TIME PRIOR
8 TO THE START OF THAT TERM HE OR SHE WAS AN ACTIVE MEMBER OF
9 THE SYSTEM OR AN INACTIVE MEMBER ON LEAVE WITHOUT PAY.

10 (4) A STATE EMPLOYEE WHO IS A MANDATORY PARTICIPANT IN
11 THE PLAN SHALL BE A PARTICIPANT FOR ALL STATE SERVICE, OTHER
12 THAN SERVICE PERFORMED AS A DC PLAN EXEMPT EMPLOYEE, UNTIL
13 THE TERMINATION OF STATE SERVICE.

14 (b) Optional membership in the system.--The State employees
15 listed in subsection (a) (1) through (11) WHO ARE NOT ELECTED <--
16 OFFICERS shall have the right to elect membership in the system
17 before January 1, 2015; once such election is exercised,
18 membership shall continue until the termination of State service
19 or until the State employee elects IS REQUIRED to be a <--
20 participant in the plan AS AN ELECTED OFFICER. <--

21 (b.1) Optional participation in the plan.--~~The~~ INDIVIDUALS <--
22 WHO BECOME ELECTED OFFICERS AFTER DECEMBER 31, 2014, WHO ARE NOT
23 MANDATORY PARTICIPANTS IN THE PLAN, State employees listed in
24 subsection (b) who do not elect membership in the system before
25 January 1, 2015, and State employees listed in subsection (a)
26 (17) who also are listed in subsection (a) (1) through (10) ~~or~~ <--
27 ~~who also are employees of The Pennsylvania State University, the~~
28 ~~State System of Higher Education, State owned educational~~
29 ~~institutions or community colleges and who are not members of~~
30 ~~the system or participants in the plan shall have the right to~~

1 elect participation in the plan; once such election is
2 exercised, participation shall be effective as of the date of
3 election FOR ALL STATE SERVICE OTHER THAN SERVICE PERFORMED AS A <--
4 DC PLAN EXEMPT EMPLOYEE and shall continue until the termination
5 of State service.

6 (c) Prohibited membership in the system.--The State
7 employees listed in subsection (a) (12), (13), (14) [and], (15)
8 and (17), (17) AND (18) shall not have the right to elect <--
9 membership in the system. ELECTED OFFICERS WHO ARE MEMBERS OF <--
10 THE SYSTEM PRIOR TO JANUARY 1, 2015, SHALL HAVE ANY ACTIVE
11 MEMBERSHIP IN THE SYSTEM TERMINATED AND SHALL NOT BE ELIGIBLE
12 FOR ACTIVE MEMBERSHIP AFTER DECEMBER 31, 2014, EXCEPT FOR
13 SERVICE AS A DC PLAN EXEMPT EMPLOYEE.

14 (c.1) Prohibited participation in the plan.--The State
15 employees listed in subsection (a) (17) who also are listed in
16 subsection (a) (13) and (15) shall not be eligible to participate
17 in the plan. A DC PLAN EXEMPT EMPLOYEE SHALL NOT BE ELIGIBLE TO <--
18 PARTICIPATE IN THE PLAN FOR SERVICE PERFORMED AS A DC PLAN
19 EXEMPT EMPLOYEE.

20 (d) Return to service.--

21 (1) An annuitant who returns to service as a State
22 employee before January 1, 2015, OR AS A DC PLAN EXEMPT <--
23 EMPLOYEE AFTER DECEMBER 31, 2014, shall resume active
24 membership in the system as of the effective date of
25 employment, except as otherwise provided in section 5706(a)
26 (relating to termination of annuities), regardless of the
27 optional membership category of the position.

28 (2) An annuitant, inactive participant or a participant
29 receiving distributions who returns to service as a State
30 employee on or after January 1, 2015, shall be an active

1 participant in the plan as of the effective date of
2 employment unless the position is eligible for optional
3 participation or is not eligible for participation in the
4 plan, or except as otherwise provided in section 5706(a).

5 * * *

6 Section 305. Sections 5302(a), (b), (e) and (f) and 5303(b),
7 (d) (1) and (e) (1) and (4) of Title 71, amended or added October
8 24, 2012 (P.L.1436, No.181), are amended to read:

9 § 5302. Credited State service.

10 (a) Computation of credited service.--In computing credited
11 State service of a member for the determination of benefits, a
12 full-time salaried State employee, including any member of the
13 General Assembly, shall receive credit for service in each
14 period for which contributions as required are made to the fund,
15 or for which contributions otherwise required for such service
16 were not made to the fund solely by reason of section 5502.1
17 (relating to waiver of regular member contributions and Social
18 Security integration member contributions) or any provision of
19 this part relating to the limitations under IRC § 401(a) (17) or
20 415(b), but in no case shall he receive more than one year's
21 credit for any 12 consecutive months or 26 consecutive biweekly
22 pay periods. A per diem or hourly State employee shall receive
23 one year of credited service for each nonoverlapping period of
24 12 consecutive months or 26 consecutive biweekly pay periods in
25 which he is employed and for which contributions are made to the
26 fund or would have been made to the fund but for such waiver
27 under section 5502.1 or limitations under the IRC for at least
28 220 days or 1,650 hours of employment. If the member was
29 employed and contributions were made to the fund for less than
30 220 days or 1,650 hours, he shall be credited with a fractional

1 portion of a year determined by the ratio of the number of days
2 or hours of service actually rendered to 220 days or 1,650
3 hours, as the case may be. A part-time salaried employee shall
4 be credited with the fractional portion of the year which
5 corresponds to the number of hours or days of service actually
6 rendered and for which contributions are or would have been made
7 to the fund in relation to 1,650 hours or 220 days, as the case
8 may be. In no case shall a member who has elected multiple
9 service receive an aggregate in the two systems of more than one
10 year of credited service for any 12 consecutive months.

11 (b) Creditable leaves of absence.--

12 (1) A member on leave without pay who is studying under
13 a Federal grant approved by the head of his department or who
14 is engaged up to a maximum of two years of temporary service
15 with the United States Government, another state or a local
16 government under the Intergovernmental Personnel Act of 1970
17 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
18 be eligible for credit for such service: Provided, That
19 contributions are made in accordance with sections 5501
20 (relating to regular member contributions for current
21 service), 5501.1 (relating to shared-risk member
22 contributions for Class A-3 and Class A-4 service), 5505.1
23 (relating to additional member contributions) [and], 5507
24 (relating to contributions to the system by the Commonwealth
25 and other employers before July 1, 2015) and 5507.1 (relating
26 to contributions to the system by the Commonwealth and other
27 employers commencing July 1, 2015), the member returns from
28 leave without pay to active State service as a member of the
29 system for a period of at least one year, and he is not
30 entitled to retirement benefits for such service under a

1 retirement system administered by any other governmental
2 agency.

3 (2) An active member or active participant on paid leave
4 granted by an employer for purposes of serving as an elected
5 full-time officer for a Statewide employee organization which
6 is a collective bargaining representative under the act of
7 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
8 and Firemen Collective Bargaining Act, or the act of July 23,
9 1970 (P.L.563, No.195), known as the Public Employe Relations
10 Act, and up to 14 full-time business agents appointed by an
11 employee organization that represents correction officers
12 employed at State correctional institutions: Provided, That
13 for elected full-time officers such leave shall not be for
14 more than three consecutive terms of the same office and for
15 up to 14 full-time business agents appointed by an employee
16 organization that represents correction officers employed at
17 State correctional institutions no more than three
18 consecutive terms of the same office; that the employer shall
19 fully compensate the member or active participant, including, <--
20 but not limited to, salary, wages, pension and retirement
21 contributions and benefits, other benefits and seniority, as
22 if he were in full-time active service; and that the
23 Statewide employee organization shall fully reimburse the
24 employer for all expenses and costs of such paid leave,
25 including, but not limited to, contributions and payment in
26 accordance with ~~{sections} section 5404 (relating to~~ <--
27 ~~participant contributions), 5405 (relating to mandatory~~
28 ~~pickup participant contributions), 5406 (relating to employer~~
29 ~~defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or~~
30 5507.1, if the employee organization either directly pays, or

1 reimburses the Commonwealth or other employer for,
2 contributions made in accordance with [section] sections
3 5404, 5405, 5406, 5507 and 5507.1.

<--

4 * * *

5 (e) Cancellation of credited service.--All credited service
6 in the system shall be cancelled if a member withdraws his total
7 accumulated deductions, except that a member with Class A-3 or
8 Class A-4 service credit and one or more other classes of
9 service credit shall not have his service credit as a member of
10 any classes of service other than as a member of Class A-3 or
11 Class A-4 cancelled when the member receives a lump sum payment
12 of accumulated deductions resulting from Class A-3 or Class A-4
13 service pursuant to section 5705.1 (relating to payment of
14 accumulated deductions resulting from Class A-3 and Class A-4
15 service). A partial or total distribution of accumulated total
16 defined contributions to a combined service employee shall not
17 cancel service credited in the system.

18 (f) Credit for military service.--A State employee who has
19 performed USERRA leave may receive credit in the system or
20 participate in the plan as follows:

21 (1) For purposes of determining whether a member is
22 eligible to receive credited service in the system for a
23 period of active military service, other than active duty
24 service to meet periodic training requirements, rendered
25 after August 5, 1991, and that began before the effective
26 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
27 (relating to military leave of absence) shall apply to all
28 individuals who were active members of the system when the
29 period of military service began, even if not defined as an
30 employee pursuant to 51 Pa.C.S. § 7301 (relating to

1 definitions).

2 (1.1) State employees may not receive service credit in
3 the system or exercise the options under 51 Pa.C.S. § 7306
4 (relating to retirement rights) for military leaves that
5 begin on or after the effective date of this subsection,
6 except as otherwise provided by this subsection.

7 (1.2) State employees may not participate in the plan or
8 exercise the options under 51 Pa.C.S. § 7306 for military
9 leaves that begin on or after the effective date of this
10 paragraph, except as otherwise provided by this subsection.

11 (2) A State employee who has performed USERRA leave may
12 receive credit in the system as provided by this paragraph.
13 The following shall apply:

14 (i) A State employee who is reemployed from USERRA
15 leave as an active member of the system shall be treated
16 as not having incurred a break in State service by reason
17 of the USERRA leave and shall be granted eligibility
18 points as if the State employee had not been on the
19 USERRA leave. If a State employee who is reemployed from
20 USERRA leave as an active member of the system
21 subsequently makes regular member contributions,
22 additional member contributions, Social Security
23 integration member contributions, shared-risk member
24 contributions and any other member contributions in the
25 amounts and in the time periods required by 38 U.S.C. Ch.
26 43 (relating to employment and reemployment rights of
27 members of the uniformed services) and IRC § 414(u) as if
28 the State employee had continued in State office or
29 employment and performed State service and was
30 compensated during the period of USERRA leave, then the

1 State employee shall be granted State service credit for
2 the period of USERRA leave. The State employee shall have
3 the State employee's benefits, rights and obligations
4 determined under this part as if the State employee was
5 an active member who performed creditable State service
6 during the USERRA leave in the job position that the
7 State employee would have held had the State employee not
8 been on USERRA leave and received the compensation on
9 which the member contributions to receive State service
10 credit for the USERRA leave were determined.

11 (ii) For purposes of determining whether a State
12 employee has made the required employee contributions for
13 State service credit for USERRA leave, if an employee who
14 is reemployed from USERRA leave as an active member of
15 the system terminates State service or dies in State
16 service before the expiration of the allowed payment
17 period, then State service credit for the USERRA leave
18 will be granted as if the required member contributions
19 were paid the day before termination or death. The amount
20 of the required member contributions will be treated as
21 an incomplete payment subject to the provisions of
22 section 5506 (relating to incomplete payments). Upon a
23 subsequent return to State service or to school service
24 as a multiple service member, the required member
25 contributions treated as incomplete payments shall be
26 treated as member contributions that were either
27 withdrawn in a lump sum at termination or paid as a lump
28 sum pursuant to section 5705(a)(4) (relating to member's
29 options), as the case may be.

30 (iii) A State employee who is reemployed from USERRA

1 leave as an active member of the system who does not make
2 the required member contributions or makes only part of
3 the required member contributions within the allowed
4 payment period shall not be granted credited service for
5 the period of USERRA leave for which the required member
6 contributions were not timely made, shall not be eligible
7 to subsequently make contributions and shall not be
8 granted either State service credit or nonstate service
9 credit for the period of USERRA leave for which the
10 required member contributions were not timely made.

11 (2.1) (i) A participant who is reemployed from USERRA
12 leave shall be treated as not having incurred a break in
13 State service by reason of the USERRA leave and shall be
14 granted vesting credit as if the participant had not been
15 on USERRA leave. If a participant who is reemployed from
16 USERRA leave subsequently makes mandatory pickup
17 participant contributions in the amounts and in the time
18 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
19 if the participant had continued in his State office or
20 employment and performed State service and been
21 compensated during the period of USERRA leave, the
22 participant's employer shall make the corresponding
23 employer defined contributions. Such an employee shall
24 have his contributions, benefits, rights and obligations
25 determined under this part as if he were an active
26 participant who performed State service during the USERRA
27 leave in the job position that he would have held had he
28 not been on USERRA leave and received the compensation on
29 which the mandatory pickup participant contributions to
30 receive State service credit for the USERRA leave were

1 determined, including the right to make voluntary
2 contributions on such compensation as permitted by law.

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

12 (3) A State employee who is a member of the system and
13 performs USERRA leave from which the employee could have been
14 reemployed from USERRA leave had the State employee returned
15 to State service in the time frames required by 38 U.S.C. Ch.
16 43 for reemployment rights, but did not do so, shall be able
17 to receive creditable nonstate service as nonintervening
18 military service for the period of USERRA leave should the
19 employee later return to State service as an active member of
20 the system and is otherwise eligible to purchase the service
21 as nonintervening military service.

22 (3.1) A State employee who is a participant in the plan
23 and performs USERRA leave from which the employee could have
24 been reemployed from USERRA leave had the employee returned
25 to State service in the time frames required by 38 U.S.C. Ch.
26 43 for reemployment rights, but did not do so, shall not be
27 eligible to make mandatory pickup participant contributions
28 or voluntary contributions for the period of USERRA leave
29 should the employee later return to State service and be a
30 participant in the plan.

1 (4) [A State employee] An active member or inactive
2 member on leave without pay who on or after the effective
3 date of this subsection is granted a leave of absence under
4 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
5 government employees) or a military leave under 51 Pa.C.S.
6 Ch. 73, that is not USERRA leave shall be able to receive
7 creditable nonstate service as nonintervening military
8 service should the employee return to State service as an
9 active member of the system and is otherwise eligible to
10 purchase the service as nonintervening military service.

11 (4.1) An active participant or inactive participant on
12 leave without pay who on or after the effective date of this
13 paragraph is granted a leave of absence under 51 Pa.C.S. §
14 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
15 USERRA leave shall not be able to make mandatory pickup
16 participant contributions or voluntary contributions during
17 or for the leave of absence or military leave and shall not
18 have employer defined contributions made during such leave,
19 without regard to whether or not the State employee received
20 salary, wages, stipends, differential wage payments or other
21 payments from his employer during the leave, notwithstanding
22 any provision to the contrary under 51 Pa.C.S. § 4102 or 51
23 Pa.C.S. Ch. 73.

24 (5) If a member dies while performing USERRA leave, then
25 the beneficiaries or survivor annuitants, as the case may be,
26 of the deceased member are entitled to any additional
27 benefits, including eligibility points, other than benefit
28 accruals relating to the period of qualified military
29 service, provided under this part had the member resumed and
30 then terminated employment on account of death.

1 (5.1) If a participant dies while performing USERRA
2 leave, the beneficiaries or successor payees of the deceased
3 participant are entitled to any additional benefits, other
4 than benefit accruals relating to the period of qualified
5 military service, provided under this part had the
6 participant resumed and then terminated employment on account
7 of death.

8 (6) A State employee who is on a leave of absence from
9 his duties as a State employee for which 51 Pa.C.S. § 4102
10 provides that he is not to suffer a loss of pay, time or
11 efficiency rating shall not be an active member, receive
12 service credit or make member contributions for the leave of
13 absence, except as provided for in this part. Notwithstanding
14 this paragraph, any pay the member receives pursuant to 51
15 Pa.C.S. § 4102 shall be included in the determination of
16 final average salary and other calculations in the system
17 utilizing compensation as if the payments were compensation
18 under this part.

19 § 5303. Retention and reinstatement of service credits.

20 * * *

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

22 (1) Every active member of the system or a multiple
23 service member who is a school employee and a member of the
24 Public School Employees' Retirement System on or after the
25 effective date of this part shall receive eligibility points
26 in accordance with section 5307 for current State service,
27 previous State service, or creditable nonstate service upon
28 compliance with sections 5501 (relating to regular member
29 contributions for current service), 5501.1 (relating to
30 shared-risk contributions for Class A-3 and Class A-4

1 service), 5504 (relating to member contributions for the
2 purchase of credit for previous State service or to become a
3 full coverage member), 5505 (relating to contributions for
4 the purchase of credit for creditable nonstate service),
5 5505.1 (relating to additional member contributions) or 5506
6 (relating to incomplete payments). Subject to the limitations
7 in sections 5306.1 (relating to election to become a Class AA
8 member) and 5306.2 (relating to elections by members of the
9 General Assembly), the class or classes of service in which
10 the member may be credited for previous State service prior
11 to the effective date of this part shall be the class or
12 classes in which he was or could have at any time elected to
13 be credited for such service, except that a State employee
14 who first becomes a member of the system on or after January
15 1, 2011, or on or after December 1, 2010, as a member of the
16 General Assembly and:

17 (i) is credited with Class A-3 service for such
18 membership, shall be credited only with Class A-3 service
19 for previous State service performed before January 1,
20 2011, that was not previously credited in the system; or

21 (ii) is credited with Class A-4 service for such
22 membership, shall be credited only with Class A-4 service
23 for previous State service performed before January 1,
24 2011, that was not previously credited in the system.

25 The class of service in which a member shall be credited for
26 service subsequent to the effective date of this part shall
27 be determined in accordance with section 5306 (relating to
28 classes of service).

29 (1.1) Every active member of the system who elects to
30 convert county service to State service pursuant to section

1 5303.1 (relating to election to convert county service to
2 State service) shall receive eligibility points in accordance
3 with section 5307 for converted county service upon
4 compliance with section 5303.1(b). The class or classes of
5 service in which the member may be credited for converted
6 county service shall be determined in accordance with section
7 5306(c).

8 (1.2) Every member of the system who elects to convert
9 school service to State service pursuant to section 5303.2
10 (relating to election to convert school service to State
11 service) shall receive eligibility points in accordance with
12 section 5307 for converted school service. The class or
13 classes of service in which the member may be credited for
14 converted school service shall be determined in accordance
15 with section 5306(d).

16 (1.3) A member of the system who is reemployed from
17 USERRA leave or who dies while performing USERRA leave shall
18 receive eligibility points in accordance with section 5307
19 for the State service that would have been performed had the
20 member not performed USERRA leave.

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

1 this part providing for special vestees.

2 (3) A special vestee or person otherwise eligible to be
3 a special vestee who becomes an active member of the Public
4 School Employees' Retirement System and elects multiple
5 service shall receive or retain eligibility points as
6 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
7 (relating to retirement for school employees) but upon
8 subsequent termination of school service shall only be
9 eligible to be an annuitant, vestee or inactive member as
10 otherwise eligible as a multiple service member without
11 regard to previous status as a special vestee and without
12 regard to the provisions of this part providing for special
13 vestees.

14 * * *

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

16 (1) Any person who was an employee of any county in this
17 Commonwealth on the personal staff of an appellate court
18 judge prior to September 9, 1985, and who had that employment
19 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
20 (relating to local chamber facilities) shall be a member of
21 the system for all service rendered as an employee of the
22 Commonwealth on the personal staff of an appellate court
23 judge subsequent to the date of the transfer unless
24 specifically prohibited pursuant to section 5301(c) (relating
25 to mandatory and optional membership in the system and
26 participation in the plan). The employee shall be entitled to
27 have any prior service credit in that county or other
28 municipal pension plan or retirement system transferred to
29 the system and deemed to be State service for all purposes
30 under this part. However, for those employees who were in

1 continuous county employment which commenced prior to July
2 22, 1983, section 5505.1 shall not apply. The transfer of
3 prior service credit to the system shall occur upon the
4 transfer, by the member, county or other municipal pension
5 plan or retirement system, to the system of the amount of
6 accumulated member contributions, pick-up contributions and
7 credited interest standing in the employee's county or
8 municipal pension plan or retirement system account as of the
9 date that these funds are transferred to the system. In the
10 event that these funds have been refunded to the member, the
11 transfer of service credit shall occur when the member
12 transfers an amount equal to either the refund which the
13 member received from the county or municipal pension plan or
14 retirement system or the amount due under section 5504, if
15 less. In the case of a transfer by the member, the transfer
16 shall occur by December 31, 1987, in order for the member to
17 receive credit for the prior service. In the case of a
18 transfer by the county or other municipal pension plan or
19 retirement system, the transfer shall also occur by December
20 31, 1987. If the amount transferred to the system by the
21 member of a county or municipal pension plan or retirement
22 system is greater than the amount that would have accumulated
23 in the member's account if the employee had been a member of
24 the system, all excess funds shall be returned to the
25 employee within 90 days of the date on which such funds are
26 credited to the member's account in the system. Within 60
27 days of receipt of written notice that an employee has
28 elected to transfer credits under the provisions of this
29 subsection, the county or other municipal pension plans or
30 retirement systems shall be required to transfer to the

1 system an amount, excluding contributions due under section
2 5504(a), equal to the liability of the prior service in
3 accordance with county or other municipal pension plan or
4 retirement system benefit provisions, multiplied by the ratio
5 of system actuarial value of assets for active members to the
6 system actuarial accrued liability for active members. The
7 Public Employee Retirement Study Commission shall determine
8 the appropriate amount of employer contributions to be
9 transferred to the system by the county or other municipal
10 pension plans or retirement systems.

11 * * *

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

14 (1) Any employee of the Philadelphia Regional Port
15 Authority who becomes a State employee, as defined in section
16 5102 (relating to definitions), and an active member of the
17 system shall be eligible to obtain retirement credit for
18 prior uncredited service with the Philadelphia Port
19 Corporation, a Pennsylvania not-for-profit corporation
20 ("predecessor corporation"), provided that the Commonwealth
21 does not incur any liability for the funding of the annuities
22 attributable to the prior, uncredited "predecessor
23 corporation" service, the cost of which shall be determined
24 according to paragraph (2).

25 * * *

26 (4) Any person who became employed by the Philadelphia
27 Regional Port Authority between July 10, 1989, and passage of
28 this act and who becomes a State employee, as defined in
29 section 5102, and an active member of the system shall be
30 eligible to obtain retirement credit for service from the

1 date of employment with the Philadelphia Regional Port
2 Authority, provided that the contributions are made in
3 accordance with sections 5501, 5504, 5505.1 and 5506.

4 * * *

5 Section 306. Sections 5303.2(a) and (e), 5304(a) and (b),
6 5305(b) (3) and 5305.1 of Title 71 are amended to read:

7 § 5303.2. Election to convert school service to State service.

8 (a) Eligibility.--An active member or inactive member on
9 leave without pay who was an employee transferred from the
10 Department of Education to the Department of Corrections
11 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
12 No.175), known as The Administrative Code of 1929, and who on
13 the effective date of that transfer did not participate in an
14 independent retirement program approved by the Department of
15 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
16 and optional membership) or section 5301(a)(12) (relating to
17 mandatory and optional membership in the system and
18 participation in the plan), notwithstanding any other provision
19 of law or any collective bargaining agreement, arbitration
20 award, contract or term or conditions of any retirement system
21 or pension plan, may make a one-time election to convert all
22 service credited in the Public School Employees' Retirement
23 System as of June 30, 1999, and transfer to the system all
24 accumulated member contributions and statutory interest credited
25 in the members' savings account in the Public School Employees'
26 Retirement System as of June 30, 1999, plus statutory interest
27 on that amount credited by the Public School Employees'
28 Retirement System from July 1, 1999, to the date of transfer to
29 the system.

30 * * *

1 (e) Transfer.--Within 180 days after the effective date of
2 this subsection, the Public School Employees' Retirement System
3 shall transfer to the board for each member electing to convert
4 under this section the accumulated member contributions and
5 statutory interest credited in the Public School Employees'
6 Retirement System, plus an amount equal to the value of all
7 annual employer contributions made to the Public School
8 Employees' Retirement System with interest at the annual rate
9 adopted by the board for the calculation of the normal
10 contribution rate under section 5508(b) (relating to actuarial
11 cost method for fiscal years ending before July 1, 2015), from
12 the date of each contribution to the date of the transfer of the
13 funds to the board. Any debt owed by a member to the Public
14 School Employees' Retirement System for whatever reason shall be
15 transferred to the system and shall be paid in a manner and in
16 accordance with conditions prescribed by the board.

17 * * *

18 § 5304. Creditable nonstate service.

