

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 727 Session of 2015

INTRODUCED BY KAMPF, ROSS, TURZAI, MAJOR, CUTLER, TOBASH, BENNINGHOFF, REGAN, METCALFE, TRUITT, DIAMOND, BLOOM, MILLARD, SACCONI, GREINER, DUNBAR, LAWRENCE, QUIGLEY, KAUFFMAN, TOPPER, COX, EMRICK, TOEPEL, F. KELLER, SAYLOR, GABLER, A. HARRIS, GINGRICH, HELM, TALLMAN, GROVE, SANKEY, MALONEY, HICKERNELL, MENTZER, CHRISTIANA, MCGINNIS, EVANKOVICH, KILLION, KNOWLES, SIMMONS, JAMES, MASSER, FEE, MURT, HENNESSEY, TOOHIL, BARRAR, GILLESPIE, EVERETT, MOUL, ROAE AND RAPP, MARCH 6, 2015

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MARCH 6, 2015

AN ACT

1 Amending Titles 24 (Education), 51 (Military Affairs) and 71
 2 (State Government) of the Pennsylvania Consolidated Statutes,
 3 in Title 24, in preliminary provisions, further providing for
 4 definitions and construction and providing for references; in
 5 retirement membership, contributions and benefits, further
 6 providing for mandatory and optional membership, for credited
 7 school service, for waiver of adjustments and for classes of
 8 service, for elections, for eligibility points, for
 9 eligibility for annuities, for eligibility for refunds, for
 10 pickup contributions, for member contributions, for
 11 contributions for purchase of credit, for annual compensation
 12 limit, for contributions by Commonwealth, for payments by
 13 employers, for actuarial cost method, for appropriations by
 14 Commonwealth, for return of accumulated deductions, for
 15 single life annuity, for disability annuities, for
 16 termination of annuities and payment of benefits; providing
 17 for school employees' defined contribution plan; in
 18 administrative and miscellaneous provisions, further
 19 providing for the Public School Employees' Retirement Board,
 20 for administrative duties of board, for health insurance, for
 21 advisory and reporting duties, for application and election
 22 duties, for duties of employers, for rights and duties of
 23 school employees and members, for management of fund and
 24 accounts, for Public School Employees' Retirement Fund, for
 25 State accumulation account, for annuity reserve account, for
 26 State guarantee, for taxation, for attachment and assignment
 27 of funds, for approval of domestic relations orders, for

1 irrevocable survivor annuitant and for amendment of approved
2 domestic relations orders; providing for irrevocable
3 successor payee; further providing for fraud and adjustment
4 of errors and for payments to school entities by
5 Commonwealth; providing for payments to school entities by
6 Commonwealth commencing with the 2015-2016 school year; in
7 health insurance for retired school employees, further
8 providing for definitions; in Title 51, in employment
9 preferences and pensions, further providing for military
10 leaves of absence; in Title 71, in retirement for State
11 employees and officers, further providing for definitions,
12 for preliminary provisions and for membership, credited
13 service, classes of service, and eligibility benefits,
14 providing for State Employees' Defined Contribution Plan,
15 further providing for contributions, for benefits and for
16 administration, funds and accounts; and making editorial
17 changes.

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

20 ARTICLE I

21 AMENDMENTS TO TITLE 24

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
26 annuitants," "final average salary," "inactive member,"
27 "intervening military service," "irrevocable beneficiary,"
28 "leave for service with a collective bargaining organization,"
29 "previous school service," "reemployed from USERRA leave,"
30 "salary deductions," "USERRA leave" and "valuation interest" in
31 section 8102 of Title 24 of the Pennsylvania Consolidated
32 Statutes are amended and the section is amended by adding
33 definitions to read:

34 § 8102. Definitions.

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

38 * * *

1 "Accumulated employer defined contributions." The total of
2 the employer defined contributions paid into the trust on
3 account of a participant's school service together with any
4 investment earnings and losses and adjustment for fees, costs
5 and expenses credited or charged thereon.

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

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

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

22 * * *

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

30 * * *

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

6 * * *

7 "Beneficiary." [The] In the case of the system, the person
8 or persons last designated in writing to the board by a member
9 to receive his accumulated deductions or a lump sum benefit upon
10 the death of such member. In the case of the plan, the person or
11 persons last designated in writing to the board by a participant
12 to receive his accumulated total defined contributions or a lump
13 sum benefit upon the death of such participant.

14 * * *

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

1 employer while on USERRA leave, leave of absence granted under
2 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
3 government employees), military leave of absence granted under
4 51 Pa.C.S. § 7302 (relating to granting military leaves of
5 absence), leave granted under section 1178 of the act of March
6 10, 1949 (P.L.30, No.14), known as the Public School Code of
7 1949, or other types of military leave, including other types of
8 leave payments, stipends, differential wage payments as defined
9 in IRC § 414(u)(12) and any other payments, provided, however,
10 that the limitation under section 401(a)(17) of the Internal
11 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
12 taken into account for the purpose of member contributions,
13 including regular or joint coverage member contributions,
14 regardless of class of service, shall apply to each member who
15 first became a member of the Public School Employees' Retirement
16 System on or after July 1, 1996, and who by reason of such fact
17 is a noneligible member subject to the application of the
18 provisions of section 8325.1 (relating to annual compensation
19 limit under IRC § 401(a)(17)) and shall apply to each
20 participant.

21 * * *

22 "Creditable nonschool service." Service other than service
23 as a school employee for which an active member may obtain
24 credit in the system.

25 "Credited service." School or creditable nonschool service
26 for which the required contributions have been made to the fund,
27 or for which the contributions otherwise required for such
28 service were not made solely by reason of any provision of this
29 part relating to the limitations under section 401(a)(17) or
30 415(b) of the Internal Revenue Code of 1986 (Public Law 99-514,

1 26 U.S.C. § 401(a)(17) or 415(b)), or for which salary
2 deductions to the system or lump sum payments have been agreed
3 upon in writing.

4 "Date of termination of service." The last date of service
5 for which:

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

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

13 (3) mandatory pickup participant contributions are made
14 for an active participant; or

15 (4) in the case of an inactive participant, the date of
16 his resignation or the date his employment is formally
17 discontinued by his employer.

18 * * *

19 "Distribution." Payment of all or any portion of a person's
20 interest in either the Public School Employees' Retirement Fund
21 or the School Employees' Defined Contribution Trust, or both,
22 which is 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 * * *

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

16 * * *

17 "Employer defined contributions." Contributions equal to 4%
18 of an active participant's compensation that are made by an
19 employer for current service to the trust to be credited in the
20 participant's individual investment account.

21 "Final average salary." The highest average compensation
22 received as an active member during any three nonoverlapping
23 periods of 12 consecutive months with the compensation for part-
24 time service being annualized on the basis of the fractional
25 portion of the school year for which credit is received; except,
26 if the employee was not a member for three such periods, the
27 total compensation received as an active member annualized in
28 the case of part-time service divided by the number of such
29 periods of membership; in the case of a member with multiple
30 service credit, the final average salary shall be determined by

1 reference to compensation received by him as a [school employee]
2 member of the system or a State employee other than as an
3 employee in the State Employees' Defined Contribution Plan or
4 both; and, in the case of a noneligible member, subject to the
5 application of the provisions of section 8325.1 (relating to
6 annual compensation limit under IRC § 401(a)(17)). Final average
7 salary shall be determined by including in compensation,
8 payments deemed to have been made to a member reemployed from
9 USERRA leave to the extent member contributions have been made
10 as provided in section 8302(d)(2) (relating to credited school
11 service) and payments made to a member on leave of absence under
12 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
13 government employees) as provided in section 8302(d)(6).\

14 * * *

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

27 * * *

28 "Inactive member." A member for whom no pickup contributions
29 are being made to the fund, except in the case of an active
30 member for whom such contributions otherwise required for

1 current school service are not being made solely by reason of
2 any provision of this part relating to the limitations under
3 section 401(a)(17) or 415(b) of the Internal Revenue Code of
4 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)), who
5 has accumulated deductions standing to his credit in the fund
6 and for whom contributions have been made within the last two
7 school years or a multiple service member who is active in the
8 State Employees' Retirement System.

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

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

25 "Intervening military service." Active military service of a
26 member who was a school employee and an active member of the
27 system immediately preceding his induction into the armed
28 services or forces of the United States in order to meet a draft
29 obligation excluding any voluntary extension of such
30 obligational service and who becomes a school employee and an

1 active member of the system within 90 days of the expiration of
2 such service.

3 * * *

4 "Irrevocable beneficiary." The person or persons permanently
5 designated by a member or a participant in writing to the board
6 pursuant to an approved domestic relations order to receive all
7 or a portion of the accumulated deductions, vested accumulated
8 total defined contributions or lump sum benefit payable upon the
9 death of such member or participant.

10 "Irrevocable successor payee." The person permanently
11 designated by a participant receiving vested distributions in
12 writing to the board pursuant to an approved domestic relations
13 order to receive one or more distributions from the plan upon
14 the death of such participant.

15 * * *

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

1 retirement contributions and benefits and other benefits and
2 seniority.

3 "Mandatory pickup participant contributions." Contributions
4 equal to 6.5% of compensation that are made by the employer for
5 active participants for current service that are picked up by
6 the employer.

7 * * *

8 "Participant." An active participant, inactive participant
9 or participant receiving distributions.

10 "Participant receiving distributions." A participant in the
11 plan who has commenced receiving distributions from his
12 individual investment account but who has not received a total
13 distribution of his vested interest in the individual investment
14 account.

15 * * *

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

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

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

29 * * *

30 "Reemployed from USERRA leave." Resumption of active

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

8 * * *

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

12 * * *

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

18 * * *

19 "State Employees' Defined Contribution Plan." The defined
20 contribution plan for State employees established by 71 Pa.C.S.
21 Pt. XXV (relating to retirement for State employees and
22 officers).

23 * * *

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

28 * * *

29 "Trust." The School Employees' Defined Contribution Trust
30 established under Chapter 84 (relating to school employees'

1 defined contribution plan).

2 * * *

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

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

15 * * *

16 "Voluntary contributions." Contributions made by a
17 participant to the trust and credited to his individual
18 investment account in excess of his mandatory pickup participant
19 contributions by an eligible rollover or direct trustee-to-
20 trustee transfers.

21 Section 102. Section 8103 of Title 24 is amended by adding
22 subsections to read:

23 § 8103. Construction of part.

24 * * *

25 (c) Provisions severable.--The provisions of this part are
26 severable and if any of its provisions shall be held to be
27 unconstitutional, the decision of the court shall not affect or
28 impair any of the remaining provisions. It is hereby declared to
29 be the legislative intent that this part would have been adopted
30 had such unconstitutional provisions not been included.

1 (d) References to certain Federal statutes.--References in
2 this part to the IRC or the Uniformed Services Employment and
3 Reemployment Rights Act of 1994 (Public Law 103-353, 38 U.S.C. §
4 4301), including administrative regulations promulgated under
5 the IRC or the Uniformed Services Employment and Reemployment
6 Rights Act of 1994, are intended to include laws and regulations
7 in effect on the effective date of this section and amended,
8 supplemented or supplanted on and after the effective date of
9 this section.

10 (e) Construction.--

11 (1) This part may not be construed to mean that the
12 limitations on benefits or other requirements under IRC §
13 401(a) or other applicable provisions of the IRC that are
14 applicable to participants in the plan do not apply to the
15 participants or to the members of the system and the benefits
16 payable under this part.

17 (2) This part may not be construed to mean that an
18 interpretation or application of the provisions of this part
19 or benefits available to members of the Public School
20 Employees' Retirement System was not in accordance with the
21 provisions of this part or other applicable law, including
22 the IRC and the Uniformed Services Employment and
23 Reemployment Rights Act of 1994 before the effective date of
24 this subsection.

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

30 (f) Applicability.--This part shall apply to a record,

1 material or data under section 8502(e)(2) notwithstanding
2 whether:

3 (1) The record, material or data was created, generated
4 or stored before the effective date of this section.

5 (2) The record, material or data was previously released
6 or made public.

7 (3) A request for the record, material or data was made
8 or is pending final response under the former act of June 21,
9 1957 (P.L.390, No.212), referred to as the Right-to-Know Law,
10 or the act of February 14, 2008 (P.L.6, No.3), known as the
11 Right-to-Know Law.

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

14 § 8103.1. Reference to Public School Employees' Retirement
15 System.

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

24 (b) Agreement.--The agreement of an employer to make
25 contributions to the fund or to enroll its employees as members
26 in the system shall be deemed to be an agreement to make
27 contributions to the trust or to enroll its employees in the
28 plan.

29 Section 104. Sections 8301, 8302(a), (b), (c) and (d),
30 8303.1 and 8304(a) of Title 24 are amended to read:

1 § 8301. Mandatory and optional membership in the system and
2 participation in the plan.

3 (a) Mandatory membership.--Membership in the system shall be
4 mandatory as of the effective date of employment for all school
5 employees except the following:

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

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

19 (ii) Notwithstanding subparagraph (i), any school
20 employee who, on or after July 1, 2016, begins school
21 service and who is employed on a per diem or hourly basis
22 for less than 80 full-day sessions or 500 hours in any
23 fiscal year or annuitant who returns to school service
24 under the provisions of section 8346(b).

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

30 (4) Any part-time school employee who has an individual

1 retirement account pursuant to the Federal act of September
2 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
3 Employee Retirement Income Security Act of 1974.

4 (5) Any school employee who first begins school service
5 on or after July 1, 2016.

6 (a.1) Exceptions to mandating participation in plan.--

7 (1) Any officer or employee of the Department of
8 Education, a State-owned educational institution, a community
9 college or The Pennsylvania State University who is an active
10 member on December 31, 2015, and January 1, 2016, shall
11 remain an active member in the officer's or employee's class
12 of service until termination of school service. Any officer
13 or employee of the Department of Education, a State-owned
14 educational institution, a community college or The
15 Pennsylvania State University who becomes a school employee
16 on or after January 1, 2016, shall not be eligible for
17 membership in the system and shall not be eligible to become
18 a participant in the plan.

19 (2) Any officer or employee of an area vocational-
20 technical school or technical institute who is an active
21 member on June 30, 2016, and July 1, 2016, shall remain an
22 active member in the officer's or employee's class of service
23 until termination of school service. Any officer or employee
24 of an area vocational-technical school or technical institute
25 who becomes a school employee on or after July 1, 2016, shall
26 be a mandatory participant in the plan and shall not be
27 eligible to elect membership or participation in the system.

28 (3) Any school employee other than those listed in
29 subsection (a)(1) who is an active member on June 30, 2016,
30 and July 1, 2016, shall remain an active member in the

1 employee's class of service until termination of school
2 service.

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

6 (c) Optional membership in system.--The school employees
7 categorized in subsection (a)(3) and, if otherwise eligible,
8 subsection (a)(4) shall have the right to elect membership in
9 the system before July 1, 2016. Once such election is exercised,
10 membership shall commence from the original date of eligibility
11 and shall continue until the termination of such service.

12 (d) Mandatory participation in plan.--Subject to the
13 exceptions in subsection (a.1), a school employee who first
14 begins school service on or after July 1, 2016, shall be a
15 mandatory participant in the plan as a result of such school
16 service.

17 § 8302. Credited school service.

18 (a) Computation of credited service.--In computing credited
19 school service of a member for the determination of benefits, a
20 full-time salaried school employee shall receive one year of
21 credit for each school year or the corresponding fraction
22 thereof, in accordance with the proportion of the full school
23 year for which the required regular member contributions have
24 been made to the fund, or for which such contributions otherwise
25 required for such service were not made to the fund solely by
26 reason of any provision of this part relating to the limitations
27 under IRC § 401(a)(17) or 415(b). A per diem or hourly school
28 employee shall receive one year of credited service for each
29 nonoverlapping period of 12 consecutive months in which he is
30 employed and for which contributions are made to the fund, or

1 would have been made but for such limitations under the IRC, for
2 at least 180 full-day sessions or 1,100 hours of employment. If
3 such member was employed and contributions were made to the fund
4 for less than 180 full-day sessions or 1,100 hours, he shall be
5 credited with a fractional portion of a year determined by the
6 ratio of the number of full-day sessions or hours of service
7 actually rendered and for which contributions are made to the
8 fund to 180 full-day sessions or 1,100 hours, as the case may
9 be. A part-time salaried employee shall be credited with the
10 fractional portion of the year which corresponds to the service
11 actually rendered and for which contributions are made to the
12 fund in relation to the service required as a comparable full-
13 time salaried employee. In no case shall a member receive more
14 than one year of credited service for any 12 consecutive months
15 or a member who has elected multiple service receive an
16 aggregate in the two systems of more than one year of credited
17 service for any 12 consecutive months.

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

21 (1) the member returns for a period at least equal to
22 the length of the leave or one year as a member of the system
23 or the participant returns to school service as an active
24 participant in the plan, whichever is less, to the school
25 district which granted his leave, unless such condition is
26 waived by the employer; and

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

29 * * *

30 (c) Cancellation of credited service.--All credited service

1 in the system shall be cancelled if a member withdraws his
2 accumulated deductions.

3 (d) Credit for military service.--A school employee who has
4 performed USERRA leave may receive credit in the system or
5 participate in the plan as follows:

6 (1) For purposes of determining whether a member is
7 eligible to receive credited service in the system for a
8 period of active military service, other than active duty
9 service to meet periodic training requirements, rendered
10 after August 5, 1991, and that began before the effective
11 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
12 (relating to military leave of absence) shall apply to all
13 individuals who were active members of the system when the
14 period of military service began, notwithstanding if the
15 member is not defined as an employee under 51 Pa.C.S. § 7301
16 (relating to definitions). School employees may not receive
17 service credit or exercise the options under 51 Pa.C.S. §
18 7306(a), (b) and (c) (relating to retirement rights) for
19 military leaves that begin on or after the effective date of
20 this subsection, except otherwise provided under this
21 subsection.

22 (2) A school employee who has performed USERRA leave may
23 receive credit in the system as provided by this paragraph.

24 (i) A school employee who is reemployed from USERRA
25 leave as an active member of the system shall be treated
26 as not having incurred a break in school service by
27 reason of the USERRA leave and shall be granted
28 eligibility points as if the school employee had not been
29 on the USERRA leave. If a school employee who is
30 reemployed from USERRA leave as an active member of the

1 system subsequently makes regular member contributions,
2 shared-risk member contributions and any other member
3 contributions in the amounts and in the time periods
4 required by 38 U.S.C. Ch. 43 (relating to employment and
5 reemployment rights of members of the uniformed services)
6 and IRC § 414(u) as if the school employee had continued
7 in his school office or employment and performed school
8 service and been compensated during the period of USERRA
9 leave, the school employee shall be granted school
10 service credit for the period of USERRA leave. The
11 employee shall have his benefits, rights and obligations
12 determined under this part as if he was an active member
13 who performed creditable school service during the USERRA
14 leave in the job position that he would have held had he
15 not been on USERRA leave and received the compensation on
16 which the member contributions to receive school service
17 credit for the USERRA leave were determined.

18 (ii) For purposes of determining whether a school
19 employee has made the required employee contributions for
20 school service credit for USERRA leave, if an employee
21 who is reemployed from USERRA leave as an active member
22 of the system terminates school service or dies in school
23 service before the expiration of the allowed payment
24 period, school service credit for the USERRA leave shall
25 be granted as if the required member contributions were
26 paid the day before termination or death. The amount of
27 the required member contributions shall be treated as an
28 incomplete payment subject to the provisions of section
29 8325 (relating to incomplete payments). Upon a subsequent
30 return to school service or to State service as a

1 multiple service member, the required member
2 contributions treated as incomplete payments shall be
3 treated as member contributions that were either
4 withdrawn in a lump sum at termination or paid as a lump
5 sum under section 8345(a)(4) (relating to member's
6 options). For this purpose, the exclusion of Class T-E
7 and Class T-F members from electing a form of payment
8 under section 8345(a)(4)(iii) shall be ignored.

9 (iii) A school employee who is reemployed from
10 USERRA leave as an active member of the system and who
11 does not make the required member contributions or makes
12 only part of the required member contributions within the
13 allowed payment period shall not be:

14 (A) Granted credited service for the period of
15 USERRA leave for which the required member
16 contributions were not timely made.

17 (B) Eligible to subsequently make contributions.

18 (C) Granted either school service credit or
19 nonschool service credit for the period of USERRA
20 leave for which the required member contributions
21 were not timely made.

22 (2.1) The following shall apply:

23 (i) A participant who is reemployed from USERRA
24 leave shall be treated as not having incurred a break in
25 school service by reason of the USERRA leave. If a
26 participant who is reemployed from USERRA leave
27 subsequently makes mandatory pickup participant
28 contributions in the amounts and in the time periods
29 required by 38 U.S.C. Ch. 43 (relating to employment and
30 reemployment rights of members of the uniformed services)

1 and IRC § 414(u) as if the participant had continued in
2 school employment and performed school service and been
3 compensated during the period of USERRA leave, then the
4 participant's employer shall make the corresponding
5 employer defined contributions. Such an employee shall
6 have the employees contributions, benefits, rights and
7 obligations determined under this part as if he were an
8 active participant who performed school service during
9 the USERRA leave in the job position that the employee
10 would have held had he not been on USERRA leave and
11 received the compensation on which the mandatory pickup
12 participant contributions to receive school service
13 credit for the USERRA leave were determined, including
14 the right to make voluntary contributions on such
15 compensation as permitted by law.

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

25 (3) A school employee who is a member of the system and
26 performs USERRA leave from which the employee could have been
27 reemployed from USERRA leave had the school employee returned
28 to school service in the time frames required by 38 U.S.C.
29 Ch. 43 for reemployment rights, but did not do so, shall be
30 able to receive creditable nonschool service as

1 nonintervening military service for the period of USERRA
2 leave if the employee later returns to school service as an
3 active member of the system and is otherwise eligible to
4 purchase the service as nonintervening military service.

5 (3.1) A participant employee who performs USERRA leave
6 from which the employee could have been reemployed from
7 USERRA leave had the school employee returned to school
8 service in the time frames required by 38 U.S.C. Ch. 43 for
9 reemployment rights, but did not do so, shall not be eligible
10 to make mandatory pickup participant contributions or
11 voluntary contributions for the period of USERRA leave should
12 the employee later return to school service and be a
13 participant in the plan.

14 (4) [A school employee] An active member or inactive
15 member on leave without pay who, on or after the effective
16 date of this subsection, is granted a leave of absence under
17 section 1178 of the Public School Code, a leave of absence
18 under 51 Pa.C.S. § 4102 (relating to leaves of absence for
19 certain government employees) or a military leave under 51
20 Pa.C.S. Ch. 73, that is not USERRA leave shall be able to
21 receive creditable nonschool service as nonintervening
22 military service should the employee return to school service
23 as an active member of the system and is otherwise eligible
24 to purchase the service as nonintervening military service.

25 (4.1) An active participant or inactive participant who,
26 on or after the effective date of this subsection, is granted
27 a leave of absence under 51 Pa.C.S. § 4102 (relating to
28 leaves of absence for certain government employees) or a
29 military leave under 51 Pa.C.S. Ch. 73 (relating to military
30 leave of absence), that is not USERRA leave shall not be able

1 to make mandatory pickup participant contributions or
2 voluntary contributions during or for the leave of absence or
3 military leave, and shall not have employer defined
4 contributions made during such leave, without regard to
5 whether or not the school employee received salary, wages,
6 stipends, differential wage payments or other payments from
7 his employer during the leave, notwithstanding any provision
8 to the contrary in 51 Pa.C.S. Ch. 73 or § 4102.

9 (5) If a member dies while performing USERRA leave, the
10 beneficiaries or survivor annuitants of the deceased member
11 shall be entitled to any additional benefits, including
12 eligibility points, other than benefit accruals relating to
13 the period of qualified military service, provided under this
14 part as if the member resumed and then terminated employment
15 on account of death.

16 (5.1) If a participant dies while performing USERRA
17 leave, then the beneficiaries or successor payees, as the
18 case may be, of the deceased participant are entitled to any
19 additional benefits, other than benefit accruals relating to
20 the period of qualified military service, provided under this
21 part as if the participant had resumed and then terminated
22 employment on account of death.

23 (6) A school employee who is on a leave of absence from
24 his duties as a school employee and for which 51 Pa.C.S. §
25 4102 provides that he is not to suffer a loss of pay, time or
26 efficiency shall not be an active member, receive service
27 credit or make member contributions for the leave of absence
28 except as provided for in this part. Notwithstanding this
29 paragraph, any pay the member receives under section 1178 of
30 the Public School Code or 51 Pa.C.S. § 4102 shall be included

1 in the determination of final average salary and other
2 calculations in the system utilizing compensation as if the
3 payments were compensation under this part.

4 § 8303.1. Waiver of adjustments.

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

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

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

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

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

25 (b) Time period.--In order to obtain consideration of a
26 waiver under this section, the affected member, participant,
27 beneficiary or survivor annuitant must appeal to the board in
28 writing within 30 days after receipt of notice that benefits
29 have been adjusted or, if no notice was given, within 30 days
30 after the adjustment was known or should have been known to the

1 affected member, participant, beneficiary or survivor annuitant.
2 For any adjustments made prior to the effective date of this
3 subsection for which the member, participant, beneficiary or
4 survivor annuitant appealed to the board and was denied, an
5 appeal under this section must be filed within 90 days of the
6 effective date of this subsection.

7 § 8304. Creditable nonschool service.

8 (a) Eligibility.--An active member or a multiple service
9 member who is an active member of the State Employees'
10 Retirement System shall be eligible to receive Class T-C, Class
11 T-E or Class T-F service credit for creditable nonschool service
12 and Class T-D, Class T-E or Class T-F service for intervening
13 military service, provided the member becomes a Class T-D member
14 pursuant to section 8305.1 (relating to election to become a
15 Class T-D member) or Class T-F member pursuant to section 8305.2
16 (relating to election to become a Class T-F member) or 8305
17 (relating to classes of service), as set forth in subsection (b)
18 provided that he is not entitled to receive, eligible to receive
19 now or in the future, or is receiving retirement benefits for
20 such service under a retirement system administered and wholly
21 or partially paid for by any other governmental agency or by any
22 private employer, or a retirement program approved by the
23 employer in accordance with section 8301(a)(1) (relating to
24 mandatory and optional membership in the system and
25 participation in the plan), and further provided that such
26 service is certified by the previous employer and the manner of
27 payment of the amount due is agreed upon by the member, the
28 employer, and the board.

29 * * *

30 Section 105. Section 8305(b) of Title 24 is amended and the

1 section is amended by adding a subsection to read:

2 § 8305. Classes of service.

3 * * *

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

13 * * *

14 (f) Ineligibility for active membership and classes of
15 service.--An individual who first becomes a school employee on
16 or after July 1, 2016, shall be ineligible for active membership
17 in the system. Instead, any such school employee shall be a
18 participant in the plan as a result of such school service,
19 subject to the provisions in section 8301 (relating to mandatory
20 and optional membership in the system and participation in the
21 plan).

22 Section 106. Sections 8305.2(c) and (d) and 8306(b) of Title
23 24 are amended to read:

24 § 8305.2. Election to become a Class T-F member.

25 * * *

26 (c) Effect of election.--An election to become a Class T-F
27 member shall be irrevocable and shall commence from the original
28 date of eligibility and shall remain in effect for all future
29 school service creditable in the system. A member who elects
30 Class T-F membership shall receive Class T-F service credit on

1 any and all future service, regardless of whether the member
2 terminates service or has a break in service.

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

10 § 8306. Eligibility points.

11 * * *

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

13 (1) In determining whether a member, other than a
14 disability annuitant who returns to school service after June
15 30, 2001, upon termination of the disability annuity, who is
16 not a school employee or a State employee on June 30, 2001,
17 and July 1, 2001, and who has previous school service, has
18 the five eligibility points required by the definition of
19 "vestee" in sections 8102 (relating to definitions), 8307
20 (relating to eligibility for annuities), 8308 (relating to
21 eligibility for vesting) and 8345 (relating to member's
22 options), only eligibility points earned by performing
23 credited school service as an active member of the system,
24 USERRA leave or credited State service as an active member of
25 the State Employees' Retirement System after June 30, 2001,
26 shall be counted until such member earns one eligibility
27 point by performing credited school service, USERRA leave or
28 credited State service after June 30, 2001, at which time all
29 eligibility points as determined under subsection (a) shall
30 be counted.

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

6 Section 107. Sections 8307(c), 8310, 8321(b), 8322.1(a),
7 8323(a) and (d), 8324(b), (c) and (d), 8325.1(a), 8326(a), (c)
8 and (d), 8327, 8328(b), (c), (d), (e), (g) and (h), 8330, 8341,
9 8342(a), 8344(a) and (b), 8346 and 8349 heading, (a) and (b) of
10 Title 24 are amended to read:

11 § 8307. Eligibility for annuities.

12 * * *

13 (c) Disability annuity.--An active or inactive member who
14 has credit for at least five years of service shall, upon filing
15 of a proper application, be entitled to a disability annuity if
16 he becomes mentally or physically incapable of continuing to
17 perform the duties for which he is employed and qualifies for an
18 annuity in accordance with the provisions of section 8505(c)(1)
19 (relating to duties of board regarding applications and
20 elections of members and participants).

21 § 8310. Eligibility for refunds.

22 Upon termination of service any active member, regardless of
23 eligibility for benefits, may elect to receive his accumulated
24 deductions in lieu of any benefit from the system to which he is
25 entitled.

26 § 8321. Regular member contributions for current service.

27 * * *

28 (b) Class T-E and Class T-F shared-risk contributions.--
29 Commencing with the annual actuarial valuation performed under
30 section 8502(j) (relating to administrative duties of board),

1 for the period ending June 30, 2014, and every three years
2 thereafter, the board shall compare the actual investment rate
3 of return, net of fees, to the annual interest rate adopted by
4 the board for the calculation of the normal contribution rate,
5 based on the market value of assets, for the prior ten-year
6 period. If the actual investment rate of return, net of fees, is
7 less than the annual interest rate adopted by the board by an
8 amount of 1% or more, the shared-risk contribution rate of Class
9 T-E and T-F members will increase by .5%. If the actual
10 investment rate of return, net of fees, is equal to or exceeds
11 the annual interest rate adopted by the board, the shared-risk
12 contributions rate of Class T-E and T-F members will decrease by
13 .5%. Class T-E and T-F members will contribute at the total
14 member contribution rate in effect when they are hired. The
15 total member contribution rate for Class T-E members shall not
16 be less than 7.5%, nor more than 9.5%. The total member
17 contribution rate for Class T-F members shall not be less than
18 10.3%, nor more than 12.3%. Notwithstanding this subsection, if
19 the system's actuarial funded status is 100% or more as of the
20 date used for the comparison required under this subsection, as
21 determined in the current annual actuarial valuation, the
22 shared-risk contribution rate shall be zero. In the event that
23 the annual interest rate adopted by the board for the
24 calculation of the normal contribution rate is changed during
25 the period used to determine the shared-risk contribution rate,
26 the board, with the advice of the actuary, shall determine the
27 applicable rate during the entire period, expressed as an annual
28 rate. For periods commencing on or after July 1, 2016, the
29 determination of the shared-risk member contribution rate shall
30 be based on the annual interest rate adopted by the board for

1 the calculation of the accrued liability contribution rate under
2 section 8328(c) (relating to actuarial cost method).

