

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, EVANKOVICH, KILLION, KNOWLES, SIMMONS, JAMES, MASSER, FEE, MURT, HENNESSEY, TOOHIL, BARRAR, GILLESPIE, EVERETT, MOUL, ROAE, RAPP, KRIEGER, PHILLIPS-HILL, SCHEMEL AND KLUNK, MARCH 6, 2015

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, MAY 12, 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

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

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

22 ARTICLE I

23 AMENDMENTS TO TITLE 24

24 Section 101. The definitions of "alternate payee,"  
25 "beneficiary," "compensation," "creditable nonschool service,"  
26 "credited service," "date of termination of service,"  
27 "distribution," "domestic relations order," "eligible  
28 annuitants," "final average salary," "inactive member,"  
29 "intervening military service," "irrevocable beneficiary,"  
30 "leave for service with a collective bargaining organization,"  
31 "previous school service," "reemployed from USERRA leave,"  
32 "salary deductions," "USERRA leave" and "valuation interest" in  
33 section 8102 of Title 24 of the Pennsylvania Consolidated  
34 Statutes are amended and the section is amended by adding  
35 definitions to read:

36 § 8102. Definitions.

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

1 \* \* \*

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

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

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

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

23 \* \* \*

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

1 \* \* \*

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

7 \* \* \*

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

15 \* \* \*

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

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

22 \* \* \*

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

26 "Credited service." School or creditable nonschool service  
27 for which the required contributions have been made to the fund,  
28 or for which the contributions otherwise required for such  
29 service were not made solely by reason of any provision of this  
30 part relating to the limitations under section 401(a)(17) or

1 415(b) of the Internal Revenue Code of 1986 (Public Law 99-514,  
2 26 U.S.C. § 401(a)(17) or 415(b)), or for which salary  
3 deductions to the system or lump sum payments have been agreed  
4 upon in writing.

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

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

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

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

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

19 \* \* \*

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

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

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

7 \* \* \*

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

17 \* \* \*

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

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

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

15 \* \* \*

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

28 \* \* \*

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

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

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

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

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

1 obligational service and who becomes a school employee and an  
2 active member of the system within 90 days of the expiration of  
3 such service.

4 \* \* \*

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

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

16 \* \* \*

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

1 reimburse the employer for such salary, wages, pension and  
2 retirement contributions and benefits and other benefits and  
3 seniority.

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

8 \* \* \*

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

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

16 \* \* \*

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

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

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

30 \* \* \*

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

9 \* \* \*

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

13 \* \* \*

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

19 \* \* \*

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

24 \* \* \*

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

29 \* \* \*

30 "Trust." The School Employees' Defined Contribution Trust

1 established under Chapter 84 (relating to school employees'  
2 defined contribution plan).

3 \* \* \*

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

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

16 \* \* \*

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

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

24 § 8103. Construction of part.

25 \* \* \*

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

1 had such unconstitutional provisions not been included.

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

11 (e) Construction.--

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

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

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

1 (f) Applicability.--This part shall apply to a record,  
2 material or data under section 8502(e)(2) notwithstanding  
3 whether:

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

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

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

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

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

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

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

30 Section 104. Sections 8301, 8302(a), (b), (c) and (d),

1 8303.1 and 8304(a) of Title 24 are amended to read:

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

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

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

14 ~~(2) (i) Any school employee [who is not a member of the <--~~

15 (2) [ANY] SUBJECT TO THE PROVISIONS IN SUBSECTION (A.2), <--  
16 ANY SCHOOL EMPLOYEE WHO IS NOT A MEMBER OF THE system and} <--  
17 who is employed on a per diem or hourly basis for less than  
18 80 full-day sessions or 500 hours in any fiscal year or  
19 annuitant who returns to school service under the provisions  
20 of section 8346(b) (relating to termination of annuities).

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

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

1 in such service.

2 (4) [Any] SUBJECT TO THE PROVISIONS IN SUBSECTION (A.2), <--  
3 ANY part-time school employee who has an individual  
4 retirement account pursuant to the Federal act of September  
5 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the  
6 Employee Retirement Income Security Act of 1974.

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

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

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

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

1           (3) Any school employee other than those listed in  
2           subsection (a) (1) who is an active member on June 30, 2016,  
3           and July 1, 2016, shall remain an active member in the  
4           employee's class of service until termination of school  
5           service.