19 (a) Eligibility.--

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

1 into military service and for which he makes the required
2 contributions to the fund and except that a multiple service
3 member who is a school employee and an active member of the
4 Public School Employees' Retirement System shall not be
5 eligible to purchase service credit for creditable nonstate
6 service set forth in subsection (c)(5).

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

24 * * *

25 (b) Limitations on eligibility.--An active member or a
26 multiple service member who is a school employee and an active
27 member of the Public School Employees' Retirement System shall
28 be eligible to receive credit for nonstate service provided that
29 he does not have credit for such service in the system or in the
30 school system and is not entitled to receive, eligible to

1 receive now or in the future, or is receiving retirement
2 benefits for such service in the system or under a retirement
3 system administered and wholly or partially paid for by any
4 other governmental agency or by any private employer, or a
5 retirement program approved by the employer in accordance with
6 section 5301(a)(12) (relating to mandatory and optional
7 membership in the system and participation in the plan), and
8 further provided, that such service is certified by the previous
9 employer and contributions are agreed upon and made in
10 accordance with section 5505 (relating to contributions for the
11 purchase of credit for creditable nonstate service).

12 * * *

13 § 5305. Social security integration credits.

14 * * *

15 (b) Accrual of subsequent credits.--Any active member who
16 has social security integration accumulated deductions to his
17 credit or is receiving a benefit on account of social security
18 integration credits may accrue one social security integration
19 credit for each year of service as a State employee on or
20 subsequent to March 1, 1974 and a fractional credit for a
21 corresponding fractional year of service provided that
22 contributions are made to the fund, or would have been made to
23 the fund but for section 5502.1 (relating to waiver of regular
24 member contributions and Social Security integration member
25 contributions) or the limitations under IRC § 401(a)(17) or
26 415(b), in accordance with section 5502 (relating to Social
27 Security integration member contributions), and he:

28 * * *

29 (3) terminates his status as a vestee or an annuitant
30 and returns to State service as an active member of the

1 system.

2 * * *

3 § 5305.1. Eligibility for actuarial increase factor.

4 A person who is:

5 (1) an active member;

6 (2) an inactive member on leave without pay; [or]

7 (3) a multiple service member who is a school employee

8 and an active member of the Public School Employees'

9 Retirement System; or

10 (4) a combined service employee who is an active

11 participant or inactive participant on leave without pay:

12 who terminates State service or school service, as the case may

13 be, after attaining age 70 and who applies for a superannuation

14 annuity with an effective date of retirement the day after the

15 date of termination of State service or school service shall

16 have that person's maximum single life annuity calculated

17 pursuant to section 5702(a.1) (relating to maximum single life

18 annuity).

19 Section 307. Section 5306(a), (a.1)(2) and (6), (a.2), (A.3) <--

20 and (b) of Title 71 are amended and the section is amended by

21 adding a subsection to read:

22 § 5306. Classes of service.

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

24 (1) A State employee who is a member of Class A on the

25 effective date of this part or who first becomes a member of

26 the system subsequent to the effective date of this part and

27 before January 1, 2011, or before December 1, 2010, as a

28 member of the General Assembly, shall be classified as a

29 Class A member and receive credit for Class A service upon

30 payment of regular and additional member contributions for

1 Class A service, provided that the State employee does not
2 become a member of Class AA pursuant to subsection (a.1) or a
3 member of Class D-4 pursuant to subsection (a.2) or a
4 participant in the plan.

5 (2) A State employee who first becomes a member of the
6 system on or after January 1, 2011, or on or after December
7 1, 2010, as a member of the General Assembly, shall be
8 classified as a Class A-3 member and receive credit for Class
9 A-3 service upon payment of regular member contributions and
10 shared-risk member contributions for Class A-3 service
11 provided that the State employee does not become a member of
12 Class A-4 pursuant to subsection (a.3), except that a member
13 of the judiciary shall be classified as a member of such
14 other class of service for which the member of the judiciary
15 is eligible, shall elect and make regular member
16 contributions and further provided that the State employee
17 does not become a participant in the plan or is not eligible
18 to be an optional participant of the plan under section 5301
19 (relating to mandatory and optional membership in the system
20 and participation in the plan).

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

22 * * *

23 (2) A person who is a State employee on June 30, 2001,
24 and July 1, 2001, but is not an active member of the system
25 because membership in the system is optional or prohibited
26 pursuant to section 5301 (relating to mandatory and optional
27 membership in the system and participation in the plan) and
28 who first becomes an active member after June 30, 2001, and
29 before January 1, 2011, or before December 1, 2010, as a
30 member of the General Assembly, and who is not a State police

1 officer and not employed in a position for which a class of
2 service other than Class A is credited or could be elected
3 shall be classified as a Class AA member and receive credit
4 for Class AA State service upon payment of regular member
5 contributions for Class AA service and, subject to the
6 limitations contained in paragraph (7), if previously a
7 member of Class A or previously employed in a position for
8 which Class A service could have been earned, shall have all
9 Class A State service (other than State service performed as
10 a State Police officer or for which a class of service other
11 than Class A was earned or could have been elected)
12 classified as Class AA service.

13 * * *

14 (6) A State employee who after June 30, 2001, becomes a
15 State police officer or who is employed in a position in
16 which the member could elect membership in the system in a
17 class of service other than Class AA or Class D-4 shall
18 retain any Class AA service credited prior to becoming a
19 State police officer or being so employed but shall be
20 ineligible to receive Class AA credit thereafter and instead
21 shall receive Class A credit for service as a member of the
22 judiciary, UNLESS AND UNTIL THE MEMBER OF THE JUDICIARY <--
23 BECOMES AN ELECTED OFFICER, if such judicial service begins
24 before January 1, 2015, or if he first became a member before
25 January 1, 2011, or December 1, 2010, as a member of the
26 General Assembly, or Class A-3 credit for service other than
27 as a member of the judiciary if the nonjudicial service IS AS <--
28 A DC PLAN EXEMPT EMPLOYEE OR begins before January 1, 2015,
29 AND IS NOT SERVICE AS AN ELECTED OFFICER and he first became <--
30 a member on or after January 1, 2011, or December 1, 2010, as

1 a member of the General Assembly, unless a class of
2 membership other than Class A is elected.

3 (a.2) Class of membership for members of the General
4 Assembly.--

5 (1) A person who:

6 (i) becomes a member of the General Assembly and an
7 active member of the system after June 30, 2001, and
8 before December 1, 2010; or

9 (ii) is a member of the General Assembly on July 1,
10 2001, but is not an active member of the system because
11 membership in the system is optional pursuant to section
12 5301 and who becomes an active member after June 30,
13 2001, and before December 1, 2010;

14 and who was not a State police officer on or after July 1,
15 1989, shall be classified as a Class D-4 member and receive
16 credit as a Class D-4 member for all State service as a
17 member of the system performed as a member of the General
18 Assembly upon payment of regular member contributions for
19 Class D-4 service and, subject to the limitations contained
20 in subsection (a.1)(7), if previously a member of Class A or
21 employed in a position for which Class A service could have
22 been earned, shall receive Class AA service credit for all
23 Class A State service, other than State service performed as
24 a State police officer or for which a class of service other
25 than Class A or Class D-4 was or could have been elected or
26 credited.

27 (2) Provided an election to become a Class D-4 member is
28 made pursuant to section 5306.2 (relating to elections by
29 members of the General Assembly), a State employee who was
30 not a State police officer on or after July 1, 1989, who on

1 July 1, 2001, is a member of the General Assembly and an
2 active member of the system and not a member of Class D-3
3 shall be classified as a Class D-4 member and receive credit
4 as a Class D-4 member for all State service as a member of
5 the system performed as a member of the General Assembly not
6 credited as another class other than Class A upon payment of
7 regular member contributions for Class D-4 service and,
8 subject to the limitations contained in paragraph (a.1)(7),
9 shall receive Class AA service credit for all Class A State
10 service, other than State service performed as a State police
11 officer or as a State employee in a position in which the
12 member could have elected a class of service other than Class
13 A, performed before July 1, 2001.

14 (3) A member of the General Assembly who after June 30,
15 2001, becomes a State police officer shall retain any Class
16 AA service or Class D-4 service credited prior to becoming a
17 State police officer or being so employed but shall be
18 ineligible to receive Class AA or Class D-4 credit thereafter
19 and instead shall receive Class A credit or Class A-3 credit
20 if he first becomes a member of the system on or after
21 January 1, 2011.

22 (4) Notwithstanding the provisions of this subsection,
23 no service as a member of the General Assembly performed
24 before December 1, 2010, that is not credited as Class D-4
25 service on November 30, 2010, shall be credited as Class D-4
26 service, unless such service was previously credited in the
27 system as Class D-4 service and the member withdrew his total
28 accumulated deductions as provided in section 5311 (relating
29 to eligibility for refunds) or 5701 (relating to return of
30 total accumulated deductions). No service as a member of the

1 General Assembly performed on or after December 1, 2010,
2 shall be credited as Class D-4 service unless the member
3 previously was credited with Class D-4 service credits.

4 (A.3) CLASS A-4 MEMBERSHIP.--PROVIDED THAT AN ELECTION TO <--
5 BECOME A CLASS A-4 MEMBER IS MADE PURSUANT TO SECTION 5306.3
6 (RELATING TO ELECTION TO BECOME A CLASS A-4 MEMBER), A STATE
7 EMPLOYEE WHO OTHERWISE WOULD BE A MEMBER OF CLASS A-3 SHALL BE
8 CLASSIFIED AS A CLASS A-4 MEMBER AND RECEIVE CLASS A-4 CREDIT
9 FOR ALL CREDITABLE STATE SERVICE PERFORMED AS A MEMBER OF THE
10 SYSTEM AFTER THE EFFECTIVE DATE OF MEMBERSHIP IN THE SYSTEM,
11 EXCEPT AS A MEMBER OF THE JUDICIARY, UPON PAYMENT OF REGULAR
12 MEMBER CONTRIBUTIONS AND SHARED-RISK MEMBER CONTRIBUTIONS FOR
13 CLASS A-4 SERVICE.

14 (b) Other class membership.--

15 (1) A State employee who is a member of a class of
16 service other than Class A on the effective date of this part
17 shall retain his membership in that class until such service
18 is discontinued OR UNTIL THE MEMBER BECOMES A PARTICIPANT IN <--
19 THE PLAN; any service as a member of the system thereafter
20 shall be credited as Class A service, Class AA service or
21 Class D-4 service as provided for in this section.

22 (2) Notwithstanding any other provision of this section,
23 a State employee who is appointed [bail commissioner] <--
24 ARRAIGNMENT COURT MAGISTRATE of the Philadelphia Municipal
25 Court under 42 Pa.C.S. § 1123(a)(5) (relating to jurisdiction
26 and venue) and is eligible to be a member of the system as a <--
27 bail commissioner AN ARRAIGNMENT COURT MAGISTRATE may, within
28 30 days of the effective date of this sentence or within 30
29 days of his initial appointment as [a bail commissioner] AN <--
30 ARRAIGNMENT COURT MAGISTRATE, whichever is later, elect Class

1 E-2 service credit for service performed as [a bail <--
2 commissioner] AN ARRAIGNMENT COURT MAGISTRATE. This class of <--
3 service multiplier for E-2 service as [a bail commissioner] <--
4 AN ARRAIGNMENT COURT MAGISTRATE shall be 1.5.† <--

5 * * *

6 (e) Ineligibility for active membership and classes of
7 service.--An individual who elects to be a participant in the <--
8 plan IS AN ELECTED OFFICER or who is a State employee on January <--
9 1, 2015, but is not a member of the system or who first becomes
10 a State employee on or after January 1, 2015, OTHER THAN AS A DC <--
11 PLAN EXEMPT EMPLOYEE, or who returns to State service after a
12 termination of State service, other than as a DC plan exempt
13 employee, without regard to whether the termination occurred
14 before or after January 1, 2015, shall be ineligible for active
15 membership in the system or the several classes of State service
16 as otherwise provided for under this section. Any such State
17 employee, if eligible, may be a participant in the plan as a
18 result of such State service.

19 Section 308. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
20 (d) of Title 71 are amended to read:

21 § 5306.1. Election to become a Class AA member.

22 * * *

23 (c) Effect of election.--An election to become a Class AA
24 member shall become effective the later of July 1, 2001, or the
25 date when the election is filed with the board and shall remain
26 in effect until the termination of employment or election to be <--
27 BECOMING a participant in the plan. Upon termination and a <--
28 subsequent reemployment that occurs before January 1, 2015, <--
29 EXCEPT AS AN ELECTED OFFICER, the member's class of service
30 shall be credited in the class of service otherwise provided for

1 in this part. If the reemployment occurs on or after January 1,
2 2015, OR DECEMBER 1, 2014, IF AS AN ELECTED OFFICER, the State <--
3 employee's eligibility for membership in the system or
4 participation in the plan shall be as provided in this part.

5 * * *

6 § 5306.2. Elections by members of the General Assembly.

7 * * *

8 (b) Effect of election.--Membership as a Class D-4 member
9 shall become effective on July 1, 2001, and shall remain in
10 effect until the termination of service as a member of the
11 General Assembly or election to be BECOMING a participant in the <--
12 plan. Upon termination and a subsequent reemployment that occurs
13 before January 1, 2015, the member's class of service shall be
14 credited in the class of service otherwise provided for in this
15 part. If the reemployment occurs on or after January 1, 2015, OR <--
16 DECEMBER 1, 2014, IF AS AN ELECTED OFFICER, THEN the State
17 employee's eligibility for membership in the system or
18 participation in the plan shall be as provided in this part.

19 * * *

20 § 5306.3. Election to become a Class A-4 member.

21 * * *

22 (c) Effect of election.--An election to become a Class A-4
23 member shall be irrevocable and shall become effective on the
24 effective date of membership in the system and shall remain in
25 effect for all future [creditable] State service creditable in
26 the system, other than service performed as a member of the
27 judiciary, but shall not apply to service performed after a
28 termination of State service and a reemployment when the
29 reemployment occurs on or after January 1, 2015, UNLESS THE <--
30 REEMPLOYMENT OCCURS AS A DC PLAN EXEMPT EMPLOYEE. Payment of

1 regular member contributions for Class A-4 State service
2 performed prior to the election of Class A-4 membership shall be
3 made in a form, manner and time determined by the board. Upon
4 termination of State service and a subsequent reemployment
5 before January 1, 2015, OR AS A DC PLAN EXEMPT EMPLOYEE ON OR <--
6 AFTER JANUARY 1, 2015, a member who elected Class A-4 membership
7 shall be credited as a Class A-4 member for creditable State
8 service performed after reemployment and before the next
9 termination of State service or ~~election to be~~ BECOMING a <--
10 participant, except as a member of the judiciary, regardless of
11 termination of employment, termination of membership by
12 withdrawal of accumulated deductions or status as an annuitant,
13 vestee or inactive member after the termination of service and, <--
14 FOR EMPLOYEES WHO ARE NOT DC PLAN EXEMPT EMPLOYEES, before
15 reemployment occurring before January 1, 2015.

16 (d) Effect of failure to make election.--Failure to elect to
17 become a Class A-4 member within the election period set forth
18 in subsection (b) shall result in all of the member's State
19 service, other than service performed as a member of the
20 judiciary, being credited as Class A-3 service, unless the State
21 employee elects or is required to be a participant in the plan,
22 and not subject to further election or crediting as Class A-4
23 service. Upon termination and subsequent employment, a member
24 who failed to elect to become a Class A-4 member shall not be
25 eligible to make another election to become a Class A-4 member
26 for either past or future State service.

27 ~~Section 309. (Reserved).~~ <--

28 ~~Section 310. Sections 5307(b) and 5308(a) and (b) of Title~~
29 ~~71, amended October 24, 2012 (P.L.1436, No.181), are amended to~~
30 ~~read:~~

1 SECTION 309. SECTION 5307(B) OF TITLE 71, AMENDED OCTOBER
2 24, 2012 (P.L.1436, NO.181), IS AMENDED AND THE SECTION IS
3 AMENDED BY ADDING A SUBSECTION TO READ:

4 § 5307. Eligibility points.

5 * * *

6 (b) Transitional rule.--

7 (1) In determining whether a member who is not a State
8 employee or school employee on June 30, 2001, and July 1,
9 2001, and who has previous State service (except a disability
10 annuitant who returns to State service after June 30, 2001,
11 upon termination of the disability annuity) has the five
12 eligibility points required by sections 5102 (relating to
13 definitions), 5308(b) (relating to eligibility for
14 annuities), 5309 (relating to eligibility for vesting),
15 5704(b) (relating to disability annuities) and 5705(a)
16 (relating to member's options), only eligibility points
17 earned by performing credited State service as an active
18 member of the system, USERRA leave or credited school service
19 as an active member of the Public School Employees'
20 Retirement System after June 30, 2001, shall be counted until
21 such member earns one eligibility point by performing
22 credited State service or credited school service after June
23 30, 2001, at which time all eligibility points as determined
24 pursuant to subsection (a) shall be counted.

25 (2) Any member to whom paragraph (1) applies shall be
26 considered to have satisfied any requirement for five
27 eligibility points contained in this part if the member:

28 (i) has ten or more eligibility points as determined
29 pursuant to subsection (a); or

30 (ii) has Class G, Class H, Class I, Class J, Class

1 L, Class M or Class N service and has eight or more
2 eligibility points as determined pursuant to subsection
3 (a).

4 (C) TRANSITIONAL RULE FOR ELECTED OFFICERS.-- <--

5 (1) IN DETERMINING WHETHER AN ELECTED OFFICER WHO IS
6 REQUIRED TO TERMINATE ACTIVE MEMBERSHIP IN THE SYSTEM AND
7 BECOME A PARTICIPANT IN THE PLAN SOLELY BY REASON OF BEING AN
8 ELECTED OFFICER HAS THE FIVE ELIGIBILITY POINTS REQUIRED BY
9 SECTIONS 5102, 5308(B)(1), 5309(1) AND 5705(A) OR THE TEN
10 ELIGIBILITY POINTS REQUIRED BY SECTIONS 5102, 5308(B)(2),
11 5309(2) AND 5705(A), THE ELECTED OFFICER SHALL BE CONSIDERED
12 TO HAVE SATISFIED ANY REQUIREMENT FOR FIVE OR TEN ELIGIBILITY
13 POINTS ONCE THE ELECTED OFFICER BECOMES A PARTICIPANT IN THE
14 PLAN ON OR AFTER BEGINNING THE NEW TERM OF OFFICE THAT
15 REQUIRED PLAN PARTICIPATION.

16 (2) IN DETERMINING WHETHER AN ELECTED OFFICER WHO IS
17 REQUIRED TO CEASE BEING AN ACTIVE MEMBER OF THE SYSTEM AND TO
18 BECOME A PARTICIPANT IN THE PLAN SOLELY BY REASON OF BEING AN
19 ELECTED OFFICER IS ELIGIBLE FOR PAYMENT OF BENEFITS FROM THE
20 PLAN, THE STATE SERVICE CREDIT ON WHICH ELIGIBILITY POINTS
21 WERE EARNED PRIOR TO BECOMING A PARTICIPANT IN THE PLAN AND
22 CREDITED IN THE SYSTEM WHEN THE ELECTED OFFICER BECOMES A
23 PARTICIPANT IN THE PLAN SHALL BE INCLUDED IN DETERMINING THE
24 VESTED STATUS OF A PARTICIPANT UNDER SECTION 5409.

25 SECTION 310. SECTION 5308 OF TITLE 71 IS AMENDED TO READ:

26 § 5308. Eligibility for annuities.

27 (a) Superannuation annuity.--Attainment of superannuation
28 age by an active member [or], an inactive member on leave
29 without pay or a combined service employee who is an active
30 participant or inactive participant on leave without pay with

1 three or more eligibility points other than eligibility points
2 resulting from nonstate service or nonschool service shall
3 entitle him to receive a superannuation annuity upon termination
4 of State service and compliance with section 5907(f) (relating
5 to rights and duties of State employees [and], members and
6 participants).

7 (b) Withdrawal annuity.--

8 (1) Any vestee or any active member [or], inactive
9 member on leave without pay or a combined service employee
10 who is an active participant or inactive participant on leave
11 without pay who terminates State service having five or more
12 eligibility points and who does not have Class A-3 or Class
13 A-4 service credit or Class T-E or Class T-F service credit
14 in the Public School Employees' Retirement System, or who has
15 Class G, Class H, Class I, Class J, Class K, Class L, Class M
16 or Class N service and terminates State service having five
17 or more eligibility points, upon compliance with section
18 5907(f), (g) or (h) shall be entitled to receive an annuity.

19 (2) Any vestee, active member [or], inactive member on
20 leave without pay or combined service employee who is an
21 active participant or inactive participant on leave without
22 pay who has Class A-3 or Class A-4 service credit or Class T-
23 E or Class T-F service credit in the Public School Employees'
24 Retirement System who terminates State service having ten or
25 more eligibility points, upon compliance with section
26 5907(f), (g) or (h), shall be entitled to receive an annuity.

27 (3) Any vestee, active member [or], inactive member on
28 leave without pay or combined service employee who is an
29 active participant or inactive participant on leave without
30 pay who has either Class A-3 or Class A-4 service credit or

1 Class T-E or Class T-F service credit in the Public School
2 Employees' Retirement System and also has service credited in
3 the system in one or more other classes of service who has
4 five or more, but fewer than ten, eligibility points, upon
5 compliance with section 5907(f), (g) or (h), shall be
6 eligible to receive an annuity calculated on his service
7 credited in classes of service other than Class A-3 or Class
8 A-4, provided that the member has five or more eligibility
9 points resulting from service in classes other than Class A-3
10 or Class A-4 or Class T-E or Class T-F service in the Public
11 School Employees' Retirement System.

12 * * *

<--

13 (C) DISABILITY ANNUITY.--AN ACTIVE MEMBER OR INACTIVE MEMBER <--
14 ON LEAVE WITHOUT PAY WHO HAS FIVE OR MORE ELIGIBILITY POINTS
15 OTHER THAN ELIGIBILITY POINTS RESULTING FROM MEMBERSHIP IN THE
16 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OR ANY ACTIVE MEMBER
17 OR INACTIVE MEMBER ON LEAVE WITHOUT PAY WHO IS AN OFFICER OF THE
18 PENNSYLVANIA STATE POLICE OR AN ENFORCEMENT OFFICER SHALL, UPON
19 COMPLIANCE WITH SECTION 5907(K), BE ENTITLED TO A DISABILITY
20 ANNUITY IF HE BECOMES MENTALLY OR PHYSICALLY INCAPABLE OF
21 CONTINUING TO PERFORM THE DUTIES FOR WHICH HE IS EMPLOYED AND
22 QUALIFIES IN ACCORDANCE WITH THE PROVISIONS OF SECTION 5905(C)
23 (1) (RELATING TO DUTIES OF THE BOARD REGARDING APPLICATIONS AND
24 ELECTIONS OF MEMBERS) [.]; PROVIDED, THAT NO DISABILITY ANNUITY
25 SHALL BE PAID TO A COMBINED SERVICE EMPLOYEE WHO IS AN ACTIVE
26 PARTICIPANT.

27 (D) ELIGIBILITY OF AN ELECTED OFFICER FOR SUPERANNUATION
28 ANNUITY.--AN ELECTED OFFICER WHO IS REQUIRED TO TERMINATE ACTIVE
29 MEMBERSHIP IN THE SYSTEM AND BECOME A PARTICIPANT IN THE PLAN
30 SOLELY BY REASON OF BEING AN ELECTED OFFICER WILL BE DEEMED TO

1 HAVE SATISFIED THE REQUIREMENT OF THREE OR MORE ELIGIBILITY
2 POINTS OTHER THAN ELIGIBILITY POINTS RESULTING FROM NONSTATE
3 SERVICE OR NONSCHOOL SERVICE UNDER SUBSECTION (A) ONCE THE
4 ELECTED OFFICER BECOMES A PARTICIPANT IN THE PLAN ON OR AFTER
5 BEGINNING THE NEW TERM OF OFFICE THAT REQUIRED PLAN
6 PARTICIPATION. NOTHING UNDER THIS SUBSECTION SHALL AMEND OR
7 WAIVE ANY OTHER REQUIREMENT TO BE ELIGIBLE FOR A SUPERANNUATION
8 ANNUITY.

9 Section 311. Sections 5308.1(1), 5309 and 5311(a) of Title <--
10 71 are amended to read:

11 § 5308.1. Eligibility for special early retirement.

12 Notwithstanding any provisions of this title to the contrary,
13 the following special early retirement provisions shall be
14 applicable to specified eligible members as follows:

15 (1) During the period of July 1, 1985, to September 30,
16 1991, an active member who has attained the age of at least
17 53 years and has accrued at least 30 eligibility points shall
18 be entitled, upon termination of State service and compliance
19 with section 5907(f) (relating to rights and duties of State
20 employees [and], members and participants), to receive a
21 maximum single life annuity calculated under section 5702
22 (relating to maximum single life annuity) without a reduction
23 by virtue of an effective date of retirement which is under
24 the superannuation age.