3 (1) Until the system has a ten-year period of investment
4 rate of return experience following the effective date of
5 this subsection, the look-back period shall begin not earlier
6 than the effective date of this subsection.

7 (2) For any fiscal year in which the employer
8 contribution rate is lower than the final contribution rate
9 under section 8328(h) (relating to actuarial cost method),
10 the total member contribution rate for Class T-E and T-F
11 members shall be prospectively reset to the basic
12 contribution rate.

13 (3) There shall be no increase in the member
14 contribution rate if there has not been an equivalent
15 increase to the employer contribution rate over the previous
16 three-year period.

17 § 8322.1. Pickup contributions.

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

26 * * *

27 § 8323. Member contributions for creditable school service.

28 (a) Previous school service, sabbatical leave and full
29 coverage.--The contributions to be paid by an active member or
30 an eligible State employee for credit in the system for

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

17 * * *

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

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

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

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

16 § 8324. Contributions for purchase of credit for creditable
17 nonschool service and noncreditable school service.

18 * * *

19 (b) Nonintervening military service.--The amount due for the
20 purchase of credit for military service other than intervening
21 military service shall be determined by applying the member's
22 basic contribution rate plus the normal contribution rate as
23 provided in section 8328 (relating to actuarial cost method) at
24 the time of entry of the member into school service subsequent
25 to such military service to one-third of his total compensation
26 received during the first three years of such subsequent
27 credited school service and multiplying the product by the
28 number of years and fractional part of a year of creditable
29 nonintervening military service being purchased together with
30 statutory interest during all periods of subsequent school

1 service as an active or inactive member and State service as an
2 active member or inactive member on leave without pay to date of
3 purchase. Upon certification of the amount due, payment may be
4 made in a lump sum within 90 days or in the case of an active
5 member or an eligible State employee who is an active member of
6 the State Employees' Retirement System it may be amortized with
7 statutory interest through salary deductions to the system in
8 amounts agreed upon by the member and the board. The salary
9 deduction amortization plans agreed to by members and the board
10 may include a deferral of payment amounts and statutory interest
11 until the termination of school service or State service as the
12 board in its sole discretion decides to allow. The board may
13 limit salary deduction amortization plans to such terms as the
14 board in its sole discretion determines. In the case of an
15 eligible State employee who is an active member of the State
16 Employees' Retirement System, the agreed upon salary deductions
17 shall be remitted to the State Employees' Retirement Board,
18 which shall certify and transfer to the board the amounts paid.
19 Application may be filed for all such military service credit
20 upon completion of three years of subsequent credited school
21 service and shall be credited as Class T-C service. In the event
22 that a Class T-E member makes a purchase of credit for such
23 military service, then such service shall be credited as Class
24 T-E service. In the event that a Class T-F member makes a
25 purchase of credit for such military service, then such service
26 shall be credited as Class T-F service.

27 (c) Intervening military service.--Contributions on account
28 of credit for intervening military service shall be determined
29 by the member's basic contribution rate and compensation at the
30 time of entry of the member into active military service,

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

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

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

13 (3) Salary deductions to the system in amounts agreed
14 upon by the member and the board. The salary deduction
15 amortization plans agreed to by the members and the board may
16 include a deferral of payment amounts and statutory interest
17 until the termination of school service or State service as
18 the board in its sole discretion decides to allow. The board
19 may limit salary deduction amortization plans to such terms
20 as the board in its sole discretion determines. In the case
21 of 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 or inactive member or State
10 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 as
25 the board in its sole discretion decides to allow. The board
26 may limit salary deduction amortization plans to such terms
27 as the board in its sole discretion determines. In the case
28 of an eligible State employee who is an active member of the
29 State Employees' Retirement System, the agreed upon salary
30 deductions shall be remitted to the State Employees'

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

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

25 (3) Contributions on account of Class T-E or Class T-F
26 credit for noncreditable school service other than military
27 service shall be the present value of the full actuarial cost
28 of the increase in the projected superannuation annuity
29 caused by the additional service credited on account of the
30 purchase. Upon certification of the amount due, payment may

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

17 * * *

18 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

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

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

9 * * *

10 § 8326. Contributions by the Commonwealth.

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

25 * * *

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

27 (1) The Commonwealth shall make contributions into the
28 fund on behalf of all active members and participants,
29 including members and participants on activated military
30 service leave, for service performed after June 30, 1995, in

1 the following manner:

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

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

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

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

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

19 (d) Contributions resulting from members reemployed from
20 USERRA leave.--When a school employee reemployed from USERRA
21 leave makes the member contributions required to be granted
22 school service credit for the USERRA leave before July 1, 2016,
23 either by actual payment or by actuarial debt under section 8325
24 (relating to incomplete payments), the Commonwealth employer or
25 other employer by whom the school employee is employed at the
26 time the member contributions are made, or the last employer
27 before termination in the case of payment under sections 8327
28 (relating to payments by employers) and 8535 (relating to
29 payments to school entities by Commonwealth), shall make any
30 employer contributions that would have been made under this

1 section as if the employee making the member contributions after
2 being reemployed from USERRA leave continued to be employed in
3 his school office or position instead of performing USERRA
4 leave.

5 § 8327. Payments by employers.

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

7 (1) For payments on or prior to June 30, 2016, each
8 employer, including the Commonwealth as employer of employees
9 of the Department of Education, State-owned colleges and
10 universities, Thaddeus Stevens College of Technology, Western
11 Pennsylvania School for the Deaf, Scotland School for
12 Veterans' Children[,] and [the] The Pennsylvania State
13 University, shall make payments to the fund each quarter in
14 an amount equal to one-half the sum of the percentages, as
15 determined under section 8328 (relating to actuarial cost
16 method), applied to the total compensation during the pay
17 periods in the preceding quarter of all its employees who
18 were members of the system during such period, including
19 members on activated military service leave. In the event a
20 member on activated military service leave does not return to
21 service for the necessary time or receives an undesirable,
22 bad conduct or dishonorable discharge or does not elect to
23 receive credit for activated military service under section
24 8302(b.1)(3) (relating to credited school service), the
25 contributions made by the employer on behalf of such member
26 shall be returned with valuation interest upon application by
27 the employer.

28 (2) For payments after June 30, 2016, each employer,
29 including the Commonwealth as employer of employees of the
30 Department of Education, State-owned colleges and

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

19 (b) Deduction from appropriations.--

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

1 employer. Such amount shall be credited to the appropriate
2 accounts in the fund and the trust.

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

24 (c) Payments by employers after June 30, 1995.--After June
25 30, 1995, and before July 1, 2016, each employer, including the
26 Commonwealth as employer of employees of the Department of
27 Education, State-owned colleges and universities, Thaddeus
28 Stevens College of Technology, Western Pennsylvania School for
29 the Deaf, Scotland School for Veterans' Children and The
30 Pennsylvania State University, shall make payments to the fund

1 and the trust each quarter in an amount computed in the
2 following manner:

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

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

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

1 application by the employer, be returned to the employer with
2 valuation interest.

3 (d) Payments by employers after June 30, 2016.--After June
4 30, 2016, each employer, including the Commonwealth as employer
5 of employees of the Department of Education, State-owned
6 colleges and universities, Thaddeus Stevens College of
7 Technology, Western Pennsylvania School for the Deaf, Scotland
8 School for Veterans' Children and The Pennsylvania State
9 University, shall make payments to the fund and trust each
10 quarter in an amount computed in the following manner:

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

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

28 (3) For any employer, whether or not a school entity, in
29 computing the amount of payment due each quarter, there shall
30 be excluded from the total compensation referred to in this

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

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

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

20 (g) Contributions resulting from members reemployed from
21 USERRA leave.--When a school employee reemployed from USERRA
22 leave makes the member contributions required to be granted
23 school service credit for the USERRA leave after June 30, 2016,
24 either by actual payment or by actuarial debt under section 8325
25 (relating to incomplete payments), the employer that employed
26 the school employee when the member contributions are made or
27 the last employer before termination in the case of payments
28 under section 8325 shall make the employer contributions that
29 would have been made under this section if the employee making
30 the member contributions after he is reemployed from USERRA

1 leave continued to be employed in his school office or position
2 instead of performing USERRA leave.

3 § 8328. Actuarial cost method.

4 * * *

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

6 (1) For fiscal years ending on or before June 30, 2015,
7 the normal contribution rate shall be determined after each
8 actuarial valuation. Until all accrued liability
9 contributions have been completed, the normal contribution
10 rate shall be determined, on the basis of an annual interest
11 rate and such mortality and other tables as shall be adopted
12 by the board in accordance with generally accepted actuarial
13 principles, as a level percentage of the compensation of the
14 average new active member, which percentage, if contributed
15 on the basis of his prospective compensation through the
16 entire period of active school service, would be sufficient
17 to fund the liability for any prospective benefit payable to
18 him, in excess of that portion funded by his prospective
19 member contributions, excluding the shared-risk
20 contributions.

21 (2) For fiscal years beginning on or after July 1, 2015,
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, which percentage, if contributed on the basis
30 of the member's prospective compensation through the entire

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

6 (c) Accrued liability contribution rate.--

7 (1) For the fiscal years beginning July 1, 2002, and
8 ending June 30, 2011, the accrued liability contribution rate
9 shall be computed as the rate of total compensation of all
10 active members which shall be certified by the actuary as
11 sufficient to fund over a period of ten years from July 1,
12 2002, the present value of the liabilities for all
13 prospective benefits of active members, except for the
14 supplemental benefits provided in sections 8348 (relating to
15 supplemental annuities), 8348.1 (relating to additional
16 supplemental annuities), 8348.2 (relating to further
17 additional supplemental annuities), 8348.3 (relating to
18 supplemental annuities commencing 1994), 8348.4 (relating to
19 special supplemental postretirement adjustment), 8348.5
20 (relating to supplemental annuities commencing 1998), 8348.6
21 (relating to supplemental annuities commencing 2002) and
22 8348.7 (relating to supplemental annuities commencing 2003),
23 in excess of the total assets in the fund (calculated by
24 recognizing the actuarially expected investment return
25 immediately and recognizing the difference between the actual
26 investment return and the actuarially expected investment
27 return over a five-year period), excluding the balance in the
28 annuity reserve account, and of the present value of normal
29 contributions and of member contributions payable with
30 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 (5) Notwithstanding any other provision of this
23 subsection, for fiscal years beginning on or after July 1,
24 2015, compensation shall be defined as the total compensation
25 of all active members and active participants.

26 (6) For purposes of determining the accrued liability
27 contribution rate in this subsection and the experience
28 adjustment factor in subsection (e) for The Pennsylvania
29 State University, the State System of Higher Education,
30 State-owned educational institutions and community colleges,

1 the term "compensation of all active members and active
2 participants" shall include an additional amount equal to the
3 difference between:

4 (i) the actual compensation of all active members
5 and active participants of The Pennsylvania State
6 University, the State System of Higher Education, State-
7 owned educational institutions and community colleges;
8 and

9 (ii) the compensation of all active members, active
10 participants, active members of the State Employees'
11 Retirement System, active participants of the State
12 Employees' Defined Contribution Plan and employees who
13 are members or participants of an independent retirement
14 program approved by the employer of The Pennsylvania
15 State University, the State System of Higher Education,
16 State-owned educational institutions and community
17 collective colleges multiplied by a fraction equal to the
18 amount determined under subparagraph (i) as part of the
19 June 30, 2015, actuarial valuation divided by the amount
20 of compensation of all active members, active
21 participants, active members of the State Employees'
22 Retirement System, active participants of the State
23 Employees' Defined Contribution Plan and employees who
24 are members or participants of an independent retirement
25 program approved by the employer determined as part of
26 the June 30, 2015, actuarial valuation.

27 (7) For the fiscal year beginning July 1, 2016, and all
28 subsequent fiscal years, The Pennsylvania State University,
29 the State System of Higher Education, each State-owned
30 educational institution and each community college shall make

1 such additional actuarial accrued liability contributions as
2 shall be certified by the board. The additional actuarial
3 accrued liability contributions shall be the product of:

4 (i) the amount by which the final contribution rate
5 exceeds the employer normal contribution rate determined
6 under subsection (b)(1); multiplied by,

7 (ii) and the difference between:

8 (A) the actual compensation of all active
9 members and active participants of each such
10 educational institution; and

11 (B) the compensation of all active members,
12 active participants, active members of the State
13 Employees' Retirement System, active participants of
14 the State Employees' Defined Contribution Plan and
15 employees who are members or participants of an
16 independent retirement program approved by the
17 employer of each such educational institution
18 multiplied by a fraction equal to the amount
19 determined under clause (A) as part of the June 30,
20 2015, actuarial valuation divided by the amount of
21 compensation of all active members, active
22 participants, active members of the State Employees'
23 Retirement System, active participants of the State
24 Employees' Defined Contribution Plan and employees
25 who are members or participants of an independent
26 retirement program approved by the employer of each
27 such educational institution determined as part of
28 the June 30, 2015, actuarial valuation.

29 (d) Supplemental annuity contribution rate.--

30 (1) For the period of July 1, 2002, to June 30, 2011,

1 contributions from the Commonwealth and other employers
2 required to provide for the payment of the supplemental
3 annuities provided for in sections 8348, 8348.1, 8348.2,
4 8348.4 and 8348.5 shall be paid over a period of ten years
5 from July 1, 2002. The funding for the supplemental annuities
6 commencing 2002 provided for in section 8348.6 shall be as
7 provided in section 8348.6(f). The funding for the
8 supplemental annuities commencing 2003 provided for in
9 section 8348.7 shall be as provided in section 8348.7(f). The
10 amount of each annual supplemental annuities contribution
11 shall be equal to the amount of such contribution for the
12 fiscal year beginning July 1, 2002.

13 (2) For fiscal years beginning July 1, 2011, and ending
14 on or before June 30, 2015, contributions from the
15 Commonwealth and other employers whose employees are members
16 of the system required to provide for the payment of
17 supplemental annuities as provided in sections 8348, 8348.1,
18 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be
19 paid as part of the accrued liability contribution rate as
20 provided for in subsection (c)(4), and there shall not be a
21 separate supplemental annuity contribution rate attributable
22 to those supplemental annuities. In the event that
23 supplemental annuities are increased by legislation enacted
24 subsequent to June 30, 2010, [the] but before July 1, 2015,
25 such additional liability for the increase in benefits shall
26 be funded as a level percentage of compensation over a period
27 of ten years from the July 1 second succeeding the date such
28 legislation is enacted.

29 (3) For fiscal years beginning on or after July 1, 2015,
30 contributions from employers whose employees are members of

1 the system required to provide for the payment of
2 supplemental annuities as provided in sections 8348, 8348.1,
3 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be
4 paid as part of the accrued liability contribution rate as
5 provided for in subsection (c)(4), and there shall not be a
6 separate supplemental annuity contribution rate attributable
7 to those supplemental annuities. In the event that
8 supplemental annuities are increased by legislation enacted
9 subsequent to June 30, 2014, the additional liability for the
10 increase in benefits shall be funded as a level in equal
11 dollar installments as a percentage of compensation of all
12 active members and active participants over a period of ten
13 years from the July 1 second succeeding the date such
14 legislation is enacted.

15 (e) Experience adjustment factor.--

16 (1) For each year after the establishment of the accrued
17 liability contribution rate for the fiscal [year] years
18 beginning July 1, 2011, and ending on or before June 30,
19 2015, any increase or decrease in the unfunded accrued
20 liability, excluding the gains or losses on the assets of the
21 health insurance account, due to actual experience differing
22 from assumed experience, changes in actuarial assumptions,
23 changes in contributions caused by the final contribution
24 rate being different from the actuarially required
25 contribution rate, active members making shared-risk
26 contributions or changes in the terms and conditions of the
27 benefits provided by the system by judicial, administrative
28 or other processes other than legislation, including, but not
29 limited to, reinterpretation of the provisions of this part,
30 recognized by the actuarial valuations on June 30, 2011, and

1 June 30, 2012, shall be amortized as a level percentage of
2 compensation over a period of 24 years beginning with the
3 July 1 second succeeding the actuarial valuation determining
4 said increases or decreases.

5 (2) (Reserved).

6 (3) For fiscal years beginning on or after July 1, 2015,
7 any increase or decrease in the unfunded accrued liability,
8 excluding the gains or losses on the assets of the health
9 insurance account, due to actual experience differing from
10 assumed experience, changes in actuarial assumptions, changes
11 in contributions caused by the final contribution rate being
12 different from the actuarially required contribution rate,
13 active members making shared-risk contributions or changes in
14 the terms and conditions of the benefits provided by the
15 system by judicial, administrative or other processes other
16 than legislation, including, but not limited to,
17 reinterpretation of the provisions of this part, shall be
18 amortized as a level percentage of compensation of all active
19 members and active participants over a period of 24 years
20 beginning with the July 1 second succeeding the actuarial
21 valuation determining such increases or decreases.

22 * * *

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

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

29 (2) If, for any of the fiscal years beginning July 1,
30 2011, July 1, 2012, [and] or on or after July 1, 2013, the

1 actuarially required contribution rate, calculated without
2 regard for the costs added by legislation, is more than 3%,
3 3.5% and 4.5%, respectively, of the total compensation of all
4 active members greater than the prior year's final
5 contribution rate, then the collared contribution rate shall
6 be applied and be equal to the prior year's final
7 contribution rate increased by 3%, 3.5% and 4.5%,
8 respectively, of total compensation of all active members.
9 Otherwise, and for all other fiscal years, the collared
10 contribution rate shall not be applicable. In no case shall
11 the collared contribution rate be less than 4% of the total
12 compensation of all active members.

13 (h) Final contribution rate.--

14 (1) For the fiscal year beginning July 1, 2010, the
15 final contribution rate is 5% of the total compensation of
16 all active members. For each subsequent fiscal year for which
17 the collared contribution rate is applicable, the final
18 contribution rate shall be the collared contribution rate as
19 calculated in subsection (g), plus the costs added by
20 legislation.

21 (2) For all other fiscal years ending on or before June
22 30, 2016, the final contribution rate shall be the
23 actuarially required contribution rate, provided that the
24 final contribution rate shall not be less than the normal
25 contribution rate as provided in subsection (b).

26 * * *

27 § 8330. Appropriations by the Commonwealth.

28 (a) Annual submission of budget.--The board shall prepare
29 and through the Governor submit annually to the General Assembly
30 an itemized budget consisting of the amounts necessary to be

1 appropriated by the Commonwealth out of the General Fund
2 required to meet the separate obligations to both the fund and
3 the trust accruing during the fiscal period beginning July 1 of
4 the following year.

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

12 § 8341. Return of accumulated deductions.

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

16 § 8342. Maximum single life annuity.

17 (a) General rule.--Upon termination of service, any full
18 coverage member who is eligible to receive an annuity pursuant
19 to the provisions of section 8307(a) or (b) (relating to
20 eligibility for annuities) and has made an application in
21 accordance with the provisions of section 8507(f) (relating to
22 rights and duties of school employees [and members], members and
23 participants) shall be entitled to receive a maximum single life
24 annuity attributable to his credited service and equal to the
25 sum of the following single life annuities beginning at the
26 effective date of retirement and, in case the member on the
27 effective date of retirement is under superannuation age,
28 multiplied by a reduction factor calculated to provide benefits
29 actuarially equivalent to an annuity starting at superannuation
30 age: Provided however, That on or after July 1, 1976, in the

1 case of any member who has attained age 55 and has 25 or more
2 eligibility points such sum of single life annuities shall be
3 reduced by a percentage determined by multiplying the number of
4 months, including a fraction of a month as a full month, by
5 which the effective date of retirement precedes superannuation
6 age by 1/4%: Further provided, In no event shall a Class T-E or
7 Class T-F member receive an annual benefit, calculated as of the
8 effective date of retirement, greater than the member's final
9 average salary:

10 (1) A standard single life annuity multiplied by the
11 class of service multiplier and calculated on the basis of
12 the number of years of credited school service other than
13 concurrent service.

14 (2) A standard single life annuity multiplied by the
15 class of service multiplier and calculated on the basis of
16 the number of years of concurrent service and multiplied by
17 the ratio of total compensation received in the school system
18 during the period of concurrent service to the total
19 compensation received during such period.

20 (3) A supplemental annuity such that the total annuity
21 prior to any optional modification or any reduction due to
22 retirement prior to superannuation age shall be at least \$100
23 for each full year of credited service.

24 * * *

25 § 8344. Disability annuities.

26 (a) Amount of annuity.--A member who has made application
27 for a disability annuity as provided in section 8507(k)
28 (relating to rights and duties of school employees [and
29 members], members and participants) and has been found to be
30 eligible in accordance with the provisions of sections 8307(c)

1 (relating to eligibility for annuities) and 8505(c)(1) (relating
2 to duties of board regarding applications and elections of
3 members and participants) shall receive a disability annuity
4 payable from the effective date of disability and continued
5 until a subsequent determination by the board that the annuitant
6 is no longer entitled to a disability annuity. The disability
7 annuity shall be equal to a standard single life annuity if the
8 total number of years of credited service is greater than
9 16.667, otherwise the standard single life annuity shall be
10 multiplied by the lesser of the following ratios:

11
$$Y^*/Y \text{ or } 16.667/Y$$

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

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

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

2 * * *

3 § 8346. Termination of annuities.

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

29 (a.1) Return of benefits.--In the event an annuitant whose
30 annuity ceases pursuant to this section receives any annuity

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

23 (a.2) Return of benefits paid during USERRA leave.--If a
24 former school employee is reemployed from USERRA leave who had
25 received any payments or annuity from the system during the
26 USERRA leave, the employee shall return to the board the amount
27 received plus statutory interest. The amount payable shall be
28 certified by the board in accordance with methods approved by
29 the actuary and:

30 (1) shall be paid in a lump sum within 30 days; or

1 (2) in the case of an active member, may be amortized
2 with statutory interest through salary deductions in amounts
3 agreed upon by the member and the board for not longer than a
4 period that starts with the date of reemployment and
5 continuing for up to three times the length of the member's
6 immediate past period of USERRA leave. A repayment period
7 under this paragraph may not exceed five years or a longer
8 time as agreed to between the board and the member.

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

25 (b.1) Return to school service in an extracurricular
26 position.--

27 (1) An annuitant or participant receiving distributions
28 may be employed under separate contract by a public school or
29 charter school in an extracurricular position performed
30 primarily outside regular instructional hours and not part of

1 mandated curriculum without loss of annuity. Neither the
2 annuitant, the participant receiving distributions, nor the
3 employer shall make contributions to the member's savings
4 account, the individual investment account or State
5 accumulation account respectively for such service. Further,
6 such contract shall contain a waiver whereby the annuitant
7 waives any potential retirement benefits that could arise
8 from the contract and releases the employer and the board
9 from any liability for such benefits. Such service shall not
10 be subject to member or participant contributions nor be
11 eligible for qualification as creditable school service or
12 for participation in the plan, mandatory pickup participant
13 contributions or employer defined contributions.

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

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

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

1 shall be added, if the service after reemployment was as a
2 member of the system, the present value of a maximum single life
3 annuity based on years of service credited subsequent to reentry
4 in the system and his final average salary computed by reference
5 to his compensation as a member of the system or as a member of
6 the State Employees' Retirement System during his entire period
7 of school and State service.

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

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

16 (i) is a multiple service member; or

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

1 direct.

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

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

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

29 (3) In addition to any other adjustment to the present
30 value of the maximum single life annuity that a member may be

1 entitled to receive that occurs as a result of any other
2 provision of law, the present value of the maximum single
3 life annuity shall be reduced by all amounts paid or payable
4 to him during all previous periods of retirement plus
5 interest on these amounts until the date of subsequent
6 retirement. The interest for each year shall be calculated
7 based upon the annual interest rate adopted for that school
8 year by the board for the calculation of the normal
9 contribution rate pursuant to section 8328(b) (relating to
10 actuarial cost method).

11 § 8349. Payment of benefits from the system.

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

15 (b) Death benefits.--If the amount of a death benefit
16 payable from the fund to a beneficiary of a member under section
17 8347 (relating to death benefits) or under the provisions of
18 Option 1 of section 8345(a)(1) (relating to member's options) is
19 \$10,000 or more, such beneficiary may elect to receive payment
20 according to one of the following options:

21 (1) A lump sum payment.

22 (2) An annuity actuarially equivalent to the amount
23 payable.

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

27 * * *

28 Section 108. Title 24 is amended by adding a chapter to
29 read:

30 CHAPTER 84

1 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

2 Sec.

3 8401. Establishment.

4 8402. Plan document.

5 8403. Individual investment accounts.

6 8404. Participant contributions.

7 8405. Mandatory participant pickup contributions.

8 8406. Employer defined contributions.

9 8407. Eligibility for benefits.

10 8408. Death benefits.

11 8409. Vesting.

12 8410. Termination of distributions.

13 8411. Agreements with financial institutions and other
14 organizations.

15 8412. Annuitization.

16 8413. Powers and duties of board.

17 8414. Responsibility for investment loss.

18 8415. Investments based on participants' investment allocation
19 choices.

20 8416. Expenses.

21 8417. Required distributions.

22 § 8401. Establishment.

23 (a) School Employees' Defined Contribution Plan.---The plan
24 is established in accordance with this part. The board shall
25 administer and manage the plan, which shall be a defined
26 contribution plan exclusively for the benefit of those school
27 employees who participate in the plan and their beneficiaries
28 within the meaning of and in conformity with IRC § 401(a). The
29 board shall determine the terms and provisions of the plan not
30 inconsistent with this part, the Internal Revenue Code of 1986

1 and other applicable law and shall provide for the plan's
2 administration.

3 (b) School Employees Defined Contribution Trust.--The trust
4 is established as part of the plan in accordance with this part.
5 The trust shall be comprised of the individual investment
6 accounts and all assets and moneys in those accounts. The
7 members of the board shall be the trustees of the trust, which
8 shall be administered exclusively for the benefit of those
9 school employees who participate in the plan and their
10 beneficiaries within the meaning of and conformity with IRC §
11 401(a). The board shall determine the terms and provisions of
12 the trust not inconsistent with this part, the Internal Revenue
13 Code of 1986 and other applicable law and shall provide for the
14 investment and administration of the trust.

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

27 (d) Name for transacting business.--By the name of "The
28 School Employees' Defined Contribution Plan," all of the
29 business of the plan shall be transacted, the trust invested,
30 all requisitions for money drawn and payments made, and all of

1 its cash and securities and other property shall be held, except
2 that, any other law to the contrary notwithstanding, the board
3 may establish a nominee registration procedure for the purpose
4 of registering securities in order to facilitate the purchase,
5 sale or other disposition of securities pursuant to the
6 provisions of this part.

7 § 8402. Plan document.

8 The board shall set forth the terms and provisions of the
9 plan and trust in a document containing the terms and conditions
10 of the plan and in a trust declaration that shall be published
11 in the Pennsylvania Bulletin. The creation of the document
12 containing the terms and conditions of the plan and the trust
13 declaration and the establishment of the terms and provisions of
14 the plan and the trust need not be promulgated by regulation or
15 formal rulemaking and shall not be subject to the act of July
16 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
17 Documents Law. A reference in this part or other law to the plan
18 shall include the plan document unless the context clearly
19 indicates otherwise.

20 § 8403. Individual investment accounts.

21 The board shall:

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

30 (2) Separately track participant contributions,

1 including investment gains and losses and employer
2 contributions, including investment gains and losses, but all
3 interest, investment gains and losses and investment and
4 administrative fees, costs and expenses shall be allocated
5 proportionately.

6 § 8404. Participant contributions.

7 (a) Mandatory contributions.--Each participant shall make
8 mandatory pickup participant contributions through payroll
9 deductions to his individual investment account equal to 6.5% of
10 compensation for current school service. The employer shall
11 cause such contributions for current service to be made and
12 deducted from each payroll or on such schedule established by
13 the board.

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

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

29 § 8405. Mandatory pickup participant contributions.

30 (a) Treatment for purposes of IRC § 414(h).--All

1 contributions to the trust required to be made under section
2 8404(a) (relating to participant contributions) with respect to
3 current school service rendered by an active participant shall
4 be picked up by the employer and shall be treated as the
5 employer's contribution for purposes of IRC § 414(h). After the
6 effective date of this section, an employer employing a
7 participant in the plan shall pick up the required mandatory
8 participant contributions by a reduction in the compensation of
9 the participant.

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

16 § 8406. Employer defined contributions.

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

23 (b) Contributions resulting from participants reemployed
24 from USERRA leave.--When a school employee reemployed from
25 USERRA leave makes the mandatory pickup participant
26 contributions permitted to be made for the USERRA leave, the
27 employer by whom the school employee is employed at the time the
28 participant contributions are made shall make whatever employer
29 defined contributions would have been made under this section
30 had the employee making the participant contributions after

1 being reemployed from USERRA leave continued to be employed in
2 the employee's school position instead of performing USERRA
3 leave. Such employer defined contributions shall be placed in
4 the participant's individual investment account as otherwise
5 provided by this part.

6 (c) Limitations on contributions.--No contributions shall be
7 allowed that would cause a violation of the limitations related
8 to contributions applicable to governmental plans contained in
9 IRC § 415 or in other provisions of law. In the event that any
10 disallowed contributions are made, any employer defined
11 contributions in excess of the limitations and investment
12 earnings thereon shall be refunded to the employer by the board.
13 § 8407. Eligibility for benefits.

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

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

1 (c) Spousal consent not required.--A participant who is
2 married may receive a lump sum distribution or other
3 distribution directly from the board without the consent of the
4 spouse.

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

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

14 § 8408. Death benefits.

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

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

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

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

5 § 8409. Vesting.

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

15 (b) Employer contributions.--Subject to the forfeiture and
16 attachment provisions of section 8533 or otherwise as provided
17 by law, a participant shall be vested with respect to employer
18 defined contributions paid on behalf of the participant to the
19 trust and earnings on the employer contributions, but minus
20 losses and a proportionate share of investment fees and
21 administrative charges, according to the following schedule:

22 (1) During the first year of school service as a
23 participant in the plan, 0%.