25 * * *

26 § 5309. ELIGIBILITY FOR VESTING. <--

27 ANY MEMBER WHO:

28 (1) DOES NOT HAVE CLASS A-3 OR CLASS A-4 SERVICE CREDIT
29 OR CLASS T-E OR CLASS T-F SERVICE CREDIT IN THE PUBLIC SCHOOL
30 EMPLOYEES' RETIREMENT SYSTEM AND TERMINATES STATE SERVICE AS

1 AN ACTIVE MEMBER OR INACTIVE MEMBER ON LEAVE WITHOUT PAY WITH
2 FIVE OR MORE ELIGIBILITY POINTS, OR ANY MEMBER WITH CLASS G,
3 CLASS H, CLASS I, CLASS J, CLASS K, CLASS L, CLASS M OR CLASS
4 N SERVICE WITH FIVE OR MORE ELIGIBILITY POINTS, SHALL BE
5 ELIGIBLE UNTIL ATTAINMENT OF SUPERANNUATION AGE TO VEST HIS
6 RETIREMENT BENEFITS.

7 (2) HAS CLASS A-3 OR CLASS A-4 SERVICE CREDIT OR CLASS
8 T-E OR CLASS T-F SERVICE CREDIT IN THE PUBLIC SCHOOL
9 EMPLOYEES' RETIREMENT SYSTEM AND TERMINATES STATE SERVICE AS
10 AN ACTIVE MEMBER OR INACTIVE MEMBER ON LEAVE WITHOUT PAY WITH
11 TEN OR MORE ELIGIBILITY POINTS SHALL BE ELIGIBLE UNTIL
12 ATTAINMENT OF SUPERANNUATION AGE TO VEST HIS RETIREMENT
13 BENEFITS.

14 (3) HAS EITHER CLASS A-3 OR CLASS A-4 SERVICE CREDIT OR
15 CLASS T-E OR CLASS T-F SERVICE CREDIT IN THE PUBLIC SCHOOL
16 EMPLOYEES' RETIREMENT SYSTEM, ALSO HAS SERVICE CREDITED IN
17 THE SYSTEM IN ONE OR MORE OTHER CLASSES OF SERVICE AND HAS
18 FIVE OR MORE, BUT FEWER THAN TEN, ELIGIBILITY POINTS SHALL BE
19 ELIGIBLE UNTIL THE ATTAINMENT OF SUPERANNUATION AGE TO VEST
20 HIS RETIREMENT BENEFITS CALCULATED ON HIS SERVICE CREDITED IN
21 CLASSES OF SERVICE OTHER THAN CLASS A-3 OR CLASS A-4 AND TO
22 BE CREDITED WITH STATUTORY INTEREST ON TOTAL ACCUMULATED
23 DEDUCTIONS, REGARDLESS OF WHETHER OR NOT ANY PART OF HIS
24 ACCUMULATED DEDUCTIONS ARE A RESULT OF CLASS A-3 OR CLASS A-4
25 SERVICE CREDIT.

26 § 5311. Eligibility for refunds.

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

1 * * *

2 Section 312. Title 71 is amended by adding a chapter to
3 read:

4 CHAPTER 54

5 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

6 Sec.

7 5401. Establishment.

8 5402. Plan document.

9 5403. Individual investment accounts.

10 5404. Participant contributions.

11 5405. Mandatory pickup participant contributions.

12 5406. Employer defined contributions.

13 5407. Eligibility for benefits.

14 5408. Death benefits.

15 5409. Vesting.

16 5410. Termination of distributions.

17 5411. Agreements with financial institutions and other
18 organizations.

19 5412. Powers and duties of board.

20 5413. Responsibility for investment loss.

21 5414. Investments based on participants' investment allocation
22 choices.

23 5415. Expenses.

24 ~~5416. Election by members to be participants.~~

<--

25 5416. (RESERVED).

<--

26 5417. Tax qualification.

27 § 5401. Establishment.

28 (a) State Employees' Defined Contribution Plan.--The State
29 Employees' Defined Contribution Plan is established. The board
30 shall administer and manage the plan which shall be a defined

1 contribution plan exclusively for the benefit of those State
2 employees who participate in the plan and their beneficiaries
3 within the meaning of and in conformity with IRC § 401(a). The
4 board shall determine the terms and provisions of the plan not
5 inconsistent with this part, IRC or other applicable law and
6 shall provide for the plan's administration.

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

19 (c) Assets held in trust.--All assets and income in the plan
20 that have been or shall be withheld or contributed by the
21 participants, the Commonwealth and other employers in accordance
22 with this part shall be held in trust in any funding vehicle
23 permitted by the applicable provisions of IRC for the exclusive
24 benefit of the participants and their beneficiaries until such
25 time as the funds are distributed to the participants or their
26 beneficiaries in accordance with the terms of the plan document.
27 The assets of the plan held in trust for the exclusive benefit
28 of the participants and their beneficiaries may be used for the
29 payment of the fees, costs and expenses related to the
30 administration and investment of the plan and the trust.

1 (d) Name for transacting business.--All of the business of
2 the plan shall be transacted, the trust invested, all
3 requisitions for money drawn and payments made and all of its
4 cash and securities and other property shall be held by the name
5 of the "State Employees' Defined Contribution Plan."
6 Notwithstanding any other law to the contrary, the board may
7 establish a nominee registration procedure for the purpose of
8 registering securities in order to facilitate the purchase, sale
9 or other disposition of securities pursuant to the provisions of
10 this part.

11 § 5402. Plan document.

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

24 § 5403. Individual investment accounts.

25 The board shall establish in the trust an individual
26 investment account for each participant in the plan. All
27 contributions by a participant or an employer for or on behalf
28 of a participant shall be credited to the participant's
29 individual investment account, together with all interest and
30 investment earnings and losses. Investment and administrative

1 fees, costs and expenses shall be charged to the participants'
2 individual investment accounts. Employer defined contributions
3 shall be recorded and accounted for separately from participant
4 contributions, but all interest, investment earnings and losses,
5 and investment and administrative fees, costs and expenses shall
6 be allocated proportionately.

7 § 5404. Participant contributions.

8 (a) Mandatory contributions.--A participant shall make
9 mandatory pickup participant contributions through payroll
10 deductions to the participant's individual investment account
11 equal to 6.25% of compensation for current State service. The
12 employer shall cause those contributions for current service to
13 be made and deducted from each payroll or on such schedule as
14 established by the board.

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

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

30 § 5405. Mandatory pickup participant contributions.

1 (a) Treatment for purposes of IRC § 414(h).--The
2 contributions to the trust required to be made under section
3 5404(a) (relating to participant contributions) with respect to
4 current State service rendered by an active participant shall be
5 picked up by the Commonwealth or other employer and shall be
6 treated as the employer's contribution for purposes of IRC §
7 414(h). After the effective date of this section, an employer
8 employing a participant in the plan shall pick up the required
9 mandatory participant contributions by a reduction in the
10 compensation of the participant.

11 (b) Treatment for other purposes.--For all purposes other
12 than the IRC, the mandatory pickup participant contributions
13 shall be treated as contributions made by a participant in the
14 same manner and to the same extent as if the contributions were
15 made directly by the participant and not picked up.
16 § 5406. Employer defined contributions.

17 (a) Contributions for current service.--The Commonwealth or
18 other employer of an active participant shall make employer
19 defined contributions for current service of an active
20 participant that shall be credited to the active participant's
21 individual investment account. Employer defined contributions
22 shall be recorded and accounted for separately from participant
23 contributions.

24 (b) Contributions resulting from participants reemployed
25 from USERRA leave.--When a State employee reemployed from USERRA
26 leave makes the mandatory pickup participant contributions
27 permitted to be made for the USERRA leave, the Commonwealth or
28 other employer by whom the State employee is employed at the
29 time the participant contributions are made shall make whatever
30 employer defined contributions would have been made under this

1 section had the employee making the participant contributions
2 continued to be employed in the participant's State office or
3 position instead of performing USERRA leave. The employer
4 defined contributions shall be placed in the participant's
5 individual investment account as otherwise provided by this
6 part.

7 (c) Limitations on contributions.--No contributions may be
8 allowed that would cause a violation of the limitations related
9 to contributions applicable to governmental plans contained in
10 IRC § 415 or in other provisions of law. In the event that any
11 disallowed contributions are made, any employer defined
12 contributions in excess of the limitations and investment
13 earnings on the contributions shall be refunded to the employer
14 by the board.

15 § 5407. Eligibility for benefits.

16 (a) Termination of service.--A participant who terminates
17 State service shall be eligible to withdraw the vested
18 accumulated total defined contributions standing to the
19 participant's credit in the participant's individual investment
20 account or a lesser amount as the participant may request.
21 Payment shall be made in a lump sum unless the board has
22 established other forms of distribution in the plan document,
23 subject to the provisions of subsection (g). A participant who
24 withdraws his vested accumulated total defined contributions
25 shall no longer be a participant in the plan, notwithstanding
26 that the ~~participant~~ FORMER STATE EMPLOYEE MAY CONTINUE TO BE A <--
27 MEMBER OF THE SYSTEM OR may have contracted to receive an
28 annuity or other form of payment from a provider retained by the
29 board for such purposes.

30 (b) Required distributions.--All payments pursuant to this

1 section shall start and be made in compliance with the minimum
2 distribution requirements and incidental death benefit rules of
3 IRC § 401(a) (9). The board shall take any action and make any
4 distributions it may determine are necessary to comply with
5 those requirements.

6 (c) Married participant.--A participant who is married may
7 receive a lump sum distribution or other distribution directly
8 from the board without the consent of the participant's spouse
9 unless the plan document provides otherwise.

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

14 (e) Loans.--Loans or other distributions, including hardship
15 or unforeseeable emergency distributions, from the plan to State
16 employees who have not terminated State service are not
17 permitted, except as required by law.

18 (f) Small individual investment accounts.--

19 (1) A participant who terminates State service and whose
20 vested accumulated total defined contributions are below the
21 threshold established by law as of the date of termination of
22 service may be paid the vested accumulated total defined
23 contributions in a lump sum as provided in IRC § 401(a) (31).

24 (2) The board may also provide in the plan document
25 that, notwithstanding subsection (g), a participant whose
26 vested accumulated employer defined contributions are below
27 the thresholds established by the board may receive those
28 distributions without the obligation to purchase an annuity.
29 The threshold may be established as a dollar amount, an
30 annuity amount, in some other form individually or in

1 combination as the board determines.

2 (g) Requirement to purchase annuity.--Except as prohibited
3 by the IRC or as otherwise provided in this part, a participant
4 who is eligible and elects to receive a distribution or vested
5 accumulated employer defined contributions shall be required to
6 purchase an annuity with that distribution from an annuity
7 provider contracted by the board under section 5408(c) (relating
8 to death benefits) and under such conditions as provided in the
9 plan document. The conditions may include that the board is
10 authorized to make the distribution directly to the annuity
11 provider.

12 § 5408. Death benefits.

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

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

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

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

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

12 § 5409. Vesting.

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

22 (b) Employer defined contributions.--

23 (1) Subject to the forfeiture and attachment provisions
24 of section 5953 or otherwise as provided by law, a
25 participant shall be vested with respect to all employer
26 defined contributions paid to the participant's individual
27 investment account in the trust in addition to interest and
28 investment gains and losses on the employer defined
29 contributions but not including investment fees and
30 administrative charges according to the following schedule:

1 (i) during the first and second year of State
2 service as a participant in the plan, 0%;

3 (ii) at the second year until the third year of
4 State service as a participant in the plan, 50%;

5 (iii) at the third year until the fourth year of
6 State service as a participant in the plan, 75%;

7 (iv) at and after the fourth year of State service
8 as a participant in the plan, 100%.

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

10 (i) How the required time periods of State service
11 in the plan are determined and calculated.

12 (ii) The effect of periods that State employees
13 spend on paid leave or leave without pay on the
14 determination of a participant's vested status in the
15 plan.

16 (iii) The effect of termination of State service or
17 distributions from the plan on a participant's vested
18 status in the plan.

19 (iv) Other terms and conditions for the
20 implementation and administration of this section.

21 (3) Nonvested employer defined contributions and the
22 interest and investment gains and losses on the nonvested
23 employer defined contributions that are not distributable to
24 a participant are credited to the participant's most recent
25 employer's future obligation assessed under section 5509
26 (relating to appropriations and assessments by the
27 Commonwealth).

28 (4) TRANSITION RULES SHALL BE AS FOLLOWS:

<--

29 (I) AN ELECTED OFFICER WHO SOLELY BY REASON OF BEING
30 AN ELECTED OFFICER IS REQUIRED TO BE A PARTICIPANT IN THE

1 PLAN AND WHO HAS SUFFICIENT ELIGIBILITY POINTS TO BE
2 ELIGIBLE TO BE A SUPERANNUATION OR WITHDRAWAL ANNUITANT
3 IF THE ELECTED OFFICER HAD TERMINATED STATE SERVICE ON
4 THE DATE THE ELECTED OFFICER BEGINS PARTICIPATION IN THE
5 PLAN SHALL BE 100% VESTED WITH RESPECT TO ALL EMPLOYER
6 DEFINED CONTRIBUTIONS PAID TO THE ELECTED OFFICER'S
7 INDIVIDUAL INVESTMENT ACCOUNT IN ADDITION TO INTEREST AND
8 INVESTMENT GAINS AND LOSSES ON THE EMPLOYER DEFINED
9 CONTRIBUTIONS, BUT NOT INCLUDING INVESTMENT FEES AND
10 ADMINISTRATIVE CHARGES.

11 (II) AN ELECTED OFFICER WHO BEGINS A TERM OF OFFICE
12 ON AND AFTER DECEMBER 1, 2014, AND BEFORE JANUARY 1,
13 2015, SHALL HAVE ELIGIBILITY FOR VESTING UNDER THIS
14 SUBSECTION DETERMINED AS IF THE ELECTED OFFICER BEGAN
15 STATE SERVICE AND BECAME A PARTICIPANT OF THE PLAN ON THE
16 DATE THE TERM OF OFFICE BEGINS, NOTWITHSTANDING THAT THE
17 PLAN DOES NOT BECOME OPERATIONAL AND ACTUAL PARTICIPATION
18 DOES NOT BEGIN UNTIL JANUARY 1, 2015.

19 (c) USERRA leave and vesting credit.--A participant in the
20 plan who is reemployed from USERRA leave or who dies while
21 performing USERRA leave shall receive vesting credit under this
22 section for the State service that would have been performed had
23 the member not performed USERRA leave.

24 § 5410. Termination of distributions.

25 (a) Return to State service.--

26 (1) A participant receiving distributions or an inactive
27 participant who returns to State service shall cease
28 receiving distributions and shall not be eligible to receive
29 distributions until the participant subsequently terminates
30 State service, without regard to whether the participant is a

1 mandatory, optional or prohibited member of the system or
2 participant in the plan.

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

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

8 (1) If a former State employee is reemployed from USERRA
9 leave and received any payments or annuity from the plan
10 during the USERRA leave, the employee shall return to the
11 board the amount so received plus interest as provided in the
12 plan document.

13 (2) The amount payable shall be certified in each case
14 by the board in accordance with methods approved by the
15 actuary and shall be paid in a lump sum within 30 days or in
16 the case of an active participant may be amortized with
17 interest as provided in the plan document through salary
18 deductions to the trust in amounts agreed upon by the active
19 participant and the board, but for not longer than a period
20 that starts with the date of reemployment and continues for
21 up to three times the length of the active participant's
22 immediate past period of USERRA leave. The repayment period
23 shall not exceed five years.

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

26 (a) Written agreement.--To establish and administer the
27 plan, the board shall enter into a written agreement with one or
28 more financial institutions or ~~pension management~~ OTHER <--
29 organizations to administer the plan and the investment of funds
30 held pursuant to the plan. The administrator shall be selected

1 in accordance with the following:

2 (1) The board shall solicit proposals from financial
3 institutions and ~~pension management~~ OTHER organizations. <--

4 (2) The board shall publish the solicitation in the
5 Pennsylvania Bulletin.

6 (3) Proposals received shall be evaluated based on
7 specific criteria adopted by the board. The criteria shall
8 include experience, customer service history and other
9 criteria.

10 (b) Rebid.--A contract to administer the plan under
11 subsection (a) shall be rebid at least once every ten years.
12 § 5412. Powers and duties of board.

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

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

18 (2) The board shall pay all administrative fees, costs
19 and expenses of managing, investing and administering the
20 plan, the trust and the individual investment accounts from
21 the balance of such individual investment accounts except as
22 the General Assembly otherwise provides by appropriations
23 from the General Fund.

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

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

30 (5) The board may establish a process for election to

1 participate in the plan by those State employees ELIGIBLE TO <--
2 DO SO for whom participation is not mandatory.

3 (6) The board may perform an annual or more frequent
4 review of any qualified fund manager for the purpose of
5 assuring that the fund manager continues to meet all
6 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 a 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 or ensure the
15 administration of the plan in compliance with the
16 qualifications and other rules of the IRC.

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

19 (11) The board shall determine what constitutes a
20 termination of State service.

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

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

28 (i) Procedures for eligible participants to change
29 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 pickup
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 the IRC and permitted as
7 part of the plan.

8 (iv) Standards and criteria for providing not less
9 than ten options in accordance with three or more
10 providers of investment options to eligible individuals
11 regarding investments of amounts deferred under the plan.
12 The standards and criteria must provide for a variety of
13 investment options and shall be reviewed in accordance
14 with criteria established by the board. One of the
15 available options must serve as the default option for
16 participants who do not make a timely election and, to
17 the extent commercially available, one option must have
18 an annuity.

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

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

29 (14) The board may waive any reporting or information
30 requirement contained in this part if the board determines

1 that the information is not needed for the administration of
2 the plan.

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

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

11 (17) The provisions and restrictions of the act of July
12 2, 2010 (P.L.266, No.44), known as the Protecting
13 Pennsylvania's Investments Act, shall not apply to the plan
14 or trust or the investments of the plan or trust, but the
15 board may offer to the plan participants investment vehicles
16 that would be allowed under the Protecting Pennsylvania's
17 Investments Act.

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

21 § 5413. Responsibility for investment loss.

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

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

30 (a) Investment by participant.--All contributions, interest

1 and investment earnings shall be invested based on a
2 participant's investment allocation choices. All investment
3 allocation choices shall be credited proportionally between
4 participant contributions and employer defined contributions.
5 Each participant shall be credited individually with the amount
6 of contributions, interest and investment earnings.

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

21 § 5415. Expenses.

22 All fees, costs and expenses of administering the plan and
23 the trust and investing the assets of the trust shall be borne
24 by the participants and paid from assessments against the
25 balances of the individual investment accounts as established by
26 the board, except that for fiscal years ending before July 1,
27 2015, the fees, costs and expenses of establishing and
28 administering the plan and the trust shall be paid by the
29 Commonwealth through annual appropriations from the General
30 Fund, made on the basis of estimates from the board.

1 ~~§ 5416. Election by members to be participants.~~

2 ~~(a) General rule. A State employee who is an active member~~
3 ~~or inactive member on leave without pay of the system on or~~
4 ~~after January 1, 2015, and who is employed in a position that~~
5 ~~would otherwise be eligible for participation in the plan may~~
6 ~~elect to become a participant in the plan.~~

7 ~~(b) Time for making election. An eligible State employee~~
8 ~~may elect to become a participant and a combined service~~
9 ~~employee at any time before termination of State service by~~
10 ~~filing a written election with the board.~~

11 ~~(c) Effect of election. The following apply:~~

12 ~~(1) An election to become a participant shall be~~
13 ~~irrevocable. Participation shall be effective at the~~
14 ~~beginning of the next pay period commencing after the~~
15 ~~election is filed with the board.~~

16 ~~(2) A member who elects to become a participant shall~~
17 ~~remain a participant for all future State service.~~

18 ~~(3) Any prior State or nonstate service credited in the~~
19 ~~system shall remain in the class or subclass of service in~~
20 ~~which it is credited on the effective date of participation.~~

21 ~~(4) A combined service employee shall not be eligible to~~
22 ~~receive an annuity from the system or a withdrawal of~~
23 ~~accumulated deductions until the employee has terminated~~
24 ~~State service.~~

25 ~~(5) A participant shall not be entitled to purchase any~~
26 ~~previous State service or creditable nonstate service.~~

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

30 ~~§ 5416. (RESERVED).~~

1 § 5417. Tax qualification.

2 (a) Required distributions.--All payments pursuant to this
3 chapter shall start and be made in compliance with the minimum
4 distribution requirements and incidental death benefit rules of
5 IRC § 401(a).

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

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

13 (ii) An increase in a limitation under IRC § 415
14 shall apply to all participants on and after the
15 effective date of this section.

16 (iii) For the purposes of this paragraph, the term
17 "government plans" shall have the same meaning as the
18 term has in IRC § 414(d).

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

28 (ii) Notwithstanding subparagraph (i), an increase
29 in benefits on or after the effective date of this
30 section for a participant in the plan shall be authorized

1 and apply to the fullest extent allowed by law.

2 Section 313. (Reserved).

3 Section 314. Section 5501.1(b) (7) and (8) of Title 71 are
4 amended and subsection (b) is amended by adding a paragraph to
5 read:

6 § 5501.1. Shared-risk member contributions for Class A-3 and
7 Class A-4 service.

8 * * *

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

10 * * *

11 (7) For any fiscal year in which the actual
12 contributions by the Commonwealth or an employer are lower
13 than those required to be made under section 5507(d)
14 [(relating to contributions by the Commonwealth and other
15 employers)] (relating to contributions to the system by the
16 Commonwealth and other employers before July 1, 2015) or
17 5507.1 (relating to contributions to the system by the
18 Commonwealth and other employers commencing July 1, 2015),
19 the prospective shared-risk contribution rate for those
20 employees whose employers are not making the contributions
21 required by section 5507(d) shall be zero and shall not
22 subsequently be increased, except as otherwise provided in
23 this section.

24 (8) If the actuary certifies that the accrued liability
25 contributions calculated in accordance with the actuarial
26 cost method provided in [section 5508(b)] section 5508
27 (relating to actuarial cost method for fiscal years ending
28 before July 1, 2015) or 5508.1 (relating to actuarial cost
29 method for fiscal years beginning on or after July 1, 2015),
30 as adjusted by the experience adjustment factor, are zero or

1 less, then the shared-risk contribution rate for the next
2 fiscal year shall be zero and shall not subsequently be
3 increased, except as otherwise provided in this section.

4 (9) For periods commencing on or after July 1, 2015, the
5 determination of shared-risk member contribution rate shall
6 be based on the annual interest rate adopted by the board for
7 the calculation of the accrued liability contribution rate
8 under section 5508.1(c) (relating to actuarial cost method
9 for fiscal years beginning on or after July 1, 2015).

10 Section 315. The definition of "actuarially required
11 contribution rate" in section 5501.2 of Title 71 is amended to
12 read:

13 § 5501.2. Definitions.

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

17 "Actuarially required contribution rate." The employer
18 contribution rate as calculated pursuant to section 5508(a),
19 (b), (c), (e) and (f) (relating to actuarial cost method for
20 fiscal years ending before July 1, 2015) or 5508.1(a), (b), (c),
21 (e) and (f) (relating to actuarial cost method for fiscal years
22 beginning on or after July 1, 2015).

23 * * *

24 Section 316. Sections 5502, 5503.1(a) and 5504 of Title 71
25 are amended to read:

26 § 5502. Social Security integration member contributions.

27 Except for any period of current service in which the making
28 of regular member contributions has ceased solely by reason of
29 section 5502.1 (relating to waiver of regular member
30 contributions and Social Security integration member

1 contributions) or any provision of this part relating to
2 limitations under IRC § 401(a)(17) or 415(b), contributions
3 shall be made on behalf of [a] an active member of any class who
4 prior to March 1, 1974, has elected Social Security integration
5 coverage. The amount of such contributions shall be 6 1/4% of
6 that portion of his compensation as an active member in excess
7 of the maximum wages taxable under the provisions of the Social
8 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
9 addition to the regular member contributions which, after such
10 election, shall be determined on the basis of the basic
11 contribution rate of 5% and the additional member contribution
12 of 1 1/4%: Provided, That a member may elect to discontinue
13 Social Security integration coverage and shall thereafter be
14 ineligible to accrue any further Social Security integration
15 credits or any additional benefits on account of Social Security
16 integration membership.

17 § 5503.1. Pickup contributions.

18 (a) Treatment for purposes of IRC § 414(h).--All
19 contributions to the fund required to be made under sections
20 5501 (relating to regular member contributions for current
21 service), 5501.1 (relating to shared-risk member contributions
22 for Class A-3 and Class A-4 service), 5502 (relating to Social
23 Security integration member contributions), 5503 (relating to
24 joint coverage member contributions) and [section] 5505.1
25 (relating to additional member contributions), with respect to
26 current State service rendered by an active member on or after
27 January 1, 1982, shall be picked up by the Commonwealth or other
28 employer and shall be treated as the employer's contribution for
29 purposes of IRC § 414(h).

30 * * *

1 § 5504. Member contributions for the purchase of credit for
2 previous State service or to become a full coverage
3 member.

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

6 (1) The contributions to be paid by an active member or
7 eligible school employee for credit in the system for total
8 previous State service other than service in Class G, Class
9 H, Class I, Class J, Class K, Class L, Class M and Class N or
10 to become a full coverage member shall be sufficient to
11 provide an amount equal to the regular and additional
12 accumulated deductions which would have been standing to the
13 credit of the member for such service had regular and
14 additional member contributions been made with full coverage
15 in the class of service and at the rate of contribution
16 applicable during such period of previous service and had his
17 regular and additional accumulated deductions been credited
18 with statutory interest during all periods of subsequent
19 State service as an active member or inactive member on leave
20 without pay and school service as an active member or
21 inactive member on leave without pay of the Public School
22 Employees' Retirement System up to the date of purchase.

23 (2) Notwithstanding paragraph (1), members with Class A-
24 3 State service shall make contributions and receive credit
25 as if the previous State service was Class A-3 service, and
26 members with Class A-4 State service shall make contributions
27 and receive credit as if the previous State service was Class
28 A-4 service, even if it would have been credited as a
29 different class of service had the State employee been a
30 member of the system at the time the service was performed

1 unless it was mandatory that the State employee be an active
2 member of the system and the previous State service is being
3 credited as the result of a mandatory active membership
4 requirement.

5 (a.1) Converted county service.--No contributions shall be
6 required to restore credit for previously credited State service
7 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
8 and Class N. Such service shall be restored upon the
9 commencement of payment of the contributions required to restore
10 credit in the system for all other previous State service.

11 (b) Certification and method of payment.--The amount payable
12 shall be certified in each case by the board in accordance with
13 methods approved by the actuary and shall be paid in a lump sum
14 within 30 days or in the case of an active member or eligible
15 school employee who is an active member of the Public School
16 Employees' Retirement System may be amortized with statutory
17 interest through salary deductions to the system in amounts
18 agreed upon by the member and the board. The salary deduction
19 amortization plans agreed to by members and the board may
20 include a deferral of payment amounts and statutory interest
21 until the termination of school service or State service or
22 beginning service as a participant WITHOUT CONCURRENTLY BEING AN <--
23 ACTIVE MEMBER OR INACTIVE MEMBER ON LEAVE WITHOUT PAY as the
24 board in its sole discretion decides to allow. The board may
25 limit the salary deduction amortization plans to such terms as
26 the board in its sole discretion determines. In the case of an
27 eligible school employee who is an active member of the Public
28 School Employees' Retirement System, the agreed upon salary
29 deductions shall be remitted to the Public School Employees'
30 Retirement Board, which shall certify and transfer to the board

1 the amounts paid.

2 Section 317. Section 5505(b)(1), (c), (d) and (i)(4) of
3 Title 71 are amended to read:

4 § 5505. Contributions for the purchase of credit for creditable
5 nonstate service.

6 * * *

7 (b) Nonintervening military service.--

8 (1) The amount due for the purchase of credit for
9 military service other than intervening military service
10 shall be determined by applying the member's basic
11 contribution rate, the additional contribution rate plus the
12 Commonwealth normal contribution rate for active members at
13 the time of entry, subsequent to such military service, of
14 the member into State service to his average annual rate of
15 compensation over the first three years of such subsequent
16 State service and multiplying the result by the number of
17 years and fractional part of a year of creditable
18 nonintervening military service being purchased together with
19 statutory interest during all periods of subsequent State
20 service as an active member or inactive member on leave
21 without pay and school service as an active member or
22 inactive member on leave without pay of the Public School
23 Employees' Retirement System to date of purchase. Upon
24 application for credit for such service, payment shall be
25 made in a lump sum within 30 days or in the case of an active
26 member or eligible school employee who is an active member of
27 the Public School Employees' Retirement System it may be
28 amortized with statutory interest through salary deductions
29 to the system in amounts agreed upon by the member and the
30 board. The salary deduction amortization plans agreed to by

1 members and the board may include a deferral of payment
2 amounts and statutory interest until the termination of
3 school service or State service or beginning service as a
4 participant WITHOUT CONCURRENTLY BEING AN ACTIVE MEMBER OR <--
5 INACTIVE MEMBER ON LEAVE WITHOUT PAY as the board in its sole
6 discretion decides to allow. The board may limit salary
7 deduction amortization plans to such terms as the board in
8 its sole discretion determines. In the case of an eligible
9 school employee who is an active member of the Public School
10 Employees' Retirement System, the agreed upon salary
11 deductions shall be remitted to the Public School Employees'
12 Retirement Board, which shall certify and transfer to the
13 board the amounts paid. Application may be filed for all such
14 military service credit upon completion of three years of
15 subsequent State service and shall be credited as Class A
16 service.

17 * * *

18 (c) Intervening military service.--Contributions on account
19 of credit for intervening military service shall be determined
20 by the member's regular contribution rate, shared-risk
21 contribution rate, Social Security integration contribution
22 rate, the additional contribution rate which shall be applied
23 only to those members who began service on or after the
24 effective date of this amendatory act and compensation at the
25 time of entry of the member into active military service,
26 together with statutory interest during all periods of
27 subsequent State service as an active member or inactive member
28 on leave without pay and school service as an active member or
29 inactive member on leave without pay of the Public School
30 Employees' Retirement System to date of purchase. Upon

1 application for such credit the amount due shall be certified in
2 the case of each member by the board in accordance with methods
3 approved by the actuary, and contributions may be made by:

4 (1) regular monthly payments during active military
5 service; or

6 (2) a lump sum payment within 30 days of certification;
7 or

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

12 The salary deduction amortization plans agreed to by members and
13 the board may include a deferral of payment amounts and

14 statutory interest until the termination of school service or
15 State service or beginning service as a participant WITHOUT <--

16 CONCURRENTLY BEING AN ACTIVE MEMBER OR INACTIVE MEMBER ON LEAVE
17 WITHOUT PAY as the board in its sole discretion decides to

18 allow. The board may limit salary deduction amortization plans
19 to such terms as the board in its sole discretion determines. In

20 the case of an eligible school employee who is an active member
21 of the Public School Employees' Retirement System, the agreed

22 upon salary deductions shall be remitted to the Public School
23 Employees' Retirement Board, which shall certify and transfer to

24 the board the amounts paid.

25 (d) Nonmilitary and nonmagisterial service.--Contributions
26 on account of credit for creditable nonstate service other than
27 military and magisterial service by State employees who first
28 become members of the system before January 1, 2011, or before
29 December 1, 2010, as a member of the General Assembly shall be
30 determined by applying the member's basic contribution rate, the

1 additional contribution rate plus the Commonwealth normal
2 contribution rate for active members at the time of entry
3 subsequent to such creditable nonstate service of the member
4 into State service to his compensation at the time of entry into
5 State service as a member of the system and multiplying the
6 result by the number of years and fractional part of a year of
7 creditable nonstate service being purchased together with
8 statutory interest during all periods of subsequent State
9 service as an active member or inactive member on leave without
10 pay and school service as an active member or inactive member on
11 leave without pay of the Public School Employees' Retirement
12 System to the date of purchase. Upon application for credit for
13 such service payment shall be made in a lump sum within 30 days
14 or in the case of an active member or eligible school employee
15 who is an active member of the Public School Employees'
16 Retirement System it may be amortized with statutory interest
17 through salary deductions to the system in amounts agreed upon
18 by the member and the board. The salary deduction amortization
19 plans agreed to by members and the board may include a deferral
20 of payment amounts and statutory interest until the termination
21 of school service or State service or beginning service as a
22 participant as the board in its sole discretion decides to
23 allow. The board may limit salary deduction amortization plans
24 to such terms as the board in its sole discretion determines. In
25 the case of an eligible school employee who is an active member
26 of the Public School Employees' Retirement System, the agreed
27 upon salary deduction shall be remitted to the Public School
28 Employees' Retirement Board, which shall certify and transfer to
29 the board the amounts paid.

30 * * *

1 (i) Purchases of nonstate service credit by State employees
2 who first became members of the system on or after December 1,
3 2010.--

4 * * *

5 (4) The payment for credit purchased under this
6 subsection shall be certified in each case by the board in
7 accordance with methods approved by the actuary and shall be
8 paid in a lump sum within 30 days or in the case of an active
9 member or eligible school employee who is an active member of
10 the Public School Employees' Retirement System may be
11 amortized with statutory interest through salary deductions
12 to the system in amounts agreed upon by the member and the
13 board. The salary deduction amortization plans agreed to by
14 members and the board may include a deferral of payment
15 amounts and interest until the termination of school service
16 or State service or beginning service as a participant
17 WITHOUT CONCURRENTLY BEING AN ACTIVE MEMBER OR INACTIVE <--
18 MEMBER ON LEAVE WITHOUT PAY as the board in its sole
19 discretion decides to allow. The board may limit the salary
20 deduction amortization plans to such terms as the board in
21 its sole discretion determines. In the case of an eligible
22 school employee who is an active member of the Public School
23 Employees' Retirement System, the agreed upon salary
24 deductions shall be remitted to the Public School Employees'
25 Retirement Board, which shall certify and transfer to the
26 board the amounts paid.

27 Section 318. (Reserved).

28 Section 319. (Reserved).

29 Section 320. Section 5505.1 of Title 71 is amended to read:
30 § 5505.1. Additional member contributions.

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

10 Section 321. Section 5506 of Title 71, amended October 24,
11 2012 (P.L.1436, No.181), is amended to read:

12 § 5506. Incomplete payments.

13 In the event that a member terminates State service or begins
14 service as a participant WITHOUT CONCURRENTLY BEING AN ACTIVE <--
15 MEMBER OR INACTIVE MEMBER ON LEAVE WITHOUT PAY or a multiple
16 service member who is an active member of the Public School
17 Employees' Retirement System terminates school service before
18 the agreed upon payments for credit for previous State service,
19 USERRA leave, creditable nonstate service, social security
20 integration, full coverage membership or return of benefits on
21 account of returning to State service or entering school service
22 and electing multiple service have been completed, the member or
23 multiple service member who is an active member of the Public
24 School Employees' Retirement System shall have the right to pay
25 within 30 days of termination of State service or school service
26 or beginning service as a participant the balance due, including
27 interest, in a lump sum and the annuity shall be calculated
28 including full credit for the previous State service, creditable
29 nonstate service, social security integration, or full coverage
30 membership. In the event a member does not pay the balance due

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

14 Section 322. Section 5506.1(a) of Title 71 is amended to
15 read:

16 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

1 which is a period, not exceeding 12 months, over which
2 compensation is determined, beginning in such calendar year. If
3 a determination period consists of fewer than 12 months, the
4 OBRA '93 compensation limit will be multiplied by a fraction,
5 the numerator of which is the number of months in the
6 determination period and the denominator of which is 12.

7 * * *

8 Section 323. (Reserved).

9 Section 324. Section 5507(a), (b), (d), (e) and (f) of Title
10 71, amended October 24, 2012 (P.L.1436, No.181), are amended to
11 read:

12 § 5507. Contributions to the system by the Commonwealth and
13 other employers before July 1, 2015.

14 (a) Contributions on behalf of active members.--[The] Until
15 June 30, 2015, the Commonwealth and other employers whose
16 employees are members of the system, and from January 1, 2015,
17 to June 30, 2015, the Commonwealth and other employers whose
18 employees are participants in the plan shall make contributions
19 to the fund on behalf of all active members in such amounts as
20 shall be certified by the board as necessary to provide,
21 together with the members' total accumulated deductions, annuity
22 reserves on account of prospective annuities other than those
23 provided in sections 5708 (relating to supplemental annuities),
24 5708.1 (relating to additional supplemental annuities), 5708.2
25 (relating to further additional supplemental annuities), 5708.3
26 (relating to supplemental annuities commencing 1994), 5708.4
27 (relating to special supplemental postretirement adjustment),
28 5708.5 (relating to supplemental annuities commencing 1998),
29 5708.6 (relating to supplemental annuities commencing 2002),
30 5708.7 (relating to supplemental annuities commencing 2003) and

1 5708.8 (relating to special supplemental postretirement
2 adjustment of 2002), in accordance with the actuarial cost
3 method provided in section 5508(a), (b), (c), (d) and (f)
4 (relating to actuarial cost method for fiscal years ending
5 before July 1, 2015).

6 (b) Contributions on behalf of annuitants.--[The] Until June
7 30, 2015, the Commonwealth and other employers whose employees
8 are members of the system shall make contributions on behalf of
9 annuitants in such amounts as shall be certified by the board as
10 necessary to fund the liabilities for supplemental annuities in
11 accordance with the actuarial cost method provided in section
12 5508(e) [(relating to actuarial cost method)].

13 * * *

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

21 (e) Benefits completion plan contributions.--In addition to
22 all other contributions required under this section and section
23 5508, the Commonwealth and other employers whose employees are
24 members of the system shall make contributions until June 30,
25 2015, as certified by the board pursuant to section 5941
26 (relating to benefits completion plan).

27 (f) Contributions resulting from members reemployed from
28 USERRA leave.--When a State employee reemployed from USERRA
29 leave makes the member contributions required to be granted
30 State service credit for the USERRA leave before July 1, 2015,

1 either by actual payment or by actuarial debt under section 5506
2 (relating to incomplete payments), then the Commonwealth
3 employer or other employer by whom the State employee is
4 employed at the time the member contributions are made, or the
5 last employer before termination in the case of payment under
6 section 5506, shall make whatever employer contributions would
7 have been made under this section had the employee making the
8 member contributions after being reemployed from USERRA leave
9 continued to be employed in his State office or position instead
10 of performing USERRA leave.

11 Section 325. Title 71 is amended by adding a section to
12 read:

13 § 5507.1. Contributions to the system by the Commonwealth and
14 other employers commencing July 1, 2015.

15 (a) Contributions on behalf of members.--For fiscal years
16 beginning on or after July 1, 2015, the Commonwealth and other
17 employers whose employees are or were members of the system
18 shall make contributions to the fund on behalf of all members in
19 such amounts as shall be certified by the board as necessary to
20 provide, together with the members' total accumulated
21 deductions, annuity reserves on account of annuities including
22 those provided in sections 5708 (relating to supplemental
23 annuities), 5708.1 (relating to additional supplemental
24 annuities), 5708.2 (relating to further additional supplemental
25 annuities), 5708.3 (relating to supplemental annuities
26 commencing 1994), 5708.4 (relating to special supplemental
27 postretirement adjustment), 5708.5 (relating to supplemental
28 annuities commencing 1998), 5708.6 (relating to supplemental
29 annuities commencing 2002), 5708.7 (relating to supplemental
30 annuities commencing 2003) and 5708.8 (relating to special

1 supplemental postretirement adjustment of 2002), in accordance
2 with the actuarial cost method provided in section 5508.1
3 (relating to actuarial cost method for fiscal years beginning on
4 or after July 1, 2015).

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

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

8 (2) Payment of accrued liability contributions as
9 modified by the experience adjustment factor shall be as a
10 percentage of compensation of active members and active
11 participants.

12 (c) Payment of final contribution rate.--Notwithstanding the
13 calculation of the actuarially required contribution rate and
14 the provisions of subsections (a) and (b), the Commonwealth and
15 other employers whose employees are members of the system shall
16 make contributions to the fund on behalf of all active members
17 and annuitants after June 30, 2015, in such amounts as shall be
18 certified by the board in accordance with section 5508.1(h).

19 (d) Benefits completion plan contributions.--In addition to
20 the other contributions required under this section and section
21 5508.1, the Commonwealth and other employers whose employees are
22 active members of the system shall make contributions after June
23 30, 2015, as certified by the board under section 5941 (relating
24 to benefits completion plan).

25 (e) Contributions resulting from members reemployed from
26 USERRA leave.--When a State employee reemployed from USERRA
27 leave makes the member contributions required to be granted
28 State service credit for the USERRA leave after June 30, 2015,
29 either by actual payment or by actuarial debt under section 5506
30 (relating to incomplete payments), the Commonwealth employer or

1 other employer that employed the State employee when the member
2 contributions are made or the last employer before termination
3 in the case of payment under section 5506 shall make the
4 employer contributions that would have been made under this
5 section if the employee making the member contributions after he
6 is reemployed from USERRA leave continued to be employed in his
7 State office or position instead of performing USERRA leave.

8 Section 326. Section 5508(a), (b), (c)(3), (e)(2), (f)(1),
9 (h) and (i) of Title 71 are amended and subsection (c) is
10 amended by adding a paragraph to read:

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

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

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

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

10 (c) Accrued liability contribution rate.--

11 * * *

12 (3) For the fiscal year beginning July 1, 2010, the
13 accrued liability contribution rate shall be computed as the
14 rate of total compensation of all active members which shall
15 be certified by the actuary as sufficient to fund in equal
16 dollar installments over a period of 30 years from July 1,
17 2010, the present value of the liabilities for all
18 prospective benefits calculated as of the immediately prior
19 valuation date, including the supplemental benefits as
20 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
21 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
22 payable from the retirement benefit plan established pursuant
23 to section 5941 (relating to benefits completion plan), in
24 excess of the actuarially calculated assets in the fund
25 (calculated recognizing all realized and unrealized
26 investment gains and losses each year in level annual
27 installments over five years), including the balance in the
28 supplemental annuity account, and the present value of
29 employer normal contributions and of member contributions
30 payable with respect to all active members, inactive members

1 on leave without pay, vestees and special vestees on December
2 31, 2009. If the accrued liability is changed by legislation
3 enacted subsequent to December 31, 2009, and before January
4 1, 2014, such change in liability shall be funded in equal
5 dollar installments over a period of ten years from the first
6 day of July following the valuation date coincident with or
7 next following the date such legislation is enacted.

8 (4) For the fiscal year beginning July 1, 2014, the
9 accrued liability contribution rate shall be computed as
10 provided for under this section, except that the rate shall
11 be computed as a rate of total compensation of the active
12 members and active participants for the fiscal year. In
13 addition to any employer defined contributions made to the
14 trust, the Commonwealth and other employers of participants
15 shall make the accrued liability contributions to the fund
16 certified by the board.

17 * * *

18 (e) Supplemental annuity contribution rate.--

19 * * *

20 (2) For fiscal years beginning on or after July 1, 2010,
21 and ending on or before June 30, 2015, contributions from the
22 Commonwealth and other employers whose employees are members
23 of the system required to provide for the payment of
24 supplemental annuities as provided in sections 5708, 5708.1,
25 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
26 shall be paid as part of the accrued liability contribution
27 rate as provided for in subsection (c)(3), and there shall
28 not be a separate supplemental annuity contribution rate
29 attributable to those supplemental annuities. In the event
30 that supplemental annuities are increased by legislation

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

7 (f) Experience adjustment factor.--

8 (1) For each [year] fiscal year ending before July 1,
9 2015, after the establishment of the accrued liability
10 contribution rate and the supplemental annuity contribution
11 rate for the fiscal year beginning July 1, 2010, any increase
12 or decrease in the unfunded accrued liability and any
13 increase or decrease in the liabilities and funding for
14 supplemental annuities, due to actual experience differing
15 from assumed experience (recognizing all realized and
16 unrealized investment gains and losses over a five-year
17 period), changes in contributions caused by the final
18 contribution rate being different from the actuarially
19 required contribution rate, State employees making shared-
20 risk member contributions, changes in actuarial assumptions
21 or changes in the terms and conditions of the benefits
22 provided by the system by judicial, administrative or other
23 processes other than legislation, including, but not limited
24 to, reinterpretation of the provisions of this part
25 recognized by the actuarial valuations on December 31, 2010,
26 and through December 31, 2013, shall be amortized in equal
27 dollar annual contributions over a period of 30 years
28 beginning with the July 1 succeeding the actuarial valuation
29 determining said increases or decreases.

30 * * *

1 (h) Temporary application of collared contribution rate.--
2 The collared contribution rate for each [year] fiscal year
3 ending on or before June 30, 2015, shall be determined by
4 comparing the actuarially required contribution rate calculated
5 without regard for costs added by legislation to the prior
6 year's final contribution rate. If, for any of the fiscal years
7 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,
8 2013, and July 1, 2014, the actuarially required contribution
9 rate calculated without regard for costs added by legislation is
10 more than 3%, 3.5%, 4.5% and 4.5% respectively, of the total <--
11 compensation of all active members greater than the prior year's
12 final contribution rate, then the collared contribution rate
13 shall be applied and be equal to the prior year's final
14 contribution rate increased by the respective percentage above
15 of total compensation of all active members. Otherwise, and for
16 all subsequent fiscal years, the collared contribution rate
17 shall not be applicable. In no case shall the collared
18 contribution rate be less than 4% of total compensation of all
19 active members.

20 (i) Final contribution rate.--For the fiscal year beginning
21 July 1, 2010, the final contribution rate shall be 5% of total
22 compensation of all active members. For each subsequent fiscal
23 year for which the collared contribution rate is applicable, the
24 final contribution rate shall be the collared contribution rate
25 plus the costs added by legislation. For all other fiscal years
26 ending before July 1, 2015, the final contribution rate shall be
27 the actuarially required contribution rate, provided that the
28 final contribution rate shall not be less than the employer
29 normal contribution rate, as defined in subsection (b).

30 Section 327. Title 71 is amended by adding a section to

1 read:

2 § 5508.1. Actuarial cost method for fiscal years beginning on
3 or after July 1, 2015.

4 (a) Employer contributions on behalf of members.--For fiscal
5 years beginning on or after July 1, 2015, the amount of the
6 Commonwealth and other employer contributions on behalf of all
7 members shall be computed by the actuary and certified by the
8 board as an employer normal contribution rate as provided under
9 subsection (b) and the accrued liability contribution amount as
10 provided under subsection (c). The accrued liability
11 contribution amount shall be modified by the experience
12 adjustment factor as calculated in subsection (f).

13 (b) Employer normal contribution rate.--For fiscal years
14 beginning on or after July 1, 2015, the employer normal
15 contribution rate for all active members of the system shall be
16 the employer normal contribution rate that would have been
17 applicable if the employer normal contribution rate was
18 determined as part of the December 31, 2014, actuarial valuation
19 under section 5508(b) (relating to actuarial cost method for
20 fiscal years ending before July 1, 2015) without regard to the
21 provisions of this section and the inapplicability of the rate
22 to a period on or after July 1, 2015.

23 (c) Accrued liability contribution amount.--

24 (1) For fiscal years beginning on or after July 1, 2015,
25 the accrued liability contribution rate shall be computed as
26 the rate of total compensation of all active members and
27 active participants that shall be determined by the actuary
28 as sufficient to fund THE REMAINING AMORTIZATION PAYMENTS OF <--
29 THE PRESENT VALUE OF THE NET LIABILITIES CALCULATED EACH YEAR
30 UNDER SECTION 5508(C) (3) AND (4) AND 5508(F) in equal dollar

1 ~~installments as a percentage of compensation of all active~~
2 ~~members and active participants over a period of 30 years~~ <--
3 ~~from July 1, 2015, the present value of the liabilities for~~
4 ~~all prospective benefits of members of the system calculated~~
5 ~~as of the immediately prior valuation date, including the~~
6 ~~supplemental benefits as provided in sections 5708 (relating~~
7 ~~to supplemental annuities), 5708.1 (relating to additional~~
8 ~~supplemental annuities), 5708.2 (relating to further~~
9 ~~additional supplemental annuities), 5708.3 (relating to~~
10 ~~supplemental annuities commencing 1994), 5708.4 (relating to~~
11 ~~special supplemental postretirement adjustment), 5708.5~~
12 ~~(relating to supplemental annuities commencing 1998), 5708.6~~
13 ~~(relating to supplemental annuities commencing 2002), 5708.7~~
14 ~~(relating to supplemental annuities commencing 2003) and~~
15 ~~5708.8 (relating to special supplemental postretirement~~
16 ~~adjustment of 2002), but excluding the benefits payable from~~
17 ~~the retirement benefit plan established under section 5941~~
18 ~~(relating to benefits completion plan) in excess of the~~
19 ~~actuarially calculated assets in the fund calculated~~
20 ~~recognizing the realized and unrealized investment gains and~~
21 ~~losses each year in level annual installments over five~~
22 ~~years, including the balance in the supplemental annuity~~
23 ~~account and the present value of employer normal~~
24 ~~contributions and of member contributions payable with~~
25 ~~respect to all active members, inactive members on leave~~
26 ~~without pay, vestees and special vestees on December 31,~~
27 ~~2014. PARTICIPANTS OVER THE REMAINING FUNDING PERIOD OF EACH~~ <--
28 ~~COMPONENT PART OF THOSE NET LIABILITIES FROM JULY 1, 2015.~~

29 (2) If the accrued liability is changed by legislation
30 enacted subsequent to December 31, 2014, the change in

1 liability shall be funded in equal dollar installments as a
2 percentage of compensation of all active members and active
3 participants over a period of ten years from the first day of
4 July following the valuation date coincident with or next
5 following the date such legislation is enacted. The accrued
6 liability contribution rate shall be determined after each
7 actuarial valuation on the basis of an annual interest rate
8 and the mortality and other tables adopted by the board in
9 accordance with generally accepted actuarial principles.