24 (2) At and after the first year of school service as a
25 participant in the plan, 33%.

26 (3) At and after the second year of school service as a
27 participant in the plan, 66%.

28 (4) At and after the third year of school service as a
29 participant in the plan, 100%.

30 (c) Plan document.--The board shall establish, in the plan

1 document created by the board under section 8402 (relating to
2 plan document), the following:

3 (1) How the required time periods of school service in
4 the plan are determined and calculated.

5 (2) The effect of periods that school employees spend on
6 unpaid leave on the determination of a participant's vested
7 status in the plan.

8 (3) The effect of termination of school service or
9 distributions from the plan on a participant's vested status
10 in the plan.

11 (4) Other terms and conditions for the implementation
12 and administration of this section.

13 (d) Nonvested employer defined contributions.--Nonvested
14 employer defined contributions, including earnings and losses on
15 the employer contributions, that are forfeited by a participant
16 who has not fully vested shall be applied to the participant's
17 most recent employer's obligations assessed under this section
18 in future years.

19 (e) 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 school service that would have been performed
23 had the member not performed USERRA leave.

24 § 8410. Termination of distributions.

25 (a) Return to school service.--A participant receiving
26 distributions or an inactive participant who returns to school
27 service shall cease receiving distributions and shall not be
28 eligible to receive distributions until the participant
29 subsequently terminates school service, without regard to
30 whether the participant is a mandatory, optional or prohibited

1 member of the system or participant in the plan.

2 (b) Return of benefits paid during USERRA leave.--In the
3 event that a former school employee is reemployed from USERRA
4 leave who had received any payments or annuity from the plan
5 during the USERRA leave, the employee shall return to the board
6 the amount so received plus interest as provided in the plan
7 document. The amount payable shall be certified in each case by
8 the board in accordance with methods approved by the actuary and
9 shall be paid in a lump sum within 30 days or in the case of an
10 active participant may be amortized with interest as provided in
11 the plan document through salary deductions to the trust in
12 amounts agreed upon by the active participant and the board, but
13 not longer than a period that starts with the date of
14 reemployment and continuing for up to three times the length of
15 the participant's immediate past period of USERRA leave, with
16 the repayment period not to exceed five years.
17 § 8411. Agreements with financial institutions and other
18 organizations.

19 (a) Authority to enter into agreements.--To establish and
20 administer the plan, the board may enter into written agreements
21 with one or more financial institutions or other organizations
22 relating to the plan's administration and investment of funds
23 held pursuant to the plan.

24 (b) Agreement terms and considerations.--Under the plan, the
25 board shall enter into an agreement to provide fully bundled
26 retirement plan investment, plan administration and services to
27 employees who participate in the plan. The agreement shall
28 provide for appropriate long-term retirement-oriented
29 investments and shall include either fixed or variable deferred
30 annuities, or a combination thereof. In determining the

1 financial institution or other organization with which the board
2 shall enter into an agreement, the board shall consider all of
3 the following:

4 (1) The financial stability of the financial institution
5 or other organization and the ability of the financial
6 institution or other organization to provide the contracted
7 rights and benefits to participants.

8 (2) The cost of the investments, plan administration and
9 services to the participants.

10 (3) The experience of the financial institution or other
11 organization in providing defined contribution retirement
12 plans in lieu of defined benefit plan participation to
13 employees or as part of employee hybrid retirement plans.

14 (4) The experience of the financial institution or other
15 organization in paying retirement income to employees.

16 (5) The experience of the financial institution or other
17 organization in providing plan education, counseling and
18 advice to participants in employee retirement plans that are
19 offered in lieu of defined benefit plan participation or as
20 part of employee hybrid retirement plans.

21 (c) Advice to participants.--The plan shall provide
22 education, counseling and objective, participant-specific plan
23 advice to participants.

24 § 8412. Annuitization.

25 The plan shall include the requirement that any disbursement
26 of the accumulated assets in an individual investment account
27 made after the participant reaches 55 years of age must include
28 at least partial payout as a life annuity. The board shall
29 determine the minimum annuity amount. The plan shall offer
30 participants a menu of lifetime annuity options, either fixed or

1 variable, or a combination of both.

2 § 8413. Powers and duties of board.

3 The board shall have the following powers and duties to
4 establish the plan and trust and to administer the provisions of
5 this part:

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

8 (2) The board shall pay all administrative fees, costs
9 and expenses of managing, investing, and administering the
10 plan, the trust and the individual investment accounts from
11 the balance of such individual investment accounts except as
12 may be provided otherwise by law.

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

16 (3.1) The board shall include default investment options
17 and strategies to include predetermined investment portfolio
18 options that shall be constructed to reflect different risk
19 profiles and shall be constructed to automatically reallocate
20 and rebalance contributions as a participant ages. The plan
21 may permit participants to construct their own investment
22 portfolios using some or all of the investment options
23 comprising the default solutions.

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

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

30 (6) The board may perform an annual review of any

1 qualified fund manager for the purpose of assuring it
2 continues to meet all standards and criteria established.

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

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

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

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

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

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

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

24 (i) Procedures whereby eligible participants may
25 change their investment choices on a periodic basis or
26 make other elections regarding their participation in the
27 plan.

28 (ii) Procedures for deducting mandatory pick up
29 participant contributions from a participant's
30 compensation.

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

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

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 can 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 can 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 is authorized to offer to
6 the plan participants investment vehicles that would be
7 allowed under the Protecting Pennsylvania's Investments Act.
8 The board shall also to the extent commercially available
9 provide that one option for participants will have an annuity
10 investment feature.

11 § 8414. Responsibility for investment loss.

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

19 § 8415. Investments based on participants' investment
20 allocation choices.

21 (a) Vesting.--All contributions, interest and investment
22 earnings shall be invested based on the participant's investment
23 allocation choices. Each participant shall be credited
24 individually with the amount of contributions, interest and
25 investment earnings. All investment allocation choices shall be
26 credited proportionately between participant contributions and
27 employer defined contributions.

28 (b) Investment.--Investment of contributions by any
29 corporation, institution, insurance company or custodial bank or
30 other entity that the board has approved shall not be

1 unreasonably delayed, and in no case shall the investment of
2 contributions be delayed more than 30 days from the date of
3 payroll deductions or the date voluntary contributions are made
4 to the date that funds are invested. Any interest earned on the
5 funds pending investment shall be allocated to the employers and
6 credited to the individual investment accounts of participants
7 who are then participating in the plan unless the interest is
8 used to defray administrative costs and fees that would
9 otherwise be required to be borne by participants who are then
10 participating in the program.

11 § 8416. Expenses.

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

17 § 8417. Required distributions.

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

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

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

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

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

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

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

19 Section 109. Section 8501(a), (c) and (d) of Title 24 are
20 amended to read:

21 § 8501. Public School Employees' Retirement Board.

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

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

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

3 * * *

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

13 (d) Compensation and expenses.--The members of the board who
14 are members of the system or participants in the plan shall
15 serve without compensation. Members of the board who are members
16 of the system or participants in the plan and who are employed
17 by a governmental entity shall not suffer loss of salary or
18 wages through serving on the board. The board, on request of the
19 employer of any member of the board who is an active
20 professional or nonprofessional member of the system or active
21 professional or nonprofessional participant in the plan, may
22 reimburse such employer for the salary or wages of the member,
23 or for the cost of employing a substitute for such member or
24 participant, while the member or participant is necessarily
25 absent from employment to execute the duties of the board. The
26 members of the board who are not members of either the school
27 system or the State Employees' Retirement System may be paid
28 \$100 per day when attending meetings and all board members shall
29 be reimbursed for any necessary expenses. However, when the
30 duties of the board as mandated are not executed, no

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

4 * * *

5 Section 110. Section 8502(b), (c), (e), (h), (i), (j), (k),
6 (n) and (o) of Title 24 are amended and the section is amended
7 by adding a subsection to read:

8 § 8502. Administrative duties of board.

9 * * *

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

18 (c) Expenses.--The board shall, through the Governor, submit
19 to the General Assembly annually a budget covering the
20 administrative expenses of [this part] the system and a separate
21 budget covering the administrative expenses of the plan. Such
22 expenses of the system as approved by the General Assembly in an
23 appropriation bill shall be paid from investment earnings of the
24 fund. Such expenses of the plan as approved by the General
25 Assembly shall be paid from interest, pursuant to section
26 8415(b) (relating to investments based on participants'
27 investment allocation choices) or assessments on the balances of
28 the participants' individual investment accounts except as may
29 be provided otherwise by law. Concurrently with its
30 administrative budget, the board shall also submit to the

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

9 * * *

10 (e) Records.--

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

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

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

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

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

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

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

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

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

25 whichever is later.

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

1 Right-to-Know Law once:

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

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

9 whichever is later.

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

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

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

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

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

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

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

1 vehicle since inception.

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

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

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

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

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

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

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

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

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

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

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

19 * * *

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

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

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

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

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

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

1 under section 8321(b) (relating to regular member contributions
2 for current service), which shall be paid to the fund and
3 credited to the appropriate accounts. These certifications shall
4 be regarded as final and not subject to modification by the
5 Secretary of the Budget.

6 * * *

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

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

26 * * *

27 (g) Participant and employer contributions to trust.--The
28 board shall, each year in addition to any fees and itemized
29 budget required under section 8330, certify, as a percentage of
30 each participant's compensation, the employer defined

1 contributions, which shall be paid to the trust and credited to
2 each participant's individual investment account. These
3 certifications shall be regarded as final and not subject to
4 modification by the Secretary of the Budget. The board shall
5 cause all mandatory pickup participant contributions made on
6 behalf of a participant and all voluntary contributions made by
7 a participant to be credited to the participant's individual
8 investment account.

9 Section 111. Section 8502.2(a) and (d) of Title 24 are
10 amended to read:

11 § 8502.2. Health insurance.

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

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

21 (2) Determination of the benefits structure.

22 (3) Determination of enrollment procedures.

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

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

28 * * *

29 (d) Additional requirements.--The assets of the fund shall
30 not be liable or utilized for payment of any expenses or claims

1 incurred by the health insurance program. The program shall be
2 an approved health insurance program for purposes of section
3 8505(i) (relating to duties of board regarding applications and
4 elections of members and participants) and an approved insurance
5 carrier for purposes of section 8509 (relating to health
6 insurance premium assistance program). The program shall not be
7 subject to the provisions of section 8531 (relating to State
8 guarantee regarding the system).

9 Section 112. Section 8503 heading and (a) of Title 24 are
10 amended and the section is amended by adding a subsection to
11 read:

12 § 8503. Duties of board to advise and report to employers [and
13 members], members and participants.

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

28 * * *

29 (b.1) Participant status statements.--The board shall have
30 furnished annually to each participant on or before December 31,

1 and more frequently as the board may agree or as required by
2 law, a statement showing the accumulated total defined
3 contributions credited to the participant's individual
4 investment account, the nature and type of investments and the
5 investment allocation of future contributions as of June 30 of
6 the current year and requesting the participant to make any
7 necessary corrections or revision regarding his designated
8 beneficiary.

9 * * *

10 Section 113. Section 8504(c) of Title 24 is amended to read:
11 § 8504. Duties of board to report to State Employees'
12 Retirement Board.

13 * * *

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

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

22 (i) The salary history as a member of the Public
23 School Employees' Retirement System and the final average
24 salary as calculated on the basis of the compensation
25 received as a State and school employee.

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

29 (2) Transfer to the State Employees' Retirement Fund the
30 accumulated deductions standing to such member's credit and

1 the actuarial reserve required on account of the member's
2 years of credited service in the school system and his final
3 average salary determined on the basis of his compensation as
4 a member in both systems.

5 Section 114. Sections 8505 heading, (b), (h) and (i),
6 8506(a), (d), (e) and (k) and 8507 heading, (a), (d.1), (e),
7 (f) and (h) of Title 24 are amended and the sections are amended
8 by adding subsections to read:

9 § 8505. Duties of board regarding applications and elections of
10 members and participants.

11 * * *

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

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

19 (i) Discontinue payments, transfer the present value
20 of the member's annuity at the time of entering State
21 service, plus the amount withdrawn in a lump sum payment,
22 on or after the date of entering State service, pursuant
23 to section 8345 (relating to member's options), with
24 statutory interest to date of transfer, minus the amount
25 to be returned to the board on account of return to
26 service that the board has determined is to be credited
27 in the members' savings account, from the annuity reserve
28 account to the members' savings account and resume
29 crediting of statutory interest on the amount restored to
30 his credit.

1 (ii) Transfer the balance of the present value of
2 the total annuity, minus the amount to be returned to the
3 board on account of return to service that the board has
4 determined is to be credited in the State accumulation
5 account, from the annuity reserve account to the State
6 accumulation account.

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

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

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

29 * * *

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

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

12 * * *

13 (f.1) Notification to inactive participants approaching
14 required beginning date.--The board shall notify each inactive
15 participant who has terminated school service and had not
16 commenced distribution by 90 days before the participant's
17 required beginning date, in writing, that the inactive
18 participant has an obligation to commence distributions by his
19 required beginning date in a form and manner required by IRC §
20 401(a) (9) and other applicable provisions of IRC.

21 * * *

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

25 (h) Death benefits.--Upon receipt of notification of the
26 death of a member [or], a former member on USERRA leave, an
27 active participant, an inactive participant or a former
28 participant performing USERRA leave, the board shall notify the
29 designated beneficiary or survivor annuitant of the benefits to
30 which he is entitled and shall make the first payment to the

1 beneficiary under the plan elected by the beneficiary within 60
2 days of receipt of certification of death and other necessary
3 data. If no beneficiary designation is in effect at the date of
4 the member's or participant's death or no notice has been filed
5 with the board to pay the amount of such benefits to the
6 member's or participant's estate, the board is authorized to pay
7 such benefits to the executor, administrator, surviving spouse
8 or next-of-kin of the deceased member or participant, and
9 payment pursuant hereto shall fully discharge the fund or plan
10 from any further liability to make payment of such benefits to
11 any other person. If the surviving spouse or next-of-kin of the
12 deceased member or participant cannot be found for the purpose
13 of paying such benefits for a period of seven years from the
14 date of death of the member or participant, then such benefits
15 shall be escheated to the Commonwealth for the benefit of the
16 fund or plan.

17 (i) Medical insurance coverage.--Upon receipt of
18 notification from an insurance carrier offering a health
19 insurance program approved by the board that an annuitant or
20 terminated participant who has attained age 65 has elected
21 medical, major medical, and hospitalization insurance coverage
22 or notification that annuitants of the system with less than 24
23 1/2 eligibility points (other than disability annuitants of the
24 system), spouses of annuitants and survivor annuitants eligible
25 to elect to enroll in the approved health insurance program have
26 elected participation in such health insurance program, the
27 board may deduct from the annuity payments the appropriate
28 annual charges in equal monthly installments. Such deductions
29 shall be transmitted to the insurance carrier.

30 * * *

1 § 8506. Duties of employers.

2 (a) Status of members and participants.--The employer shall,
3 each month, notify the board in a manner prescribed by the board
4 of the salary changes effective during the past month, the date
5 of all removals from the payroll, and the type of leave of any
6 member or participant who has been removed from the payroll for
7 any time during that month, and:

8 (1) if the removal is due to leave without pay, the
9 employer shall furnish the board with the date of beginning
10 leave, the date of return to service, and the reason for
11 leave;

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

16 (3) if the removal is due to termination of school
17 service, the employer shall furnish the board with a complete
18 school service record including credited or creditable
19 nonschool service and in the case of death of the member the
20 employer shall so notify the board.

21 * * *

22 (c.1) Participant and employer defined contributions.--The
23 employer shall cause the mandatory pickup participant
24 contributions on behalf of a participant to be made. The
25 employer shall also cause the employer defined contributions on
26 behalf of a participant to be made. The employer shall notify
27 the board at times and in a manner prescribed by the board of
28 the compensation of any participant to whom the limitation under
29 IRC § 401(a)(17) either applies or is expected to apply and
30 shall cause such participant's contributions to be deducted from

1 payroll to cease at the limitation under IRC § 401(a)(17) on the
2 payroll date if and when such limit shall be reached. The
3 employer shall certify to the board the amounts picked up and
4 deducted and the employer defined contributions being made and
5 shall send the total amount picked up, deducted and contributed
6 together with a duplicate of such voucher to the secretary of
7 the board every pay period or on such schedule as established by
8 the board.

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

21 (e) New employees subject to optional membership or
22 participation.--The employer shall inform any eligible school
23 employee whose membership in the system or participation in the
24 plan is not mandatory of his opportunity to become a member of
25 the system or participant in the plan provided that he elects to
26 purchase credit for all such continuous creditable service. If
27 such employee so elects, the employer shall no later than 30
28 days thereafter cause an application for membership which
29 application shall include the employee's home address, birthdate
30 certified by the employer, previous school or State service and

1 any other information requested by the board, and a nomination
2 of beneficiary to be made by him and filed with the board and
3 shall cause proper contributions to be made from the date of
4 election of membership or participation.

5 * * *

6 (k) School employees performing USERRA or military-related
7 leave of absence.--The employer shall report to the board all of
8 the following:

9 (1) Any school employee who:

10 (i) ceases to be an active member or active
11 participant to perform USERRA service; or

12 (ii) is granted a leave of absence under 51 Pa.C.S.
13 § 4102 (relating to leaves of absence for certain
14 government employees) or a military leave of absence
15 under 51 Pa.C.S. § 7302 (relating to granting military
16 leaves of absence).

17 (2) The date on which the USERRA service, leave of
18 absence or military leave of absence began.

19 (3) The date on which the school employee is reemployed
20 from USERRA leave or returns after the leave of absence or
21 military leave of absence, if applicable.

22 (4) Any other information the board may require.

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

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

10 § 8507. Rights and duties of school employees [and members],
11 members and participants.

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

1 shall be correspondingly decreased.

2 * * *

3 (b.1) Application for participation.--On or after July 1,
4 2016, in the case of a new employee who is not currently a
5 participant in the plan and whose participation is mandatory, or
6 in the case of a new 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 * * *

11 (d.1) [School service] Contributions for USERRA leave.--Any
12 active member [or], inactive member, active participant,
13 inactive participant or former participant who was reemployed
14 from USERRA leave and who desires to receive school service
15 credit or make mandatory pickup participant contributions for
16 his USERRA leave shall notify the board within the time period
17 required under 38 U.S.C. Ch. 43 (relating to employment and
18 reemployment rights of members of the uniformed services) and
19 IRC § 414(u) of his desire to make the [required member]
20 contributions. Upon making the required member contributions
21 within the allowed time period, the member shall receive credit
22 for the service as of the date the contributions are made. Upon
23 making the permitted mandatory pickup participant contributions
24 within the allowed time period, the employer shall make the
25 corresponding employer defined contributions at the same time.

26 (d.2) Voluntary contributions by a participant.--Any active
27 participant who desires to make voluntary contributions to be
28 credited to his individual investment account shall notify the
29 board and, upon compliance with the requirements, procedures and
30 limitations established by the board in the plan document, may

1 do so subject to the limitations under IRC §§ 401(a) and 415 and
2 other applicable law.

3 (e) Beneficiary for death benefits from system.--Every
4 member shall nominate a beneficiary by written designation filed
5 with the board to receive the death benefit or the benefit
6 payable under the provisions of Option 1. Such nomination may be
7 changed at any time by the member by written designation filed
8 with the board. A member may also nominate a contingent
9 beneficiary or beneficiaries to receive the death benefit or the
10 benefit payable under the provisions of Option 1.

11 (e.1) Beneficiary for death benefits from plan.--Every
12 participant shall nominate a beneficiary by written designation
13 filed with the board as provided in section 8506 (relating to
14 duties of employers) to receive the death benefit payable under
15 section 8347 (relating to death benefits). A participant may
16 also nominate a contingent beneficiary or beneficiaries to
17 receive the death benefit provided under this section. Such
18 nomination may be changed at any time by the participant by
19 written designation filed with the board.

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

26 (1) Withdraw his accumulated deductions.

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

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

5 * * *

6 (g.1) Deferral of retirement rights.--If a participant
7 terminates school service and does not commence receiving a
8 distribution, he shall nominate a beneficiary by written
9 designation filed with the board, and he may anytime thereafter,
10 but no later than his required beginning date, withdraw the
11 vested accumulated total defined contributions standing to his
12 credit or apply for another form of distribution required by law
13 or authorized by the board.

14 (h) Vestees attaining superannuation age.--Upon attainment
15 of superannuation age a vestee shall execute and file within 90
16 days an application for an annuity. Any application filed after
17 such 90 day period shall be effective as of the date it is filed
18 with the board, subject to the provisions of section 8505(g)
19 (relating to duties of board regarding applications and
20 elections of members and participants). If a vestee does not
21 file an application within seven years after attaining
22 superannuation age, he shall be deemed to have elected to
23 receive his accumulated deductions upon attainment of
24 superannuation age.

25 * * *

26 Section 115. Sections 8521(b), 8522, 8524, 8525, 8531, 8533,
27 8533.1, 8533.3 and 8533.4(a) of Title 24 are amended to read:
28 § 8521. Management of fund and accounts.

29 * * *

30 (b) Crediting of interest.--The board annually shall allow

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

17 * * *

18 § 8522. Public School Employees' Retirement Fund.

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

1 (relating to annuity reserve account) and 8526 (relating to
2 health insurance account). The individual investment accounts
3 that are part of the trust are not part of the fund. Mandatory
4 pickup participant contributions, voluntary contributions and
5 employer defined contributions made under this part and any
6 income earned by the investment of such contributions shall not
7 be paid or credited to the fund but instead shall be paid to the
8 trust and credited to the individual investment accounts.

9 § 8524. State accumulation account.

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

26 § 8525. Annuity reserve account.

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

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

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

28 § 8531. State guarantee regarding the system.

29 Statutory interest charges payable, the maintenance of
30 reserves in the fund, and the payment of all annuities and other

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

9 § 8533. Taxation, attachment and assignment of funds.

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

28 (b) Forfeiture.--Rights under this part shall be subject to
29 forfeiture as provided by the act of July 8, 1978 (P.L.752,
30 No.140), known as the Public Employee Pension Forfeiture Act.

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

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

26 (d) Direct rollover.--Effective with distributions made on
27 or after January 1, 1993, and notwithstanding any other
28 provision of this part to the contrary, a distributee may elect,
29 at the time and in the manner prescribed by the board, to have
30 any portion of an eligible rollover distribution paid directly

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

21 § 8533.1. Approval of domestic relations orders.

22 (a) Certification regarding members.--A domestic relations
23 order pertaining to a member of the system shall be certified as
24 an approved domestic relations order by the secretary of the
25 board, or his designated representative, only if such order
26 meets all of the following:

27 (1) Requires the system to provide any type or form of
28 benefit or any option applicable to members already provided
29 under this part.

30 (2) Requires the system to provide no more than the

1 total amount of benefits than the member would otherwise
2 receive (determined on the basis of actuarial value) unless
3 increased benefits are paid to the member or alternate payee
4 based upon cost-of-living increases or increases based on
5 other than actuarial value.

6 (3) Specifies the amount or percentage of the member's
7 benefits to be paid by the system to each such alternate
8 payee or the manner in which the amount or percentage is to
9 be determined.

10 (4) Specifies the retirement option to be selected by
11 the member upon retirement or states that the member may
12 select any retirement option offered by this part upon
13 retirement.

14 (5) Specifies the name and last known mailing address,
15 if any, of the member and the name and last known mailing
16 address of each alternate payee covered by the order and
17 states that it is the responsibility of each alternate payee
18 to keep a current mailing address on file with the system.

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

21 (7) Requires the member to execute an authorization
22 allowing each alternate payee to monitor the member's
23 compliance with the terms of the domestic relations order
24 through access to information concerning the member
25 maintained by the system.

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

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

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

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

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

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

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

28 (7) Specifies the name and last known mailing address,
29 if any, of the participant and the name and last known
30 mailing address of each alternate payee covered by the order

1 and states that it is the responsibility of each alternate
2 payee to keep a current mailing address on file with the
3 system.

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

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

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

29 (11) In the case of participants who are currently
30 receiving distributions from the trust as of the date the

1 domestic relations order is approved by the secretary of the
2 board or his designated representative, the domestic
3 relations order may not order the board to pay the alternate
4 payee more than the balance available in the participant's
5 individual investment account as of the date the order is
6 approved or require that distributions continue to the
7 alternate payee after the death of the participant and final
8 settlement of the participant's individual investment
9 account.

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

24 (c) Other orders.--The requirements for approval identified
25 in [subsection (a)] subsections (a) and (a.1) shall not apply to
26 any domestic relations order which is an order for support as
27 that term is defined in 23 Pa.C.S. § 4302 (relating to
28 definitions) or an order for the enforcement of arrearages as
29 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
30 arrearages). These orders shall be approved to the extent that

1 they do not attach moneys in excess of the limits on attachments
2 as established by the laws of this Commonwealth and the United
3 States, require distributions of benefits in a manner that would
4 violate the laws of the United States, any state or this
5 Commonwealth or require the distribution of funds for support or
6 enforcement of arrearages against any participant who is not
7 receiving distributions from the plan at the time such order is
8 entered.

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

18 § 8533.3. Irrevocable survivor annuitant.

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

1 the member without approval by the court. A person ineligible to
2 be designated as a survivor annuitant may not be designated an
3 irrevocable survivor annuitant.

4 § 8533.4. Amendment of approved domestic relations orders.

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

11 * * *

12 Section 116. Title 24 is amended by adding a section to
13 read:

14 § 8533.5. Irrevocable successor payee.

15 Notwithstanding any other provisions of this part, a domestic
16 relations order pertaining to a participant may provide for an
17 irrevocable successor payee, only if the participant is
18 receiving a payment pursuant to a payment option provided by the
19 board that allows for a successor payee. A domestic relations
20 order requiring the designation of an irrevocable successor
21 payee shall be deemed to be one that requires a participant who
22 is receiving payments from an annuity or other distribution
23 option to designate an alternate payee as a successor payee and
24 that prohibits the removal or change of that successor payee
25 without approval of a court of competent jurisdiction, except by
26 operation of law. Such a domestic relations order may be
27 certified as an approved domestic relations order by the
28 secretary of the board, or his designated representative, in
29 which case the irrevocable successor payee so ordered by the
30 court cannot be changed by the participant except by approval by

1 the court. A person ineligible to be designated as a successor
2 payee may not be designated as an irrevocable successor payee. A
3 court may not name an irrevocable successor payee if the
4 alternate payee is eligible to receive a lump sum distribution
5 of the alternate payee's portion of the marital portion of the
6 pension benefit.

7 Section 117. Sections 8534 and 8535 of Title 24 are amended
8 to read:

9 § 8534. Fraud and adjustment of errors.

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

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

29 § 8535. Payments to school entities by Commonwealth.

30 For each school year beginning with the 1995-1996 school year

1 and ending with the 2015-2016 school year, each school entity
2 shall be paid by the Commonwealth for contributions based upon
3 school service of active members of the system after June 30,
4 1995, as follows:

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

23 (2) The Commonwealth shall pay each school entity for
24 contributions made to the Public School Employees' Retirement
25 Fund based upon school service of all active members,
26 including members on activated military service leave, who
27 are not described in paragraph (1), one-half of the amount
28 certified by the Public School Employees' Retirement Board as
29 necessary to provide, together with the members'
30 contributions, reserves on account of prospective annuities,

1 supplemental annuities and the premium assistance program as
2 provided in this part in accordance with section 8328.

3 (3) School entities shall have up to five days after
4 receipt of the Commonwealth's portion of the employer's
5 liability to make payment to the Public School Employees'
6 Retirement Fund. School entities are expected to make the
7 full payment to the Public School Employees' Retirement Fund
8 in accordance with section 8327 (relating to payments by
9 employers) in the event the receipt of the Commonwealth's
10 portion of the employer's liability is delayed because of
11 delinquent salary reporting or other conduct by the school
12 entities.

13 Section 118. Title 24 is amended by adding a section to
14 read:

15 § 8535.1. Payments to school entities by Commonwealth
16 commencing with the 2016-2017 school year.

17 For each school year, beginning with the 2016-2017 school
18 year, each school entity shall be paid by the Commonwealth for
19 contributions based upon school service of active members of the
20 system and active participants of the plan after June 30, 2016,
21 as follows:

22 (1) The Commonwealth shall pay each school entity for
23 contributions made to the fund based upon school service of
24 all active members, including members on activated military
25 service leave, and active participants of the plan whose
26 effective dates of employment with their school entities are
27 after June 30, 1994, and who also had not previously been
28 employed by any school entity within this Commonwealth an
29 amount equal to the amount certified by the board as
30 necessary to provide, together with the members' and

1 participants' contributions, reserves on account of
2 prospective annuities, supplemental annuities and the premium
3 assistance program as provided in this part in accordance
4 with section 8328 (relating to actuarial cost method),
5 multiplied by the market value/income aid ratio of the school
6 entity. For no school year shall any school entity receive
7 less than the amount that would result if the market
8 value/income aid ratio as defined in section 2501(14.1) of
9 the Public School Code was 0.50.

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

20 (3) School entities shall have up to five days after
21 receipt of the Commonwealth's portion of the employer's
22 liability to make payment to the fund. School entities are
23 expected to make the full payment to the fund in accordance
24 with section 8327 (relating to payments by employers) in the
25 event the receipt of the Commonwealth's portion of the
26 employer's liability is delayed because of delinquent salary
27 reporting or other conduct by the school entities.

28 Section 119. The definition of "eligible person" in section
29 8702(a) of Title 24 is amended to read:

30 § 8702. Definitions.

1 (a) General rule.--Subject to additional definitions
2 contained in subsequent provisions of this part which are
3 applicable to specific provisions of this part, the following
4 words and phrases when used in this part shall have the meanings
5 given to them in this section unless the context clearly
6 indicates otherwise:

7 "Eligible person." An individual who is an annuitant or
8 survivor annuitant or the spouse or dependent of an annuitant or
9 survivor annuitant, or an individual who is a participant
10 receiving distributions or a successor payee, or the spouse or
11 dependent of a participant receiving distributions or successor
12 payee.

13 * * *

14 Section 120. Section 9109(a) and (b) of Title 24 are amended
15 to read:

16 § 9101. Status of program relative to Public School Employees'
17 Retirement Code.