10 (d) (Reserved).

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

29 (f) Experience adjustment factor.--

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

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

20 (2) The actuarially required contribution rate shall be
21 the sum of the normal contribution rate determined under
22 subsection (b)(2), the accrued liability contribution rate
23 and the supplemental annuity contribution rate modified by
24 the experience adjustment factor as calculated in paragraph
25 (1).

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

1 contribution rate. If, for any of the fiscal years beginning on
2 or after July 1, 2015, the actuarially required contribution
3 rate calculated without regard for costs added by legislation is
4 more than 4.5% of the total compensation of all active members
5 greater than the prior year's final contribution rate, the
6 collared contribution rate shall be applied and be equal to the
7 prior year's final contribution rate increased by 4.5% of total
8 compensation of active members. Otherwise and for all subsequent
9 fiscal years, the collared contribution rate shall not apply.
10 The collared contribution rate may not be less than 4% of total
11 compensation of all active members.

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

24 Section 328. Section 5509 of Title 71, amended October 24,
25 2012 (P.L.1436, No.181), is amended to read:

26 § 5509. Appropriations and assessments by the Commonwealth.

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

1 assessed the other employers required to meet the separate
2 obligations to the fund and the trust accruing during the fiscal
3 period beginning the first day of July of the following year.

4 (b) Appropriation and payment.--The General Assembly shall
5 make an appropriation sufficient to provide for the separate
6 obligations of the Commonwealth to the fund and the trust. Such
7 amount shall be paid by the State Treasurer through the
8 Department of Revenue into the fund or trust, as the case may
9 be, in accordance with requisitions presented by the board. The
10 contributions to the system by the Commonwealth on behalf of
11 active members who are officers of the Pennsylvania State Police
12 shall be charged to the General Fund and to the Motor License
13 Fund in the same ratios as used to apportion the appropriations
14 for salaries of members of the Pennsylvania State Police. The
15 contributions to the system by the Commonwealth on behalf of
16 active members who are enforcement officers and investigators of
17 the Pennsylvania Liquor Control Board shall be charged to the
18 General Fund and to the State Stores Fund.

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

1 for such purpose, then the service of such members of the system
2 for such period for which money is not so provided shall be
3 credited and pickup contributions with respect to such members
4 shall continue to be credited to the members' savings account.
5 The annuity to which such member is entitled shall be determined
6 as actuarially equivalent to the present value of the maximum
7 single life annuity of each such member reduced by the amount of
8 employer contributions to the system payable on account and
9 attributable to his compensation during such service, except
10 that no reduction shall be made as a result of the failure of an
11 employer to make contributions required for a period of USERRA
12 leave.

13 Section 329. Sections 5701 and 5701.1 of Title 71 are
14 amended to read:

15 § 5701. Return of total accumulated deductions.

16 Any member upon termination of service may, in lieu of all
17 benefits payable from the system under this chapter to which he
18 may be entitled, elect to receive his total accumulated
19 deductions.

20 § 5701.1. Transfer of accumulated deductions.

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

29 Section 330. Sections 5702(a) (1) and 5704(c) of Title 71 are
30 amended and the sections are amended by adding subsections to

1 read:

2 § 5702. Maximum single life annuity.

3 (a) General rule.--Any full coverage member who is eligible
4 to receive an annuity pursuant to the provisions of section
5 5308(a) or (b) (relating to eligibility for annuities) who
6 terminates State service, or if a multiple service member who is
7 a school employee who is an active member of the Public School
8 Employees' Retirement System who terminates school service,
9 before attaining age 70 shall be entitled to receive a maximum
10 single life annuity attributable to his credited service and
11 equal to the sum of the following single life annuities
12 beginning at the effective date of retirement:

13 (1) A standard single life annuity multiplied by the sum
14 of the products, determined separately for each class of
15 service, obtained by multiplying the appropriate class of
16 service multiplier by the ratio of years of service credited
17 in that class to the total credited service. In case the
18 member on the effective date of retirement is under
19 superannuation age for any service, a reduction factor
20 calculated to provide benefits actuarially equivalent to an
21 annuity starting at superannuation age shall be applied to
22 the product determined for that service. The class of service
23 multiplier for any period of concurrent service shall be
24 multiplied by the proportion of total State and school
25 compensation during such period attributable to State service
26 as a member of the system. In the event a member has two
27 multipliers for one class of service the class of service
28 multiplier to be used for calculating benefits for that class
29 shall be the average of the two multipliers weighted by the
30 proportion of compensation attributable to each multiplier

1 during the three years of highest annual compensation in that
2 class of service: Provided, That in the case of a member of
3 Class E-1, a portion but not all of whose three years of
4 highest annual judicial compensation is prior to January 1,
5 1973, two class of service multipliers shall be calculated on
6 the basis of his entire judicial service, the one applying
7 the judicial class of service multipliers effective prior to
8 January 1, 1973 and the second applying the class of service
9 multipliers effective subsequent to January 1, 1973. The
10 average class of service multiplier to be used for
11 calculating benefits for his judicial service shall be the
12 average of the two calculated multipliers weighted by the
13 proportion of compensation attributable to each of the
14 calculated multipliers during the three years of highest
15 annual compensation in that class of service.

16 * * *

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

22 § 5704. Disability annuities.

23 * * *

24 (c) Reduction on account of earned income.--Subsequent to
25 January 1, 1972, payments on account of disability shall be
26 reduced by that amount by which the earned income of the
27 annuitant, as reported in accordance with section 5908(b)
28 (relating to rights and duties of annuitants), for the preceding
29 calendar year together with the disability annuity payments
30 provided in this section other than subsection (b), for the

1 year, exceeds the product of:

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

4 [(ii)] (2) the ratio of the current monthly payment to
5 the monthly payment at the effective date of disability;

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

9 * * *

10 (h) Coordination of benefits.--The determination and payment
11 of a disability annuity under this section is in addition to any
12 payments a combined service employee may be entitled to receive,
13 has received or is receiving as a result of being a participant
14 in the plan. A DISABILITY ANNUITY MAY NOT BE PAID TO A COMBINED <--
15 SERVICE EMPLOYEE WHO IS AN ACTIVE PARTICIPANT.

16 Section 331. Section 5706(a), (a.1), (a.2), (b) and (c) (1)
17 and (3) of Title 71 are amended to read:

18 § 5706. Termination of annuities.

19 (a) General rule.--If the annuitant returns to State service
20 or enters or has entered school service and elects multiple
21 service membership, any annuity payable to him under this part
22 shall cease effective upon the date of his return to State
23 service or entering school service without regard to whether he
24 is a mandatory, optional or prohibited member of the system or
25 participant in the plan or, if a multiple service member,
26 without regard to whether he is a mandatory, optional or
27 prohibited member or participant of the Public School Employees' <--
28 Retirement System or School Employees' Defined Contribution Plan <--

29 and in the case of an annuity other than a disability annuity
30 the present value of such annuity, adjusted for full coverage in

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

30 (a.1) Return to State service during emergency.--When, in

1 the judgment of the employer, an emergency creates an increase
2 in the work load such that there is serious impairment of
3 service to the public, an annuitant may be returned to State
4 service for a period not to exceed 95 days in any calendar year
5 without loss of his annuity. In computing the number of days an
6 annuitant has returned to State service, any amount of time less
7 than one-half of a day shall be counted as one-half of a day.
8 For agencies, boards and commissions under the Governor's
9 jurisdiction, the approval of the Governor that an emergency
10 exists shall be required before an annuitant may be returned to
11 State service. This service shall not be subject to member
12 contributions or be eligible for qualification as creditable
13 State service or for participation in the plan, mandatory pickup
14 participant contributions or employer defined contributions.

15 (a.2) Return of benefits.--In the event an annuitant whose
16 annuity ceases pursuant to this section receives any annuity
17 payment, including a lump sum payment pursuant to section 5705
18 (relating to member's options) on or after the date of his
19 return to State service or entering school service, the
20 annuitant shall return to the board the amount so received plus
21 statutory interest. The amount payable shall be certified in
22 each case by the board in accordance with methods approved by
23 the actuary and shall be paid in a lump sum within 30 days or in
24 the case of an active member or school employee who is an active
25 member of the Public School Employees' Retirement System may be
26 amortized with statutory interest through salary deductions to
27 the system in amounts agreed upon by the member and the board.
28 The salary deduction amortization plans agreed to by the member
29 and the board may include a deferral of payment amounts and
30 statutory interest until the termination of school service or

1 State service or beginning of service as a participant WITHOUT
 2 CONCURRENTLY BEING AN ACTIVE MEMBER OR INACTIVE MEMBER ON LEAVE
 3 WITHOUT PAY as the board in its sole discretion decides to
 4 allow. The board may limit salary deduction amortization plans
 5 to such terms as the board in its sole discretion determines. In
 6 the case of a school employee who is an active member of the
 7 Public School Employees' Retirement System, the agreed upon
 8 salary deductions shall be remitted to the Public School
 9 Employees' Retirement Board, which shall certify and transfer to
 10 the board the amounts paid.

11 * * *

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

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

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

1 or an annuitant who enters school service ~~other than as a~~
2 ~~participant in the School Employees' Defined Contribution~~
3 ~~Plan~~ and:

4 (i) is a multiple service member; or

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

18 * * *

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

1 before July 1, 2015) or for the calculation of the accrued
2 liability contribution rate under section 5508.1(c) (relating
3 to actuarial cost method for fiscal years beginning on or
4 after July 1, 2015) for fiscal years beginning on or after
5 July 1, 2015.

6 Section 332. Section 5707(a), (b) and (f) of Title 71,
7 amended October 24, 2012 (P.L.1436, No.181), are amended to
8 read:

9 § 5707. Death benefits.

10 (a) Members eligible for annuities.--Any active member,
11 inactive member on leave without pay, combined service employee
12 who is an active participant or inactive participant on leave
13 without pay, vestee or current or former State employee
14 performing USERRA leave who dies and was eligible for an annuity
15 in accordance with section 5308(a) or (b) (relating to
16 eligibility for annuities) or special vestee who has attained
17 superannuation age and dies before applying for a superannuation
18 annuity shall be considered as having applied for an annuity to
19 become effective the day before his death and in the event he
20 has not elected an option or such election has not been approved
21 prior to his death, it shall be assumed that he elected Option
22 1.

23 (b) Members ineligible for annuities.--In the event of the
24 death of a special vestee, an active member, an inactive member
25 on leave without pay, combined service employee who is an active
26 participant or inactive participant on leave without pay or a
27 current or former State employee performing USERRA leave who is
28 not entitled to a death benefit as provided in subsection (a),
29 his designated beneficiary shall be paid the full amount of his
30 total accumulated deductions.

1 * * *

2 (f) Members subject to limitations under section 5702(c).--
3 Subject to the limitations contained in section 401(a)(9) of the
4 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
5 401(a)(9)), the present value of any annuity in excess of that
6 payable under section 5702 (relating to maximum single life
7 annuity) that is not subject to the limitations under section
8 415(b) of the Internal Revenue Code of 1986 shall be paid in a
9 lump sum to the beneficiary designated by the member after the
10 death of the member. A beneficiary receiving a benefit under
11 this subsection shall not be able to elect a payment method
12 otherwise allowed under section 5709(b)(2) and (3) (relating to
13 payment of benefits from the system).

14 Section 333. Sections 5708.1(f), 5708.2(f), 5708.3(f),
15 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5709 heading, (a)
16 and (b) and 5901(a), (c) and (d) of Title 71 are amended to
17 read:

18 § 5708.1. Additional supplemental annuities.

19 * * *

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

1 actuarial cost method for fiscal years beginning on or after
2 July 1, 2015).

3 * * *

4 § 5708.2. Further additional supplemental annuities.

5 * * *

6 (f) Funding.--The actuary shall annually estimate the amount
7 of Commonwealth appropriations for the next fiscal year needed
8 to fund, over a period of ten years from July 1, 2002, the
9 additional monthly supplemental annuity provided for in this
10 section, which amounts shall be paid during the period beginning
11 July 1, 2002, and ending June 30, 2010. For fiscal years
12 beginning on or after July 1, 2010, the additional liability
13 provided in this section shall be funded as part of the
14 actuarial accrued liability as provided in [section 5508
15 (relating to actuarial cost method).] sections 5508 (relating to
16 actuarial cost method for fiscal years ending before July 1,
17 2015) and 5508.1 (relating to actuarial cost method for fiscal
18 years beginning on or after July 1, 2015).

19 * * *

20 § 5708.3. Supplemental annuities commencing 1994.

21 * * *

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

1 actuarial cost method for fiscal years ending before July 1,
2 2015) and 5508.1 (relating to actuarial cost method for fiscal
3 years beginning on or after July 1, 2015).

4 * * *

5 § 5708.5. Supplemental annuities commencing 1998.

6 * * *

7 (f) Funding.--For the period beginning July 1, 2002, and
8 ending June 30, 2010, the additional liability for the increase
9 in benefits provided in this section shall be funded in equal
10 dollar annual installments over a period of ten years beginning
11 July 1, 2002. For fiscal years beginning on or after July 1,
12 2010, the additional liability for the increase in benefits
13 provided in this section shall be funded as part of the
14 actuarial accrued liability as provided in [section 5508
15 (relating to actuarial cost method).] sections 5508 (relating to
16 actuarial cost method for fiscal years ending before July 1,
17 2015) and 5508.1 (relating to actuarial cost method for fiscal
18 years beginning on or after July 1, 2015).

19 * * *

20 § 5708.6. Supplemental annuities commencing 2002.

21 * * *

22 (f) Funding.--For the period beginning July 1, 2003, and
23 ending June 30, 2010, the additional liability for the increase
24 in benefits provided in this section shall be funded in equal
25 dollar annual installments over a period of ten years beginning
26 July 1, 2003. For fiscal years beginning on or after July 1,
27 2010, the additional liability for the increase in benefits
28 provided in this section shall be funded as part of the
29 actuarial accrued liability as provided in [section 5508
30 (relating to actuarial cost method).] sections 5508 (relating to

1 actuarial cost method for fiscal years ending before July 1,
2 2015) and 5508.1 (relating to actuarial cost method for fiscal
3 years beginning on or after July 1, 2015).

4 * * *

5 § 5708.7. Supplemental annuities commencing 2003.

6 * * *

7 (f) Funding.--For the period beginning July 1, 2004, and
8 ending June 30, 2010, the additional liability for the increase
9 in benefits provided in this section shall be funded in equal
10 dollar annual installments over a period of ten years beginning
11 July 1, 2004. For fiscal years beginning on or after July 1,
12 2010, the additional liability for the increase in benefits
13 provided in this section shall be funded as part of the
14 actuarial accrued liability as provided in [section 5508
15 (relating to actuarial cost method).] sections 5508 (relating to
16 actuarial cost method for fiscal years ending before July 1,
17 2015) and 5508.1 (relating to actuarial cost method for fiscal
18 years beginning on or after July 1, 2015).

19 * * *

20 § 5708.8. Special supplemental postretirement adjustment of
21 2002.

22 * * *

23 (g) Funding.--For the period beginning July 1, 2003, and
24 ending June 30, 2010, the additional liability for the increase
25 in benefits provided in this section shall be funded in equal
26 dollar annual installments over a period of ten years beginning
27 July 1, 2003. For fiscal years beginning on or after July 1,
28 2010, the additional liability for the increase in benefits
29 provided in this section shall be funded as part of the
30 actuarial accrued liability as provided in [section 5508

1 (relating to actuarial cost method).] sections 5508 (relating to
2 actuarial cost method for fiscal years ending before July 1,
3 2015) and 5508.1 (relating to actuarial cost method for fiscal
4 years beginning on or after July 1, 2015).

5 * * *

6 § 5709. Payment of benefits from the system.

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

10 (b) Death benefits.--If the amount of a death benefit
11 payable from the fund to a beneficiary of a member under section
12 5707 (relating to death benefits) or under the provisions of
13 Option 1 of section 5705(a)(1) (relating to member's options) is
14 \$10,000 or more, such beneficiary may elect to receive payment
15 according to one of the following options:

16 (1) a lump sum payment;

17 (2) an annuity actuarially equivalent to the amount
18 payable; or

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

22 * * *

23 § 5901. The State Employees' Retirement Board.

24 (a) Status and membership.--The board shall be an
25 independent administrative board and consist of 11 members: the
26 State Treasurer, ex officio, two Senators, two members of the
27 House of Representatives and six members appointed by the
28 Governor, one of whom shall be an annuitant of the system or a
29 participant in the plan who has terminated State service and is
30 receiving or is eligible to receive distributions, for terms of

1 four years, subject to confirmation by the Senate. At least five
2 board members shall be active members of the system or active
3 participants in the plan, and at least two shall have ten or
4 more years of credited State service or shall have been active
5 participants in the plan for ten calendar years OR HAVE A <--
6 COMBINATION OF YEARS OF CREDITED STATE SERVICE IN THE SYSTEM AND
7 CALENDAR YEARS AS ACTIVE PARTICIPANTS IN THE PLAN EQUAL TO TEN
8 OR MORE YEARS. The chairman of the board shall be designated by
9 the Governor from among the members of the board. Each member of
10 the board who is a member of the General Assembly may appoint a
11 duly authorized designee to act in his stead. In the event that
12 a board member, who is designated as an active participant or as
13 a participant in the plan who is receiving or is eligible to
14 receive distributions, receives a total distribution of his
15 interest in the plan, that board member may continue to serve on
16 the board for the remainder of his term.

17 * * *

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

27 (d) Compensation and expenses.--The members of the board who
28 are members of the system or participants in the plan shall
29 serve without compensation but shall not suffer loss of salary
30 or wages through serving on the board. The members of the board

1 who are not members of the system or participants in the plan
2 shall receive \$100 per day when attending meetings and all board
3 members shall be reimbursed for any necessary expenses. However,
4 when the duties of the board as mandated are not executed, no
5 compensation or reimbursement for expenses of board members
6 shall be paid or payable during the period in which such duties
7 are not executed.

8 * * *

9 Section 334. Section 5902(a.1) introductory paragraph, (3),
10 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n)
11 of Title 71, amended October 24, 2012 (P.L.1436, No.181), are
12 amended and the section is amended by adding a subsection to
13 read:

14 § 5902. Administrative duties of the board.

15 * * *

16 (a.1) Secretary.--The secretary shall act as chief
17 administrative officer for the board with respect to both the
18 system and the plan. In addition to other powers and duties
19 conferred upon and delegated to the secretary by the board, the
20 secretary shall:

21 * * *

22 (3) Review and analyze proposed legislation and
23 legislative developments affecting the system or the plan and
24 present findings to the board, legislative committees, and
25 other interested groups or individuals.

26 * * *

27 (5) Receive inquiries and requests for information
28 concerning the system or the plan from the press,
29 Commonwealth officials, State employees, the general public,
30 research organizations, and officials and organizations from

1 other states, and provide information as authorized by the
2 board.

3 (6) Supervise a staff of administrative, technical, and
4 clerical employees engaged in record-keeping and clerical
5 processing activities for both the system and the plan in
6 maintaining files of members and participants, accounting for
7 contributions, processing payments to annuitants and
8 terminated participants, preparing required reports, and
9 retirement counseling. The board may utilize the staff of
10 employees provided for under this paragraph for both the
11 system and the plan but shall allocate the fees, costs and
12 expenses incurred under this paragraph between the system and
13 the plan as appropriate.

14 (b) Professional personnel.--The board shall contract for
15 the services of a chief medical examiner, an actuary, investment
16 advisors and counselors, and such other professional personnel
17 as it deems advisable. The board may, with the approval of the
18 Attorney General, contract for legal services. The board may
19 utilize the same individuals and firms contracted under this
20 subsection for both the system and the plan but shall allocate
21 the fees, costs and expenses incurred under this subsection
22 between the system and the plan as appropriate.

23 (c) Expenses.--

24 (1) The board shall, through the Governor, submit to the
25 General Assembly annually a budget covering the
26 administrative expenses of [this part.] the system and a
27 separate budget covering the administrative expenses of the
28 plan which budgets shall include those expenses necessary to
29 establish the plan and trust.

30 (2) Such expenses of the system as approved by the

1 General Assembly in an appropriation bill shall be paid from
2 investment earnings of the fund.

3 (3) For fiscal years ending on or before June 30, 2015,
4 such expenses of the plan as approved by the General Assembly
5 in an appropriation bill shall be paid from the General Fund.
6 For fiscal years beginning on or after July 1, 2015, such
7 expenses of the plan as approved by the General Assembly
8 shall be paid from interest, pursuant to section 5414(b)
9 (relating to investments based on participants' investment
10 allocation choices), or assessments on the balances of the
11 participants' individual investment accounts.

12 (4) Concurrently with its administrative budget, the
13 board shall also submit to the General Assembly annually a
14 list of proposed expenditures which the board intends to pay
15 through the use of directed commissions, together with a list
16 of the actual expenditures from the past year actually paid
17 by the board through the use of directed commissions. All
18 such directed commission expenditures shall be made by the
19 board for the exclusive benefit of the system and its
20 members.

21 * * *

22 (e) Records.--

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

26 (2) Any record, material or data received, prepared,
27 used or retained by the board or its employees, investment
28 professionals or agents relating to an investment shall not
29 constitute a public record subject to public [inspection]
30 access under the act of [June 21, 1957 (P.L.390, No.212),

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

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

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

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

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

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

1 Right-to-Know Law once:

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

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

7 whichever is later.

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

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

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

21 whichever is later.

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

28 (5) Any record, material or data received, prepared,
29 used or retained by the board or its employees, or agents
30 relating to the contributions, account value or benefits

1 payable to or on account of a participant shall not
2 constitute a public record subject to public access under the
3 Right-to-Know Law if, in the reasonable judgment of the
4 board, the access would disclose any of the following:

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

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

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

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

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

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

24 (7) The following shall apply:

25 (i) Nothing in this part shall be construed to mean
26 that the release or publicizing of a record, material or
27 data which would not constitute a public record under
28 this subsection shall be a violation of the board's
29 fiduciary duties.

30 (ii) This subsection shall apply to a record,

1 material or data under this subsection, notwithstanding
2 any of the following:

3 (A) Whether the record, material or data was
4 created, generated or stored before the effective
5 date of this paragraph.

6 (B) Whether the record, material or data was
7 previously released or made public.

8 (C) Whether a request for the record, material
9 or data was made or is pending final response under
10 the Right-to-Know Law.

11 * * *

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

28 (i) Data.--The board shall keep in convenient form such data
29 as are stipulated by the actuary in order that an annual
30 actuarial valuation of the various accounts of the fund can be

1 completed within six months of the close of each calendar year.

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

28 (k) Certification of employer contributions to fund.--The
29 board shall, each year in addition to the itemized budget
30 required under section 5509 (relating to appropriations and

1 assessments by the Commonwealth), certify, as a percentage of
2 the members' payroll, the shared-risk contribution rate, the
3 employers' contributions as determined pursuant to [section 5508
4 (relating to actuarial cost method)] sections 5508 (relating to
5 actuarial cost method for fiscal years ending before July 1,
6 2015) and 5508.1 (relating to actuarial cost method for fiscal
7 years beginning on or after July 1, 2015) necessary for the
8 funding of prospective annuities for active members and the
9 annuities of annuitants and certify the rates and amounts of the
10 employers' normal contributions as determined pursuant to
11 [section] sections 5508(b) and 5508.1(b), accrued liability
12 contributions as determined pursuant to [section] sections
13 5508(c) and 5508.1(c) and (d), supplemental annuities
14 contribution rate as determined pursuant to section 5508(e), the
15 experience adjustment factor as determined pursuant to [section]
16 sections 5508(f) and 5508.1(f), the collared contribution rate
17 pursuant to section 5508(h) and the final contribution rate
18 pursuant to section 5508(i), which shall be paid to the fund and
19 credited to the appropriate accounts. The board may allocate the
20 final contribution rate and certify various employer
21 contribution rates and amounts based upon the different benefit
22 eligibility, class of service multiplier, superannuation age and
23 other benefit differences resulting from State service credited
24 for individual members even though such allocated employer
25 contribution rate on behalf of any given member may be more or
26 less than 5% of the member's compensation for the period from
27 July 1, 2010, to June 30, 2011, or may differ from the prior
28 year's contribution for that member by more or less than the
29 percentages used to calculate the collared contribution rate for
30 that year and may be below any minimum contribution rate

1 established for the collared contribution rate or final
2 contribution rate. These certifications shall be regarded as
3 final and not subject to modification by the Secretary of the
4 Budget.

5 (l) Member contributions.--The board shall cause all pickup
6 contributions made on behalf of a member to be credited to the
7 account of the member and credit to his account any other
8 payment made by such member, including, but not limited to,
9 amounts collected by the Public School Employees' Retirement
10 System for the reinstatement of previous State service or
11 creditable nonstate service and amounts paid to return benefits
12 paid after the date of return to State service or entering
13 school service representing lump sum payments made pursuant to
14 section 5705(a)(4)(iii) (relating to member's options) and
15 member's annuity payments, but not including other benefits
16 returned pursuant to section 5706(a.2) or (a.3) (relating to
17 termination of annuities), and shall pay all such amounts into
18 the fund.

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

1 public.

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

9 * * *

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

23 Section 335. Section 5903 heading, (a) and (c) of Title 71
24 are amended and the section is amended by adding a subsection to
25 read:

26 § 5903. Duties of the board to advise and report to heads of
27 departments [and], members and participants.

28 (a) Manual of regulations.--The board shall, with the advice
29 of the Attorney General and the actuary, prepare and provide,
30 within 90 days of the effective date of this part, a manual

1 incorporating rules and regulations consistent with the
2 provisions of this part to the heads of departments who shall
3 make the information contained therein available to the general
4 membership. The board shall thereafter advise the heads of
5 departments within 90 days of any changes in such rules and
6 regulations due to changes in the law or due to changes in
7 administrative policies. As soon as practicable after the
8 commissioner's announcement with respect thereto, the board
9 shall also advise the heads of departments as to any cost-of-
10 living adjustment for the succeeding calendar year in the amount
11 of the limitation under IRC § 401(a)(17) and the dollar amounts
12 of the limitations under IRC § [415(b)] 415. As soon as
13 practicable after January 1 of each year, the board shall also
14 advise the heads of departments of the employees for whom,
15 pursuant to section 5502.1 (relating to waiver of regular member
16 contributions and Social Security integration member
17 contributions), pickup contributions are not to be made.

18 * * *

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

29 (c) Purchase of credit and full coverage membership
30 certifications.--Upon receipt of an application from an active

1 member or eligible school employee to purchase credit for
2 previous State or creditable nonstate service, an election for
3 membership in a specific class of service, or an election to
4 become a full coverage member, the board shall determine and
5 certify to the member the amount required to be paid by the
6 member. When necessary, the board shall certify to the previous
7 employer the amount due in accordance with sections 5504
8 (relating to member contributions for the purchase of credit for
9 previous State service or to become a full coverage member) and
10 5505 (relating to contributions for the purchase of credit for
11 creditable nonstate service).

12 * * *

13 Section 336. Section 5904(c)(2) of Title 71 is amended to
14 read:

15 § 5904. Duties of the board to report to the Public School
16 Employees' Retirement Board.

17 * * *

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

25 * * *

26 (2) transfer to the Public School Employees' Retirement
27 Fund the total accumulated deductions standing to such
28 member's credit and the actuarial reserve required on account
29 of years of credited service in the State system, final
30 average salary determined on the basis of his compensation as

1 a member in both systems and the average noncovered salary to
2 be charged to the State accumulation account, the State
3 Police benefit account or the enforcement officers' benefit
4 account, as each case may require.

5 * * *

6 Section 337. Section 5905 heading, (b) (3), (c.1), (E.1) and <--
7 (g) of Title 71, ~~amended October 24, 2012 (P.L.1436, No.181),~~ <--
8 are amended and the section is amended by adding subsections to
9 read:

10 § 5905. Duties of the board regarding applications and
11 elections of members and participants.

12 * * *

13 (b) School employees electing multiple service status.--Upon
14 receipt of notification from the Public School Employees'
15 Retirement Board that a former State employee has become an
16 active member in the Public School Employees' Retirement System
17 and has elected to become a member with multiple service status
18 the board shall:

19 * * *

20 (3) in case of a former State employee who is not
21 receiving an annuity from the system and his total
22 accumulated deductions were withdrawn, certify to the former
23 State employee the accumulated deductions as they would have
24 been at the time of his separation had he been a full
25 coverage member together with statutory interest for all
26 periods of subsequent State service eligible for membership
27 in the system and school service as a member of the Public
28 School Employees' Retirement System to the date of repayment.
29 Such amount shall be restored by him and shall be credited
30 with statutory interest as such payments are restored.

1 * * *

2 (c.1) Termination of service by a member.--In the case of
3 any member terminating State service who is entitled to an
4 annuity and who is not then a disability annuitant, the board
5 shall advise such member in writing of any benefits from the
6 system to which he may be entitled under the provisions of this
7 part and shall have the member prepare, on or before the date of
8 termination of State service, one of the following three forms,
9 a copy of which shall be given to the member and the original of
10 which shall be filed with the board:

11 (1) an application for the return of total accumulated
12 deductions;

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

17 (3) an application for an immediate annuity and, if he
18 desires:

19 (i) an election to convert his medical, major
20 medical and hospitalization insurance coverage to the
21 plan for State annuitants; and

22 (ii) if he is a joint coverage member, an election
23 to become a full coverage member and an agreement to pay
24 within 30 days of date of termination of service the lump
25 sum required.

26 (c.2) Termination of service by a participant.--In the case
27 of a participant terminating State service, the board shall
28 advise the participant and, if the participant is married, the
29 board may advise the participant's spouse, in writing, of the
30 vested accumulated total defined contributions credited to the

1 participant's individual investment account as of the date
2 stated in the writing, any notices regarding rollover or other
3 matters required by IRC or other law, the obligation of the
4 participant to commence distributions from the plan by the
5 participant's required beginning date and the ability to receive
6 all or part of the vested balance in the participant's
7 individual investment account in a lump sum or in such other
8 form as the board may authorize or as required by law.

9 * * *

10 (E.1) NOTIFICATION TO VESTEES AND SPECIAL VESTEES <--
11 APPROACHING SUPERANNUATION AGE.--THE BOARD SHALL NOTIFY EACH
12 VESTEE AND SPECIAL VESTEE WHO IS NOT AN ACTIVE PARTICIPANT OR
13 INACTIVE PARTICIPANT ON LEAVE WITHOUT PAY IN WRITING 90 DAYS
14 PRIOR TO HIS ATTAINMENT OF SUPERANNUATION AGE THAT HE SHALL
15 APPLY FOR HIS ANNUITY WITHIN 90 DAYS OF ATTAINMENT OF
16 SUPERANNUATION AGE; THAT, IF HE DOES SO APPLY, HIS EFFECTIVE
17 DATE OF RETIREMENT WILL BE THE DATE OF ATTAINMENT OF
18 SUPERANNUATION AGE; THAT, IF HE DOES NOT SO APPLY BUT DEFERS HIS
19 APPLICATION TO A LATER DATE, HIS EFFECTIVE DATE OF RETIREMENT
20 WILL BE THE DATE OF FILING SUCH APPLICATION OR THE DATE
21 SPECIFIED ON THE APPLICATION, WHICHEVER IS LATER; AND THAT, IF
22 HE DOES NOT FILE AN APPLICATION WITHIN SEVEN YEARS AFTER
23 ATTAINING SUPERANNUATION AGE, HE SHALL BE DEEMED TO HAVE ELECTED
24 TO RECEIVE HIS TOTAL ACCUMULATED DEDUCTIONS UPON ATTAINMENT OF
25 SUPERANNUATION AGE.

26 (e.2) Notification to inactive participants approaching
27 required beginning date.--The board shall notify each inactive
28 participant who has terminated State service and had not
29 commenced distribution by 90 days before the participant's
30 required beginning date and, if the participant is married, the

1 board may advise the participant's spouse, in writing, that the
2 inactive participant has an obligation to commence distributions
3 by the required beginning date in a form and manner required by
4 IRC § 401(a)(9) and other applicable provisions of the IRC.

5 * * *

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

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

1 to pay the amount of the benefits to the participant's estate,
2 the board may pay the benefits to the surviving spouse,
3 executor, administrator or next of kin of the deceased
4 participant and payment pursuant hereto shall fully discharge
5 the fund from any further liability to make payment of such
6 benefits to any other person.

7 * * *

8 Section 338. (Reserved).

9 Section 339. Section 5906(a)(3), (b), (d), (e), (g), (h),
10 (i) and (l) of Title 71, ~~amended October 24, 2012 (P.L.1436,~~ <--
11 ~~No.181)~~, are amended and the section is amended by adding a
12 subsection to read:

13 § 5906. Duties of heads of departments.

14 (a) Status of members and participants.--The head of
15 department shall, at the end of each pay period, notify the
16 board in a manner prescribed by the board of salary changes
17 effective during that period for any members and participants
18 of the department, the date of all removals from the payroll,
19 and the type of leave of any members and participants of the
20 department who have been removed from the payroll for any time
21 during that period, and:

22 * * *

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

27 (i) in the case of death of the member or
28 participant the head of the department shall so notify
29 the board;

30 (ii) in the case of a service connected disability

1 of a member the head of department shall, to the best of
2 his ability, investigate the circumstances surrounding
3 the disablement of the member and submit in writing to
4 the board information which shall include but not
5 necessarily be limited to the following: date, place and
6 time of disablement to the extent ascertainable; nature
7 of duties being performed at such time; and whether or
8 not the duties being performed were authorized and
9 included among the member's regular duties. In addition,
10 the head of department shall furnish in writing to the
11 board all such other information as may be related to the
12 member's disablement;

13 (iii) in the case of a member terminating from The
14 Pennsylvania State University who is a member of the
15 system with five or more but less than ten eligibility
16 points and who has terminated State service on June 30,
17 1997, because of the transfer of his job position or
18 duties to a controlled organization of the Penn State
19 Geisinger Health System or because of the elimination of
20 his job position or duties due to the transfer of other
21 job positions or duties to a controlled organization of
22 the Penn State Geisinger Health System, the head of the
23 department shall so certify to the board.

24 (b) Records and information.--At any time at the request of
25 the board and at termination of service of a member or a
26 participant, the head of department shall furnish service and
27 compensation records and such other information as the board may
28 require and shall maintain and preserve such records as the
29 board may direct for the expeditious discharge of its duties.

30 * * *

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

3 (1) Cause the mandatory pickup participant contributions
4 on behalf of a participant to be made and cause to be
5 deducted any voluntary contributions authorized by a
6 participant.

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

9 (3) Notify the board at times and in a manner prescribed
10 by the board of the compensation of any participant to whom
11 the limitation under IRC § 401(a)(17) either applies or is
12 expected to apply and cause the participant's contributions
13 to be deducted from payroll to cease at the limitation under
14 IRC § 401(a)(17) on the payroll date if and when such limit
15 shall be reached.

16 (4) Certify to the State Treasurer the amounts picked up
17 and deducted and the employer defined contributions being
18 made and send the total amount picked up, deducted and
19 contributed together with a duplicate of the voucher to the
20 secretary of the board every pay period or on such schedule
21 as established by the board.

22 (d) New employees subject to mandatory membership or
23 participation.--Upon the assumption of duties of each new State
24 employee whose membership in the system or PARTICIPATION IN THE <--
25 plan is mandatory, the head of department shall cause an
26 application for membership or participation and a nomination of
27 beneficiary, who shall be the participant's spouse if the
28 participant is married, unless the spouse otherwise consents, to
29 be made by such employee and filed with the board and shall make
30 pickup contributions or mandatory pickup participant

1 contributions from the effective date of State employment.

2 (e) New employees subject to optional membership or
3 participation.--The head of department shall, upon the
4 employment or entering into office of any State employee whose
5 membership in the system or participation in the plan is not
6 mandatory, inform such employee of his opportunity to become a
7 member of the system or participant in the plan. If such
8 employee so elects, the head of department shall cause an
9 application for membership and a nomination of beneficiary, who
10 shall be the participant's spouse if the participant is married,
11 unless the spouse otherwise consents, to be made by him and
12 filed with the board and shall cause proper contributions to be
13 made from the effective date of membership or participation.

14 * * *

15 (g) Former school employee contributors.--

16 (1) The head of department shall, upon the employment of
17 a former contributor to the Public School Employees'
18 Retirement System who is not an annuitant of the Public
19 School Employees' Retirement System, advise such employee of
20 his right to elect within 365 days of entry into the system
21 to become a multiple service member, and in the case of any
22 such employee who so elects and has withdrawn his accumulated
23 deductions, require him to reinstate his credit in the Public
24 School Employees' Retirement System. The head of the
25 department shall advise the board of such election.

26 (2) Paragraph (1) shall not apply to a State employee
27 who is employed in a position where he is or may be a
28 participant in the plan other than by an election under <--
29 section 5416 (relating to election by members to be
30 participants).

1 (h) Former school employee annuitants.--

2 (1) The head of department shall, upon the employment of
3 an annuitant of the Public School Employees' Retirement
4 System who applies for membership in the system, advise such
5 employee that he may elect multiple service membership within
6 365 days of entry into the system and if he so elects his
7 public school employee's annuity will be discontinued
8 effective upon the date of his return to State service and,
9 upon termination of State service and application for an
10 annuity, the annuity will be adjusted in accordance with
11 section 5706 (relating to termination of annuities). The head
12 of department shall advise the board of such election.

13 (2) Paragraph (1) shall not apply to a State employee
14 who is employed in a position where he is or may be a
15 participant in the plan other than by an election under <--
16 section 5416.

17 (i) Annual statement to members.--Annually, upon receipt
18 from the board, the head of department shall furnish to each
19 member the statement specified in section 5903(b) (relating to
20 duties of the board to advise and report to heads of departments
21 [and], members and participants).

22 * * *

23 (l) State employees performing USERRA or military-related
24 leave of absence.--The head of department shall report to the
25 board any State employee who ceases to be an active member or
26 active participant to perform USERRA service, or who is granted
27 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
28 of absence for certain government employees) or a military leave
29 of absence under 51 Pa.C.S. § 7302 (relating to granting
30 military leaves of absence), the date on which the USERRA

1 service, leave of absence or military leave of absence began,
2 the date on which the State employee is reemployed from USERRA
3 leave or returns after the leave of absence or military leave of
4 absence, if the event occurs, and any other information the
5 board may require or direct.

6 * * *

7 Section 340. Section 5907 heading, (a), (e) ~~and (f)~~, (F), <--
8 (G) AND (H) of Title 71 are amended and the section is amended
9 by adding subsections to read:

10 § 5907. Rights and duties of State employees [and], members and
11 participants.

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

1 entitled.

2 * * *

3 (b.1) Application for participation.--On or after January 1,
4 2015, in the case of a ~~new~~ AN employee who is not currently a <--
5 participant in the plan and whose participation is mandatory, or
6 in the case of a ~~new~~ AN employee whose participation is not <--
7 mandatory but is permitted and who desires to become a
8 participant in the plan, the ~~new~~ employee shall execute an <--
9 application for participation and a nomination of a beneficiary,
10 who shall be the participant's spouse if the participant is
11 married, unless the spouse otherwise consents.

12 * * *

13 (d.2) Contributions for USERRA leave.--Any active
14 participant or inactive participant on leave without pay or
15 former participant who was reemployed from USERRA leave who
16 desires to make mandatory pickup participant contributions and
17 voluntary contributions for his USERRA leave shall so notify the
18 board within the time period required under 38 U.S.C. Ch. 43
19 (relating to employment and reemployment rights of members of
20 the uniformed services) and IRC § 414(u) of his desire to make
21 such contributions. Upon making the permitted mandatory pickup
22 participant contributions within the allowed time period, the
23 head of the department shall make the corresponding employer
24 defined contributions at the same time.

25 (d.3) Voluntary contributions by a participant.--Any
26 participant who desires to make voluntary contributions to be
27 credited to his individual investment account shall notify the
28 board and, upon compliance with the requirements, procedures and
29 limitations established by the board in the plan document, may
30 do so subject to the limitations under IRC §§ 401(a) and 415 and

1 other applicable law.

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

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

29 (e.2) Beneficiary for combined service employee.--A combined
30 service employee may designate or nominate different persons to

1 be beneficiaries, survivor annuitants and successor payees for
2 his benefits from the system and the plan.

3 (f) Termination of service by members.--Each member who
4 terminates State service and who is not then a disability
5 annuitant shall execute on or before the date of termination of
6 service the appropriate application, duly attested by the member
7 or his legally constituted representative, electing to:

8 (1) withdraw his total accumulated deductions; or

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

13 (3) receive an immediate annuity and may,

14 (i) if eligible, elect to convert his medical, major
15 medical, and hospitalization coverage to the plan for
16 State annuitants; and

17 (ii) if he is a joint coverage member, elect to
18 become a full coverage member and agree to pay within 30
19 days of date of termination of service the lump sum
20 required.

21 * * *

<--

22 (G) VESTING OF RETIREMENT RIGHTS.--IF A MEMBER ELECTS TO <--
23 VEST HIS RETIREMENT RIGHTS HE SHALL NOMINATE A BENEFICIARY BY
24 WRITTEN DESIGNATION FILED WITH THE BOARD AND; IF THE MEMBER IS
25 NOT AN ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE
26 WITHOUT PAY, HE MAY ANYTIME THEREAFTER, WITHDRAW THE TOTAL
27 ACCUMULATED DEDUCTIONS STANDING TO HIS CREDIT OR APPLY FOR AN
28 ANNUITY.

29 (g.1) Deferral of retirement rights.--If a participant
30 terminates State service and does not commence receiving a

1 distribution, the participant shall nominate a beneficiary, who
2 shall be the participant's spouse if the participant is married,
3 unless the spouse otherwise consents by written designation
4 filed with the board, and the participant may any time
5 thereafter, but no later than the participant's required
6 beginning date, withdraw the vested accumulated total defined
7 contributions standing to the participant's credit or apply for
8 another form of distribution required by law or authorized by
9 the board.

10 (H) VESTEES AND SPECIAL VESTEES ATTAINING SUPERANNUATION <--
11 AGE.--UPON ATTAINMENT OF SUPERANNUATION AGE A VESTEE OR SPECIAL
12 VESTEE WHO IS NOT AN ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT
13 ON LEAVE WITHOUT PAY SHALL EXECUTE AND FILE AN APPLICATION FOR
14 AN ANNUITY. ANY SUCH APPLICATION FILED WITHIN 90 DAYS AFTER
15 ATTAINING SUPERANNUATION AGE SHALL BE EFFECTIVE AS OF THE DATE
16 OF ATTAINMENT OF SUPERANNUATION AGE. ANY APPLICATION FILED AFTER
17 SUCH PERIOD SHALL BE EFFECTIVE AS OF THE DATE IT IS FILED WITH
18 THE BOARD, SUBJECT TO THE PROVISIONS OF SECTION 5905(F)
19 (RELATING TO DUTIES OF THE BOARD REGARDING APPLICATIONS AND
20 ELECTIONS OF MEMBERS). IF A VESTEE OR SPECIAL VESTEE WHO IS NOT
21 AN ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE WITHOUT
22 PAY DOES NOT FILE AN APPLICATION WITHIN SEVEN YEARS AFTER
23 ATTAINING SUPERANNUATION AGE, HE SHALL BE DEEMED TO HAVE ELECTED
24 TO RECEIVE HIS TOTAL ACCUMULATED DEDUCTIONS UPON ATTAINMENT OF
25 SUPERANNUATION AGE.

26 * * *

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

1 * * *

2 Section 341. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,
3 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

4 § 5931. Management of fund and accounts.

5 * * *

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

12 * * *

13 § 5932. State Employees' Retirement Fund.

14 (a) General rule.--The fund shall consist of all balances in
15 the several separate accounts set apart to be used under the
16 direction of the board for the benefit of members of the system;
17 and the Treasury Department shall credit to the fund all moneys
18 received from the Department of Revenue arising from the
19 contributions relating to or on behalf of members of the system
20 required under the provisions of Chapter 55 (relating to
21 contributions), and any income earned by the investments or
22 moneys of said fund. There shall be established and maintained
23 by the board the several ledger accounts specified in sections
24 5933 (relating to members' savings account), 5934 (relating to
25 State accumulation account), 5935 (relating to annuity reserve
26 account), 5936 (relating to State Police benefit account), 5937
27 (relating to enforcement officers' benefit account), 5938
28 (relating to supplemental annuity account) and 5939 (relating to
29 interest reserve account).

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

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

8 § 5934. State accumulation account.

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

1 of Corrections in accordance with section 5303.2(f) also shall
2 be credited to the State accumulation account. The State
3 accumulation account shall be credited with valuation interest.
4 The reserves necessary for the payment of annuities and death
5 benefits resulting from membership in the system as approved by
6 the board and as provided in Chapter 57 (relating to benefits)
7 shall be transferred from the State accumulation account to the
8 annuity reserve account provided for in section 5935 (relating
9 to annuity reserve account), except that the reserves necessary
10 on account of a member who is an officer of the Pennsylvania
11 State Police or an enforcement officer shall be transferred from
12 the State accumulation account to the State Police benefit
13 account provided for in section 5936 (relating to State Police
14 benefit account) or to the enforcement officers' benefit account
15 as provided for in section 5937 (relating to enforcement
16 officers' benefit account) as the case may be. The reserves
17 necessary for the payment of supplemental annuities in excess of
18 those reserves credited to the supplemental annuity account on
19 June 30, 2010, shall be transferred from the State accumulation
20 account to the supplemental annuity account. In the event that
21 supplemental annuities are increased by legislation enacted
22 after December 31, 2009, the necessary reserves shall be
23 transferred from the State accumulation account to the
24 supplemental annuity account.

25 § 5935. Annuity reserve account.

26 (a) Credits and charges to account.--The annuity reserve
27 account shall be the ledger account to which shall be credited
28 the reserves held for payment of annuities and death benefits on
29 account of all annuitants except in the case of members who are
30 officers of the Pennsylvania State Police or enforcement

1 officers. The annuity reserve account shall be credited with
2 valuation interest. After the transfers provided in sections
3 5933 (relating to members' savings account), 5934 (relating to
4 State accumulation account) and 5938 (relating to supplemental
5 annuity account), all annuity and death benefit payments
6 resulting from membership in the system except those payable to
7 any member who retires as an officer of the Pennsylvania State
8 Police or an enforcement officer shall be charged to the annuity
9 reserve account and paid from the fund.

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

21 § 5936. State Police benefit account.

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

1 the Commonwealth and other employers commencing July 1, 2015)
2 which are creditable to the State Police benefit account. The
3 State Police benefit account shall be credited with the required
4 interest. In addition, upon the filing of an application for an
5 annuity by a member who is an officer of the Pennsylvania State
6 Police, the total accumulated deductions standing to the credit
7 of the member in the members' savings account and the necessary
8 reserves from the State accumulation account shall be
9 transferred to the State Police benefit account. Thereafter, the
10 total annuity of such annuitant shall be charged to the State
11 Police benefit account and paid from the fund.

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

30 § 5937. Enforcement officers' benefit account.

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

24 (b) Transfers from account.--Should the said annuitant be
25 subsequently restored to active service as a member of the
26 system or as a participant in the plan, the present value of the
27 member's annuity at the time of reentry into State service shall
28 be transferred from the enforcement officers' benefit account
29 and placed to his individual credit in the members' savings
30 account. In addition, the actuarial reserve for his annuity

1 calculated as if he had been a member of Class A if the
2 annuitant does not have any Class AA, Class A-3 or Class A-4
3 service credited; as if he had been a member of Class AA if the
4 annuitant does have Class AA service credited; as if he had been
5 a member of Class A-3 if the annuitant has Class A-3 State
6 service credited; or as if he had been a member of Class A-4 if
7 the annuitant has Class A-4 service credited, less the amount
8 transferred to the members' savings account shall be transferred
9 from the enforcement officers' benefit account to the State
10 accumulation account. Upon subsequent retirement other than as
11 an enforcement officer the actuarial reserve remaining in the
12 enforcement officers' benefit account shall be transferred to
13 the appropriate reserve account.

14 § 5938. Supplemental annuity account.

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

1 2002) made before July 1, 2010, the amount transferred from the
2 State accumulation account to provide all additional reserves
3 necessary as of June 30, 2010, to pay such supplemental
4 annuities and adjustments, and the amounts transferred from the
5 State accumulation account to provide all additional reserves
6 necessary as a result of supplemental annuities enacted after
7 December 31, 2009. The supplemental annuity account shall be
8 credited with valuation interest. The reserves necessary for the
9 payment of such supplemental annuities shall be transferred from
10 the supplemental annuity account to the annuity reserve account
11 as provided in section 5935 (relating to annuity reserve
12 account).

13 § 5939. Interest reserve account.

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

29 § 5951. State guarantee regarding the State Employees'
30 Retirement System.

1 The required interest charges payable, the maintenance of
2 reserves in the fund, and the payment of all annuities and other
3 benefits granted by the board from the system under the
4 provisions of this part relating to the establishment and
5 administration of the system are hereby made obligations of the
6 Commonwealth. All income, interest, and dividends derived from
7 deposits and investments of the system authorized by this part
8 shall be used for the payment of the said obligations of the
9 Commonwealth and shall not be used for any obligations of the
10 plan or trust.

11 § 5953. Taxation, attachment and assignment of funds.

12 (a) General rule.--

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

1 shall be unassignable except:

2 (i) To the Commonwealth in the case of a member or
3 participant who is terminating State service and has been
4 determined to be obligated to the Commonwealth for the
5 repayment of money owed on account of his employment or
6 to the fund on account of a loan from a credit union to a
7 member which has been satisfied by the board from the
8 fund.