18 (a) General rule.--The program shall be an approved health
19 insurance program for purposes of section 8505(i) (relating to
20 duties of board regarding applications and elections of members
21 and participants) and shall be an approved insurance carrier for
22 purposes of section 8509 (relating to health insurance premium
23 assistance program).

24 (b) State guarantee.--The program shall not be subject to
25 the provisions of section 8531 (relating to State guarantee
26 regarding the system).

27 * * *

28 ARTICLE II

29 AMENDMENTS TO TITLE 51

30 Section 201. Section 7306(a) of Title 51 is amended and the

1 section is amended by adding subsections to read:

2 § 7306. Retirement rights.

3 (a) Options available to employees.--Any employee who is a
4 member of a retirement system other than an active member or
5 inactive member on leave without pay of the State Employees'
6 Retirement System or [an active or inactive member of] the
7 Public School Employees' Retirement System or an active or
8 inactive participant on leave without pay of the State
9 Employees' Defined Contribution Plan or the School Employees'
10 Defined Contribution Plan at the time he is granted a military
11 leave of absence shall be entitled to exercise any one of the
12 following options in regard thereto:

13 (1) He may continue to make regular payments into the
14 fund during the period of his military leave of absence. The
15 amount of such payments shall be the same as they would have
16 been, had he not been granted a military leave of absence,
17 but had instead remained actively in his employment. The time
18 of making such payments shall be mutually agreed upon by the
19 employee and the retirement association of which he is a
20 member, but in no event shall be less frequent than
21 semiannually. The employer shall make its contributions on
22 the same basis as is used to compute the employee's
23 contributions. In this case, his retirement rights shall be
24 determined on the basis that he was in the active, continuous
25 and uninterrupted employ of his employer for the period
26 during which he was on military leave of absence.

27 (2) He may discontinue making payments into the fund
28 during the period of his military leave of absence. In such
29 event, the employer shall also discontinue making its
30 contributions during this period. In this case, his

1 retirement rights shall be determined by completely
2 disregarding the period of his military leave of absence for
3 all purposes.

4 * * *

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

13 (g) Participants of the School Employees' Defined
14 Contribution Plan.--An employee who is an active or inactive
15 participant of the School Employees' Defined Contribution Plan
16 at the time he is granted a military leave of absence shall be
17 entitled to make contributions to the Public School Employees'
18 Defined Contribution Trust for such leave as provided in the
19 Public School Employees' Retirement Code.

20 ARTICLE III

21 AMENDMENTS TO TITLE 71

22 Section 301. The definitions of "alternate payee," "average
23 noncovered salary," "beneficiary," "compensation," "creditable
24 nonstate service," "credited service," "date of termination of
25 service," "distribution," "domestic relations order," "final
26 average salary," "inactive member," "intervening military
27 service," "irrevocable beneficiary," "previous State service,"
28 "reemployed from USERRA leave," "retirement counselor," "salary
29 deductions," "special vestee," "State employee," "superannuation
30 age" and "valuation interest" in section 5102 of Title 71 are

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

3 § 5102. Definitions.

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

7 * * *

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

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

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

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

29 * * *

30 "Active participant." A State employee for whom mandatory

1 pickup participant contributions are being made to the trust or
2 for whom such contributions otherwise required for current State
3 service are not being made solely by reason of any provision of
4 this part relating to the limitations under section 401(a)(17)
5 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
6 26 U.S.C. § 401(a)(17) or 415).

7 * * *

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

13 * * *

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 * * *

22 "Beneficiary." The person or persons last designated in
23 writing to the board by a member to receive his accumulated
24 deductions or a lump sum benefit upon the death of [such] the
25 member[.] or by a participant to receive the participant's
26 accumulated total defined contributions or a lump sum benefit
27 upon the death of the participant.

28 * * *

29 "Compensation." Pickup contributions and mandatory pickup
30 contributions plus remuneration actually received as a State

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

27 * * *

28 "Creditable nonstate service." Service other than:

29 (1) service as a State employee;

30 (2) service converted to State service pursuant to

1 section 5303.1 (relating to election to convert county
2 service to State service); or

3 (3) school service converted to State service pursuant
4 to section 5303.2 (relating to election to convert school
5 service to State service)

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

7 "Credited service." State or creditable nonstate service for
8 which the required contributions have been made to the fund or
9 for which the contributions otherwise required for such service
10 were not made solely by reason of section 5502.1 (relating to
11 waiver of regular member contributions and Social Security
12 integration member contributions) or any provision of this part
13 relating to the limitations under section 401(a)(17) or 415(b)
14 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
15 U.S.C. § 401(a)(17) or 415(b)), or for which salary deductions
16 to the system or lump sum payments have been agreed upon in
17 writing.

18 "Date of termination of service." The last day of service
19 for which:

20 (1) pickup contributions are made for an active member
21 [or] ;

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

25 (3) mandatory pickup participant contributions are made
26 for an active participant; or

27 (4) in the case of an inactive participant on leave
28 without pay, the date of his resignation or the date his
29 employment is formally discontinued by his employer.

30 * * *

1 "Distribution." Payment of all or any portion of a person's
2 interest in either the State Employees' Retirement Fund or the
3 State Employees' Defined Contribution Trust or both which is
4 payable under this part.

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

18 * * *

19 "Employer defined contributions."

20 (1) Unless paragraph (2) applies, contributions equal to
21 4% of an active participant's compensation which are made by
22 the Commonwealth or other employer for current service to the
23 trust to be credited in the participant's individual
24 investment account.

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

1 the participant's individual investment account.

2 * * *

3 "Final average salary." The highest average compensation
4 received as a member during any three nonoverlapping periods of
5 four consecutive calendar quarters during which the member was a
6 State employee, with the compensation for part-time service
7 being annualized on the basis of the fractional portion of the
8 year for which credit is received; except if the employee was
9 not a member for three nonoverlapping periods of four
10 consecutive calendar quarters, the total compensation received
11 as a member, annualized in the case of part-time service,
12 divided by the number of nonoverlapping periods of four
13 consecutive calendar quarters of membership; in the case of a
14 member with multiple service, the final average salary shall be
15 determined on the basis of the compensation received by him as a
16 [State employee] member of the system or as a school employee
17 other than as a participant in the School Employees' Defined
18 Contribution Plan, or both; in the case of a member with Class
19 A-3 or Class A-4 service and service in one or more other
20 classes of service, the final average salary shall be determined
21 on the basis of the compensation received by him in all classes
22 of State service credited in the system; and, in the case of a
23 member who first became a member on or after January 1, 1996,
24 the final average salary shall be determined as hereinabove
25 provided but subject to the application of the provisions of
26 section 5506.1(a) (relating to annual compensation limit under
27 IRC § 401(a)(17)). Final average salary shall be determined by
28 including in compensation payments deemed to have been made to a
29 member reemployed from USERRA leave to the extent member
30 contributions have been made as provided in section 5302(f)(2)

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

5 * * *

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

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

29 "Individual investment account." The account in the trust to
30 which are credited the amounts of the contributions made by a

1 participant and the participant's employer in accordance with
2 the provisions of this part, together with all interest and
3 investment earnings after deduction for fees, costs, expenses
4 and investment losses and charges for distributions.

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

12 * * *

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

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

24 * * *

25 "Mandatory pickup participant contributions." Contributions
26 equal to 6.5% of compensation that are made by the Commonwealth
27 or other employer for active participants for current service
28 which are picked up by the employer.

29 * * *

30 "Participant." An active participant, inactive participant

1 or participant receiving distributions.

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

6 * * *

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

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

14 "Previous State service." Service rendered as a State
15 employee prior to his most recent entrance in the system[.],
16 provided that the State employee was not a participant in the
17 plan, was not eligible to be an optional participant in the plan
18 under section 5301(b.1) (relating to mandatory and optional
19 membership in system and participation in plan) or was not
20 prohibited from being a participant under section 5301(c.1)
21 during such service.

22 * * *

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

1 * * *

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

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

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

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

20 * * *

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

1 that:

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

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

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

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

15 * * *

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

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

25 (ii) State-owned educational institutions.

26 (iii) Community colleges.

27 (iv) The Pennsylvania State University, except an
28 employee in the College of Agriculture who is paid wholly
29 from Federal funds or an employee who is participating in
30 the Federal Civil Service Retirement System. The

1 university shall be totally responsible for all employer
2 contributions under [section] sections 5507 (relating to
3 contributions to system by the Commonwealth and other
4 [employers).] employers before July 1, 2016) and 5507.1
5 (relating to contributions to system by the Commonwealth
6 and other employers starting July 1, 2016).

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

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

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

9 * * *

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

14 "Superannuation age." For classes of service in the system
15 other than Class A-3 and Class A-4, any age upon accrual of 35
16 eligibility points or age 60, except for a member of the General
17 Assembly, an enforcement officer, a correction officer, a
18 psychiatric security aide, a Delaware River Port Authority
19 policeman or an officer of the Pennsylvania State Police, age
20 50, and, except for a member with Class G, Class H, Class I,
21 Class J, Class K, Class L, Class M or Class N service, age 55
22 upon accrual of 20 eligibility points. For Class A-3 and Class
23 A-4 service, any age upon attainment of a superannuation score
24 of 92, provided the member has accrued 35 eligibility points, or
25 age 65, or for park rangers or capitol police officers, age 55
26 with 20 years of service as a park ranger or capitol police
27 officer, except for a member of the General Assembly, an
28 enforcement officer, a correction officer, a psychiatric
29 security aide, a Delaware River Port Authority policeman or an
30 officer of the Pennsylvania State Police, age 55. A vestee with

1 Class A-3 or Class A-4 service credit attains superannuation age
2 on the birthday the vestee attains the age resulting in a
3 superannuation score of 92, provided that the vestee has at
4 least 35 eligibility points, or attains another applicable
5 superannuation age, whichever occurs first.

6 * * *

7 "Sworn police officer." A State employee who is employed and
8 serving as an officer of the Pennsylvania State Police.

9 * * *

10 "Trust." The State Employees' Defined Contribution Trust
11 established under Chapter 54 (relating to State Employees'
12 Defined Contribution Plan).

13 * * *

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

17 * * *

18 "Voluntary contributions." Contributions made by a
19 participant to the trust and credited to his individual
20 investment account in excess of his mandatory pickup participant
21 contributions by an eligible rollover or direct trustee-to-
22 trustee transfer.

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

24 § 5103. Notice to members and participants.

25 Notice by publication, including, without being limited to,
26 newsletters, newspapers, forms, first class mail, letters,
27 manuals and, to the extent authorized by a policy adopted by the
28 board, electronically, including, without being limited to, e-
29 mail or [World Wide Web] Internet sites, distributed or made
30 available to members and participants in a manner reasonably

1 calculated to give actual notice of those sections of the State
2 Employees' Retirement Code that require notice to members or
3 participants shall be deemed sufficient notice for all purposes.

4 Section 303. Title 71 is amended by adding a section to
5 read:

6 § 5104. Reference to State Employees' Retirement System.

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

15 (b) Agreement.--The agreement of an employer listed in the
16 definition of "State employee" under section 5102 (relating to
17 definitions) or any other law to make contributions to the State
18 Employees' Retirement Fund or to enroll its employees as members
19 in the State Employees' Retirement System shall be deemed to be
20 an agreement to make contributions to the State Employees'
21 Defined Contribution Trust or to enroll its employees in the
22 State Employees' Defined Contribution Plan.

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

26 § 5301. Mandatory and optional membership in system and
27 participation in plan.

28 (a) Mandatory membership.--Membership in the system shall be
29 mandatory as of the effective date of employment for all State
30 employees except the following:

- 1 (1) Governor.
- 2 (2) Lieutenant Governor.
- 3 (3) Members of the General Assembly.
- 4 (4) Heads or deputy heads of administrative departments.
- 5 (5) Members of any independent administrative board or
6 commission.
- 7 (6) Members of any departmental board or commission.
- 8 (7) Members of any advisory board or commission.
- 9 (8) Secretary to the Governor.
- 10 (9) Budget Secretary.
- 11 (10) Legislative employees.
- 12 (11) School employees who have elected membership in the
13 Public School Employees' Retirement System.
- 14 (12) School employees who have elected membership in an
15 independent retirement program approved by the employer,
16 provided that in no case, except as hereinafter provided,
17 shall the employer contribute on account of such elected
18 membership at a rate greater than the employer normal
19 contribution rate as determined in section 5508(b) (relating
20 to actuarial cost method for fiscal years ending before July
21 1, 2016). For the fiscal year 1986-1987 an employer may
22 contribute on account of such elected membership at a rate
23 which is the greater of 7% or the employer normal
24 contribution rate as determined in section 5508(b) and for
25 the fiscal year 1992-1993 and all years after that at a rate
26 of 9.29%.
- 27 (13) Persons who have elected to retain membership in
28 the retirement system of the political subdivision by which
29 they were employed prior to becoming eligible for membership
30 in the State Employees' Retirement System.

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

4 (15) Employees of the Philadelphia Regional Port
5 Authority who have elected to retain membership in the
6 pension plan or retirement system in which they were enrolled
7 as employees of the predecessor Philadelphia Port Corporation
8 prior to the creation of the Philadelphia Regional Port
9 Authority.

10 (16) Employees of the Juvenile Court Judges' Commission
11 who, before the effective date of this paragraph, were
12 transferred from the State System of Higher Education to the
13 Juvenile Court Judges' Commission as a result of an
14 interagency transfer of staff approved by the Office of
15 Administration and who, while employees of the State System
16 of Higher Education, had elected membership in an independent
17 retirement program approved by the employer.

18 (17) State employees, except for sworn police officers,
19 whose first period of State service starts on or after
20 January 1, 2016.

21 (a.1) Mandatory participation in the plan.--State employees
22 listed in subsection (a) (17) who are not listed in subsection
23 (a) (1) through (13) shall be mandatory participants as of the
24 first date of State service.

25 (b) Optional membership in the system.--The State employees
26 listed in subsection (a) (1) through (11) shall have the right to
27 elect membership in the system on or before December 31, 2015;
28 once such election is exercised, membership shall continue until
29 the termination of State service.

30 (b.1) (1) Optional participation in the plan.--The State

1 employees listed in subsection (a) (17) who also are listed in
2 subsection (a) (1) through (10) shall have the right to elect
3 participation in the plan; once such election is exercised,
4 participation will be effective as of the date of election
5 and shall continue until the termination of State service.

6 (2) The State employees not listed in subsection (a)
7 (17), who are listed in subsection (a) (1) through (10) and
8 who are not members of the system because membership is
9 optional, shall have the right to elect participation in the
10 plan. Once such election is exercised, participation shall be
11 effective as of the date of election and shall continue until
12 termination of State service.

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

17 (c.1) Prohibited participation in the plan.--The State
18 employees listed in subsection (a) (17) who also are listed in
19 subsection (a) (13) and (15) or who are employees of The
20 Pennsylvania State University, the State System of Higher
21 Education, State-owned educational institutions or community
22 colleges shall not be eligible to participate in the plan.

23 (d) Return to service.--An annuitant who returns to service
24 as a State employee shall resume active membership in the system
25 as of the effective date of employment, except as otherwise
26 provided in section 5706(a) (relating to termination of
27 annuities), regardless of the optional membership category of
28 the position. An inactive participant or a participant receiving
29 distributions who returns to service as a State employee shall
30 be an active participant of the plan as of the effective date of

1 employment unless the position is eligible for optional
2 participation or is not eligible for participation in the plan,
3 or except as otherwise provided in section 5706(a).

4 * * *

5 Section 305. Section 5302(a), (b), (e) and (f) of Title 71
6 are amended to read:

7 § 5302. Credited State service.

8 (a) Computation of credited service.--In computing credited
9 State service of a member for the determination of benefits, a
10 full-time salaried State employee, including any member of the
11 General Assembly, shall receive credit for service in each
12 period for which contributions as required are made to the fund,
13 or for which contributions otherwise required for such service
14 were not made to the fund solely by reason of section 5502.1
15 (relating to waiver of regular member contributions and Social
16 Security integration member contributions) or any provision of
17 this part relating to the limitations under IRC § 401(a)(17) or
18 415(b), but in no case shall he receive more than one year's
19 credit for any 12 consecutive months or 26 consecutive biweekly
20 pay periods. A per diem or hourly State employee shall receive
21 one year of credited service for each nonoverlapping period of
22 12 consecutive months or 26 consecutive biweekly pay periods in
23 which he is employed and for which contributions are made to the
24 fund or would have been made to the fund but for such waiver
25 under section 5502.1 or limitations under the IRC for at least
26 220 days or 1,650 hours of employment. If the member was
27 employed and contributions were made to the fund for less than
28 220 days or 1,650 hours, he shall be credited with a fractional
29 portion of a year determined by the ratio of the number of days
30 or hours of service actually rendered to 220 days or 1,650

1 hours, as the case may be. A part-time salaried employee shall
2 be credited with the fractional portion of the year which
3 corresponds to the number of hours or days of service actually
4 rendered and for which contributions are made to the fund in
5 relation to 1,650 hours or 220 days, as the case may be. In no
6 case shall a member who has elected multiple service receive an
7 aggregate in the two systems of more than one year of credited
8 service for any 12 consecutive months.

9 (b) Creditable leaves of absence.--

10 (1) A member on leave without pay who is studying under
11 a Federal grant approved by the head of his department or who
12 is engaged up to a maximum of two years of temporary service
13 with the United States Government, another state or a local
14 government under the Intergovernmental Personnel Act of 1970
15 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
16 be eligible for credit for such service: Provided, That
17 contributions are made in accordance with sections 5501
18 (relating to regular member contributions for current
19 service), 5501.1 (relating to shared-risk member
20 contributions for Class A-3 and Class A-4 service), 5505.1
21 (relating to additional member contributions) [and], 5507
22 (relating to contributions to system by the Commonwealth and
23 other employers before July 1, 2016) and 5507.1 (relating to
24 contributions to system by the Commonwealth and other
25 employers starting July 1, 2016), the member returns from
26 leave without pay to active State service as a member of the
27 system for a period of at least one year, and he is not
28 entitled to retirement benefits for such service under a
29 retirement system administered by any other governmental
30 agency.

1 (2) An active member or active participant on paid leave
2 granted by an employer for purposes of serving as an elected
3 full-time officer for a Statewide employee organization which
4 is a collective bargaining representative under the act of
5 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
6 and Firemen Collective Bargaining Act, or the act of July 23,
7 1970 (P.L.563, No.195), known as the Public Employe Relations
8 Act, and up to 14 full-time business agents appointed by an
9 employee organization that represents correction officers
10 employed at State correctional institutions: Provided, That
11 for elected full-time officers such leave shall not be for
12 more than three consecutive terms of the same office and for
13 up to 14 full-time business agents appointed by an employee
14 organization that represents correction officers employed at
15 State correctional institutions no more than three
16 consecutive terms of the same office; that the employer shall
17 fully compensate the member or the participant, including,
18 but not limited to, salary, wages, pension and retirement
19 contributions and benefits, other benefits and seniority, as
20 if he were in full-time active service; and that the
21 Statewide employee organization shall fully reimburse the
22 employer for all expenses and costs of such paid leave,
23 including, but not limited to, contributions and payment in
24 accordance with [sections] section 5404 (relating to
25 participant contributions), 5405 (relating to mandatory
26 pickup participant contributions), 5406 (relating to employer
27 defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or
28 5507.1, if the employee organization either directly pays, or
29 reimburses the Commonwealth or other employer for,
30 contributions made in accordance with [section] sections

1 5404, 5405, 5406, 5507 and 5507.1.

2 * * *

3 (e) Cancellation of credited service.--All credited service
4 in the system shall be cancelled if a member withdraws his total
5 accumulated deductions, except that a member with Class A-3 or
6 Class A-4 service credit and one or more other classes of
7 service credit shall not have his service credit as a member of
8 any classes of service other than as a member of Class A-3 or
9 Class A-4 cancelled when the member receives a lump sum payment
10 of accumulated deductions resulting from Class A-3 or Class A-4
11 service pursuant to section 5705.1 (relating to payment of
12 accumulated deductions resulting from Class A-3 and Class A-4
13 service).

14 (f) Credit for military service.--A State employee who has
15 performed USERRA leave may receive credit in the system or
16 participate in the plan as follows:

17 (1) For purposes of determining whether a member is
18 eligible to receive credited service in the system for a
19 period of active military service, other than active duty
20 service to meet periodic training requirements, rendered
21 after August 5, 1991, and that began before the effective
22 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
23 (relating to military leave of absence) shall apply to all
24 individuals who were active members of the system when the
25 period of military service began, even if not defined as an
26 employee pursuant to 51 Pa.C.S. § 7301 (relating to
27 definitions).

28 (1.1) State employees may not receive service credit in
29 the system or exercise the options under 51 Pa.C.S. § 7306
30 (relating to retirement rights) for military leaves that

1 begin on or after the effective date of this subsection,
2 except as otherwise provided by this subsection.

3 (1.2) State employees may not participate in the plan or
4 exercise the options under 51 Pa.C.S. § 7306 (relating to
5 retirement rights) for military leaves that begin on or after
6 the effective date of this paragraph, except as otherwise
7 provided by this subsection.

8 (2) A State employee who has performed USERRA leave may
9 receive credit in the system as provided by this paragraph.
10 The following shall apply:

11 (i) A State employee who is reemployed from USERRA
12 leave as an active member of the system shall be treated
13 as not having incurred a break in State service by reason
14 of the USERRA leave and shall be granted eligibility
15 points as if the State employee had not been on the
16 USERRA leave. If a State employee who is reemployed from
17 USERRA leave as an active member of the system
18 subsequently makes regular member contributions,
19 additional member contributions, Social Security
20 integration member contributions, shared-risk member
21 contributions and any other member contributions in the
22 amounts and in the time periods required by 38 U.S.C. Ch.
23 43 (relating to employment and reemployment rights of
24 members of the uniformed services) and IRC § 414(u) as if
25 the State employee had continued in State office or
26 employment and performed State service and was
27 compensated during the period of USERRA leave, then the
28 State employee shall be granted State service credit for
29 the period of USERRA leave. The State employee shall have
30 the State employee's benefits, rights and obligations

1 determined under this part as if the State employee was
2 an active member who performed creditable State service
3 during the USERRA leave in the job position that the
4 State employee would have held had the State employee not
5 been on USERRA leave and received the compensation on
6 which the member contributions to receive State service
7 credit for the USERRA leave were determined.

8 (ii) For purposes of determining whether a State
9 employee has made the required employee contributions for
10 State service credit for USERRA leave, if an employee who
11 is reemployed from USERRA leave as an active member of
12 the system terminates State service or dies in State
13 service before the expiration of the allowed payment
14 period, then State service credit for the USERRA leave
15 will be granted as if the required member contributions
16 were paid the day before termination or death. The amount
17 of the required member contributions will be treated as
18 an incomplete payment subject to the provisions of
19 section 5506 (relating to incomplete payments). Upon a
20 subsequent return to State service or to school service
21 as a multiple service member, the required member
22 contributions treated as incomplete payments shall be
23 treated as member contributions that were either
24 withdrawn in a lump sum at termination or paid as a lump
25 sum pursuant to section 5705(a)(4) (relating to member's
26 options), as the case may be.

27 (iii) A State employee who is reemployed from USERRA
28 leave as an active member of the system who does not make
29 the required member contributions or makes only part of
30 the required member contributions within the allowed

1 payment period shall not be granted credited service for
2 the period of USERRA leave for which the required member
3 contributions were not timely made, shall not be eligible
4 to subsequently make contributions and shall not be
5 granted either State service credit or nonstate service
6 credit for the period of USERRA leave for which the
7 required member contributions were not timely made.

8 (2.1) The following shall apply:

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

30 (ii) A participant who is reemployed from USERRA

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

9 (3) A State employee who is a member of the system and
10 performs USERRA leave from which the employee could have been
11 reemployed from USERRA leave had the State employee returned
12 to State service in the time frames required by 38 U.S.C. Ch.
13 43 for reemployment rights, but did not do so, shall be able
14 to receive creditable nonstate service as nonintervening
15 military service for the period of USERRA leave should the
16 employee later return to State service as an active member of
17 the system and is otherwise eligible to purchase the service
18 as nonintervening military service.

19 (3.1) A State employee who is a participant in the plan
20 and performs USERRA leave from which the employee could have
21 been reemployed from USERRA leave had the employee returned
22 to State service in the time frames required by 38 U.S.C. Ch.
23 43 for reemployment rights, but was not reemployed, shall not
24 be eligible to make mandatory pickup participant
25 contributions or voluntary contributions for the period of
26 USERRA leave should the employee later return to State
27 service and be a participant in the plan.

28 (4) [A State employee] An active member or inactive
29 member on leave without pay who on or after the effective
30 date of this subsection is granted a leave of absence under

1 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
2 government employees) or a military leave under 51 Pa.C.S.
3 Ch. 73, that is not USERRA leave shall be able to receive
4 creditable nonstate service as nonintervening military
5 service should the employee return to State service as an
6 active member of the system and is otherwise eligible to
7 purchase the service as nonintervening military service.

8 (4.1) An active participant or inactive participant on
9 leave without pay who, on or after the effective date of this
10 paragraph, is granted a leave of absence under 51 Pa.C.S. §
11 4102 or a military leave under 51 Pa.C.S. Ch.73 that is not
12 USERRA leave shall not be able to make mandatory pickup
13 participant contributions or voluntary contributions during
14 or for the leave of absence or military leave and shall not
15 have employer defined contributions made during such leave,
16 without regard to whether or not the State employee received
17 salary, wages, stipends, differential wage payments or other
18 payments from his employer during the leave, notwithstanding
19 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
20 Pa.C.S. Ch. 73.

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

28 (5.1) If a participant dies while performing USERRA
29 leave, the beneficiaries or successor payees of the deceased
30 participant are entitled to any additional benefits, other

1 than benefit accruals relating to the period of qualified
2 military service, provided under this part had the
3 participant resumed and terminated employment on account of
4 death.

5 (6) A State employee who is on a leave of absence from
6 his duties as a State employee for which 51 Pa.C.S. § 4102
7 provides that he is not to suffer a loss of pay, time or
8 efficiency rating shall not be an active member, receive
9 service credit or make member contributions for the leave of
10 absence, except as provided for in this part. Notwithstanding
11 this paragraph, any pay the member receives pursuant to 51
12 Pa.C.S. § 4102 shall be included in the determination of
13 final average salary and other calculations in the system
14 utilizing compensation as if the payments were compensation
15 under this part.

16 Section 306. Sections 5303(b)(2), (d)(1), (e)(1) and (4),
17 5303.2(a) and (e), 5304(a) and (b), 5305(b) introductory
18 paragraph and (3) and 5305.1 of Title 71 are amended to read:
19 § 5303. Retention and reinstatement of service credits.

20 * * *

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

22 * * *

23 (2) A special vestee or person otherwise eligible to be
24 a special vestee who returns to State service, other than as
25 a participant in the plan, or withdraws his accumulated
26 deductions pursuant to section 5311 (relating to eligibility
27 for refunds) or 5701 (relating to return of total accumulated
28 deductions) shall receive or retain eligibility points in
29 accordance with paragraph (1) but upon subsequent termination
30 of State service shall only be eligible to be an annuitant,

1 vestee or inactive member without regard to previous status
2 as a special vestee and without regard to the provisions of
3 this part providing for special vestees.

4 * * *

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

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

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

1 * * *

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

4 (1) Any employee of the Philadelphia Regional Port
5 Authority who becomes a State employee, as defined in section
6 5102 (relating to definitions), and an active member of the
7 system shall be eligible to obtain retirement credit for
8 prior uncredited service with the Philadelphia Port
9 Corporation, a Pennsylvania not-for-profit corporation
10 ("predecessor corporation"), provided that the Commonwealth
11 does not incur any liability for the funding of the annuities
12 attributable to the prior, uncredited "predecessor
13 corporation" service, the cost of which shall be determined
14 according to paragraph (2).

15 * * *

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

24 * * *

25 § 5303.2. Election to convert school service to State service.

26 (a) Eligibility.--An active member or inactive member on
27 leave without pay who was an employee transferred from the
28 Department of Education to the Department of Corrections
29 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
30 No.175), known as The Administrative Code of 1929, and who on

1 the effective date of that transfer did not participate in an
2 independent retirement program approved by the Department of
3 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
4 and optional membership) or section 5301(a)(12) (relating to
5 mandatory and optional membership in system and participation in
6 plan), notwithstanding any other provision of law or any
7 collective bargaining agreement, arbitration award, contract or
8 term or conditions of any retirement system or pension plan, may
9 make a one-time election to convert all service credited in the
10 Public School Employees' Retirement System as of June 30, 1999,
11 and transfer to the system all accumulated member contributions
12 and statutory interest credited in the members' savings account
13 in the Public School Employees' Retirement System as of June 30,
14 1999, plus statutory interest on that amount credited by the
15 Public School Employees' Retirement System from July 1, 1999, to
16 the date of transfer to the system.

17 * * *

18 (e) Transfer.--Within 180 days after the effective date of
19 this subsection, the Public School Employees' Retirement System
20 shall transfer to the board for each member electing to convert
21 under this section the accumulated member contributions and
22 statutory interest credited in the Public School Employees'
23 Retirement System, plus an amount equal to the value of all
24 annual employer contributions made to the Public School
25 Employees' Retirement System with interest at the annual rate
26 adopted by the board for the calculation of the normal
27 contribution rate under section 5508(b) (relating to actuarial
28 cost method for fiscal years ending before July 1, 2016), from
29 the date of each contribution to the date of the transfer of the
30 funds to the board. Any debt owed by a member to the Public

1 School Employees' Retirement System for whatever reason shall be
2 transferred to the system and shall be paid in a manner and in
3 accordance with conditions prescribed by the board.

4 * * *

5 § 5304. Creditable nonstate service.

6 (a) Eligibility.--

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

24 (2) An active member who first becomes an active member
25 on or after January 1, 2011, or on or after December 1, 2010,
26 as a member of the General Assembly, or a multiple service
27 member who first becomes an active member on or after January
28 1, 2011, or on or after December 1, 2010, as a member of the
29 General Assembly, and who is a school employee and an active
30 member of the Public School Employees' Retirement System

1 shall be eligible for Class A-3 service credit for creditable
2 nonstate service as set forth in subsections (b) and (c)
3 except that intervening military service shall be credited in
4 the class of service for which the member was eligible at the
5 time of entering into military service and for which he makes
6 the required contributions to the fund and except that a
7 multiple service member who is a school employee and an
8 active member of the Public School Employees' Retirement
9 System shall not be eligible to purchase service credit for
10 creditable nonstate service set forth in subsection (c)(5).

11 * * *

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

29 * * *

30 § 5305. Social security integration credits.

1 * * *

2 (b) Accrual of subsequent credits.--Any active member who
3 has social security integration accumulated deductions to his
4 credit or is receiving a benefit on account of social security
5 integration credits may accrue one social security integration
6 credit for each year of service as a State employee on or
7 subsequent to March 1, 1974 and a fractional credit for a
8 corresponding fractional year of service provided that
9 contributions are made to the fund, or would have been made to
10 the fund but for section 5502.1 (relating to waiver of regular
11 member contributions and Social Security integration member
12 contributions) or the limitations under IRC § 401(a)(17) or
13 415(b), in accordance with section 5502 (relating to Social
14 Security integration member contributions), and he:

15 * * *

16 (3) terminates his status as a vestee or an annuitant
17 and returns to State service as an active member of the
18 system.

19 * * *

20 § 5305.1. Eligibility for actuarial increase factor.

21 A person who is:

22 (1) an active member;

23 (2) an inactive member on leave without pay; or

24 (3) a multiple service member who is a school employee
25 and an active member of the Public School Employees'
26 Retirement System;

27 who terminates State service or school service, as the case may
28 be, after attaining age 70 and who applies for a superannuation
29 annuity with an effective date of retirement the day after the
30 date of termination of State service or school service shall

1 have that person's maximum single life annuity calculated
2 pursuant to section 5702(a.1) (relating to maximum single life
3 annuity).

4 Section 307. Section 5306(a), (a.1)(2) and (6), (a.2)(1) and
5 (2) and (b) of Title 71 are amended and the section is amended
6 by adding a subsection to read:

7 § 5306. Classes of service.

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

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

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

1 contributions[.] and further provided that the State employee
2 does not become a participant in the plan or is not eligible
3 to be an optional participant of the plan under section 5301
4 (relating to mandatory and optional membership in system and
5 participation in plan).

6 (3) A person who first becomes a sworn police officer on
7 or after January 1, 2016, shall receive credit for service as
8 a sworn police officer as a member of Class A-3 upon payment
9 of the required member contributions and shall not be
10 eligible to be a participant in the plan for such service.
11 All other State service shall be credited in the plan as
12 otherwise provided under this part, except that any State
13 service performed concurrently with service as an active or
14 inactive member on leave without pay as a sworn police
15 officer shall be credited as Class A-3 service and shall not
16 be eligible for active participation in the plan. Class A-3
17 service provided for under this subparagraph shall be subject
18 to an election to be credited as Class A-4 service.

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

20 * * *

21 (2) A person who is a State employee on June 30, 2001,
22 and July 1, 2001, but is not an active member of the system
23 because membership in the system is optional or prohibited
24 pursuant to section 5301 [(relating to mandatory and optional
25 membership)] and who first becomes an active member after
26 June 30, 2001, and before January 1, 2011, or before December
27 1, 2010, as a member of the General Assembly, and who is not
28 a State police officer and not employed in a position for
29 which a class of service other than Class A is credited or
30 could be elected shall be classified as a Class AA member and

1 receive credit for Class AA State service upon payment of
2 regular member contributions for Class AA service and,
3 subject to the limitations contained in paragraph (7), if
4 previously a member of Class A or previously employed in a
5 position for which Class A service could have been earned,
6 shall have all Class A State service (other than State
7 service performed as a State [Police] police officer or for
8 which a class of service other than Class A was earned or
9 could have been elected) classified as Class AA service.

10 * * *

11 (6) A State employee who after June 30, 2001, becomes a
12 State police officer or who is employed in a position in
13 which the member could elect membership in the system in a
14 class of service other than Class AA or Class D-4 shall
15 retain any Class AA service credited prior to becoming a
16 State police officer or being so employed but shall be
17 ineligible to receive Class AA credit thereafter and instead
18 shall receive Class A credit for service as a member of the
19 judiciary if such judicial service begins before January 1,
20 2016, or if he first became a member before January 1, 2011,
21 or December 1, 2010, as a member of the General Assembly, or
22 Class A-3 credit for service other than as a member of the
23 judiciary if such nonjudicial service begins before January
24 1, 2016, and he first became a member on or after January 1,
25 2011, or December 1, 2010, as a member of the General
26 Assembly, unless a class of membership other than Class A is
27 elected.

28 * * *

29 (a.2) Class of membership for members of the General
30 Assembly.--

1 (1) A person who:
2 (i) becomes a member of the General Assembly and an
3 active member of the system after June 30, 2001, and
4 before December 1, 2010; or
5 (ii) is a member of the General Assembly on July 1,
6 2001, but is not an active member of the system because
7 membership in the system is optional pursuant to section
8 5301 and who becomes an active member after June 30,
9 2001, and before December 1, 2010;
10 and who was not a State police officer on or after July 1,
11 1989, shall be classified as a Class D-4 member and receive
12 credit as a Class D-4 member for all State service as a
13 member of the system performed as a member of the General
14 Assembly upon payment of regular member contributions for
15 Class D-4 service and, subject to the limitations contained
16 in subsection (a.1)(7), if previously a member of Class A or
17 employed in a position for which Class A service could have
18 been earned, shall receive Class AA service credit for all
19 Class A State service, other than State service performed as
20 a State police officer or for which a class of service other
21 than Class A or Class D-4 was or could have been elected or
22 credited.

23 (2) Provided an election to become a Class D-4 member is
24 made pursuant to section 5306.2 (relating to elections by
25 members of the General Assembly), a State employee who was
26 not a State police officer on or after July 1, 1989, who on
27 July 1, 2001, is a member of the General Assembly and an
28 active member of the system and not a member of Class D-3
29 shall be classified as a Class D-4 member and receive credit
30 as a Class D-4 member for all State service as a member of

1 the system performed as a member of the General Assembly not
2 credited as another class other than Class A upon payment of
3 regular member contributions for Class D-4 service and,
4 subject to the limitations contained in paragraph (a.1)(7),
5 shall receive Class AA service credit for all Class A State
6 service, other than State service performed as a State police
7 officer or as a State employee in a position in which the
8 member could have elected a class of service other than Class
9 A, performed before July 1, 2001.

10 * * *

11 (b) Other class membership.--

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

18 (2) Notwithstanding any other provision of this section,
19 a State employee who is appointed bail commissioner of the
20 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
21 (relating to jurisdiction and venue) and is eligible to be a
22 member of the system as a bail commissioner may, within 30
23 days of the effective date of this sentence or within 30 days
24 of his initial appointment as a bail commissioner, whichever
25 is later, elect Class E-2 service credit for service
26 performed as a bail commissioner. This class of service
27 multiplier for E-2 service as a bail commissioner shall be
28 1.5.

29 * * *

30 (e) Ineligibility for active membership and classes of

1 service.--An individual who is a State employee on January 1,
2 2016, but is not a member of the system or who first becomes a
3 State employee, other than a State police officer, on or after
4 January 1, 2016, shall be ineligible for active membership in
5 the system or the several classes of State service as otherwise
6 provided for under this section. Any such State employee, if
7 eligible, may be a participant in the plan as a result of such
8 State service.

9 Section 308. Sections 5306.3(c) and (d), 5307(b)(1),
10 5308(c), 5308.1(1) and 5311(a) of Title 71 are amended to read:
11 § 5306.3. Election to become a Class A-4 member.

12 * * *

13 (c) Effect of election.--An election to become a Class A-4
14 member shall be irrevocable and shall become effective on the
15 effective date of membership in the system and shall remain in
16 effect for all future [creditable] State service creditable in
17 the system, other than service performed as a member of the
18 judiciary. Payment of regular member contributions for Class A-4
19 State service performed prior to the election of Class A-4
20 membership shall be made in a form, manner and time determined
21 by the board. Upon termination and a subsequent reemployment, a
22 member who elected Class A-4 membership shall be credited as a
23 Class A-4 member for creditable State service performed after
24 reemployment, except as a member of the judiciary, regardless of
25 termination of employment, termination of membership by
26 withdrawal of accumulated deductions or status as an annuitant,
27 vestee or inactive member after the termination of service.

28 (d) Effect of failure to make election.--Failure to elect to
29 become a Class A-4 member within the election period set forth
30 in subsection (b) shall result in all of the member's State

1 service, other than service performed as a member of the
2 judiciary, being credited as Class A-3 service and not subject
3 to further election or crediting as Class A-4 service. Upon
4 termination and subsequent employment, a member who failed to
5 elect to become a Class A-4 member shall not be eligible to make
6 another election to become a Class A-4 member for either past or
7 future State service.

8 § 5307. Eligibility points.

9 * * *

10 (b) Transitional rule.--

11 (1) In determining whether a member who is not a State
12 employee or school employee on June 30, 2001, and July 1,
13 2001, and who has previous State service (except a disability
14 annuitant who returns to State service after June 30, 2001,
15 upon termination of the disability annuity) has the five
16 eligibility points required by sections 5102 (relating to
17 definitions), 5308(b) (relating to eligibility for
18 annuities), 5309 (relating to eligibility for vesting),
19 5704(b) (relating to disability annuities) and 5705(a)
20 (relating to member's options), only eligibility points
21 earned by performing credited State service as an active
22 member of the system, USERRA leave or credited school service
23 as an active member of the Public School Employees'
24 Retirement System after June 30, 2001, shall be counted until
25 such member earns one eligibility point by performing
26 credited State service or credited school service after June
27 30, 2001, at which time all eligibility points as determined
28 pursuant to subsection (a) shall be counted.

29 * * *

30 § 5308. Eligibility for annuities.

1 * * *

2 (c) Disability annuity.--An active member or inactive member
3 on leave without pay who has five or more eligibility points
4 other than eligibility points resulting from membership in the
5 Public School Employees' Retirement System or any active member
6 or inactive member on leave without pay who is an officer of the
7 Pennsylvania State Police or an enforcement officer shall, upon
8 compliance with section 5907(k), be entitled to a disability
9 annuity if he becomes mentally or physically incapable of
10 continuing to perform the duties for which he is employed and
11 qualifies in accordance with the provisions of section 5905(c)
12 (1) (relating to duties of the board regarding applications and
13 elections of members and participants).

14 § 5308.1. Eligibility for special early retirement.

15 Notwithstanding any provisions of this title to the contrary,
16 the following special early retirement provisions shall be
17 applicable to specified eligible members as follows:

18 (1) During the period of July 1, 1985, to September 30,
19 1991, an active member who has attained the age of at least
20 53 years and has accrued at least 30 eligibility points shall
21 be entitled, upon termination of State service and compliance
22 with section 5907(f) (relating to rights and duties of State
23 employees [and], members and participants), to receive a
24 maximum single life annuity calculated under section 5702
25 (relating to maximum single life annuity) without a reduction
26 by virtue of an effective date of retirement which is under
27 the superannuation age.

28 * * *

29 § 5311. Eligibility for refunds.

30 (a) Total accumulated deductions.--Any active member,

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

4 * * *

5 Section 309. Title 71 is amended by adding a chapter to
6 read:

7 CHAPTER 54

8 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

9 Sec.

10 5401. Establishment.

11 5402. Plan document.

12 5403. Individual investment accounts.

13 5404. Participant contributions.

14 5405. Mandatory pickup participant contributions.

15 5406. Employer defined contributions.

16 5407. Eligibility for benefits.

17 5408. Death benefits.

18 5409. Vesting.

19 5410. Termination of distributions.

20 5411. Agreements with financial institutions and other
21 organizations.

22 5411.1 Annuitization.

23 5412. Powers and duties of board.

24 5413. Responsibility for investment loss.

25 5414. Investments based on participants' investment allocation
26 choices.

27 5415. Expenses.

28 5416. (Reserved).

29 5417. Required distributions.

30 § 5401. Establishment.

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

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

23 (c) Holding of assets.--All assets and income in the plan
24 that have been or shall be withheld or contributed by the
25 participants, the Commonwealth and other employers in accordance
26 with this part shall be held in trust in any funding vehicle
27 permitted by the applicable provisions of IRC for the exclusive
28 benefit of the plan's participants and their beneficiaries until
29 such time as the funds are distributed to the participants or
30 their beneficiaries in accordance with the terms of the plan

1 document. The assets of the plan held in trust for the exclusive
2 benefit of the plan's participants and their beneficiaries may
3 be used for the payment of the fees, costs and expenses related
4 to the administration and investment of the plan and the trust.

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

15 § 5402. Plan document.

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

28 § 5403. Individual investment accounts.

29 The board shall establish in the trust an individual
30 investment account for each participant in the plan. All

1 contributions by a participant or an employer for or on behalf
2 of a participant shall be credited to the participant's
3 individual investment account, together with all interest and
4 investment earnings and losses. Investment and administrative
5 fees, costs and expenses shall be charged to the participants'
6 individual investment accounts. Employer defined contributions
7 shall be recorded and accounted for separately from participant
8 contributions, but all interest, investment earnings and losses,
9 and investment and administrative fees, costs and expenses shall
10 be allocated proportionately.

11 § 5404. Participant contributions.

12 (a) Mandatory contributions.--Each participant shall make
13 mandatory pickup participant contributions through payroll
14 deductions to the participant's individual investment account
15 equal to 6.5% of compensation for current State service. The
16 employer shall cause such contributions for current service to
17 be made and deducted from each payroll or on such schedule as
18 established by the board.

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

27 (c) Prohibited contributions.--No contributions shall be
28 allowed which would cause a violation of the limitations related
29 to contributions applicable to governmental plans contained in
30 IRC § 415 or in other provisions of law. In the event that any

1 disallowed contributions are made, any participant contributions
2 in excess of the limitations and investment earnings thereon
3 shall be refunded to the participant by the board.

4 § 5405. Mandatory pickup participant contributions.

5 (a) Treatment for purposes of IRC § 414(h).--All
6 contributions to the trust required to be made under section
7 5404(a) (relating to participant contributions) with respect to
8 current State service rendered by an active participant shall be
9 picked up by the Commonwealth or other employer and shall be
10 treated as the employer's contribution for purposes of IRC §
11 414(h). After the effective date of this section, an employer
12 employing a participant in the plan shall pick up the required
13 mandatory participant contributions by a reduction in the
14 compensation of the participant.

15 (b) Treatment for other purposes.--For all purposes other
16 than the IRC, such mandatory pickup participant contributions
17 shall be treated as contributions made by a participant in the
18 same manner and to the same extent as if the contributions were
19 made directly by the participant and not picked up.

20 § 5406. Employer defined contributions.

21 (a) Contributions for current service.--The Commonwealth or
22 other employer of a participant shall make employer defined
23 contributions for current service of each active participant
24 which shall be credited to each respective participant's
25 individual investment account.

26 (b) Contributions resulting from participants reemployed
27 from USERRA leave.--When a State employee reemployed from USERRA
28 leave makes the mandatory pickup participant contributions
29 permitted to be made for the USERRA leave, the Commonwealth or
30 other employer by whom the State employee is employed at the

1 time the participant contributions are made shall make whatever
2 employer defined contributions would have been made under this
3 section had the employee making the participant contributions
4 continued to be employed in the employee's State office or
5 position instead of performing USERRA leave. Such employer
6 defined contributions shall be placed in the participant's
7 individual investment account as otherwise provided by this
8 part.

9 (c) Limitations on contributions.--No contributions shall be
10 allowed which would cause a violation of the limitations related
11 to contributions applicable to governmental plans contained in
12 IRC § 415 or in other provisions of law. In the event that any
13 disallowed contributions are made, any employer defined
14 contributions in excess of the limitations and investment
15 earnings thereon shall be refunded to the employer by the board.
16 § 5407. Eligibility for benefits.

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

28 (b) Required distributions.--All payments pursuant to this
29 section shall start and be made in compliance with the minimum
30 distribution requirements and incidental death benefit rules of

1 IRC § 401(a)(9). The board shall take any action and make any
2 distributions it may determine are necessary to comply with such
3 requirements.

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

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

13 § 5408. Death benefits.

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

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

29 (c) 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.

4 § 5409. Vesting.

5 (a) Participant and voluntary contributions.--Subject to the
6 forfeiture and attachment provisions of section 5953 (relating
7 to taxation, attachment and assignment of funds) or otherwise as
8 provided by law, a participant shall be vested with respect to
9 all mandatory pickup participant contributions and voluntary
10 contributions paid by or on behalf of the participant to the
11 trust in addition to interest and investment gains or losses on
12 the participant contributions, but not including investment fees
13 and administrative charges.

14 (b) Employer contributions.--Subject to the forfeiture and
15 attachment provisions of section 5953 or otherwise as provided
16 by law, a participant shall be vested with respect to employer-
17 defined contributions paid to the participant's individual
18 investment account in the trust and earnings on the employer
19 contributions, but minus losses and a proportionate share of
20 investment fees and administrative charges, according to the
21 following schedule:

22 (1) During the first year of State service as a
23 participant in the plan, 0%.

24 (2) At the first year until the second year of State
25 service as a participant in the plan, 33%.

26 (3) At the second year until the third year of State
27 service as a participant in the plan, 66%.

28 (4) At the third year until the fourth year of State
29 service as a participant in the plan, 100%.

30 (c) Plan document.--The board shall establish, in the plan

1 document created by the board under section 5402 (relating to
2 plan document), the following:

3 (1) How the required time periods of State service in
4 the plan are determined and calculated.

5 (2) The effect of periods that State employees spend on
6 unpaid leave on the determination of a participant's vested
7 status in the plan.

8 (3) The effect of termination of State service or
9 distributions from the plan on a participant's vested status
10 in the plan.

11 (4) Other terms and conditions for the implementation
12 and administration of this section.

13 (d) Nonvested employer-defined contributions.--Nonvested
14 employer-defined contributions, including earnings and losses on
15 the employer contributions, that are not distributable to a
16 participant who has not fully vested are credited to the
17 participant's most recent employer's future obligations assessed
18 under section 5509 (relating to appropriations and assessments
19 by the Commonwealth).

20 (e) USERRA leave and vesting credit.--A participant in the
21 plan who is reemployed from USERRA leave or who dies while
22 performing USERRA leave shall receive vesting credit under this
23 section for the State service that would have been performed had
24 the member not performed USERRA leave.

25 § 5410. Termination of distributions.

26 (a) Return to State service.--A participant receiving
27 distributions or an inactive participant who returns to State
28 service shall cease receiving distributions and shall not be
29 eligible to receive distributions until the participant
30 subsequently terminates State service, without regard to whether

1 the participant is a mandatory, optional or prohibited member of
2 the system or participant in the plan.

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

18 § 5411. Agreements with financial institutions and other
19 organizations.

20 (a) Authority to enter into agreements.--To establish and
21 administer the State Employees' Defined Contribution Plan, the
22 board shall have the power to enter into written agreements with
23 one or more financial institutions or other organizations
24 relating to the plan's administration and investment of funds
25 held pursuant to the plan.

26 (b) Agreement terms and considerations.--Under the plan, the
27 board shall enter into an agreement to provide fully bundled
28 retirement plan investment, plan administration and services to
29 employees who participate in the plan. The agreement shall
30 provide for appropriate long-term retirement-oriented

1 investments and shall include either fixed or variable deferred
2 annuities, or a combination thereof. In determining the
3 financial institution or other organization with which the board
4 shall enter into an agreement, the board shall consider all of
5 the following:

6 (1) The financial stability of the financial institution
7 or other organization and the ability of the financial
8 institution or other organization to provide the contracted
9 rights and benefits to participants.

10 (2) The cost of the investments, plan administration and
11 services to the participants.

12 (3) The experience of the financial institution or other
13 organization in providing defined contribution retirement
14 plans in lieu of defined benefit plan participation to
15 employees or as part of employee hybrid retirement plans.

16 (4) The experience of the financial institution or other
17 organization in paying retirement income to employees.

18 (5) The experience of the financial institution or other
19 organization in providing plan education, counseling and
20 advice to participants in employee retirement plans that are
21 offered in lieu of defined benefit plan participation or as
22 part of employee hybrid retirement plans.

23 (c) Advice to participants.--The plan shall provide
24 education, counseling, and objective participant-specific plan
25 advice to participants.

26 § 5411.1. Annuitization.

27 The plan shall include the requirement that any disbursement
28 of the accumulated assets in an individual investment account
29 made after the participant reaches 55 years of age must include
30 at least partial payout as a life annuity. The board shall

1 determine the minimum annuity amount. The plan shall offer
2 participants a menu of lifetime annuity options, either fixed or
3 variable, or a combination of both.

4 § 5412. Powers and duties of board.

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

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

10 (2) The board shall pay all administrative fees, costs
11 and expenses of managing, investing and administering the
12 plan, the trust and the individual investment accounts from
13 the balance of such individual investment accounts except as
14 may be provided otherwise by law.

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

18 (3.1) The board shall include default investment options
19 and strategies to include predetermined investment portfolio
20 options that shall be constructed to reflect different risk
21 profiles and shall be constructed to automatically reallocate
22 and rebalance contributions as a participant ages. The plan
23 may permit participants to construct their own investment
24 portfolios using some or all of the investment options
25 comprising the default solutions.

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

29 (5) The board may establish a process for election to
30 participate in the plan by those State employees for whom

1 participation is not mandatory.

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

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

10 (8) The board may allow a former participant to maintain
11 his individual investment account within the plan.

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

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

16 (11) The board shall determine what constitutes a
17 termination of State service.

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

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

26 (i) Procedures whereby eligible participants may
27 change their investment choices on a periodic basis or
28 make other elections regarding their participation in the
29 plan.

30 (ii) Procedures for deducting mandatory pickup

1 participant contributions from a participant's
2 compensation.

3 (iii) Procedures for rollovers and trustee-to-
4 trustee transfers allowed under the IRC and permitted as
5 part of the plan.

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

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

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

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

27 (15) The board may contract any services and duties in
28 lieu of staff, except final adjudications or if prohibited by
29 law. Any duties or responsibilities of the board not required
30 by law to be performed by the board can be delegated to a

1 third-party provider subject to appeal to the board.

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

5 (17) The provisions and restrictions of the act of July
6 2, 2010 (P.L.266, No.44), known as the Protecting
7 Pennsylvania's Investments Act, shall not apply to the plan
8 or trust or the investments thereof, but the board is
9 authorized to offer to the plan participants investment
10 vehicles that would be permitted under the Protecting
11 Pennsylvania's Investments Act.

12 § 5413. Responsibility for investment loss.

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

19 § 5414. Investments based on participants' investment
20 allocation choices.

21 (a) General rule.--All contributions, interest and
22 investment earnings shall be 100% vested and shall be invested
23 based on the participant's investment allocation choices. All
24 investment allocation choices shall be credited proportionally
25 between participant contributions and employer defined
26 contributions. Each participant shall be credited individually
27 with the amount of contributions, interest and investment
28 earnings.

29 (b) Investment of contributions made by entities other than
30 the Commonwealth.--Investment of contributions by any

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

13 § 5415. Expenses.

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

19 § 5416. (Reserved).

20 § 5417. Required distributions.

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

24 Section 310. Section 5501.1(b)(7) and (8) of Title 71 are
25 amended and the subsection is amended by adding a paragraph to
26 read:

27 § 5501.1. Shared-risk member contributions for Class A-3 and
28 Class A-4 service.

29 * * *

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

1 * * *

2 (7) For any fiscal year in which the actual
3 contributions by the Commonwealth or an employer are lower
4 than those required to be made under section 5507(d)
5 [(relating to contributions by the Commonwealth and other
6 employers)] (relating to contributions to system by the
7 Commonwealth and other employers before July 1, 2016) or
8 5507.1 (relating to contributions to system by the
9 Commonwealth and other employers starting July 1, 2016), the
10 prospective shared-risk contribution rate for those employees
11 whose employers are not making the contributions required by
12 section 5507(d) shall be zero and shall not subsequently be
13 increased, except as otherwise provided in this section.

14 (8) If the actuary certifies that the accrued liability
15 contributions calculated in accordance with the actuarial
16 cost method provided in [section 5508(b)] section 5508
17 (relating to actuarial cost method for fiscal years ending
18 before July 1, 2016) or 5508.1 (relating to actuarial cost
19 method for fiscal years beginning July 1, 2016, or later), as
20 adjusted by the experience adjustment factor, are zero or
21 less, then the shared-risk contribution rate for the next
22 fiscal year shall be zero and shall not subsequently be
23 increased, except as otherwise provided in this section.

24 (9) For periods commencing on or after July 1, 2016, the
25 determination of shared-risk member contribution rate shall
26 be based on the annual interest rate adopted by the board for
27 the calculation of the accrued liability contribution rate
28 under section 5508.1(c).

29 Section 311. The definition of "actuarially required
30 contribution rate" in section 5501.2 of Title 71 is amended to

1 read:

2 § 5501.2. Definitions.

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

6 "Actuarially required contribution rate." The employer
7 contribution rate as calculated pursuant to section 5508(a),
8 (b), (c), (e) and (f) (relating to actuarial cost method for
9 fiscal years ending before July 1, 2016) or 5508.1(a), (b), (c),
10 (e) and (f) (relating to actuarial cost method for fiscal years
11 beginning July 1, 2016, or later)).

12 * * *

13 Section 312. Sections 5502, 5503.1(a), 5504(a)(1), (a.1) and
14 (b), 5505(b)(1), (c), (d) and (i)(4), 5505.1, 5506, 5506.1(a)
15 and 5507 heading, (a), (b), (d), (e) and (f) of Title 71 are
16 amended to read:

17 § 5502. Social Security integration member contributions.

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

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

8 § 5503.1. Pickup contributions.

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

21 * * *

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

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

27 (1) The contributions to be paid by an active member or
28 eligible school employee for credit in the system for total
29 previous State service other than service in Class G, Class
30 H, Class I, Class J, Class K, Class L, Class M and Class N or

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

14 * * *

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

21 (b) Certification and method of payment.--The amount payable
22 shall be certified in each case by the board in accordance with
23 methods approved by the actuary and shall be paid in a lump sum
24 within 30 days or in the case of an active member or eligible
25 school employee who is an active member of the Public School
26 Employees' Retirement System may be amortized with statutory
27 interest through salary deductions to the system in amounts
28 agreed upon by the member and the board. The salary deduction
29 amortization plans agreed to by members and the board may
30 include a deferral of payment amounts and statutory interest

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

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

12 * * *

13 (b) Nonintervening military service.--

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

1 made in a lump sum within 30 days or in the case of an active
2 member or eligible school employee who is an active member of
3 the Public School Employees' Retirement System it may be
4 amortized with statutory interest through salary deductions
5 to the system in amounts agreed upon by the member and the
6 board. The salary deduction amortization plans agreed to by
7 members and the board may include a deferral of payment
8 amounts and statutory interest until the termination of
9 school service or State service or beginning service as a
10 participant as the board in its sole discretion decides to
11 allow. The board may limit salary deduction amortization
12 plans to such terms as the board in its sole discretion
13 determines. In the case of an eligible school employee who is
14 an active member of the Public School Employees' Retirement
15 System, the agreed upon salary deductions shall be remitted
16 to the Public School Employees' Retirement Board, which shall
17 certify and transfer to the board the amounts paid.
18 Application may be filed for all such military service credit
19 upon completion of three years of subsequent State service
20 and shall be credited as Class A service.

21 * * *

22 (c) Intervening military service.--Contributions on account
23 of credit for intervening military service shall be determined
24 by the member's regular contribution rate, shared-risk
25 contribution rate, Social Security integration contribution
26 rate, the additional contribution rate which shall be applied
27 only to those members who began service on or after the
28 effective date of this amendatory act 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 State service as an active member or inactive member
2 on leave without pay and school service as an active member or
3 inactive member on leave without pay of the Public School
4 Employees' Retirement System to date of purchase. Upon
5 application for such credit the amount due shall be certified in
6 the case of each member by the board in accordance with methods
7 approved by the actuary, and contributions may be made by:

8 (1) regular monthly payments during active military
9 service; or

10 (2) a lump sum payment within 30 days of certification;
11 or

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

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

28 (d) Nonmilitary and nonmagisterial service.--Contributions
29 on account of credit for creditable nonstate service other than
30 military and magisterial service by State employees who first

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

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

3 * * *

4 (i) Purchases of nonstate service credit by State employees
5 who first became members of the system on or after December 1,
6 2010.--

7 * * *

8 (4) The payment for credit purchased under this
9 subsection shall be certified in each case by the board in
10 accordance with methods approved by the actuary and shall be
11 paid in a lump sum within 30 days or in the case of an active
12 member or eligible school employee who is an active member of
13 the Public School Employees' Retirement System may be
14 amortized with statutory interest through salary deductions
15 to the system in amounts agreed upon by the member and the
16 board. The salary deduction amortization plans agreed to by
17 members and the board may include a deferral of payment
18 amounts and interest until the termination of school service
19 or State service or beginning service as a participant as the
20 board in its sole discretion decides to allow. The board may
21 limit the salary deduction amortization plans to such terms
22 as the board in its sole discretion determines. In the case
23 of an eligible school employee who is an active member of the
24 Public School Employees' Retirement System, the agreed upon
25 salary deductions shall be remitted to the Public School
26 Employees' Retirement Board, which shall certify and transfer
27 to the board the amounts paid.

28 § 5505.1. Additional member contributions.

29 In addition to regular or joint coverage member contributions
30 and social security integration contributions, contributions

1 shall be made on behalf of each active member, regardless of
2 class of service, at the rate of 1 1/4% of compensation until
3 such time as the actuary certifies that all accrued liability
4 contributions have been completed in accordance with the
5 actuarial cost method provided in section 5508(b) (relating to
6 actuarial cost method for fiscal years ending before July 1,
7 2016).

8 § 5506. Incomplete payments.

9 In the event that a member terminates State service or
10 becomes a participant or a multiple service member who is an
11 active member of the Public School Employees' Retirement System
12 terminates school service before the agreed upon payments for
13 credit for previous State service, USERRA leave, creditable
14 nonstate service, social security integration, full coverage
15 membership or return of benefits on account of returning to
16 State service or entering school service and electing multiple
17 service have been completed, the member or multiple service
18 member who is an active member of the Public School Employees'
19 Retirement System shall have the right to pay within 30 days of
20 termination of State service or school service or becoming a
21 participant the balance due, including interest, in a lump sum
22 and the annuity shall be calculated including full credit for
23 the previous State service, creditable nonstate service, social
24 security integration, or full coverage membership. In the event
25 a member does not pay the balance due within 30 days of
26 termination of State service or becoming a participant or in the
27 event a member dies in State service or within 30 days of
28 termination of State service or becoming a participant or in the
29 case of a multiple service member who is an active member of the
30 Public School Employees' Retirement System does not pay the

1 balance due within 30 days of termination of school service or
2 dies in school service or within 30 days of termination of
3 school service and before the agreed upon payments have been
4 completed, the present value of the benefit otherwise payable
5 shall be reduced by the balance due, including interest, and the
6 benefit payable shall be calculated as the actuarial equivalent
7 of such reduced present value.