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

17 (2) (i) Rights under this part shall be subject to
18 forfeiture as provided by the act of July 8, 1978
19 (P.L.752, No.140), known as the Public Employee Pension
20 Forfeiture Act, and by or pursuant to section 16(b) of
21 Article V of the Constitution of Pennsylvania.

22 Forfeitures under this subsection or under any other
23 provision of law may not be applied to increase the
24 benefits that any member would otherwise receive under
25 this part.

26 (ii) Notwithstanding this paragraph, the act of July
27 8, 1978 (P.L.752, No.140), known as the Public Employee
28 Pension Forfeiture Act, and section 16(b) of Article V of
29 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352
30 (relating to pension rights), the accumulated mandatory

1 participant contributions and accumulated voluntary
2 contributions standing to the credit of a participant
3 shall not be forfeited but shall be available for payment
4 of fines and restitution as provided by law. Furthermore,
5 amounts in the trust that have been ordered to be
6 distributed to an alternate payee as the result of an
7 equitable distribution of marital property as part of an
8 approved domestic relations order entered before the date
9 of the order or action in a court or other tribunal
10 resulting in a forfeiture of a participant's interest in
11 the trust shall not be subject to the Public Employee
12 Pension Forfeiture Act or section 16(b) of Article V of
13 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352.
14 Any accumulated employer defined contributions forfeited
15 as a result of this paragraph or other law shall be
16 retained by the board and notwithstanding sections
17 5412(2) (relating to powers and duties of board), 5415
18 (relating to expenses) and 5902(c) (relating to
19 administrative duties of the board) used for the payment
20 of expenses of the plan.

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

24 (4) Effective with distributions made on or after
25 January 1, 1993, and notwithstanding any other provision of
26 this part to the contrary, a distributee may elect, at the
27 time and in the manner prescribed by the board, to have any
28 portion of an eligible rollover distribution paid directly to
29 an eligible retirement plan by way of a direct rollover. For
30 purposes of this paragraph, a "distributee" includes a member

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

20 (5) No married participant may take an action
21 inconsistent with the spousal consent provisions of this part
22 or the plan.

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

25 (1) In the case of a member or participant who is
26 terminating service, the amount determined after
27 certification by the head of the department that the member
28 or participant is so obligated, and after review and approval
29 by the department or agency's legal representative or upon
30 receipt of an assignment from the member or participant in

1 the amount so certified[.], except that no payment shall be
2 made from the individual investment account of a participant
3 until the participant otherwise applies for and receives a
4 distribution and shall not exceed the amount of the
5 distribution.

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

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

13 (ii) at such time as the Department of Banking shall
14 require the credit union to charge the amount of the loan
15 against the reserve fund of such credit union.

16 Any member who shall have pledged such rights as
17 security for a loan from a credit union and, on whose
18 behalf the board shall have made any payment by reason of
19 that member's default, may not thereafter pledge or
20 assign such rights to a credit union.

21 (3) In the case of a participant whose former spouse is
22 an alternate payee of an equitable distribution of marital
23 assets under an approved domestic relations order, a lump sum
24 of the alternate payee's interest in the participant's
25 accumulated total defined contributions. This paragraph shall
26 apply without regard to whether the participant has not
27 terminated, is terminating or has terminated State service.

28 Section 342. (Reserved).

29 Section 343. Section 5953.1(a) heading, introductory
30 paragraph and (1), (b), (c) and (d) of Title 71 are amended and

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

2 § 5953.1. Approval of domestic relations orders.

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

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

11 * * *

12 (a.1) Certification regarding participants.--A domestic
13 relations order pertaining to a participant shall be certified
14 as an approved domestic relations order by the secretary of the
15 board or his designated representative if that order meets all
16 of the following:

17 (1) Does not require the plan to provide a type or form
18 of benefit or an option applicable to members of the system
19 or participants in the plan.

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

24 (3) Does not require the plan to recover or distribute
25 funds which were distributed to the participant or at the
26 participant's direction prior to the approval of the domestic
27 relations order by the secretary of the board or his
28 designated representative.

29 (4) Requires the plan to pay to the alternate payee no
30 more than the lesser of the vested amount of the

1 participant's individual investment account specified by the
2 domestic relations order or the vested amount of the
3 participant's individual investment account as of the date of
4 the transfer of the alternate payee's share to the alternate
5 payee.

6 (5) States that the plan shall not be required to recoup
7 or make good for losses in value to the participant's
8 individual investment account incurred between the date of
9 the valuation of the account used for equitable distribution
10 purposes and the date of distribution to the alternate payee.

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

15 (7) Specifies the name and last known mailing address,
16 if any, of the participant and the name and last known
17 mailing address of each alternate payee covered by the order
18 and states that it is the responsibility of each alternate
19 payee to keep a current mailing address on file with the
20 plan.

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

23 (9) Requires the participant to execute an authorization
24 allowing each alternate payee to monitor the participant's
25 compliance with the terms of the domestic relations order
26 through access to information concerning the participant
27 maintained by the plan. An authorization granted pursuant to
28 this section shall be construed as an authorization for the
29 alternate payee to receive information concerning the
30 participant which relates to the administration, calculation

1 and payment of the alternate payee's share of the
2 participant's account and not as an authorization to exercise
3 the rights afforded to participants or obtain information
4 which is not related to the administration, calculation and
5 payment of alternate payee's share of the participant's
6 individual investment account.

7 (10) In the case of a participant who has not yet begun
8 to receive distributions, OR WHO IS RECEIVING DISTRIBUTIONS, <--
9 as of the date the domestic relations order is approved by
10 the secretary of the board or his designated representative,
11 requires the immediate distribution of the alternate payee's
12 share of the participant's individual investment account,
13 which may be by direct payment, eligible rollover or trustee-
14 to-trustee transfer to another eligible plan or qualified
15 account owned by the alternate payee, notwithstanding any
16 other provision of this part or the plan that would require a
17 distribution of accumulated employer defined contributions in
18 the form of an annuity or to require the purchase of an
19 annuity.

20 (11) In the case of a participant who is currently
21 receiving distributions from the trust as of the date the
22 domestic relations order is approved by the secretary of the
23 board or his designated representative, may not order the
24 board to pay the alternate payee more than the balance
25 available in the participant's individual investment account
26 as of the date the order is approved or require that
27 distributions continue to the alternate payee after the death
28 of the participant and final settlement of the participant's
29 individual investment account.

30 (b) Determination by secretary.--Within a reasonable period

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

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

1 the form of an annuity or to require the purchase of an annuity.

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

11 Section 344. Sections 5953.2, 5953.3 and 5953.4(a) of Title
12 71 are amended to read:

13 § 5953.2. Irrevocable beneficiary.

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

28 § 5953.3. Irrevocable survivor annuitant.

29 Notwithstanding any other provisions of this part, a domestic
30 relations order pertaining to a member may provide for an

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

14 § 5953.4. Amendment of approved domestic relations orders.

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

21 * * *

22 Section 345. Title 71 is amended by adding sections to read:

23 § 5953.6. Irrevocable successor payee.

24 (a) Condition.--Notwithstanding any other provision of this
25 part, a domestic relations order pertaining to a participant may
26 provide for an irrevocable successor payee if the participant is
27 receiving a payment pursuant to a payment option provided by the
28 board that allows for a successor payee.

29 (b) Determination.--A domestic relations order requiring the
30 designation of an irrevocable successor payee shall be deemed to

1 be one that requires a participant who is receiving payments
2 from an annuity or other distribution option to designate an
3 alternate payee as a successor payee and that prohibits the
4 removal or change of the successor payee without approval of a
5 court of competent jurisdiction, except by operation of law.

6 (c) Certification.--A domestic relations order under
7 subsection (b) may be certified as an approved domestic
8 relations order by the secretary of the board or his designated
9 representative. If a domestic relations order is certified under
10 this subsection, the irrevocable successor payee ordered by the
11 court shall not be changed by the participant without approval
12 by the court.

13 (d) Ineligibility.--A person ineligible to be designated as
14 a successor payee shall not be designated as an irrevocable
15 successor payee. A court shall not name an irrevocable successor
16 payee if the alternate payee is eligible to receive a lump sum
17 distribution of the alternate payee's portion of the marital
18 portion of the pension benefit.

19 § 5953.7. Exemption from spousal consent.

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

1 the spouse under this part.

2 Section 346. Section 5954 of Title 71 is amended to read:

3 § 5954. Fraud and adjustment of errors.

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

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

23 Section 347. Title 71 is amended by adding a section to
24 read:

25 § 5954.1. Spousal consent.

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

27 (1) take an action regarding rights in the plan;

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

29 (3) file a valid application which requires the consent
30 of the participant's spouse, unless the participant's spouse

1 consents in writing to that action, election or application.
2 A consent or lack of consent shall not affect the effective
3 date of an action or election. A consent shall be valid only
4 if the consent is:

5 (i) signed after the participant's spouse receives
6 counseling or affirmatively waives the right to receive
7 counseling;

8 (ii) witnessed before a notary public; and

9 (iii) filed with the board within 90 days of the
10 filing of the application or within 90 days of the date
11 the action or election would otherwise be valid.

12 (b) Exceptions to consent.--Spousal consent shall not be
13 required if:

14 (1) The spouse cannot be located.

15 (2) Other circumstances occur as established by the
16 board in the plan document.

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

23 (d) Rights, options or privileges.--This part shall not
24 grant to the spouse of a participant of the plan the rights,
25 options or privileges of the participant. The rights of the
26 spouse shall remain derivative of the rights of the participant,
27 including rights under the act of July 8, 1978 (P.L.752,
28 No.140), known as the Public Employee Pension Forfeiture Act,
29 and section 16(b) of Article V of the Constitution of
30 Pennsylvania. The spouse may not do any of the following:

1 (1) Compel the participant to take, or prevent a
2 participant from taking, an action regarding membership,
3 rights or benefits in the plan other than as provided under
4 this part.

5 (2) Take any action on behalf of the participant, except
6 as provided under this part.

7 (e) Waiver.--If a law allows a participant in the plan to
8 waive benefits or return of contributions that the participant
9 is receiving, entitled to currently receive or receive in the
10 future, the waiver shall not be valid unless the spouse of the
11 participant consents to the waiver as provided for under this
12 part.

13 Section 347.1. Section 5955 of Title 71 is amended to read:
14 § 5955. Construction of part.

15 (a) Exclusive source of rights and benefits.--Regardless of
16 any other provision of law, pension and benefit rights of State
17 employees shall be determined solely by this part or any
18 amendment thereto, and no collective bargaining agreement nor
19 any arbitration award between the Commonwealth and [its] other
20 employers and the Commonwealth's and other employer's employees
21 or their collective bargaining representatives shall be
22 construed to change any of the provisions herein, to require the
23 board to administer pension or retirement benefits not set forth
24 in this part or not established by the board in the plan
25 document, to require the board to modify, amend or change any of
26 the terms and provisions of the plan document, or otherwise
27 require action by any other government body pertaining to
28 pension or retirement benefits or rights of State employees.
29 Notwithstanding the foregoing, any pension or retirement
30 benefits or rights previously so established by or as a result

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

25 (b) References.--References in this part to the Internal
26 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.)
27 or the Uniformed Services Employment and Reemployment Rights Act
28 of 1994 (Public Law 103-353, 108 Stat. 3149), including
29 administrative regulations promulgated under the Internal
30 Revenue Code of 1986 or the Uniformed Services Employment and

1 Reemployment Rights Act of 1994, are intended to include laws
2 and regulations:

3 (1) In effect on the effective date of this subsection.

4 (2) Amended, supplemented or supplanted on and after the
5 effective date of this subsection.

6 ~~(c) Officer or member of the Pennsylvania State Police.~~ <--

7 ~~(1) Notwithstanding a provision of subsection (a) or~~
8 ~~section 12.1 of Act 120 of 2010, regarding the continued~~
9 ~~effectiveness of pension or retirement benefits or rights~~
10 ~~previously established by or as a result of a binding~~
11 ~~arbitration award issued before July 1, 1989, pursuant to the~~
12 ~~act of June 24, 1968 (P.L.237, No.111), referred to as the~~
13 ~~Policemen and Firemen Collective Bargaining Act, and~~
14 ~~implemented by the board, the pension or retirement benefits~~
15 ~~or rights of a State employee who is a current or former~~
16 ~~State police officer shall be as provided in this part as if~~
17 ~~the binding arbitration award was not issued, except as~~
18 ~~provided under this subsection.~~

19 ~~(2) A State employee who meets the following shall be~~
20 ~~eligible to receive the maximum single life annuity, before~~
21 ~~optional modification under section 5705 (relating to~~
22 ~~member's options), that the State employee would have been~~
23 ~~eligible to receive if this subsection not been enacted:~~

24 ~~(i) Is a current or former State police officer.~~

25 ~~(ii) Has 20 or more qualifying eligibility points on~~
26 ~~or before December 31, 2014.~~

27 ~~(iii) Terminates State service.~~

28 ~~(3) (Reserved).~~ <--

29 ~~(4) (Reserved).~~

30 ~~(5) (Reserved).~~

1 ~~(6) For the purposes of this subsection, the following~~
2 ~~terms shall have the meanings given to them in this~~
3 ~~paragraph:~~

4 ~~"Act 120 of 2010" shall mean the act of November 23, 2010~~
5 ~~(P.L. 1269, No. 120), entitled, "An act amending Titles 24~~
6 ~~(Education) and 71 (State Government) of the Pennsylvania~~
7 ~~Consolidated Statutes, in Title 24, further providing for~~
8 ~~definitions, for mandatory and optional membership, for~~
9 ~~contributions by the Commonwealth, for payments by employers,~~
10 ~~for actuarial cost method, for additional supplemental~~
11 ~~annuities, for further additional supplemental annuities, for~~
12 ~~supplemental annuities commencing 1994, for supplemental~~
13 ~~annuities commencing 1998, for supplemental annuities~~
14 ~~commencing 2002, for supplemental annuities commencing 2003,~~
15 ~~for administrative duties of board, for payments to school~~
16 ~~entities by Commonwealth, for eligibility points for~~
17 ~~retention and reinstatement of service credits and for~~
18 ~~creditable nonschool service; providing for election to~~
19 ~~become a Class T-F member; further providing for classes of~~
20 ~~service, for eligibility for annuities, for eligibility for~~
21 ~~vesting, for regular member contributions, for member~~
22 ~~contributions for creditable school service, for~~
23 ~~contributions for purchase of credit for creditable nonschool~~
24 ~~service, for maximum single life annuity, for disability~~
25 ~~annuities, for member's options, for duties of board~~
26 ~~regarding applications and elections of members and for~~
27 ~~rights and duties of school employees and members; providing~~
28 ~~for Independent Fiscal Office study; in Title 71,~~
29 ~~establishing an independent fiscal office and making a~~
30 ~~related repeal; further providing for definitions, for~~

1 ~~credited State service, for retention and reinstatement of~~
2 ~~service credits, for creditable nonstate service and for~~
3 ~~classes of service; providing for election to become a Class~~
4 ~~A 4 member; further providing for eligibility for annuities~~
5 ~~and for eligibility for vesting; providing for shared risk~~
6 ~~member contributions for Class A 3 and Class A 4 service;~~
7 ~~further providing for waiver of regular member contributions~~
8 ~~and Social Security integration member contributions, for~~
9 ~~member contributions for purchase of credit for previous~~
10 ~~State service or to become a full coverage member, for~~
11 ~~contributions for the purchase of credit for creditable~~
12 ~~nonstate service, for contributions by the Commonwealth and~~
13 ~~other employers, for actuarial cost method, for maximum~~
14 ~~single life annuity, for disability annuities and for~~
15 ~~member's options; providing for payment of accumulated~~
16 ~~deductions resulting from Class A 3 service; further~~
17 ~~providing for additional supplemental annuities, for further~~
18 ~~additional supplemental annuities, for supplemental annuities~~
19 ~~commencing 1994, for supplemental annuities commencing 1998,~~
20 ~~for supplemental annuities commencing 2002, for supplemental~~
21 ~~annuities commencing 2003, for special supplemental~~
22 ~~postretirement adjustment of 2002, for administrative duties~~
23 ~~of the board, for duties of board to advise and report to~~
24 ~~heads of departments and members, for duties of board~~
25 ~~regarding applications and elections of members, for~~
26 ~~installment payments of accumulated deductions, for rights~~
27 ~~and duties of State employees and members, for members'~~
28 ~~savings account, for State accumulation account, for State~~
29 ~~Police Benefit Account, for Enforcement Officers' Benefit~~
30 ~~Account, for supplemental annuity account and for~~

~~construction of part; and providing for Independent Fiscal Office study, for retirement eligibility of Pennsylvania State Police officers or members, for a prohibition on the issuance of pension obligation bonds, for holding certain public officials harmless, for construction of calculation or actuarial method, for applicability and for certain operational provisions."~~

~~"Binding arbitration award." A binding arbitration award issued before July 1, 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, and was implemented by the State Employees' Retirement Board.~~

~~(C) OFFICER OR MEMBER OF THE PENNSYLVANIA STATE POLICE.--~~ <--

~~(1) TO THE EXTENT THAT ANY OFFICER OR MEMBER OF THE PENNSYLVANIA STATE POLICE WHO IS ELIGIBLE TO RETIRE AFTER JUNE 30, 1989, AS PROVIDED IN A BINDING ARBITRATION AWARD ISSUED BEFORE JULY 1, 1989, UNDER THE ACT OF JUNE 24, 1968 (P.L.237, NO.111), REFERRED TO AS THE POLICEMEN AND FIREMEN COLLECTIVE BARGAINING ACT, AS IMPLEMENTED BY THE BOARD, WITH A BENEFIT BASED ON 50% OF HIGHEST YEAR SALARY UPON ACCRUING AT LEAST 20 YEARS OF CREDITED STATE SERVICE OR NONSTATE SERVICE IN THE SYSTEM OR BASED ON 75% OF HIGHEST YEAR SALARY UPON ACCRUING AT LEAST 25 YEARS OF CREDITED STATE OR NONSTATE SERVICE IN THE SYSTEM, THE ELIGIBILITY SHALL BE DETERMINED SOLELY ON SERVICE CREDITED, COMPENSATION PAID AND CONTRIBUTIONS MADE AS A MEMBER OF THE SYSTEM.~~

~~(2) SERVICE AS A STATE POLICE OFFICER CREDITED IN THE SYSTEM SHALL NOT OPERATE TO PREVENT ANY STATE EMPLOYEE FROM BEING A PARTICIPANT IN THE PLAN FOR ANY STATE SERVICE THAT WOULD OTHERWISE RESULT IN PARTICIPATION IN THE PLAN. ANY~~

1 STATE SERVICE PERFORMED, COMPENSATION PAID AND CONTRIBUTIONS
2 MADE AS A PARTICIPANT IN THE PLAN SHALL NOT BE INCLUDED IN
3 DETERMINING ELIGIBILITY FOR AND THE AMOUNT OF BENEFITS
4 PROVIDED FROM THE SYSTEM AS LONG AS ENTITLEMENT TO ACTUAL
5 RECEIPT OF BENEFITS IS SUBJECT TO THE PROVISIONS OF THIS PART
6 REGARDING EMPLOYMENT AND TERMINATION AS A STATE EMPLOYEE. ANY
7 BENEFIT RESULTING FROM PARTICIPATION IN THE PLAN SHALL BE IN
8 ADDITION TO ANY BENEFIT A STATE POLICE OFFICER MAY BE
9 ELIGIBLE TO RECEIVE AS A MEMBER OF THE SYSTEM.

10 (d) Adverse inference.--Nothing in this part shall be
11 construed to mean that the limitations on benefits or other
12 requirements under IRC § 401(a) or other applicable provisions
13 of the IRC which are applicable to participants in the plan do
14 not apply to the participants or to members of the system and
15 the benefits payable under this part.

16 (e) Applicability.--The following shall apply:

17 (1) The amendment of this part regarding the
18 establishment of and participation in the plan shall apply to
19 current and former members of the State Employees' Retirement
20 System who have returned to State service on or after July <--
21 JANUARY 1, 2015, OR, IF AS AN ELECTED OFFICER, DECEMBER 1, <--
22 2014, after a termination of State service, notwithstanding
23 the following:

24 (i) Whether the termination occurred before or after
25 July JANUARY 1, 2015. <--

26 (ii) Whether the State employee was an annuitant,
27 inactive member, vestee or special vestee or withdrew
28 accumulated deductions during the period of termination.

29 (2) A terminated State employee who returns to State
30 service on or after January 1, 2015, OR, IF AS AN ELECTED <--

1 OFFICER, DECEMBER 1, 2014, shall be subject to this part
2 regarding participation in the plan or membership in the
3 system which are in effect on the effective date of
4 reemployment, including benefit formulas and accrual rates,
5 eligibility for annuities and distributions, contribution
6 rates, definitions, purchase of creditable school, nonschool,
7 State and non-State service provisions and actuarial and
8 funding assumptions.

9 (3) The amendment of this part regarding the
10 establishment of and participation in the plan shall apply to
11 a person who: <--

12 (i) is a member of the General Assembly and an
13 active member of the system on the effective date of this
14 paragraph and is reelected as a member of the General
15 Assembly after the effective date of this paragraph;

16 (ii) is a member of the judiciary and an active
17 member of the system on the effective date of this
18 paragraph and is retained as a member of the judiciary
19 after the effective date of this paragraph; or

20 (iii) is elected as Governor, Lieutenant Governor,
21 Attorney General, Auditor General or Treasurer, is an
22 active member of the system on the effective date of this
23 paragraph and is reelected as Governor, Lieutenant
24 Governor, Attorney General, Auditor General or Treasurer
25 after the effective date of this paragraph. AN ELECTED <--

26 OFFICER WHO IS ELECTED, REELECTED OR RETAINED IN A
27 RETENTION ELECTION TO A TERM OF OFFICE THAT BEGINS ON OR
28 AFTER DECEMBER 1, 2014, NOTWITHSTANDING THAT EITHER
29 IMMEDIATELY OR AT ANY TIME PRIOR TO BEGINNING A TERM OF
30 OFFICE ON OR AFTER DECEMBER 1, 2014, THE ELECTED OFFICER

1 WAS AN ACTIVE MEMBER OF THE SYSTEM OR INACTIVE MEMBER ON
2 LEAVE WITHOUT PAY. AN INDIVIDUAL WHO IS ELECTED,
3 REELECTED OR RETAINED IN A RETENTION ELECTION TO A TERM
4 OF OFFICE AS GOVERNOR, LIEUTENANT GOVERNOR, ATTORNEY
5 GENERAL, AUDITOR GENERAL, STATE TREASURER, MEMBER OF THE
6 GENERAL ASSEMBLY OR MEMBER OF THE JUDICIARY THAT BEGINS
7 ON OR AFTER DECEMBER 1, 2014:

8 (I) DOES SO WITH THE KNOWLEDGE OF THE PROVISIONS,
9 TERMS AND CONDITIONS OF THIS PART, INCLUDING THOSE
10 PROVISIONS, TERMS AND CONDITIONS ESTABLISHING THE PLAN
11 AND DETERMINING PARTICIPATION IN THE PLAN AND MEMBERSHIP
12 IN THE SYSTEM; AND

13 (II) EXPRESSLY CONSENTS TO THOSE PROVISIONS, TERMS
14 AND CONDITIONS AND THE RESULTING CONTRIBUTIONS,
15 OBLIGATIONS, BENEFITS AND RIGHTS, OR LACK OF
16 CONTRIBUTIONS, OBLIGATIONS, BENEFITS AND RIGHTS IN THE
17 SYSTEM AND THE PLAN.

18 ARTICLE IV

19 Section 401. The following shall apply:

20 (1) The following provisions shall not create in a
21 member of the Public School Employees' Retirement System, a
22 participant in the School Employees' Defined Contribution
23 Plan or another person claiming an interest in the account of
24 a member or participant an express or implied contractual
25 right in the provisions nor in a construction of 24 Pa.C.S.
26 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
27 Pa.C.S. Pt. IV or 51 Pa.C.S.:

28 (i) A provision of this act which amends 51 Pa.C.S.
29 or 24 Pa.C.S. Pt. IV in relation to requirements for any
30 of the following:

1 (A) Spousal consent.

2 (B) Qualification of the School Employees'
3 Defined Contribution Plan as a qualified pension plan
4 under the Internal Revenue Code of 1986 (Public Law
5 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or
6 compliance with the Uniformed Services Employment and
7 Reemployment Rights Act of 1994 (Public Law 103-353,
8 108 Stat. 3149).

9 (C) Contributions to, participation in or
10 benefits from the School Employees' Defined
11 Contribution Plan or School Employees' Defined
12 Contribution Trust.

13 (D) Domestic relations orders regarding
14 alternate payees of participants in the School
15 Employees' Defined Contribution Plan.

16 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
17 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
18 Pt. IV or 51 Pa.C.S. or a term or provision of the School
19 Employees' Defined Contribution Plan or School Employees'
20 Defined Contribution Trust, established by statute or in
21 the plan document or trust declaration.

22 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
23 subject to the Internal Revenue Code of 1986 and the
24 Uniformed Services Employment and Reemployment Rights Act of
25 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
26 under those statutes, and the General Assembly reserves to
27 itself the further exercise of its legislative power to amend
28 or supplement the provisions as may be required in order to
29 maintain the qualification of the system as a qualified
30 pension plan under section 401(a) and other applicable

1 provisions of the Internal Revenue Code of 1986 and the
2 Uniformed Services Employment and Reemployment Rights Act of
3 1994 (Public Law 103-353, 108 Stat. 3149).

4 (3) The following provisions shall not create in a
5 member of the State Employees' Retirement System, a
6 participant in the State Employees' Defined Contribution Plan
7 or another person claiming an interest in the account of a
8 member or participant an express or implied contractual right
9 in the provisions nor in a construction of 51 Pa.C.S. § 7306,
10 71 Pa.C.S. Pt. XXV, or rules or regulations adopted under 51
11 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

12 (i) A provision of this act which amends 51 Pa.C.S.
13 § 7306 or 71 Pa.C.S. Pt. XXV in relation to requirements
14 for any of the following:

15 (A) Spousal consent.

16 (B) Qualification of the State Employees'
17 Defined Contribution Plan as a qualified pension plan
18 under the Internal Revenue Code of 1986 (Public Law
19 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance
20 with the Uniformed Services Employment and
21 Reemployment Rights Act of 1994 (Public Law 103-353,
22 108 Stat. 3149).

23 (C) Contributions to, participation in or
24 benefits from the State Employees' Defined
25 Contribution Plan or State Employees' Defined
26 Contribution Trust.

27 (D) Domestic relations orders regarding
28 alternate payees of participants in the State
29 Employees' Defined Contribution Plan.

30 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.

1 XXV or rules or regulations adopted under 51 Pa.C.S. or
2 71 Pa.C.S. Pt. XXV or a term or provision of the State
3 Employees' Defined Contribution Plan or State Employees'
4 Defined Contribution Trust, established by statute or in
5 the plan document or trust declaration.

6 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
7 subject to the Internal Revenue Code of 1986 and the
8 Uniformed Services Employment and Reemployment Rights Act of
9 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
10 under those statutes, and the General Assembly reserves to
11 itself the further exercise of its legislative power to amend
12 or supplement the provisions as may be required in order to
13 maintain the qualification of the system as a qualified
14 pension plan under section 401(a) and other applicable
15 provisions of the Internal Revenue Code of 1986 and the
16 Uniformed Services Employment and Reemployment Rights Act of
17 1994 (Public Law 103-353, 108 Stat. 3149).
18 Section 402. The following shall apply:

19 (1) Nothing in this act shall be construed to mean that
20 a calculation or actuarial method used by the School
21 Employees' Retirement Board, its actuaries or the Public
22 School Employees' Retirement System was not in accordance
23 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
24 law prior to the effective date of this section.

25 (2) Nothing in this act shall be construed to mean that
26 a calculation or actuarial method used by the State
27 Employees' Retirement Board, its actuaries or the State
28 Employees' Retirement System was not in accordance with the
29 provisions of 71 Pa.C.S. Pt. XXV or other applicable law
30 prior to the effective date of this section.

1 Section 403. The following shall apply:

2 (1) (Reserved).

3 (2) Notwithstanding any other provision of law, a change
4 in accrued liability of the State Employees' Retirement
5 System created under this act as a result of changes in
6 benefits shall be funded in equal dollar installments over a
7 period of 20 years beginning July 1, 2014.

8 (3) A change in accrued liability as a result of
9 amendments to 71 Pa.C.S. §§ 5507 and 5508 or the addition of
10 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be funded in equal
11 dollar installments over a period of 30 years beginning July
12 1, 2014.

13 (4) PAYMENTS REQUIRED TO FUND A CHANGE IN ACCRUED <--
14 LIABILITY RESULTING FROM THIS ACT SHALL BE SUBJECT TO LIMITS
15 IMPOSED UNDER THIS ACT ON EMPLOYER CONTRIBUTIONS TO THE STATE
16 EMPLOYEES' RETIREMENT SYSTEM AND SHALL NOT BE SUBJECT TO
17 REAMORTIZATION FOR 30 YEARS UNDER 71 PA.C.S. § 5508.1(C).

18 (5) FOR PURPOSES OF 71 PA.C.S. §§ 5501.2, 5507 AND 5508,
19 CHANGES UNDER THIS SECTION SHALL NOT BE CONSIDERED TO BE
20 COSTS ADDED BY LEGISLATION.

21 Section 404. The following shall apply:

22 (1) This act shall be construed and administered in such
23 a manner that the Public School Employees' Retirement System
24 and the School Employees' Defined Contribution Plan shall
25 satisfy the requirements necessary to qualify as a qualified
26 pension plan under section 401(a) of the Internal Revenue
27 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
28 applicable provisions of the Internal Revenue Code of 1986
29 and the Uniformed Services Employment and Reemployment Rights
30 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,

1 regulations and procedures adopted and promulgated by the
2 Public School Employees' Retirement Board and the terms and
3 conditions of the plan document and trust declaration adopted
4 by the Public School Employees' Retirement Board may include
5 provisions necessary to accomplish the purpose of this
6 section.

7 (2) This act shall be construed and administered in a
8 manner that the State Employees' Retirement System and the
9 State Employees' Defined Contribution Plan shall satisfy the
10 requirements necessary to qualify as a qualified pension plan
11 under section 401(a) of the Internal Revenue Code of 1986
12 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
13 provisions of the Internal Revenue Code of 1986 and the
14 Uniformed Services Employment and Reemployment Rights Act of
15 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
16 regulations and procedures adopted and promulgated by the
17 State Employees' Retirement Board and the terms and
18 conditions of the plan document and trust declaration adopted
19 by the State Employees' Retirement Board may include
20 provisions necessary to accomplish the purpose of this
21 section.

22 Section 405. (Reserved).

23 Section 406. The following shall apply:

24 (1) Notwithstanding any other provision of law,
25 fiduciary requirement, actuarial standard of practice or
26 other requirement, the members of the Public School
27 Employees' Retirement Board, the actuary and employees and
28 officials of the Public School Employees' Retirement System
29 may not be held liable or in breach or violation of a law or
30 standard as individuals, in their official capacity or as a

1 governmental or corporate entity, for an action or
2 calculation related to calculating and certifying a final
3 contribution rate as provided under this act that is
4 different from the actuarially required contribution rate as
5 appropriately calculated under 24 Pa.C.S. Pt. IV.

6 (2) Notwithstanding any other provision of law,
7 fiduciary requirement, actuarial standard of practice or
8 other requirement, the members of the State Employees'
9 Retirement Board, the actuary and other employees and
10 officials of the State Employees' Retirement System may not
11 be held liable or in breach or violation of a law or standard
12 as individuals, in their official capacity or as a
13 governmental or corporate entity, for an action or
14 calculation related to calculating and certifying a final
15 contribution rate as provided under this act that is
16 different from the actuarially required contribution rate as
17 appropriately calculated under 71 Pa.C.S. Pt. XXV.

18 Section 407. Nothing in this act shall be deemed to permit
19 the restoration of service credit or retirement benefits which:

20 (1) were or are subject to section 16 of Article V of
21 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

22 (2) the subject of an order of forfeiture under the act
23 of July 8, 1978 (P.L.752, No.140), known as the Public
24 Employee Pension Forfeiture Act.

25 Section 408. Legal challenges to this act shall be subject
26 to review as follows:

27 (1) Notwithstanding 42 Pa.C.S., all legal challenges to
28 the constitutionality of this act shall be filed with the
29 prothonotary of the Supreme Court.

30 (2) The Supreme Court shall empanel a special tribunal

1 composed of seven senior judges chosen at random by lot from
2 a list of the senior judges currently serving the Superior,
3 Commonwealth and Common Pleas Courts.

4 (3) The special tribunal under paragraph (2) shall hear
5 and decide a legal challenge to the constitutionality of this
6 act in the same manner in which the Supreme Court would hear
7 and decide a legal challenge within its original
8 jurisdiction.

9 Section 409. If a provision of this act or its application
10 to any person or circumstance is held invalid, the invalidity
11 shall not affect other provisions or applications of this act
12 that can be given effect without the invalid provision or
13 application.

14 Section 410. Nothing in this act shall be construed to mean
15 that an interpretation or application of 71 Pa.C.S. Pt. XXV or
16 benefits available to members of the State Employees' Retirement
17 System was not in accordance with 71 Pa.C.S. Pt. XXV or other
18 applicable law, including the Internal Revenue Code of 1986
19 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed
20 Services Employment and Reemployment Rights Act of 1994 (Public
21 Law 103-353, 108 Stat. 3149) before the effective date of this
22 subsection.

23 ~~Section 411. This act shall take effect immediately.~~

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24 ARTICLE V

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25 SECTION 501. THE FOLLOWING SHALL APPLY:

26 (A) THE JOINT STATE GOVERNMENT COMMISSION SHALL ESTABLISH A
27 TASK FORCE IN ACCORDANCE WITH THIS SECTION TO DEVELOP AND MAKE
28 RECOMMENDATIONS TO THE GENERAL ASSEMBLY AND THE GOVERNOR RELATED
29 TO STATUTORY OR OTHER CHANGES THAT MAY BE IMPLEMENTED TO ADDRESS
30 THE UNFUNDED LIABILITY OF THE STATE EMPLOYEES' RETIREMENT SYSTEM

1 AND THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM IN FISCAL
2 YEAR 2014-2015 AND THEREAFTER. AT A MINIMUM, THE TASK FORCE
3 SHALL:

4 (1) STUDY FACTORS THAT WILL LEAD TO AN EFFICIENT,
5 EFFECTIVE, SUSTAINABLE AND FAIR RETIREMENT SYSTEM FOR PUBLIC
6 EMPLOYERS AND EMPLOYEES.

7 (2) EXPLORE POSSIBLE REFORMS TO CONTROL THE ESCALATING
8 COSTS AND PUT THE SYSTEMS ON A PATH TO SUSTAINABILITY.

9 (3) CONDUCT AN ANALYSIS OF RECENT LEGISLATIVE CHANGES IN
10 THIS COMMONWEALTH, INCLUDING THE ACT OF NOVEMBER 23, 2010
11 (P.L.1269, NO.120), ENTITLED "AN ACT AMENDING TITLES 24
12 (EDUCATION) AND 71 (STATE GOVERNMENT) OF THE PENNSYLVANIA
13 CONSOLIDATED STATUTES, IN TITLE 24, FURTHER PROVIDING FOR
14 DEFINITIONS, FOR MANDATORY AND OPTIONAL MEMBERSHIP, FOR
15 CONTRIBUTIONS BY THE COMMONWEALTH, FOR PAYMENTS BY EMPLOYERS,
16 FOR ACTUARIAL COST METHOD, FOR ADDITIONAL SUPPLEMENTAL
17 ANNUITIES, FOR FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES, FOR
18 SUPPLEMENTAL ANNUITIES COMMENCING 1994, FOR SUPPLEMENTAL
19 ANNUITIES COMMENCING 1998, FOR SUPPLEMENTAL ANNUITIES
20 COMMENCING 2002, FOR SUPPLEMENTAL ANNUITIES COMMENCING 2003,
21 FOR ADMINISTRATIVE DUTIES OF BOARD, FOR PAYMENTS TO SCHOOL
22 ENTITIES BY COMMONWEALTH, FOR ELIGIBILITY POINTS FOR
23 RETENTION AND REINSTATEMENT OF SERVICE CREDITS AND FOR
24 CREDITABLE NONSCHOOL SERVICE; PROVIDING FOR ELECTION TO
25 BECOME A CLASS T-F MEMBER; FURTHER PROVIDING FOR CLASSES OF
26 SERVICE, FOR ELIGIBILITY FOR ANNUITIES, FOR ELIGIBILITY FOR
27 VESTING, FOR REGULAR MEMBER CONTRIBUTIONS, FOR MEMBER
28 CONTRIBUTIONS FOR CREDITABLE SCHOOL SERVICE, FOR
29 CONTRIBUTIONS FOR PURCHASE OF CREDIT FOR CREDITABLE NONSCHOOL
30 SERVICE, FOR MAXIMUM SINGLE LIFE ANNUITY, FOR DISABILITY

1 ANNUITIES, FOR MEMBER'S OPTIONS, FOR DUTIES OF BOARD
2 REGARDING APPLICATIONS AND ELECTIONS OF MEMBERS AND FOR
3 RIGHTS AND DUTIES OF SCHOOL EMPLOYEES AND MEMBERS; PROVIDING
4 FOR INDEPENDENT FISCAL OFFICE STUDY; IN TITLE 71,
5 ESTABLISHING AN INDEPENDENT FISCAL OFFICE AND MAKING A
6 RELATED REPEAL; FURTHER PROVIDING FOR DEFINITIONS, FOR
7 CREDITED STATE SERVICE, FOR RETENTION AND REINSTATEMENT OF
8 SERVICE CREDITS, FOR CREDITABLE NONSTATE SERVICE AND FOR
9 CLASSES OF SERVICE; PROVIDING FOR ELECTION TO BECOME A CLASS
10 A-4 MEMBER; FURTHER PROVIDING FOR ELIGIBILITY FOR ANNUITIES
11 AND FOR ELIGIBILITY FOR VESTING; PROVIDING FOR SHARED-RISK
12 MEMBER CONTRIBUTIONS FOR CLASS A-3 AND CLASS A-4 SERVICE;
13 FURTHER PROVIDING FOR WAIVER OF REGULAR MEMBER CONTRIBUTIONS
14 AND SOCIAL SECURITY INTEGRATION MEMBER CONTRIBUTIONS, FOR
15 MEMBER CONTRIBUTIONS FOR PURCHASE OF CREDIT FOR PREVIOUS
16 STATE SERVICE OR TO BECOME A FULL COVERAGE MEMBER, FOR
17 CONTRIBUTIONS FOR THE PURCHASE OF CREDIT FOR CREDITABLE
18 NONSTATE SERVICE, FOR CONTRIBUTIONS BY THE COMMONWEALTH AND
19 OTHER EMPLOYERS, FOR ACTUARIAL COST METHOD, FOR MAXIMUM
20 SINGLE LIFE ANNUITY, FOR DISABILITY ANNUITIES AND FOR
21 MEMBER'S OPTIONS; PROVIDING FOR PAYMENT OF ACCUMULATED
22 DEDUCTIONS RESULTING FROM CLASS A-3 SERVICE; FURTHER
23 PROVIDING FOR ADDITIONAL SUPPLEMENTAL ANNUITIES, FOR FURTHER
24 ADDITIONAL SUPPLEMENTAL ANNUITIES, FOR SUPPLEMENTAL ANNUITIES
25 COMMENCING 1994, FOR SUPPLEMENTAL ANNUITIES COMMENCING 1998,
26 FOR SUPPLEMENTAL ANNUITIES COMMENCING 2002, FOR SUPPLEMENTAL
27 ANNUITIES COMMENCING 2003, FOR SPECIAL SUPPLEMENTAL
28 POSTRETIREMENT ADJUSTMENT OF 2002, FOR ADMINISTRATIVE DUTIES
29 OF THE BOARD, FOR DUTIES OF BOARD TO ADVISE AND REPORT TO
30 HEADS OF DEPARTMENTS AND MEMBERS, FOR DUTIES OF BOARD

1 REGARDS APPLICATIONS AND ELECTIONS OF MEMBERS, FOR
2 INSTALLMENT PAYMENTS OF ACCUMULATED DEDUCTIONS, FOR RIGHTS
3 AND DUTIES OF STATE EMPLOYEES AND MEMBERS, FOR MEMBERS'
4 SAVINGS ACCOUNT, FOR STATE ACCUMULATION ACCOUNT, FOR STATE
5 POLICE BENEFIT ACCOUNT, FOR ENFORCEMENT OFFICERS' BENEFIT
6 ACCOUNT, FOR SUPPLEMENTAL ANNUITY ACCOUNT AND FOR
7 CONSTRUCTION OF PART; AND PROVIDING FOR INDEPENDENT FISCAL
8 OFFICE STUDY, FOR RETIREMENT ELIGIBILITY OF PENNSYLVANIA
9 STATE POLICE OFFICERS OR MEMBERS, FOR A PROHIBITION ON THE
10 ISSUANCE OF PENSION OBLIGATION BONDS, FOR HOLDING CERTAIN
11 PUBLIC OFFICIALS HARMLESS, FOR CONSTRUCTION OF CALCULATION OR
12 ACTUARIAL METHOD, FOR APPLICABILITY AND FOR CERTAIN
13 OPERATIONAL PROVISIONS," TO ASSESS THE IMPACT THOSE CHANGES
14 HAVE HAD OR WILL HAVE ON THE PENSION SYSTEMS.

15 (4) CONDUCT AN ANALYSIS OF RECENT LEGISLATIVE CHANGES TO
16 PEER PUBLIC RETIREMENT SYSTEMS IN OTHER STATES WITH UNFUNDED
17 LIABILITY ISSUES SIMILAR TO THOSE FACING THIS COMMONWEALTH.

18 (5) CONDUCT AN ANALYSIS OF CHANGES OF UTILIZATION IN
19 STATE-FUNDED ASSISTANCE PROGRAMS AFTER RECENT LEGISLATIVE
20 CHANGES TO PEER PUBLIC RETIREMENT SYSTEMS IN OTHER STATES
21 WITH UNFUNDED LIABILITY ISSUES SIMILAR TO THOSE FACING THIS
22 COMMONWEALTH.

23 (6) PROVIDE RECOMMENDATIONS AND ANALYZE IMPLICATIONS OF
24 POTENTIAL CHANGES TO PLAN DESIGN, BENEFITS TO EMPLOYEES,
25 ADMINISTRATIVE COSTS, ADEQUACY OF FUNDING FOR THE SYSTEMS,
26 CONTRIBUTION RATES AND INDIVIDUAL BENEFITS.

27 (7) CONSIDER ALL SOURCES OF REVENUE, INCLUDING REVENUE
28 RAISING MEASURES AND PENSION OBLIGATION BONDS AS A MEANS TO
29 FUND UNFUNDED ACTUARIAL LIABILITY COSTS.

30 (8) DEVELOP GUIDING PRINCIPLES FOR PLAN DESIGN AND

1 SELECTION TAKING INTO CONSIDERATION RECRUITMENT, RETENTION
2 AND RETIREMENT SECURITY.

3 (9) DEVELOP RECOMMENDATIONS TO RESTORE THE STATE AND
4 SCHOOL PENSION PLANS TO FULL FUNDING.

5 (B) THE TASK FORCE SHALL BE COMPOSED OF THE FOLLOWING 30
6 INDIVIDUALS:

7 (1) THE SECRETARY OF BUDGET OR A DESIGNEE.

8 (2) THE STATE TREASURER OR A DESIGNEE.

9 (3) THE AUDITOR GENERAL OR A DESIGNEE.

10 (4) FOUR INDIVIDUALS APPOINTED BY THE GOVERNOR.

11 (5) FOUR MEMBERS OF THE GENERAL ASSEMBLY, ONE EACH
12 APPOINTED BY THE MAJORITY LEADER OF THE SENATE, THE MINORITY
13 LEADER OF THE SENATE, THE MAJORITY LEADER OF THE HOUSE OF
14 REPRESENTATIVES AND THE MINORITY LEADER OF THE HOUSE OF
15 REPRESENTATIVES RESPECTIVELY.

16 (6) FOUR MEMBERS OF THE GENERAL PUBLIC WITH EXPERIENCE
17 IN PUBLIC AND PRIVATE PENSION SYSTEMS, ONE EACH APPOINTED BY
18 THE MAJORITY LEADER OF THE SENATE, THE MINORITY LEADER OF THE
19 SENATE, THE MAJORITY LEADER OF THE HOUSE OF REPRESENTATIVES
20 AND THE MINORITY LEADER OF THE HOUSE OF REPRESENTATIVES
21 RESPECTIVELY.

22 (7) THE CHAIRMAN OF THE PUBLIC SCHOOL EMPLOYEES'
23 RETIREMENT BOARD OR A DESIGNEE.

24 (8) THE CHAIRMAN OF THE STATE EMPLOYEES' RETIREMENT
25 BOARD OR A DESIGNEE.

26 (9) THE DIRECTOR OF THE INDEPENDENT FISCAL OFFICE OR A
27 DESIGNEE.

28 (10) THE CHAIR OF THE PUBLIC EMPLOYEES' RETIREMENT
29 COMMISSION OR A DESIGNEE.

30 (11) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON

1 THE RECOMMENDATION OF THE PENNSYLVANIA ASSOCIATION OF SCHOOL
2 BUSINESS OFFICIALS.

3 (12) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
4 THE RECOMMENDATION OF THE PENNSYLVANIA SCHOOL BOARD
5 ASSOCIATION.

6 (13) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
7 THE RECOMMENDATION OF THE PENNSYLVANIA ASSOCIATION OF SCHOOL
8 SUPERINTENDENTS.

9 (14) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
10 THE RECOMMENDATION OF THE PENNSYLVANIA STATE EDUCATION
11 ASSOCIATION.

12 (15) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
13 THE RECOMMENDATION OF THE PENNSYLVANIA CHAPTER OF THE
14 AMERICAN FEDERATION OF TEACHERS.

15 (16) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
16 THE RECOMMENDATION OF THE AMERICAN FEDERATION OF STATE,
17 COUNTY AND MUNICIPAL EMPLOYEES.

18 (17) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
19 THE RECOMMENDATION OF THE PENNSYLVANIA CHAPTER OF THE SERVICE
20 EMPLOYEES INTERNATIONAL UNION.

21 (18) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
22 THE RECOMMENDATION OF THE LABOR ORGANIZATION REPRESENTING
23 PENNSYLVANIA STATE POLICE TROOPERS.

24 (19) ONE INDIVIDUAL APPOINTED BY THE GOVERNOR
25 REPRESENTING THE TAXPAYER GROUPS OF THIS COMMONWEALTH.

26 (20) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
27 THE RECOMMENDATION OF THE PENNSYLVANIA CHAMBER OF BUSINESS
28 AND INDUSTRY.

29 (21) ONE INDIVIDUAL SELECTED BY THE GOVERNOR BASED ON
30 THE RECOMMENDATION OF THE PENNSYLVANIA CHAPTER OF THE

1 NATIONAL FEDERATION OF INDEPENDENT BUSINESS.

2 (C) THE CHAIRMAN OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
3 BOARD AND THE CHAIRMAN OF THE STATE EMPLOYEES' RETIREMENT BOARD
4 SHALL JOINTLY SERVE AS COCHAIRS OF THE TASK FORCE.

5 (D) APPOINTMENTS TO THE TASK FORCE SHALL BE COMPLETED WITHIN
6 20 DAYS OF THE EFFECTIVE DATE OF THIS ACT.

7 (E) THE TASK FORCE SHALL HOLD AN ORGANIZATIONAL MEETING NO
8 LATER THAN 15 DAYS AFTER THE APPOINTMENTS TO THE TASK FORCE HAVE
9 BEEN MADE UNDER SUBSECTION (D) (2) AND SHALL MEET AT LEAST BI-
10 MONTHLY. THE FOLLOWING SHALL APPLY TO TASK FORCE MEETINGS:

11 (1) MEETINGS MAY BE CONDUCTED VIA TELECONFERENCE.

12 (2) WORKING GROUPS OR COMMITTEES MAY BE ESTABLISHED TO
13 ADDRESS SPECIFIC ISSUES.

14 (3) 65 PA.C.S. CH. 7 (RELATING TO OPEN MEETINGS).

15 (4) REASONABLE PUBLIC COMMENT PERIOD SHALL BE PROVIDED.

16 (5) OFFICIAL ACTION OF THE TASK FORCE SHALL BE BY
17 MAJORITY VOTE.

18 (F) ON OR BEFORE MARCH 31, 2015, THE TASK FORCE SHALL
19 PRESENT ITS REPORT AND RECOMMENDATIONS TO THE GOVERNOR, THE
20 CHAIRPERSON AND MINORITY CHAIRPERSON OF THE FINANCE COMMITTEE OF
21 THE SENATE, THE CHAIRPERSON AND MINORITY CHAIRPERSON OF THE
22 FINANCE COMMITTEE OF THE HOUSE OF REPRESENTATIVES, THE
23 CHAIRPERSON AND MINORITY CHAIRPERSON OF THE APPROPRIATIONS
24 COMMITTEE OF THE SENATE AND THE CHAIRPERSON AND MINORITY
25 CHAIRPERSON OF THE APPROPRIATIONS COMMITTEE OF THE HOUSE OF
26 REPRESENTATIVES. UPON REQUEST BY MEMBERS OF THE TASK FORCE, THE
27 COCHAIRS OF THE TASK FORCE SHALL SUBMIT A MINORITY REPORT.
28 NOTHING IN THIS SUBSECTION SHALL BE CONSTRUED TO PROHIBIT THE
29 TASK FORCE FROM MAKING INTERIM REPORTS AS IT DEEMS NECESSARY.

30 (G) THE TASK FORCE SHALL EXPIRE ON JULY 1, 2015.

1 SECTION 502. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.