8 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

29 * * *

30 § 5507. Contributions to system by the Commonwealth and other

1 employers before July 1, 2016.

2 (a) Contributions on behalf of active members.--[The] Until
3 June 30, 2016, the Commonwealth and other employers whose
4 employees are members of the system, and from January 1, 2016,
5 to June 30, 2016, the Commonwealth and other employers whose
6 employees are participants in the plan, shall make contributions
7 to the fund on behalf of all active members in such amounts as
8 shall be certified by the board as necessary to provide,
9 together with the members' total accumulated deductions, annuity
10 reserves on account of prospective annuities other than those
11 provided in sections 5708 (relating to supplemental annuities),
12 5708.1 (relating to additional supplemental annuities), 5708.2
13 (relating to further additional supplemental annuities), 5708.3
14 (relating to supplemental annuities commencing 1994), 5708.4
15 (relating to special supplemental postretirement adjustment),
16 5708.5 (relating to supplemental annuities commencing 1998),
17 5708.6 (relating to supplemental annuities commencing 2002),
18 5708.7 (relating to supplemental annuities commencing 2003) and
19 5708.8 (relating to special supplemental postretirement
20 adjustment of 2002), in accordance with the actuarial cost
21 method provided in section 5508(a), (b), (c), (d) and (f)
22 (relating to actuarial cost method for fiscal years ending
23 before July 1, 2016).

24 (b) Contributions on behalf of annuitants.--[The] Until June
25 30, 2016, the Commonwealth and other employers whose employees
26 are members of the system shall make contributions on behalf of
27 annuitants in such amounts as shall be certified by the board as
28 necessary to fund the liabilities for supplemental annuities in
29 accordance with the actuarial cost method provided in section
30 5508(e) [(relating to actuarial cost method)].

1 * * *

2 (d) Payment of final contribution rate.--Notwithstanding the
3 calculation of the actuarially required contribution rate and
4 the provisions of subsections (a) and (b), until June 30, 2016,
5 the Commonwealth and other employers whose employees are members
6 of the system shall make contributions to the fund on behalf of
7 all active members and annuitants in such amounts as shall be
8 certified by the board in accordance with section 5508(i).

9 (e) Benefits completion plan contributions.--In addition to
10 all other contributions required under this section and section
11 5508, until June 30, 2016, the Commonwealth and other employers
12 whose employees are members of the system shall make
13 contributions as certified by the board pursuant to section 5941
14 (relating to benefits completion plan).

15 (f) Contributions resulting from members reemployed from
16 USERRA leave.--When a State employee reemployed from USERRA
17 leave makes the member contributions required to be granted
18 State service credit for the USERRA leave before July 1, 2016,
19 either by actual payment or by actuarial debt under section 5506
20 (relating to incomplete payments), then the Commonwealth
21 employer or other employer by whom the State employee is
22 employed at the time the member contributions are made, or the
23 last employer before termination in the case of payment under
24 section 5506, shall make whatever employer contributions would
25 have been made under this section had the employee making the
26 member contributions after being reemployed from USERRA leave
27 continued to be employed in his State office or position instead
28 of performing USERRA leave.

29 Section 313. Title 71 is amended by adding a section to
30 read:

1 § 5507.1. Contributions to system by the Commonwealth and other
2 employers starting July 1, 2016.

3 (a) Contributions on behalf of members.--For fiscal years
4 beginning on or after July 1, 2016, the Commonwealth and other
5 employers whose employees are or were members of the system
6 shall make contributions to the fund on behalf of all members in
7 such amounts as shall be certified by the board as necessary to
8 provide, together with the members' total accumulated
9 deductions, annuity reserves on account of annuities including
10 those provided in sections 5708 (relating to supplemental
11 annuities), 5708.1 (relating to additional supplemental
12 annuities), 5708.2 (relating to further additional supplemental
13 annuities), 5708.3 (relating to supplemental annuities
14 commencing 1994), 5708.4 (relating to special supplemental
15 postretirement adjustment), 5708.5 (relating to supplemental
16 annuities commencing 1998), 5708.6 (relating to supplemental
17 annuities commencing 2002), 5708.7 (relating to supplemental
18 annuities commencing 2003) and 5708.8 (relating to special
19 supplemental postretirement adjustment of 2002), in accordance
20 with the actuarial cost method provided in section 5508.1
21 (relating to actuarial cost method for fiscal years beginning
22 July 1, 2016, or later).

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

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

26 (2) Payment of accrued liability contributions as
27 modified by the experience adjustment factor shall be as a
28 percentage of compensation of active members and active
29 participants.

30 (3) Payment of the additional accrued liability

1 contributions determined under section 5508.1(d) shall be in
2 equal monthly payments during the fiscal year on the first
3 day of each month, or in such other time and manner as the
4 board may establish.

5 (c) Payment of final contribution rate.--Notwithstanding the
6 calculation of the actuarially required contribution rate and
7 the provisions of subsections (a) and (b)(1) and (2), after June
8 30, 2016, the Commonwealth and other employers whose employees
9 are members of the system shall make contributions to the fund
10 on behalf of all active members and annuitants in such amounts
11 as shall be certified by the board in accordance with section
12 5508.1(h).

13 (d) Benefits completion plan contributions.--In addition to
14 all other contributions required under this section and section
15 5508.1, after June 30, 2016, the Commonwealth and other
16 employers whose employees are active members of the system shall
17 make contributions as certified by the board pursuant to section
18 5941 (relating to benefits completion plan).

19 (e) Contributions resulting from members reemployed from
20 USERRA leave.--When a State employee reemployed from USERRA
21 leave makes the member contributions required to be granted
22 State service credit for the USERRA leave after June 30, 2016,
23 either by actual payment or by actuarial debt under section 5506
24 (relating to incomplete payments), the Commonwealth employer or
25 other employer that employed the State employee when the member
26 contributions are made or the last employer before termination
27 in the case of payment under section 5506 shall make the
28 employer contributions that would have been made under this
29 section if the employee making the member contributions after
30 the employee is reemployed from USERRA leave continued to be

1 employed in the employee's State office or position instead of
2 performing USERRA leave.

3 Section 314. Section 5508 heading, (a), (b), (c)(1) and (3),
4 (e)(2), (f)(1), (h) and (i) of Title 71 are amended and
5 subsection (c) is amended by adding a paragraph to read:

6 § 5508. Actuarial cost method for fiscal years ending before
7 July 1, 2016.

8 (a) Employer contribution rate on behalf of active
9 members.--[The] For the fiscal years ending before July 1, 2016,
10 the amount of the Commonwealth and other employer contributions
11 on behalf of all active members shall be computed by the actuary
12 as a percentage of the total compensation of all active members
13 during the period for which the amount is determined and shall
14 be so certified by the board. The actuarially required
15 contribution rate on behalf of all active members shall consist
16 of the employer normal contribution rate, as defined in
17 subsection (b), and the accrued liability contribution rate as
18 defined in subsection (c). The actuarially required contribution
19 rate on behalf of all active members shall be modified by the
20 experience adjustment factor as calculated in subsection (f).

21 (b) Employer normal contribution rate.--[The] For the fiscal
22 years ending before July 1, 2016, the employer normal
23 contribution rate shall be determined after each actuarial
24 valuation on the basis of an annual interest rate and such
25 mortality and other tables as shall be adopted by the board in
26 accordance with generally accepted actuarial principles. The
27 employer normal contribution rate shall be determined as a level
28 percentage of the compensation of the average new active member,
29 which percentage, if contributed on the basis of his prospective
30 compensation through his entire period of active State service,

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

5 (c) Accrued liability contribution rate.--

6 (1) For the fiscal years beginning July 1, 2002, and
7 July 1, 2003, the accrued liability contribution rate shall
8 be computed as the rate of total compensation of all active
9 members which shall be certified by the actuary as sufficient
10 to fund over a period of ten years from July 1, 2002, the
11 present value of the liabilities for all prospective
12 benefits, except for the supplemental benefits as provided in
13 sections 5708 (relating to supplemental annuities), 5708.1
14 (relating to additional supplemental annuities), 5708.2
15 (relating to further additional supplemental annuities),
16 5708.3 (relating to supplemental annuities commencing 1994),
17 5708.4 (relating to special supplemental postretirement
18 adjustment), 5708.5 (relating to supplemental annuities
19 commencing 1998), 5708.6 (relating to supplemental annuities
20 commencing 2002), 5708.7 (relating to supplemental annuities
21 commencing 2003) and 5708.8 (relating to special supplemental
22 postretirement adjustment of 2002), in excess of the total
23 assets in the fund (calculated recognizing all investment
24 gains and losses over a five-year period), excluding the
25 balance in the supplemental annuity account, and the present
26 value of employer normal contributions and of member
27 contributions payable with respect to all active members on
28 December 31, 2001, and excluding contributions to be
29 transferred by county retirement systems or pension plans
30 pursuant to section 5507(c) (relating to contributions to

1 system by the Commonwealth and other employers before July 1,
2 2016). The amount of each annual accrued liability
3 contribution shall be equal to the amount of such
4 contribution for the fiscal year beginning July 1, 2002,
5 except that, if the accrued liability is increased by
6 legislation enacted subsequent to June 30, 2002, but before
7 July 1, 2003, such additional liability shall be funded over
8 a period of ten years from the first day of July, coincident
9 with or next following the effective date of the increase.
10 The amount of each annual accrued liability contribution for
11 such additional legislative liabilities shall be equal to the
12 amount of such contribution for the first annual payment.

13 * * *

14 (3) For the fiscal year beginning July 1, 2010, the
15 accrued liability contribution rate shall be computed as the
16 rate of total compensation of all active members which shall
17 be certified by the actuary as sufficient to fund in equal
18 dollar installments over a period of 30 years from July 1,
19 2010, the present value of the liabilities for all
20 prospective benefits calculated as of the immediately prior
21 valuation date, including the supplemental benefits as
22 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
23 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
24 payable from the retirement benefit plan established pursuant
25 to section 5941 (relating to benefits completion plan), in
26 excess of the actuarially calculated assets in the fund
27 (calculated recognizing all realized and unrealized
28 investment gains and losses each year in level annual
29 installments over five years), including the balance in the
30 supplemental annuity account, and the present value of

1 employer normal contributions and of member contributions
2 payable with respect to all active members, inactive members
3 on leave without pay, vestees and special vestees on December
4 31, 2009. If the accrued liability is changed by legislation
5 enacted subsequent to December 31, 2009, and before January
6 1, 2015, such change in liability shall be funded in equal
7 dollar installments over a period of ten years from the first
8 day of July following the valuation date coincident with or
9 next following the date such legislation is enacted.

10 (4) For the fiscal year beginning July 1, 2015, the
11 accrued liability contribution rate shall be computed as
12 provided for under this section, except that the rate shall
13 be computed as a rate of total compensation of all active
14 members and active participants for the fiscal year. In
15 addition to any employer defined contributions made to the
16 trust, the Commonwealth and other employers of participants
17 shall make the accrued liability contributions to the fund
18 certified by the board.

19 * * *

20 (e) Supplemental annuity contribution rate.--

21 * * *

22 (2) For fiscal years beginning on or after July 1, 2010,
23 and ending on or before June 30, 2016, contributions from the
24 Commonwealth and other employers whose employees are members
25 of the system required to provide for the payment of
26 supplemental annuities as provided in sections 5708, 5708.1,
27 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
28 shall be paid as part of the accrued liability contribution
29 rate as provided for in subsection (c)(3), and there shall
30 not be a separate supplemental annuity contribution rate

1 attributable to those supplemental annuities. In the event
2 that supplemental annuities are increased by legislation
3 enacted subsequent to December 31, 2009, and before January
4 1, 2015, the additional liability for the increase in
5 benefits shall be funded in equal dollar installments over a
6 period of ten years from the first day of July following the
7 valuation date coincident with or next following the date
8 such legislation is enacted.

9 (f) Experience adjustment factor.--

10 (1) For each [year] fiscal year ending before July 1,
11 2016, after the establishment of the accrued liability
12 contribution rate and the supplemental annuity contribution
13 rate for the fiscal year beginning July 1, 2010, any increase
14 or decrease in the unfunded accrued liability and any
15 increase or decrease in the liabilities and funding for
16 supplemental annuities, due to actual experience differing
17 from assumed experience (recognizing all realized and
18 unrealized investment gains and losses over a five-year
19 period), changes in contributions caused by the final
20 contribution rate being different from the actuarially
21 required contribution rate, State employees making shared-
22 risk member contributions, changes in actuarial assumptions
23 or changes in the terms and conditions of the benefits
24 provided by the system by judicial, administrative or other
25 processes other than legislation, including, but not limited
26 to, reinterpretation of the provisions of this part
27 recognized by the actuarial valuations on December 31, 2010,
28 and through December 31, 2013, shall be amortized in equal
29 dollar annual contributions over a period of 30 years
30 beginning with the July 1 succeeding the actuarial valuation

1 determining said increases or decreases.

2 * * *

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

4 The collared contribution rate for each [year] fiscal year
5 ending on or before June 30, 2016, shall be determined by
6 comparing the actuarially required contribution rate calculated
7 without regard for costs added by legislation to the prior
8 year's final contribution rate. If, for any of the fiscal years
9 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,
10 2013, July 1, 2014, and July 1, 2015, the actuarially required
11 contribution rate calculated without regard for costs added by
12 legislation is more than 3%, 3.5%, 4.5% and 4.5%, respectively,
13 of the total compensation of all active members greater than the
14 prior year's final contribution rate, then the collared
15 contribution rate shall be applied and be equal to the prior
16 year's final contribution rate increased by the respective
17 percentage above of total compensation of all active members.
18 Otherwise, and for all subsequent fiscal years, the collared
19 contribution rate shall not be applicable. In no case shall the
20 collared contribution rate be less than 4% of total compensation
21 of all active members.

22 (i) Final contribution rate.--For the fiscal year beginning
23 July 1, 2010, the final contribution rate shall be 5% of total
24 compensation of all active members. For each subsequent fiscal
25 year for which the collared contribution rate is applicable, the
26 final contribution rate shall be the collared contribution rate
27 plus the costs added by legislation. For all other fiscal years
28 ending before July 1, 2016, the final contribution rate shall be
29 the actuarially required contribution rate, provided that the
30 final contribution rate shall not be less than the employer

1 normal contribution rate, as defined in subsection (b).

2 Section 315. Title 71 is amended by adding a section to
3 read:

4 § 5508.1. Actuarial cost method for fiscal years beginning July
5 1, 2016, or later.

6 (a) Employer contributions on behalf of members.--For fiscal
7 years beginning on or after July 1, 2016, the amount of the
8 Commonwealth and other employer contributions on behalf of all
9 members shall be computed by the actuary and certified by the
10 board as an employer normal contribution rate as defined in
11 subsection (b) and the accrued liability contribution amount as
12 defined in subsection (c). The accrued liability contribution
13 amount shall be modified by the experience adjustment factor as
14 calculated in subsection (f).

15 (b) Employer normal contribution rate.--For fiscal years
16 beginning on or after July 1, 2016, the employer normal
17 contribution rate for all active members of the system shall be
18 the employer normal contribution rate that would have been
19 applicable if the employer normal contribution rate was
20 determined as part of the December 31, 2015, actuarial valuation
21 under section 5508(b) (relating to actuarial cost method for
22 fiscal years ending before July 1, 2016) without regard to the
23 provisions of this section and the inapplicability of that rate
24 to periods on or after July 1, 2016.

25 (c) Accrued liability contribution amount.--

26 (1) For fiscal years beginning July 1, 2016, the accrued
27 liability contribution rate shall be computed as the rate of
28 total compensation of all active members and active
29 participants which shall be determined by the actuary as
30 sufficient to fund in equal dollar installments over a period

1 of 30 years from July 1, 2016, the present value of all the
2 liabilities for all prospective benefits of members of the
3 system calculated as of the immediately prior valuation date,
4 including the supplemental benefits as provided in sections
5 5708 (relating to supplemental annuities), 5708.1 (relating
6 to additional supplemental annuities), 5708.2 (relating to
7 further additional supplemental annuities), 5708.3 (relating
8 to supplemental annuities commencing 1994), 5708.4 (relating
9 to special supplemental postretirement adjustment), 5708.5
10 (relating to supplemental annuities commencing 1998), 5708.6
11 (relating to supplemental annuities commencing 2002), 5708.7
12 (relating to supplemental annuities commencing 2003) and
13 5708.8 (relating to special supplemental postretirement
14 adjustment of 2002), but excluding the benefits payable from
15 the retirement benefit plan established pursuant to section
16 5941 (relating to benefits completion plan), in excess of the
17 actuarially calculated assets in the fund, calculated
18 recognizing all realized and unrealized investment gains and
19 losses each year in level annual installments over five
20 years, including the balance in the supplemental annuity
21 account, and the present value of employer normal
22 contributions and of member contributions payable with
23 respect to all active members, inactive members on leave
24 without pay, vestees and special vestees on December 31,
25 2015. If the accrued liability is changed by legislation
26 enacted subsequent to December 31, 2015, such change in
27 liability shall be funded in equal dollar installments as a
28 percentage of compensation of all active members and active
29 participants over a period of 10 years from the first day of
30 July following the valuation date coincident with or next

1 following the date such legislation is enacted. The accrued
2 liability contribution rate shall be determined after each
3 actuarial valuation on the basis of an annual interest rate
4 and such mortality and other tables as shall be adopted by
5 the board in accordance with generally accepted actuarial
6 principles.

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

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

17 (ii) The compensation of all employees of The
18 Pennsylvania State University, the State System of Higher
19 Education, State-owned educational institutions and
20 community colleges who are active members, active
21 participants, active members of the Public School
22 Employees' Retirement System, active participants of the
23 School Employees' Defined Contribution Plan and employees
24 who are members or participants of an independent
25 retirement program approved by the employer multiplied by
26 a fraction equal to the amount determined under
27 subparagraph (i) as part of the December 31, 2015,
28 actuarial valuation divided by the amount determined
29 under this subparagraph as of December 31, 2015.

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

1 For the fiscal year beginning July 1, 2016, and all subsequent
2 fiscal years, The Pennsylvania State University, the State
3 System of Higher Education, each State-owned educational
4 institution and each community college shall make such
5 additional actuarial accrued liability contributions as shall be
6 certified by the board. The additional actuarial accrued
7 liability contributions shall be the product of:

8 (1) the amount by which the final contribution rate
9 exceeds the employer normal contribution rate determined
10 under subsection (b)(1); multiplied by

11 (2) the difference between:

12 (i) the actual compensation of all active members
13 and active participants of each such educational
14 institution; and

15 (ii) the compensation of all active members, active
16 participants, active members of the Public School
17 Employees' Retirement System, active participants of the
18 School Employees' Defined Contribution Plan and employees
19 who are members or participants of an independent
20 retirement program approved by the employer of each such
21 educational institution multiplied by a fraction equal to
22 the amount determined under subparagraph (i) as part of
23 the December 31, 2015, actuarial valuation divided by the
24 amount of compensation of all active members, active
25 participants, active members of the Public School
26 Employees' Retirement System, active participants of the
27 School Employees' Defined Contribution Plan and employees
28 who are members or participants of an independent
29 retirement program approved by the employer of each such
30 educational institution determined as of December 31,

1 2015.

2 (e) Supplemental annuity contribution amounts.--For fiscal
3 years beginning on or after July 1, 2016, contributions from the
4 Commonwealth and other employers whose employees are members of
5 the system required to provide for the payment of supplemental
6 annuities as provided in sections 5708, 5708.1, 5708.2, 5708.3,
7 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8 shall be paid as part
8 of the accrued liability contribution rate as provided for in
9 subsection (c) and there shall not be a separate supplemental
10 annuity contribution amount attributable to those supplemental
11 annuities. In the event that supplemental annuities are
12 increased by legislation enacted subsequent to December 31,
13 2015, the additional liability for the increase in benefits
14 shall be funded in equal dollar installments as a percentage of
15 compensation of all active members and active participants over
16 a period of ten years from the first day of July following the
17 valuation date coincident with or next following the date such
18 legislation is enacted as part of the accrued liability amount
19 and not as a separate supplemental annuity contribution amount.

20 (f) Experience adjustment factor.--

21 (1) For each year after the establishment of the accrued
22 liability contribution amount for the fiscal year beginning
23 July 1, 2016, any increase or decrease in the unfunded
24 accrued liability and any increase or decrease in the
25 liabilities and funding for supplemental annuities, due to
26 actual experience differing from assumed experience,
27 recognizing all realized and unrealized investment gains and
28 losses over a five-year period, changes in contributions
29 caused by the final contribution rate being different from
30 the actuarially required contribution rate, State employees

1 making shared-risk member contributions, changes in actuarial
2 assumptions or changes in the terms and conditions of the
3 benefits provided by the system by judicial, administrative
4 or other processes other than legislation, including, but not
5 limited to, reinterpretation of the provisions of this part,
6 shall be amortized in equal dollar installments expressed as
7 a level percentage of compensation of all active members and
8 active participants over a period of 30 years beginning with
9 the July 1 succeeding the actuarial valuation determining
10 said increases or decreases.

11 (2) The actuarially required contribution rate shall be
12 the sum of the normal contribution rate determined under
13 subsection (b) (2), the accrued liability contribution rate
14 and the supplemental annuity contribution rate modified by
15 the experience adjustment factor as calculated in paragraph
16 (1).

17 (g) Temporary application of collared contribution rate.--
18 The collared contribution rate for each fiscal year beginning on
19 or after July 1, 2016, shall be determined by comparing the
20 actuarially required contribution rate calculated without regard
21 for costs added by legislation to the prior year's final
22 contribution rate. If the actuarially required contribution rate
23 calculated without regard for costs added by legislation is more
24 than 4.5% of the total compensation of all active members
25 greater than the prior year's final contribution rate, then the
26 collared contribution rate shall be applied and be equal to the
27 prior year's final contribution rate increased by 4.5% of total
28 compensation of all active members. Otherwise, and for all
29 subsequent fiscal years, the collared contribution rate shall
30 not be applicable. In no case shall the collared contribution

1 rate be less than 4% of total compensation of all active
2 members.

3 (h) Final contribution rate.--For the fiscal year beginning
4 July 1, 2016, if the collared contribution rate is applicable,
5 the final contribution rate shall be the collared contribution
6 rate plus the costs added by legislation. For each subsequent
7 fiscal year for which the collared contribution rate is
8 applicable, the final contribution rate shall be the collared
9 contribution rate plus the costs added by legislation. For all
10 other fiscal years beginning on or after July 1, 2016, the final
11 contribution rate shall be the actuarially required contribution
12 rate, provided that the final contribution rate shall not be
13 less than the employer normal contribution rate, as provided
14 under subsection (b).

15 Section 316. Sections 5509, 5701, 5701.1, 5702(a)(1),
16 5704(a) and (c), 5706(a), (a.1), (a.2), (b) and (c)(1) and (3),
17 5707(f), 5708.1(f), 5708.2(f), 5708.3(f), 5708.5(f), 5708.6(f),
18 5708.7(f), 5708.8(g), 5709 heading, (a) and (b) and 5901(a), (c)
19 and (d) of Title 71 are amended to read:

20 § 5509. Appropriations and assessments by the Commonwealth.

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

29 (b) Appropriation and payment.--The General Assembly shall
30 make an appropriation sufficient to provide for the separate

1 obligations of the Commonwealth to both the fund and the trust.
2 Such amount shall be paid by the State Treasurer through the
3 Department of Revenue into the fund or the trust, as the case
4 may be, in accordance with requisitions presented by the board.
5 The contributions to the system by the Commonwealth on behalf of
6 active members who are officers of the Pennsylvania State Police
7 shall be charged to the General Fund and to the Motor License
8 Fund in the same ratios as used to apportion the appropriations
9 for salaries of members of the Pennsylvania State Police. The
10 contributions to the system by the Commonwealth on behalf of
11 active members who are enforcement officers and investigators of
12 the Pennsylvania Liquor Control Board shall be charged to the
13 General Fund and to the State Stores Fund.

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

1 as actuarially equivalent to the present value of the maximum
2 single life annuity of each such member reduced by the amount of
3 employer contributions to the system payable on account and
4 attributable to his compensation during such service, except
5 that no reduction shall be made as a result of the failure of an
6 employer to make contributions required for a period of USERRA
7 leave.

8 § 5701. Return of total accumulated deductions.

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

13 § 5701.1. Transfer of accumulated deductions.

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

22 § 5702. Maximum single life annuity.

23 (a) General rule.--Any full coverage member who is eligible
24 to receive an annuity pursuant to the provisions of section
25 5308(a) or (b) (relating to eligibility for annuities) who
26 terminates State service, or if a multiple service member who is
27 a school employee who is an active member of the Public School
28 Employees' Retirement System who terminates school service,
29 before attaining age 70 shall be entitled to receive a maximum
30 single life annuity attributable to his credited service and

1 equal to the sum of the following single life annuities
2 beginning at the effective date of retirement:

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

1 calculating benefits for his judicial service shall be the
2 average of the two calculated multipliers weighted by the
3 proportion of compensation attributable to each of the
4 calculated multipliers during the three years of highest
5 annual compensation in that class of service.

6 * * *

7 § 5704. Disability annuities.

8 (a) Amount of annuity.--A member who has made application
9 for a disability annuity and has been found to be eligible in
10 accordance with the provisions of section 5905(c)(1) (relating
11 to duties of the board regarding applications and elections of
12 members and participants) shall receive a disability annuity
13 payable from the effective date of disability as determined by
14 the board and continued until a subsequent determination by the
15 board that the annuitant is no longer entitled to a disability
16 annuity. The disability annuity shall be equal to a standard
17 single life annuity multiplied by the class of service
18 multiplier applicable to the class of service at the time of
19 disability if the product of such class of service multiplier
20 and the total number of years of credited service is greater
21 than 16.667, otherwise the standard single life annuity shall be
22 multiplied by the lesser of the following ratios:

23
$$MY^*/Y \text{ or } 16.667/Y$$

24 where Y = number of years of credited service, Y* = total years
25 of credited service if the member were to continue as a State
26 employee until attaining superannuation age as applicable at the
27 time of disability, or if the member has attained superannuation
28 age, as applicable at the time of disability, then the number of
29 years of credited service and M = the class of service
30 multiplier as applicable at the effective date of disability. A

1 member of Class C shall receive, in addition, any annuity to
2 which he may be eligible under section 5702(a)(3) (relating to
3 maximum single life annuity). The member shall be entitled to
4 the election of a joint and survivor annuity on that portion of
5 the disability annuity to which he is entitled under section
6 5702.

7 * * *

8 (c) Reduction on account of earned income.--Subsequent to
9 January 1, 1972, payments on account of disability shall be
10 reduced by that amount by which the earned income of the
11 annuitant, as reported in accordance with section 5908(b)
12 (relating to rights and duties of annuitants), for the preceding
13 calendar year together with the disability annuity payments
14 provided in this section other than subsection (b), for the
15 year, exceeds the product of:

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

18 [(ii)] (2) the ratio of the current monthly payment
19 to the monthly payment at the effective date of
20 disability;

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

24 * * *

25 § 5706. Termination of annuities.

26 (a) General rule.--If the annuitant returns to State service
27 or enters or has entered school service and elects multiple
28 service membership, any annuity payable to him under this part
29 shall cease effective upon the date of his return to State
30 service or entering school service without regard to whether he

1 is a mandatory, optional or prohibited member of the system or
2 participant in the plan, or if a multiple service member,
3 whether he is a mandatory, optional or prohibited member or
4 participant of the Public School Employees' Retirement System or
5 School Employees' Defined Contribution Plan and in the case of
6 an annuity other than a disability annuity the present value of
7 such annuity, adjusted for full coverage in the case of a joint
8 coverage member who makes the appropriate back contributions for
9 full coverage, shall be frozen as of the date such annuity
10 ceases. An annuitant who is credited with an additional 10% of
11 Class A and Class C service as provided in section 5302(c)
12 (relating to credited State service) and who returns to State
13 service shall forfeit such credited service and shall have his
14 frozen present value adjusted as if his 10% retirement incentive
15 had not been applied to his account. In the event that the cost-
16 of-living increase enacted December 18, 1979 occurred during the
17 period of such State or school employment, the frozen present
18 value shall be increased, on or after the member attains
19 superannuation age, by the percent applicable had he not
20 returned to service. This subsection shall not apply in the case
21 of any annuitant who may render services to the Commonwealth in
22 the capacity of an independent contractor or as a member of an
23 independent board or commission or as a member of a departmental
24 administrative or advisory board or commission when such members
25 of independent or departmental boards or commissions are
26 compensated on a per diem basis for not more than 150 days per
27 calendar year or as a member of an independent board or
28 commission requiring appointment by the Governor, with advice
29 and consent of the Senate, where the annual salary payable to
30 the member does not exceed \$35,000 and where the member has been

1 an annuitant for at least six months immediately preceding the
2 appointment. Such service shall not be subject to member
3 contributions or be eligible for qualification as creditable
4 State service or for participation in the plan, mandatory pickup
5 participant contributions or employer defined contributions.

6 (a.1) Return to State service during emergency.--When, in
7 the judgment of the employer, an emergency creates an increase
8 in the work load such that there is serious impairment of
9 service to the public, an annuitant may be returned to State
10 service for a period not to exceed 95 days in any calendar year
11 without loss of his annuity. In computing the number of days an
12 annuitant has returned to State service, any amount of time less
13 than one-half of a day shall be counted as one-half of a day.
14 For agencies, boards and commissions under the Governor's
15 jurisdiction, the approval of the Governor that an emergency
16 exists shall be required before an annuitant may be returned to
17 State service. Such service shall not be subject to member
18 contributions or be eligible for qualification as creditable
19 State service or for participation in the plan, mandatory pickup
20 participant contributions or employer defined contributions.

21 (a.2) Return of benefits.--In the event an annuitant whose
22 annuity ceases pursuant to this section receives any annuity
23 payment, including a lump sum payment pursuant to section 5705
24 (relating to member's options) on or after the date of his
25 return to State service or entering school service, the
26 annuitant shall return to the board the amount so received plus
27 statutory interest. The amount payable shall be certified in
28 each case by the board in accordance with methods approved by
29 the actuary and shall be paid in a lump sum within 30 days or in
30 the case of an active member or school employee who is an active

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

15 * * *

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

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

1 (1) An annuitant who returns to State service as an
2 active member of the system and earns three eligibility
3 points by performing credited State service following the
4 most recent period of receipt of an annuity under this part,
5 or an annuitant who enters school service other than as a
6 participant in the School Employees' Defined Contribution
7 Plan 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 State
11 service or credited school service following the most recent
12 period of receipt of an annuity under this part, and who had
13 the present value of his annuity frozen in accordance with
14 subsection (a), shall qualify to have the effect of the
15 frozen present value resulting from all previous periods of
16 retirement eliminated, provided that all payments under
17 Option 4 and annuity payments payable during previous periods
18 of retirement plus interest as set forth in paragraph (3)
19 shall be returned to the fund in the form of an actuarial
20 adjustment to his subsequent benefits or in such form as the
21 board may otherwise direct.

22 * * *

23 (3) In addition to any other adjustment to the present
24 value of the maximum single life annuity that a member may be
25 entitled to receive that occurs as a result of any other
26 provision of law, the present value of the maximum single
27 life annuity shall be reduced by all amounts paid or payable
28 to him during all previous periods of retirement plus
29 interest on these amounts until the date of subsequent
30 retirement. The interest for each year shall be calculated

1 based upon the annual interest rate adopted for that fiscal
2 year by the board for the calculation of the normal
3 contribution rate pursuant to section 5508(b) (relating to
4 actuarial cost method[).] for fiscal years ending before July
5 1, 2016) or for the calculation of the accrued liability
6 contribution rate under section 5508.1(c) (relating to
7 actuarial cost method for fiscal years beginning July 1,
8 2016, or later) for fiscal years starting on or after July 1,
9 2016.

10 § 5707. Death benefits.

11 * * *

12 (f) Members subject to limitations under section 5702(c).--
13 Subject to the limitations contained in section 401(a)(9) of the
14 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
15 401(a)(9)), the present value of any annuity in excess of that
16 payable under section 5702 (relating to maximum single life
17 annuity) that is not subject to the limitations under section
18 415(b) of the Internal Revenue Code of 1986 shall be paid in a
19 lump sum to the beneficiary designated by the member after the
20 death of the member. A beneficiary receiving a benefit under
21 this subsection shall not be able to elect a payment method
22 otherwise allowed under section 5709(b)(2) and (3) (relating to
23 payment of benefits from the system).

24 § 5708.1. Additional supplemental annuities.

25 * * *

26 (f) Funding.--The actuary shall annually certify the amount
27 of appropriations for the next fiscal year needed to fund, over
28 a period of ten years from July 1, 2002, the additional monthly
29 supplemental annuity provided for in this section, which amounts
30 shall be paid during the period beginning July 1, 2002, and

1 ending June 30, 2010. For fiscal years beginning on or after
2 July 1, 2010, the additional liability provided in this section
3 shall be funded as part of the actuarial accrued liability as
4 provided in [section 5508 (relating to actuarial cost method).]
5 sections 5508 (relating to actuarial cost method for fiscal
6 years ending before July 1, 2016) and 5508.1 (relating to
7 actuarial cost method for fiscal years beginning July 1, 2016,
8 or later).

9 * * *

10 § 5708.2. Further additional supplemental annuities.

11 * * *

12 (f) Funding.--The actuary shall annually estimate the amount
13 of Commonwealth appropriations for the next fiscal year needed
14 to fund, over a period of ten years from July 1, 2002, the
15 additional monthly supplemental annuity provided for in this
16 section, which amounts shall be paid during the period beginning
17 July 1, 2002, and ending June 30, 2010. For fiscal years
18 beginning on or after July 1, 2010, the additional liability
19 provided in this section shall be funded as part of the
20 actuarial accrued liability as provided in [section 5508
21 (relating to actuarial cost method).] sections 5508 (relating to
22 actuarial cost method for fiscal years ending before July 1,
23 2016) and 5508.1 (relating to actuarial cost method for fiscal
24 years beginning July 1, 2016, or later).

25 * * *

26 § 5708.3. Supplemental annuities commencing 1994.

27 * * *

28 (f) Funding.--For the period beginning July 1, 2002, and
29 ending June 30, 2010, the additional liability for the increase
30 in benefits provided in this section shall be funded in equal

1 dollar annual installments over a period of ten years beginning
2 July 1, 2002. For fiscal years beginning on or after July 1,
3 2010, the additional liability for the increase in benefits
4 provided in this section shall be funded as part of the
5 actuarial accrued liability as provided in [section 5508
6 (relating to actuarial cost method).] sections 5508 (relating to
7 actuarial cost method for fiscal years ending before July 1,
8 2016) and 5508.1 (relating to actuarial cost method for fiscal
9 years beginning July 1, 2016, or later).

10 * * *

11 § 5708.5. Supplemental annuities commencing 1998.

12 * * *

13 (f) Funding.--For the period beginning July 1, 2002, and
14 ending June 30, 2010, the additional liability for the increase
15 in benefits provided in this section shall be funded in equal
16 dollar annual installments over a period of ten years beginning
17 July 1, 2002. For fiscal years beginning on or after July 1,
18 2010, the additional liability for the increase in benefits
19 provided in this section shall be funded as part of the
20 actuarial accrued liability as provided in [section 5508
21 (relating to actuarial cost method).] sections 5508 (relating to
22 actuarial cost method for fiscal years ending before July 1,
23 2016) and 5508.1 (relating to actuarial cost method for fiscal
24 years beginning July 1, 2016, or later).

25 * * *

26 § 5708.6. Supplemental annuities commencing 2002.

27 * * *

28 (f) Funding.--For the period beginning July 1, 2003, and
29 ending June 30, 2010, the additional liability for the increase
30 in benefits provided in this section shall be funded in equal

1 dollar annual installments over a period of ten years beginning
2 July 1, 2003. For fiscal years beginning on or after July 1,
3 2010, the additional liability for the increase in benefits
4 provided in this section shall be funded as part of the
5 actuarial accrued liability as provided in [section 5508
6 (relating to actuarial cost method).] sections 5508 (relating to
7 actuarial cost method for fiscal years ending before July 1,
8 2016) and 5508.1 (relating to actuarial cost method for fiscal
9 years beginning July 1, 2016, or later).

10 * * *

11 § 5708.7. Supplemental annuities commencing 2003.

12 * * *

13 (f) Funding.--For the period beginning July 1, 2004, and
14 ending June 30, 2010, the additional liability for the increase
15 in benefits provided in this section shall be funded in equal
16 dollar annual installments over a period of ten years beginning
17 July 1, 2004. For fiscal years beginning on or after July 1,
18 2010, the additional liability for the increase in benefits
19 provided in this section shall be funded as part of the
20 actuarial accrued liability as provided in [section 5508
21 (relating to actuarial cost method).] sections 5508 (relating to
22 actuarial cost method for fiscal years ending before July 1,
23 2016) and 5508.1 (relating to actuarial cost method for fiscal
24 years beginning July 1, 2016, or later).

25 * * *

26 § 5708.8. Special supplemental postretirement adjustment of
27 2002.

28 * * *

29 (g) Funding.--For the period beginning July 1, 2003, and
30 ending June 30, 2010, the additional liability for the increase

1 in benefits provided in this section shall be funded in equal
2 dollar annual installments over a period of ten years beginning
3 July 1, 2003. For fiscal years beginning on or after July 1,
4 2010, the additional liability for the increase in benefits
5 provided in this section shall be funded as part of the
6 actuarial accrued liability as provided in [section 5508
7 (relating to actuarial cost method).] sections 5508 (relating to
8 actuarial cost method for fiscal years ending before July 1,
9 2016) and 5508.1 (relating to actuarial cost method for fiscal
10 years beginning July 1, 2016, or later).

11 * * *

12 § 5709. Payment of benefits from the system.

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

16 (b) Death benefits.--If the amount of a death benefit
17 payable from the fund to a beneficiary of a member under section
18 5707 (relating to death benefits) or under the provisions of
19 Option 1 of section 5705(a) (1) (relating to member's options) is
20 \$10,000 or more, such beneficiary may elect to receive payment
21 according to one of the following options:

22 (1) a lump sum payment;

23 (2) an annuity actuarially equivalent to the amount
24 payable; or

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

28 * * *

29 § 5901. The State Employees' Retirement Board.

30 (a) Status and membership.--The board shall be an

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

21 * * *

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

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

12 * * *

13 Section 317. Sections 5902(a.1) introductory paragraph, (3),
14 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (m) and (n) and
15 5903 heading and (a) of Title 71 are amended and the sections
16 are amended by adding subsections to read:

17 § 5902. Administrative duties of the board.

18 * * *

19 (a.1) Secretary.--The secretary shall act as chief
20 administrative officer for the board with respect to both the
21 system and the plan. In addition to other powers and duties
22 conferred upon and delegated to the secretary by the board, the
23 secretary shall:

24 * * *

25 (3) Review and analyze proposed legislation and
26 legislative developments affecting the system or the plan and
27 present findings to the board, legislative committees, and
28 other interested groups or individuals.

29 * * *

30 (5) Receive inquiries and requests for information

1 concerning the system or the plan from the press,
2 Commonwealth officials, State employees, the general public,
3 research organizations, and officials and organizations from
4 other states, and provide information as authorized by the
5 board.

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

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

26 (c) Expenses.--The board shall, through the Governor, submit
27 to the General Assembly annually a budget covering the
28 administrative expenses of [this part] the system and a separate
29 budget covering the administrative expenses of the plan. Such
30 expenses of the system as approved by the General Assembly in an

1 appropriation bill shall be paid from investment earnings of the
2 fund. Such expenses of the plan as approved by the General
3 Assembly shall be paid from interest, pursuant to section
4 5414(b) (relating to investments based on members' investment
5 allocation choices), or assessments on the balances of the
6 participants' individual investment accounts except as may be
7 provided otherwise by law. Concurrently with its administrative
8 budget, the board shall also submit to the General Assembly
9 annually a list of proposed expenditures which the board intends
10 to pay through the use of directed commissions, together with a
11 list of the actual expenditures from the past year actually paid
12 by the board through the use of directed commissions. All such
13 directed commission expenditures shall be made by the board for
14 the exclusive benefit of the system and its members.

15 * * *

16 (e) Records.--

17 (1) The board shall keep a record of all its proceedings
18 which shall be open to [inspection] access by the public,
19 except as otherwise provided in this part or by other law.

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

29 (i) in the case of an alternative investment or
30 alternative investment vehicle, involve the release of

1 sensitive investment or financial information relating to
2 the alternative investment or alternative investment
3 vehicle which the fund or trust was able to obtain only
4 upon agreeing to maintain its confidentiality;

5 (ii) cause substantial competitive harm to the
6 person from whom sensitive investment or financial
7 information relating to the investment was received; or

8 (iii) have a substantial detrimental impact on the
9 value of an investment to be acquired, held or disposed
10 of by the fund or trust or would cause a breach of the
11 standard of care or fiduciary duty set forth in this
12 part.

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

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

26 (A) the [inspection] access no longer causes
27 substantial competitive harm to the person from whom
28 the information was received; or

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

1 whichecker is later.

2 (iii) The sensitive investment or financial
3 information excluded from [inspection] access under
4 paragraph (2)(iii), to the extent not otherwise excluded
5 from [inspection] access, shall constitute a public
6 record subject to public [inspection] access under the
7 Right-to-Know Law once:

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

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

15 whichecker is later.

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

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

29 (i) The existence, date, amount and any other
30 information pertaining to the rollover contributions or

1 trustee-to-trustee transfers, of any participant.

2 (ii) The investment options selections of any
3 participant.

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

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

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

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

16 * * *

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

1 or computational procedure and utilized as a basis for
2 determining any benefit shall be applied in a uniform manner.

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

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

1 fiscal year in which such investigation and evaluation were
2 concluded.

3 (k) Certification of employer contributions to the fund.--

4 The board shall, each year in addition to the itemized budget
5 required under section 5509 (relating to appropriations and
6 assessments by the Commonwealth), certify, as a percentage of
7 the members' payroll, the shared-risk contribution rate, the
8 employers' contributions as determined pursuant to [section 5508
9 (relating to actuarial cost method)] sections 5508 (relating to
10 actuarial cost method for fiscal years ending before July 1,
11 2016) and 5508.1 (relating to actuarial cost method for fiscal
12 years beginning July 1, 2016, or later) necessary for the
13 funding of prospective annuities for active members and the
14 annuities of annuitants and certify the rates and amounts of the
15 employers' normal contributions as determined pursuant to
16 [section] sections 5508(b) and 5508.1(b), accrued liability
17 contributions as determined pursuant to [section] sections
18 5508(c) and 5508.1(c) and (d), supplemental annuities
19 contribution rate as determined pursuant to section 5508(e), the
20 experience adjustment factor as determined pursuant to [section]
21 sections 5508(f) and 5508.1(f), the collared contribution rate
22 pursuant to section 5508(h) and the final contribution rate
23 pursuant to section 5508(i), which shall be paid to the fund and
24 credited to the appropriate accounts. The board may allocate the
25 final contribution rate and certify various employer
26 contribution rates and amounts based upon the different benefit
27 eligibility, class of service multiplier, superannuation age and
28 other benefit differences resulting from State service credited
29 for individual members even though such allocated employer
30 contribution rate on behalf of any given member may be more or

1 less than 5% of the member's compensation for the period from
2 July 1, 2010, to June 30, 2011, or may differ from the prior
3 year's contribution for that member by more or less than the
4 percentages used to calculate the collared contribution rate for
5 that year and may be below any minimum contribution rate
6 established for the collared contribution rate or final
7 contribution rate. These certifications shall be regarded as
8 final and not subject to modification by the Secretary of the
9 Budget.

10 * * *

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

24 (n) Independent [audit] audits.--The board shall provide for
25 [an annual audit] annual audits of the system and the plan by
26 [an] independent certified public [accountant] accountants,
27 which [audit] audits shall include the board's accrual and
28 expenditure of directed commissions. The board may use the same
29 independent certified public accountant for the audits of both
30 the system and the plan.

1 * * *

2 (p) Participant and employer contributions to the trust.--

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

15 § 5903. Duties of the board to advise and report to heads of
16 departments [and], members and participants.

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

1 of the limitations under IRC § 415[(b)]. As soon as practicable
2 after January 1 of each year, the board shall also advise the
3 heads of departments of the employees for whom, pursuant to
4 section 5502.1 (relating to waiver of regular member
5 contributions and Social Security integration member
6 contributions), pickup contributions are not to be made.

7 * * *

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

18 * * *

19 Section 318. Section 5904(c) (2) of Title 71 is amended to
20 read:

21 § 5904. Duties of the board to report to the Public School
22 Employees' Retirement Board.

23 * * *

24 (c) Applications for benefits for school employees.--Upon
25 receipt of notification and the required data from the Public
26 School Employees' Retirement Board that a former State employee
27 who elected multiple service has applied for a public school
28 employees' retirement benefit or, in the event of his death, his
29 legally constituted representative has applied for such benefit,
30 the board shall:

1 * * *

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

11 * * *

12 Section 319. Sections 5905 heading, (b) (3), (c.1) and (g),
13 5906(a) introductory paragraph and (3), (b), (d), (e), (g), (h),
14 (i) and (l) and 5907 heading, (a), (e), (f) and (h) of Title 71
15 are amended and the sections are amended by adding subsections
16 to read:

17 § 5905. Duties of the board regarding applications and
18 elections of members and participants.

19 * * *

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

26 * * *

27 (3) in case of a former State employee who is not
28 receiving an annuity from the system and his total
29 accumulated deductions were withdrawn, certify to the former
30 State employee the accumulated deductions as they would have

1 been at the time of his separation had he been a full
2 coverage member together with statutory interest for all
3 periods of subsequent State service eligible for membership
4 in the system and school service as a member of the Public
5 School Employees' Retirement System to the date of repayment.
6 Such amount shall be restored by him and shall be credited
7 with statutory interest as such payments are restored.

8 * * *

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

18 (1) an application for the return of total accumulated
19 deductions;

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

24 (3) an application for an immediate annuity and, if he
25 desires:

26 (i) an election to convert his medical, major
27 medical and hospitalization insurance coverage to the
28 plan for State annuitants; and

29 (ii) if he is a joint coverage member, an election
30 to become a full coverage member and an agreement to pay

1 within 30 days of date of termination of service the lump
2 sum required.

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

15 * * *

16 (e.2) Notification to inactive participants approaching
17 required beginning date.--The board shall notify each inactive
18 participant who has terminated State service and had not
19 commenced distribution by 90 days before the participant's
20 required beginning date in writing that the participant has an
21 obligation to commence distributions by his required beginning
22 date in a form and manner required by IRC § 401(a)(9) and other
23 applicable provisions of the IRC.

24 * * *

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

28 (g) Death benefits.--Upon receipt of notification from the
29 head of a department of the death of an active member, a member
30 performing USERRA leave [or], a member on leave without pay, an

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

26 * * *

27 § 5906. Duties of heads of departments.

28 (a) Status of members and participants.--The head of
29 department shall, at the end of each pay period, notify the
30 board in a manner prescribed by the board of salary changes

1 effective during that period for any members and participants of
2 the department, the date of all removals from the payroll, and
3 the type of leave of any members and participants of the
4 department who have been removed from the payroll for any time
5 during that period, and:

6 * * *

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

11 (i) in the case of death of the member or
12 participant the head of the department shall so notify
13 the board;

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

27 (iii) in the case of a member terminating from The
28 Pennsylvania State University who is a member of the
29 system with five or more but less than ten eligibility
30 points and who has terminated State service on June 30,

1 1997, because of the transfer of his job position or
2 duties to a controlled organization of the Penn State
3 Geisinger Health System or because of the elimination of
4 his job position or duties due to the transfer of other
5 job positions or duties to a controlled organization of
6 the Penn State Geisinger Health System, the head of the
7 department shall so certify to the board.

8 (b) Records and information.--At any time at the request of
9 the board and at termination of service of a member or a
10 participant, the head of department shall furnish service and
11 compensation records and such other information as the board may
12 require and shall maintain and preserve such records as the
13 board may direct for the expeditious discharge of its duties.

14 * * *

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

17 (1) Cause the mandatory pickup participant contributions
18 on behalf of a participant to be made.

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

21 (3) Notify the board at times and in a manner prescribed
22 by the board of the compensation of any participant to whom
23 the limitation under IRC § 401(a)(17) either applies or is
24 expected to apply and cause such participant's contributions
25 to be deducted from payroll to cease at the limitation under
26 IRC § 401(a)(17) on the payroll date if and when such limit
27 shall be reached.

28 (4) Certify to the State Treasurer the amounts picked up
29 and deducted and the employer defined contributions being
30 made and send the total amount picked up, deducted and

1 contributed together with a duplicate of such voucher to the
2 secretary of the board every pay period or on such schedule
3 as established by the board.

4 (d) New employees subject to mandatory membership or
5 participation.--Upon the assumption of duties of each new State
6 employee whose membership in the system or plan is mandatory,
7 the head of department shall cause an application for membership
8 or participation and a nomination of beneficiary to be made by
9 such employee and filed with the board and shall make pickup
10 contributions or mandatory pickup participant contributions from
11 the effective date of State employment.

12 (e) New employees subject to optional membership or
13 participation.--The head of department shall, upon the
14 employment or entering into office of any State employee whose
15 membership in the system or participation in the plan is not
16 mandatory, inform such employee of his opportunity to become a
17 member of the system or participant in the plan. If such
18 employee so elects, the head of department shall cause an
19 application for membership and a nomination of beneficiary to be
20 made by him and filed with the board and shall cause proper
21 contributions to be made from the effective date of membership
22 or participation.

23 * * *

24 (g) Former school employee contributors.--The head of
25 department shall, upon the employment of a former contributor to
26 the Public School Employees' Retirement System who is not an
27 annuitant of the Public School Employees' Retirement System,
28 advise such employee of his right to elect within 365 days of
29 entry into the system to become a multiple service member, and
30 in the case of any such employee who so elects and has withdrawn

1 his accumulated deductions, require him to reinstate his credit
2 in the Public School Employees' Retirement System. The head of
3 the department shall advise the board of such election. This
4 subsection shall not apply to a State employee who is employed
5 in a position where he is or may be a participant in the plan.

6 (h) Former school employee annuitants.--The head of
7 department shall, upon the employment of an annuitant of the
8 Public School Employees' Retirement System who applies for
9 membership in the system, advise such employee that he may elect
10 multiple service membership within 365 days of entry into the
11 system and if he so elects his public school employee's annuity
12 will be discontinued effective upon the date of his return to
13 State service and, upon termination of State service and
14 application for an annuity, the annuity will be adjusted in
15 accordance with section 5706 (relating to termination of
16 annuities). The head of department shall advise the board of
17 such election. This subsection shall not apply to a State
18 employee who is employed in a position where he is or may be a
19 participant in the plan.

20 (i) Annual statement to members.--Annually, upon receipt
21 from the board, the head of department shall furnish to each
22 member the statement specified in section 5903(b) (relating to
23 duties of the board to advise and report to heads of departments
24 [and], members and participants).

25 * * *

26 (l) State employees performing USERRA or military-related
27 leave of absence.--The head of department shall report to the
28 board any State employee who ceases to be an active member or
29 active participant to perform USERRA service, or who is granted
30 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves

1 of absence for certain government employees) or a military leave
2 of absence under 51 Pa.C.S. § 7302 (relating to granting
3 military leaves of absence), the date on which the USERRA
4 service, leave of absence or military leave of absence began,
5 the date on which the State employee is reemployed from USERRA
6 leave or returns after the leave of absence or military leave of
7 absence, if the event occurs, and any other information the
8 board may require or direct.

9 * * *

10 (n) Obligation of educational institutions to report
11 participation and compensation of employees in independent
12 retirement programs.--The Pennsylvania State University, the
13 State System of Higher Education, State-owned educational
14 institutions and community colleges shall report to the board
15 the compensation and other information as the board may request
16 for the application and administration of sections 5507.1
17 (relating to contributions to system by the Commonwealth and
18 other employers starting July 1, 2016) and 5508.1(c) and (d)
19 (relating to actuarial cost method for fiscal years beginning
20 July 1, 2016, or later) of employees who are participants or
21 members in the Public School Employees' Retirement System,
22 School Employees' Defined Contribution Plan or independent
23 retirement programs approved by the employer.

24 § 5907. Rights and duties of State employees [and], members and
25 participants.

26 (a) Information on new employees.--Upon his assumption of
27 duties each new State employee shall furnish the head of
28 department with a complete record of his previous State service,
29 his school service or creditable nonstate service, and proof of
30 his date of birth and current status in the system and the plan

1 and in the Public School Employees' Retirement System and the
2 School Employees' Defined Contribution Plan. Willful failure to
3 provide the information required by this subsection to the
4 extent available upon entrance into the system shall result in
5 the forfeiture of the right of the member to subsequently assert
6 any right to benefits based on any of the required information
7 which he failed to provide. In any case in which the board finds
8 that a member is receiving an annuity based on false
9 information, the total amount received predicated on such false
10 information together with statutory interest doubled and
11 compounded shall be deducted from the present value of any
12 remaining benefits to which the member is legally entitled.

13 * * *

14 (b.1) Application for participation.--On or after January 1,
15 2016, in the case of a new employee who is not currently a
16 participant in the plan and whose participation is mandatory or
17 in the case of a new employee whose participation is not
18 mandatory but is permitted and who desires to become a
19 participant in the plan, the new employee shall execute an
20 application for participation and a nomination of a beneficiary.

21 * * *

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

1 within the allowed time period, the head of the department shall
2 make the corresponding employer defined contributions at the
3 same time.

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

11 (e) Beneficiary for death benefits from the system.--Every
12 member shall nominate a beneficiary by written designation filed
13 with the board as provided in section 5906(d) or (e) (relating
14 to duties of heads of departments) to receive the death benefit
15 payable under section 5707 (relating to death benefits) or the
16 benefit payable under the provisions of Option 1 of section
17 5705(a) (1) (relating to member's options). Such nomination may
18 be changed at any time by the member by written designation
19 filed with the board. A member may also nominate a contingent
20 beneficiary or beneficiaries to receive the death benefit
21 provided under section 5707 or the benefit payable under the
22 provisions of Option 1 of section 5705(a) (1).

23 (e.1) Beneficiary for death benefits from the plan.--Every
24 participant shall nominate a beneficiary by written designation
25 filed with the board as provided in section 5906(d) or (e) to
26 receive the death benefit payable under section 5408 (relating
27 to death benefits). A participant may also nominate a contingent
28 beneficiary or beneficiaries to receive the death benefit
29 provided under section 5408. Such nomination may be changed at
30 any time by the participant by written designation filed with

1 the board.

2 (f) Termination of service by members.--Each member who
3 terminates State service and who is not then a disability
4 annuitant shall execute on or before the date of termination of
5 service the appropriate application, duly attested by the member
6 or his legally constituted representative, electing to:

7 (1) withdraw his total accumulated deductions; or

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

12 (3) receive an immediate annuity and may,

13 (i) if eligible, elect to convert his medical, major
14 medical, and hospitalization coverage to the plan for
15 State annuitants; and

16 (ii) if he is a joint coverage member, elect to
17 become a full coverage member and agree to pay within 30
18 days of date of termination of service the lump sum
19 required.

20 * * *

21 (g.1) Deferral of retirement rights.--If a participant
22 terminates State service and does not commence receiving a
23 distribution, he shall nominate a beneficiary, and he may
24 anytime thereafter, but no later than his required beginning
25 date, withdraw the accumulated total defined contributions
26 standing to his credit or apply for another form of distribution
27 required by law or authorized by the board.

28 (h) Vestees and special vestees attaining superannuation
29 age.--Upon attainment of superannuation age a vestee or special
30 vestee shall execute and file an application for an annuity. Any

1 such application filed within 90 days after attaining
2 superannuation age shall be effective as of the date of
3 attainment of superannuation age. Any application filed after
4 such period shall be effective as of the date it is filed with
5 the board, subject to the provisions of section 5905(f)
6 (relating to duties of the board regarding applications and
7 elections of members and participants). If a vestee or special
8 vestee does not file an application within seven years after
9 attaining superannuation age, he shall be deemed to have elected
10 to receive his total accumulated deductions upon attainment of
11 superannuation age.

12 * * *

13 Section 320. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,
14 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

15 § 5931. Management of fund and accounts.

16 * * *

17 (b) Crediting of interest.--The board, annually, shall allow
18 the required interest on the mean amount for the preceding year
19 to the credit of each of the accounts other than the individual
20 investment accounts. The amount so allowed shall be credited
21 thereto by the board and transferred from the interest reserve
22 account.

23 * * *

24 § 5932. State Employees' Retirement Fund.

25 The fund shall consist of all balances in the several
26 separate accounts set apart to be used under the direction of
27 the board for the benefit of members of the system; and the
28 Treasury Department shall credit to the fund all moneys received
29 from the Department of Revenue arising from the contributions
30 relating to or on behalf of members of the system required under

1 the provisions of Chapter 55 (relating to contributions), and
2 any income earned by the investments or moneys of said fund.
3 There shall be established and maintained by the board the
4 several ledger accounts specified in sections 5933 (relating to
5 members' savings account), 5934 (relating to State accumulation
6 account), 5935 (relating to annuity reserve account), 5936
7 (relating to State Police benefit account), 5937 (relating to
8 enforcement officers' benefit account), 5938 (relating to
9 supplemental annuity account) and 5939 (relating to interest
10 reserve account). The individual investment accounts that are
11 part of the trust shall not be part of the fund. Mandatory
12 pickup participant contributions, voluntary contributions and
13 employer defined contributions made under this part and any
14 income earned by the investment of such contributions shall not
15 be paid or credited to the fund but shall be paid to the trust
16 and credited to the individual investment accounts.

17 § 5934. State accumulation account.

18 The State accumulation account shall be the ledger account to
19 which shall be credited all contributions of the Commonwealth or
20 other employers whose employees are members of the system and
21 made in accordance with the provisions of [section 5507(a) or
22 (d) (relating to contributions by the Commonwealth and other
23 employers)] sections 5507(a) or (d) (relating to contributions
24 to system by the Commonwealth an other employers before July 1,
25 2016) and 5507.1 (relating to contributions to system by the
26 Commonwealth and other employers starting July 1, 2016) except
27 that the amounts received under the provisions of the act of May
28 12, 1943 (P.L.259, No.120), and the amounts received under the
29 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,
30 No.21), shall be credited to the State Police benefit account or

1 the enforcement officers' benefit account as the case may be.
2 All amounts transferred to the fund by county retirement systems
3 or pension plans in accordance with the provisions of section
4 5507(c) also shall be credited to the State accumulation
5 account. All amounts transferred to the fund by the Public
6 School Employees' Retirement System in accordance with section
7 5303.2(e) (relating to election to convert school service to
8 State service), except amounts credited to the members' savings
9 account, and all amounts paid by the Department of Corrections
10 in accordance with section 5303.2(f) also shall be credited to
11 the State accumulation account. The State accumulation account
12 shall be credited with valuation interest. The reserves
13 necessary for the payment of annuities and death benefits
14 resulting from membership in the system as approved by the board
15 and as provided in Chapter 57 (relating to benefits) shall be
16 transferred from the State accumulation account to the annuity
17 reserve account provided for in section 5935 (relating to
18 annuity reserve account), except that the reserves necessary on
19 account of a member who is an officer of the Pennsylvania State
20 Police or an enforcement officer shall be transferred from the
21 State accumulation account to the State Police benefit account
22 provided for in section 5936 (relating to State Police benefit
23 account) or to the enforcement officers' benefit account as
24 provided for in section 5937 (relating to enforcement officers'
25 benefit account) as the case may be. The reserves necessary for
26 the payment of supplemental annuities in excess of those
27 reserves credited to the supplemental annuity account on June
28 30, 2010, shall be transferred from the State accumulation
29 account to the supplemental annuity account. In the event that
30 supplemental annuities are increased by legislation enacted

1 after December 31, 2009, the necessary reserves shall be
2 transferred from the State accumulation account to the
3 supplemental annuity account.

4 § 5935. Annuity reserve account.

5 (a) Credits and charges to account.--The annuity reserve
6 account shall be the ledger account to which shall be credited
7 the reserves held for payment of annuities and death benefits on
8 account of all annuitants except in the case of members who are
9 officers of the Pennsylvania State Police or enforcement
10 officers. The annuity reserve account shall be credited with
11 valuation interest. After the transfers provided in sections
12 5933 (relating to members' savings account), 5934 (relating to
13 State accumulation account) and 5938 (relating to supplemental
14 annuity account), all annuity and death benefit payments
15 resulting from membership in the system except those payable to
16 any member who retires as an officer of the Pennsylvania State
17 Police or an enforcement officer shall be charged to the annuity
18 reserve account and paid from the fund.

19 (b) Transfers from account.--Should an annuitant other than
20 a member who was retired as an officer of the Pennsylvania State
21 Police or an enforcement officer be subsequently restored to
22 active service as a member of the system or as a participant in
23 the plan, the present value of his member's annuity at the time
24 of reentry into State service shall be transferred from the
25 annuity reserve account and placed to his individual credit in
26 the members' savings account. In addition, the actuarial reserve
27 for his annuity less the amount transferred to the members'
28 savings account shall be transferred from the annuity reserve
29 account to the State accumulation account.

30 § 5936. State Police benefit account.

1 (a) Credits and charges to account.--The State Police
2 benefit account shall be the ledger account to which shall be
3 credited all contributions received under the provisions of the
4 act of May 12, 1943 (P.L.259, No.120), and any additional
5 Commonwealth or other employer contributions provided for in
6 [section 5507 (relating to contributions by the Commonwealth and
7 other employers)] sections 5507 (relating to contributions to
8 system by the Commonwealth and other employers before July 1,
9 2016) and 5507.1 (relating to contributions to system by the
10 Commonwealth and other employers starting July 1, 2016) which
11 are creditable to the State Police benefit account. The State
12 Police benefit account shall be credited with the required
13 interest. In addition, upon the filing of an application for an
14 annuity by a member who is an officer of the Pennsylvania State
15 Police, the total accumulated deductions standing to the credit
16 of the member in the members' savings account and the necessary
17 reserves from the State accumulation account shall be
18 transferred to the State Police benefit account. Thereafter, the
19 total annuity of such annuitant shall be charged to the State
20 Police benefit account and paid from the fund.

21 (b) Transfers from account.--Should the said annuitant be
22 subsequently restored to active service as a member of the
23 system or as a participant in the plan, the present value of the
24 member's annuity at the time of reentry into State service shall
25 be transferred from the State Police benefit account and placed
26 to his individual credit in the members' savings account. In
27 addition, the actuarial reserve for his annuity calculated as if
28 he had been a member of Class A if he has Class A or Class C
29 service credited; as if he had been a member of Class A-3 if the
30 annuitant has Class A-3 State service credited; or as if he had

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

9 § 5937. Enforcement officers' benefit account.

10 (a) Credits and charges to account.--The enforcement
11 officers' benefit account shall be the ledger account to which
12 shall be credited moneys transferred from the enforcement
13 officers' retirement account in the State Stores Fund according
14 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
15 known as the Liquor Code, and any additional Commonwealth or
16 other employer contributions provided for in [section 5507
17 (relating to contributions by the Commonwealth and other
18 employers)] sections 5507 (relating to contributions to system
19 by the Commonwealth and other employers before July 1, 2016) and
20 5507.1 (relating to contributions to system by the Commonwealth
21 and other employers starting July 1, 2016) which are creditable
22 to the enforcement officers' benefit account. The enforcement
23 officers' benefit account shall be credited with the required
24 interest. In addition, upon the filing of an application for an
25 annuity by a member who is an enforcement officer of the
26 Pennsylvania Liquor Control Board, the total accumulated
27 deductions standing to the credit of the member in the members'
28 savings account and the necessary reserves from the State
29 accumulation account shall be transferred to the enforcement
30 officers' benefit account. Thereafter, the total annuity of such

1 annuitant shall be charged to the enforcement officers' benefit
2 account and paid from the fund.

3 (b) Transfers from account.--Should the said annuitant be
4 subsequently restored to active service as a member of the
5 system or as a participant in the plan, the present value of the
6 member's annuity at the time of reentry into State service shall
7 be transferred from the enforcement officers' benefit account
8 and placed to his individual credit in the members' savings
9 account. In addition, the actuarial reserve for his annuity
10 calculated as if he had been a member of Class A if the
11 annuitant does not have any Class AA, Class A-3 or Class A-4
12 service credited; as if he had been a member of Class AA if the
13 annuitant does have Class AA service credited; as if he had been
14 a member of Class A-3 if the annuitant has Class A-3 State
15 service credited; or as if he had been a member of Class A-4 if
16 the annuitant has Class A-4 service credited, less the amount
17 transferred to the members' savings account shall be transferred
18 from the enforcement officers' benefit account to the State
19 accumulation account. Upon subsequent retirement other than as
20 an enforcement officer the actuarial reserve remaining in the
21 enforcement officers' benefit account shall be transferred to
22 the appropriate reserve account.

23 § 5938. Supplemental annuity account.

24 The supplemental annuity account shall be the ledger account
25 to which shall be credited all contributions from the
26 Commonwealth and other employers in accordance with section
27 5507(b) [(relating to contributions by the Commonwealth and
28 other employers)] (relating to contributions to system by the
29 Commonwealth and other employers before July 1, 2016) for the
30 payment of the supplemental annuities provided in sections 5708

1 (relating to supplemental annuities), 5708.1 (relating to
2 additional supplemental annuities), 5708.2 (relating to further
3 additional supplemental annuities), 5708.3 (relating to
4 supplemental annuities commencing 1994), 5708.4 (relating to
5 special supplemental postretirement adjustment), 5708.5
6 (relating to supplemental annuities commencing 1998), 5708.6
7 (relating to supplemental annuities commencing 2002), 5708.7
8 (relating to supplemental annuities commencing 2003) and 5708.8
9 (relating to special supplemental postretirement adjustment of
10 2002) made before July 1, 2010, the amount transferred from the
11 State accumulation account to provide all additional reserves
12 necessary as of June 30, 2010, to pay such supplemental
13 annuities and adjustments, and the amounts transferred from the
14 State accumulation account to provide all additional reserves
15 necessary as a result of supplemental annuities enacted after
16 December 31, 2009. The supplemental annuity account shall be
17 credited with valuation interest. The reserves necessary for the
18 payment of such supplemental annuities shall be transferred from
19 the supplemental annuity account to the annuity reserve account
20 as provided in section 5935 (relating to annuity reserve
21 account).

22 § 5939. Interest reserve account.

23 The interest reserve account shall be the ledger account to
24 which shall be credited all income earned by the fund and to
25 which shall be charged all administrative and investment
26 expenses incurred by the fund. At the end of each year the
27 required interest shall be transferred from the interest reserve
28 account to the credit of each of the accounts of the fund in
29 accordance with the provisions of this subchapter. In addition,
30 at the end of each accounting period, the interest reserve

1 account shall be credited or charged with all recognized changes
2 in the market valuation of the investments of the fund. The
3 administrative and investment expenses of the board relating to
4 the administration of the system and investments of the fund
5 shall be paid from the fund out of earnings. Any surplus or
6 deficit in the interest reserve account at the end of each year
7 shall be transferred to the State accumulation account.

8 § 5951. State guarantee regarding the State Employees'
9 Retirement System.

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

20 § 5953. Taxation, attachment and assignment of funds.

21 (a) General rule.--

22 (1) Except as provided in paragraphs (2), (3) [and], (4)
23 and (5), the right of a person to any benefit or right
24 accrued or accruing under the provisions of this part and the
25 moneys in the fund and the trust are hereby exempt from any
26 State or municipal tax, levy and sale, garnishment,
27 attachment, spouse's election, the provisions of Article
28 XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known
29 as The Fiscal Code, or any other process whatsoever, and no
30 participant or beneficiary, successor payee or alternate

1 payee of a participant shall have the ability to commute,
2 sell, assign, alienate, anticipate, mortgage, pledge,
3 hypothecate, commutate or otherwise transfer or convey any
4 benefit or interest in an individual investment account or
5 rights to receive or direct distributions under this part or
6 under agreements entered into under this part except as
7 otherwise provided in this part and in the case of either a
8 member or a participant except for a set-off by the
9 Commonwealth in the case provided in subparagraph (i), and
10 shall be unassignable except:

11 (i) To the Commonwealth in the case of a member or
12 participant who is terminating State service and has been
13 determined to be obligated to the Commonwealth for the
14 repayment of money owed on account of his employment or
15 to the fund on account of a loan from a credit union to a
16 member which has been satisfied by the board from the
17 fund.

18 (ii) To a credit union as security for a loan to a
19 member not to exceed \$750 and interest not to exceed 6%
20 per annum discounted and/or fines thereon if the credit
21 union is now or hereafter organized and incorporated
22 under the laws of this Commonwealth and the membership of
23 such credit union is limited solely to officials and
24 employees of the Commonwealth and if such credit union
25 has paid to the fund \$3 for each such assignment.

26 (2) Rights under this part shall be subject to
27 forfeiture as provided by the act of July 8, 1978 (P.L.752,
28 No.140), known as the Public Employee Pension Forfeiture Act,
29 and by or pursuant to section 16(b) of Article V of the
30 Constitution of Pennsylvania. Forfeitures under this

1 subsection or under any other provision of law may not be
2 applied to increase the benefits that any member would
3 otherwise receive under this part. Notwithstanding this
4 paragraph, 42 Pa.C.S. § 3352 (relating to pension rights),
5 the Public Employee Pension Forfeiture Act or section 16(b)
6 of Article V of the Constitution of Pennsylvania, the
7 accumulated mandatory participant contributions and
8 accumulated voluntary contributions standing to the credit of
9 a participant shall not be forfeited but shall be available
10 for payment of fines and restitution as provided by law.
11 Furthermore, amounts in the trust that have been ordered to
12 be distributed to an alternate payee as the result of an
13 equitable distribution of marital property as part of an
14 approved domestic relations order entered before the date of
15 the order or action in a court or other tribunal resulting in
16 a forfeiture of a participant's interest in the trust shall
17 not be subject to 42 Pa.C.S. § 3352, the Public Employee
18 Pension Forfeiture Act or section 16(b) of Article V of the
19 Constitution of Pennsylvania. Any accumulated employer
20 defined contributions forfeited as a result of this paragraph
21 or other law shall be retained by the board and used for the
22 payment of expenses of the plan.

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

26 (4) Effective with distributions made on or after
27 January 1, 1993, and notwithstanding any other provision of
28 this part to the contrary, a distributee may elect, at the
29 time and in the manner prescribed by the board, to have any
30 portion of an eligible rollover distribution paid directly to

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

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

24 (1) In the case of a member or participant who is
25 terminating service, the amount determined after
26 certification by the head of the department that the member
27 or participant is so obligated, and after review and approval
28 by the department or agency's legal representative or upon
29 receipt of an assignment from the member or participant in
30 the amount so certified[.], except that no payment shall be

1 made from the individual investment account of a participant
2 until the participant otherwise applies for and receives a
3 distribution and shall not exceed the amount of the
4 distribution.

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

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

12 (ii) at such time as the Department of Banking shall
13 require the credit union to charge the amount of the loan
14 against the reserve fund of such credit union.

15 Any member who shall have pledged such rights as security
16 for a loan from a credit union and, on whose behalf the board
17 shall have made any payment by reason of that member's
18 default, may not thereafter pledge or assign such rights to a
19 credit union.

20 (3) In the case of a participant whose former spouse is
21 an alternate payee of an equitable distribution of marital
22 assets under an approved domestic relations order, a lump sum
23 of the alternate payee's interest in the participant's
24 accumulated total defined contributions. This paragraph
25 applies without regard to whether the participant has not
26 terminated, is terminating or has terminated State service.

27 Section 321. Section 5953.1(a) introductory paragraph and
28 (1), (b), (c) and (d) of Title 71 are amended and the section is
29 amended by adding a subsection to read:

30 § 5953.1. Approval of domestic relations orders.

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

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

9 * * *

10 (a.1) Certification regarding participants.--A domestic
11 relations order pertaining to a participant shall be certified
12 as an approved domestic relations order by the secretary of the
13 board or his designated representative only if that order meets
14 all of the following:

15 (1) Does not require the plan to provide any type or
16 form of benefit or any option applicable to members of the
17 system or participants in the plan.

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

22 (3) Does not require the plan to recover or distribute
23 any funds which were distributed to the participant or at the
24 participant's direction prior to the approval of the domestic
25 relations order by the secretary of the board or his
26 designated representative.

27 (4) Requires the plan to pay to the alternate payee no
28 more than the lesser of the amount of the participant's
29 individual investment account specified by the domestic
30 relations order or the amount of the participant's individual

1 investment account as of the date of the transfer of the
2 alternate payee's share to the alternate payee.

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

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

12 (7) Specifies the name and last known mailing address,
13 if any, of the participant and the name and last known
14 mailing address of each alternate payee covered by the order
15 and states that it is the responsibility of each alternate
16 payee to keep a current mailing address on file with the
17 plan.

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

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

1 which is not related to the administration, calculation and
2 payment of alternate payee's share of the participant's
3 individual investment account.

4 (10) In the case of a participant who has not yet begun
5 to receive distributions as of the date the domestic
6 relations order is approved by the secretary of the board or
7 his designated representative, requires the immediate
8 distribution of the alternate payee's share of the
9 participant's individual investment account, which may be by
10 direct payment, eligible rollover or trustee-to-trustee
11 transfer to another eligible plan or qualified account owned
12 by the alternate payee.

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

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

1 payee aggrieved by a decision of the secretary of the board, or
2 his designated representative, shall be the right to an
3 adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A
4 (relating to practice and procedure) with appeal therefrom to
5 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
6 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct
7 appeals from government agencies).

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

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

1 approval or disapproval shall be discharged.

2 Section 322. Sections 5953.2, 5953.3 and 5953.4(a) of Title
3 71 are amended to read:

4 § 5953.2. Irrevocable beneficiary.

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

19 § 5953.3. Irrevocable survivor annuitant.

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

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

5 § 5953.4. Amendment of approved domestic relations orders.

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

12 * * *

13 Section 323. Title 71 is amended by adding a section to
14 read:

15 § 5953.6. Irrevocable successor payee.

16 Notwithstanding any other provisions of this part, a domestic
17 relations order pertaining to a participant may provide for an
18 irrevocable successor payee only if the participant is receiving
19 a payment pursuant to a payment option provided by the board
20 that allows for a successor payee. A domestic relations order
21 requiring the designation of an irrevocable successor payee
22 shall be deemed to be one that requires a participant who is
23 receiving payments from an annuity or other distribution option
24 to designate an alternate payee as a successor payee and that
25 prohibits the removal or change of that successor payee without
26 approval of a court of competent jurisdiction, except by
27 operation of law. Such a domestic relations order may be
28 certified as an approved domestic relations order by the
29 secretary of the board or his designated representative, in
30 which case the irrevocable successor payee so ordered by the

1 court shall not be changed by the participant without approval
2 by the court. A person ineligible to be designated as a
3 successor payee shall not be designated as an irrevocable
4 successor payee. A court shall not name an irrevocable successor
5 payee if the alternate payee is eligible to receive a lump sum
6 distribution of the alternate payee's portion of the marital
7 portion of the pension benefit.

8 Section 324. Sections 5954 and 5955 of Title 71 are amended
9 to read:

10 § 5954. Fraud and adjustment of errors.

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

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

30 § 5955. Construction of part.

1 (a) Exclusive source of rights and benefits.--Regardless of
2 any other provision of law, pension and benefit rights of State
3 employees shall be determined solely by this part or any
4 amendment thereto, and no collective bargaining agreement nor
5 any arbitration award between the Commonwealth and [its] other
6 employers and their employees or their collective bargaining
7 representatives shall be construed to change any of the
8 provisions herein, to require the board to administer pension or
9 retirement benefits not set forth in this part or not
10 established by the board in the plan document, to require the
11 board to modify, amend or change any of the terms and provisions
12 of the plan document, or otherwise require action by any other
13 government body pertaining to pension or retirement benefits or
14 rights of State employees. Notwithstanding the foregoing, any
15 pension or retirement benefits or rights previously so
16 established by or as a result of an arbitration award shall
17 remain in effect after the expiration of the current collective
18 bargaining agreement between the State employees so affected and
19 the Commonwealth until the expiration of each of the collective
20 bargaining agreements in effect on January 1, 2011, at which
21 time the classes of membership and resulting member contribution
22 rates and contributions for creditable nonstate service,
23 eligibility for vesting, withdrawal and superannuation
24 annuities, optional modification of annuities and other terms
25 and conditions related to class of membership shall be as
26 determined by this part for employees covered by those and
27 successor collective bargaining agreements. For purposes of
28 administering this part, for those State employees who are
29 members of each such collective bargaining unit, the date
30 January 1, 2011, contained in this part, except in this section,

1 shall be replaced with the date of the day immediately following
2 the expiration of each such collective bargaining agreement. The
3 provisions of this part insofar as they are the same as those of
4 existing law are intended as a continuation of such laws and not
5 as new enactments. The provisions of this part shall not affect
6 any act done, liability incurred, right accrued or vested, or
7 any suit or prosecution pending or to be instituted to enforce
8 any right or penalty or to punish any offense under the
9 authority of any repealed laws.

10 (b) Officer or member of Pennsylvania State Police.--

11 (1) Notwithstanding a provision of subsection (a) or
12 section 12.1 of the act of November 23, 2010 (P.L. 1269, No.
13 120), regarding the continued effectiveness of pension or
14 retirement benefits or rights previously established by or as
15 a result of a binding arbitration award issued before July 1,
16 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
17 referred to as the Policemen and Firemen Collective
18 Bargaining Act, and implemented by the board, the pension or
19 retirement benefits or rights of a State employee who is a
20 current or former sworn police officer or who becomes a sworn
21 police officer after the effective date of this subsection
22 shall be as provided in this part as if the binding
23 arbitration award was not issued, except as provided under
24 this subsection.

25 (2) A State employee who is a current or former sworn
26 police officer or who becomes a sworn police officer after
27 the effective date of this subsection who:

28 (i) terminates State service before January 1, 2016;

29 or

30 (ii) terminates State service on or after January 1,

1 2016, and does not have service credited in Class A-5
2 shall be eligible to receive the maximum single life annuity,
3 before optional modification under section 5705 (relating to
4 member's options), that the State employee would have been
5 eligible to receive if this subsection had not been enacted.

6 (3) A State employee who is a current or former sworn
7 police officer, or who becomes a sworn police officer after
8 the effective date of this subsection, who has service as a
9 plan participant and who terminates State service on or after
10 January 1, 2016, shall be eligible to receive a maximum
11 single life annuity before optional modification under
12 section 5705 equal to the maximum single life annuity that
13 the State employee would have been eligible to receive
14 without regard to any eligibility points, service credit,
15 compensation or contributions attributable to service as a
16 plan participant.

17 (4) Any benefit resulting from participation in the plan
18 shall be in addition to any benefit a sworn police officer may
19 be eligible to receive as a plan participant.

ARTICLE IV

TRANSITIONAL PROVISIONS

Section 401. The following apply:

(1) The following provisions shall not create in any member of the School Employees' Retirement System or participant in the School Employees' Defined Contribution Plan or in any other person claiming an interest in the account of the member or participant a contractual right, either express or implied, in the provisions or in any construction of 24 Pa.C.S. Pt. IV or 51 Pa.C.S., as so amended or supplemented, or any rules or regulations adopted

1 under 24 Pa.C.S. Pt. IV or 51 Pa.C.S.:

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

5 (A) qualification of the School Employees'
6 Defined Contribution Plan as a qualified pension plan
7 under the Internal Revenue Code of 1986 (Public Law
8 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance
9 with the Uniformed Services Employment and
10 Reemployment Rights Act of 1994 (Public Law 103-353,
11 108 Stat. 3149);

12 (B) contributions to, participation in or
13 benefits from the School Employees' Defined
14 Contribution Plan or School Employees' Defined
15 Contribution Trust; and

16 (C) domestic relations orders regarding
17 alternate payees of participants in the Public School
18 Employees' Defined Contribution Plan.

19 (ii) Any construction of 24 Pa.C.S. Pt. IV or 51
20 Pa.C.S., as so amended or supplemented, or any rules or
21 regulations adopted under 24 Pa.C.S. Pt. IV or 51
22 Pa.C.S., or any term or provision of the School
23 Employees' Defined Contribution Plan or School Employees'
24 Defined Contribution Trust, whether established by
25 statute or in the plan document or trust declaration.

26 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
27 subject to the Internal Revenue Code of 1986 and the
28 Uniformed Services Employment and Reemployment Rights Act of
29 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
30 under those statutes, and the General Assembly reserves to

1 itself such further exercise of its legislative power to
2 amend or supplement such provisions as may from time to time
3 be required in order to maintain the qualification of the
4 system as a qualified pension plan under section 401(a) and
5 other applicable provisions of the Internal Revenue Code of
6 1986 and the Uniformed Services Employment and Reemployment
7 Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

8 (3) Nothing in this act which amends or supplements
9 provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV in
10 relation to requirements:

11 (i) for qualification of the State Employees'
12 Defined Contribution Plan as a qualified pension plan
13 under the Internal Revenue Code of 1986 (Public Law 99-
14 514, 26 U.S.C. § 1 et seq.) or compliance with 38 U.S.C.
15 Ch. 43 (relating to employment and reemployment rights of
16 members of the uniformed services);

17 (ii) for contributions to, participation in or
18 benefits from the State Employees' Defined Contribution
19 Plan or State Employees' Defined Contribution Trust; or

20 (iii) for domestic relations orders regarding
21 alternate payees of participants in the State Employees'
22 Defined Contribution Plan;

23 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as
24 so amended or supplemented, or any rules or regulations
25 adopted under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term
26 or provision of the State Employees' Defined Contribution
27 Plan or State Employees' Defined Contribution Trust, whether
28 established by statute or in the plan document or trust
29 declaration, shall create in any member of the State
30 Employees' Retirement System or participant in the State

1 Employees' Defined Contribution Plan or in any other person
2 claiming an interest in the account of any such member or
3 participant a contractual right, either express or implied,
4 in such provisions nor in any construction of 51 Pa.C.S. §
5 7306 or 71 Pa.C.S. Pt. XXV, as so amended or supplemented, or
6 any rules or regulations adopted under 51 Pa.C.S. or 71
7 Pa.C.S. Pt. XXV.

8 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
9 subject to the Internal Revenue Code of 1986 and 38 U.S.C.
10 Ch. 43 and regulations thereunder, and the General Assembly
11 reserves to itself such further exercise of its legislative
12 power to amend or supplement such provisions as may from time
13 to time be required in order to maintain the qualification of
14 such system as a qualified pension plan under section 401(a)
15 and other applicable provisions of the Internal Revenue Code
16 of 1986 and 38 U.S.C. Ch. 43.

17 Section 402. References in this act to the Internal Revenue
18 Code of 1986 or 38 U.S.C. Ch. 43, or administrative regulations
19 promulgated thereunder, are intended to include such laws and
20 regulations in effect on the effective date of this act and as
21 they may hereafter be amended or supplemented or supplanted by
22 successor provisions.

23 Section 403. Nothing in this act shall be construed or
24 deemed to imply that, but for the expressed applications of the
25 limitations on benefits or other requirements under section
26 401(a) or applicable provisions of the Internal Revenue Code of
27 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.) to
28 participants in the School Employees' Defined Contribution Plan,
29 those limitations would not otherwise apply to such participants
30 or to members of the Public School Employees' Retirement System

1 and the benefits payable pursuant to 24 Pa.C.S. Pt. IV.

2 Section 404. Nothing in this act shall be construed or
3 deemed to imply that, but for the expressed applications of the
4 limitations on benefits or other requirements under section
5 401(a) or other applicable provisions of the Internal Revenue
6 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.), those
7 limitations would not otherwise apply to such participants or to
8 members of the State Employees' Retirement System and the
9 benefits payable under 71 Pa.C.S. Pt. XXV.

10 Section 405. (a) Notwithstanding any provisions of this act
11 to the contrary, no contributions or benefit related to the
12 State Employees' Defined Contribution Plan or the School
13 Employee's Defined Contribution Plan shall be made or payable to
14 the extent that such contributions or benefits exceed any
15 limitation under section 415 of the Internal Revenue Code of
16 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect
17 with respect to governmental plans as such term is defined in
18 section 414(d) of the Internal Revenue Code of 1986 on the date
19 the contributions or benefit payment becomes effective. Any
20 increase in any limitation under section 415 of the Internal
21 Revenue Code of 1986 shall be applicable to all current and
22 future participants.

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

1 section, any future increase in benefits for any participants in
2 the State Employee's Defined Contribution Plan or the School
3 Employee's Defined Contribution Plan are intended to be
4 applicable to the fullest extent allowed by law and this section
5 authorizes any such increases in limitations or allowable
6 benefits.

7 Section 406. Nothing in this act shall be construed or
8 deemed to imply that any calculation or actuarial method used by
9 the Public School Employees' Retirement Board, its actuaries or
10 the Public School Employees' Retirement System was not in
11 accordance with the provisions of the 24 Pa.C.S. Pt. IV or other
12 applicable law prior to the effective date of this section.

13 Section 407. Nothing in this act shall be construed or
14 deemed to imply that any calculation or actuarial method used by
15 the State Employees' Retirement Board, its actuaries or the
16 State Employees' Retirement System was not in accordance with
17 the provisions of the State Employees' Retirement Code or other
18 applicable law prior to the effective date of this section.

19 Section 408. Nothing in this act shall be construed or
20 deemed to imply that any interpretation or application of the
21 provisions of 24 Pa.C.S. Pt. IV or benefits available to members
22 of the Public School Employees' Retirement System was not in
23 accordance with the provisions of 24 Pa.C.S. Pt. IV or other
24 applicable law, including the Internal Revenue Code of 1986
25 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed
26 Services Employment and Reemployment Rights Act of 1994 (Public
27 Law 103-353, 108 Stat. 3149) prior to the effective date of this
28 section.

29 Section 409. Nothing in this act shall be construed or
30 deemed to imply that any interpretation or application of the

1 provisions of 71 Pa.C.S. Pt. XXV or benefits available to
2 members of the State Employees' Retirement System was not in
3 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other
4 applicable law, including the Internal Revenue Code of 1986
5 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43
6 (relating to employment and reemployment rights of members of
7 the uniformed services), prior to the effective date of this
8 section.

9 Section 410. This act shall be construed and administered in
10 such a manner that the Public School Employees' Retirement
11 System and the School Employees' Defined Contribution Plan will
12 satisfy the requirements necessary to qualify as a qualified
13 pension plan under section 401(a) and other applicable
14 provisions of the Internal Revenue Code of 1986 (Public Law 99-
15 514, 26 U.S.C. § 1 et seq.) and the Uniformed Services
16 Employment and Reemployment Rights Act of 1994 (Public Law 103-
17 353, 108 Stat. 3149). The rules, regulations and procedures
18 adopted and promulgated by the Public School Employees'
19 Retirement Board, and the terms and conditions of the plan
20 document and trust declaration adopted by the Public School
21 Employees' Retirement Board, may include those necessary to
22 accomplish the purpose of this section.

23 Section 411. This act shall be construed and administered in
24 such a manner that the State Employees' Retirement System and
25 the State Employees' Defined Contribution Plan will satisfy the
26 requirements necessary to qualify as a qualified pension plan
27 under section 401(a) and other applicable provisions of the
28 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1
29 et seq.) and 38 U.S.C. Ch. 43 (relating to employment and
30 reemployment rights of members of the uniformed services). The

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

6 Section 412. The following apply:

7 (1) If the application of any provision of this act to
8 any person is held invalid, the invalidity shall not affect
9 the application of this act to any other person, but the
10 entire act shall be invalid as to the person to whom part of
11 it was invalid.

12 (2) In the event that a school employee's participation
13 in the School Employees' Defined Contribution Plan is
14 declared invalid, the affected school employee shall return
15 to the School Employees' Defined Contribution Trust any
16 distributions and shall be granted status and service credit
17 in the Public School Employees' Retirement System and shall
18 be required to make all contributions to the Public School
19 Employees' Retirement Fund as if this act had not been
20 enacted. The affected school employee's accumulated mandatory
21 participant contributions and accumulated voluntary
22 contributions shall be transferred to the affected employee's
23 member savings account to the extent necessary to fund that
24 account with the member contributions and interest that would
25 have been standing to the member's account had this act not
26 been passed. Any remaining balance shall be refunded to the
27 school employee who shall be responsible for paying to the
28 fund in a manner and time determined by the Public School
29 Employees' Retirement Board any additional funds required if
30 the accumulated mandatory participant contributions and

1 accumulated voluntary contributions were not sufficient. The
2 accumulated employer defined contributions shall be
3 transferred to the State accumulation account, and no further
4 amount shall be due from the employer or refund paid on
5 account of the service performed as a participant.

6 (3) In the event that a State employee's participation
7 in the State Employees' Defined Contribution Plan is declared
8 invalid, the affected State employee shall return to the
9 State Employees' Defined Contribution Trust any distributions
10 and shall be granted the status and service credit in the
11 State Employees' Retirement System and shall be required to
12 make all contributions to the State Employees' Retirement
13 Fund as if this act had not been enacted. The affected State
14 employee's accumulated mandatory participant contributions
15 and accumulated voluntary contributions shall be transferred
16 to the affected employee's member savings account to the
17 extent necessary to fund that account with the member
18 contributions and interest that would have been standing to
19 the member's account had this act not been enacted. Any
20 remaining balance shall be refunded to the State employee,
21 who shall be responsible for paying to the fund in a manner
22 and time determined by the State Employees' Retirement Board
23 any additional funds required if the accumulated mandatory
24 participant contributions and accumulated voluntary
25 contributions were not sufficient. The accumulated employer
26 defined contributions shall be transferred to the State
27 accumulation account and no further amount shall be due from
28 the employer or refund paid.

29 Section 413. Nothing in this act shall be construed or
30 deemed to imply that the release or making public of any record,

1 material or data described in 71 Pa.C.S. § 5902(e) (2) as not
2 being a public record is a violation of the State Employees'
3 Retirement Board's fiduciary duties.

4 Section 414. (a) Notwithstanding any other provision of
5 law, any change in accrued liability of the State Employees'
6 Retirement System created by this act as a result of changes in
7 benefits shall be funded in equal dollar installments over a
8 period of 20 years beginning July 1, 2015. Any change in accrued
9 liability as a result of the amendment of 71 Pa.C.S. §§ 5507 and
10 5508 or the addition of 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be
11 funded in equal dollar installments over a period of 30 years
12 beginning July 1, 2015. Payments required to fund any changes in
13 accrued liability resulting from the provisions of 71 Pa.C.S.
14 Pt. XXV shall be subject to any limits imposed by this act on
15 employer contributions to the State Employees' Retirement
16 System, and shall not be subject to re-amortization for 30 years
17 under 71 Pa.C.S. § 5508.1(c). For purposes of 71 Pa.C.S. §§
18 5501.2, 5507 and 5508, any such changes shall not be considered
19 to be costs added by legislation.

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

22 Section 415. This act shall take effect immediately.