6           (A.2) PER DIEM AND HOURLY EMPLOYEES.--ON OR AFTER JULY 1,     <--  
7           2016, ANY SCHOOL EMPLOYEE WHO IS NOT A MEMBER OF THE SYSTEM AND  
8           WHO IS EMPLOYED ON A PER DIEM OR HOURLY BASIS SHALL BE A  
9           MANDATORY PARTICIPANT IN THE PLAN, UNLESS THE EMPLOYEE IS A  
10          PART-TIME SCHOOL EMPLOYEE WHO HAS AN INDIVIDUAL RETIREMENT  
11          ACCOUNT PURSUANT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT  
12          OF 1974.

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

16          (c) Optional membership in system.--The school employees  
17 categorized in subsection (a) (3) and, if otherwise eligible,  
18 subsection (a) (4) shall have the right to elect membership in  
19 the system before July 1, 2016. Once such election is exercised,  
20 membership shall commence from the original date of eligibility  
21 and shall continue until the termination of such service.

22          (d) Mandatory participation in plan.--Subject to the  
23          exceptions in subsection (a.1), a school employee who first  
24          begins school service on or after July 1, 2016, shall be a  
25          mandatory participant in the plan as a result of such school  
26          service.

27 § 8302. Credited school service.

28          (a) Computation of credited service.--In computing credited  
29 school service of a member for the determination of benefits, a  
30 full-time salaried school employee shall receive one year of

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

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

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

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

9 \* \* \*

10 (c) Cancellation of credited service.--All credited service  
11 in the system shall be cancelled if a member withdraws his  
12 accumulated deductions.

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

16 (1) For purposes of determining whether a member is  
17 eligible to receive credited service in the system for a  
18 period of active military service, other than active duty  
19 service to meet periodic training requirements, rendered  
20 after August 5, 1991, and that began before the effective  
21 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73  
22 (relating to military leave of absence) shall apply to all  
23 individuals who were active members of the system when the  
24 period of military service began, notwithstanding if the  
25 member is not defined as an employee under 51 Pa.C.S. § 7301  
26 (relating to definitions). School employees may not receive  
27 service credit or exercise the options under 51 Pa.C.S. §  
28 7306(a), (b) and (c) (relating to retirement rights) for  
29 military leaves that begin on or after the effective date of  
30 this subsection, except otherwise provided under this

1 subsection.

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

4 (i) A school employee who is reemployed from USERRA  
5 leave as an active member of the system shall be treated  
6 as not having incurred a break in school service by  
7 reason of the USERRA leave and shall be granted  
8 eligibility points as if the school employee had not been  
9 on the USERRA leave. If a school employee who is  
10 reemployed from USERRA leave as an active member of the  
11 system subsequently makes regular member contributions,  
12 shared-risk member contributions and any other member  
13 contributions in the amounts and in the time periods  
14 required by 38 U.S.C. Ch. 43 (relating to employment and  
15 reemployment rights of members of the uniformed services)  
16 and IRC § 414(u) as if the school employee had continued  
17 in his school office or employment and performed school  
18 service and been compensated during the period of USERRA  
19 leave, the school employee shall be granted school  
20 service credit for the period of USERRA leave. The  
21 employee shall have his benefits, rights and obligations  
22 determined under this part as if he was an active member  
23 who performed creditable school 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 member contributions to receive school service  
27 credit for the USERRA leave were determined.

28 (ii) For purposes of determining whether a school  
29 employee has made the required employee contributions for  
30 school service credit for USERRA leave, if an employee

1 who is reemployed from USERRA leave as an active member  
2 of the system terminates school service or dies in school  
3 service before the expiration of the allowed payment  
4 period, school service credit for the USERRA leave shall  
5 be granted as if the required member contributions were  
6 paid the day before termination or death. The amount of  
7 the required member contributions shall be treated as an  
8 incomplete payment subject to the provisions of section  
9 8325 (relating to incomplete payments). Upon a subsequent  
10 return to school service or to State service as a  
11 multiple service member, the required member  
12 contributions treated as incomplete payments shall be  
13 treated as member contributions that were either  
14 withdrawn in a lump sum at termination or paid as a lump  
15 sum under section 8345(a)(4) (relating to member's  
16 options). For this purpose, the exclusion of Class T-E  
17 and Class T-F members from electing a form of payment  
18 under section 8345(a)(4)(iii) shall be ignored.

19 (iii) A school employee who is reemployed from  
20 USERRA leave as an active member of the system and who  
21 does not make the required member contributions or makes  
22 only part of the required member contributions within the  
23 allowed payment period shall not be:

24 (A) Granted credited service for the period of  
25 USERRA leave for which the required member  
26 contributions were not timely made.

27 (B) Eligible to subsequently make contributions.

28 (C) Granted either school service credit or  
29 nonschool service credit for the period of USERRA  
30 leave for which the required member contributions

1           were not timely made.

2           (2.1) The following shall apply:

3           (i) A participant who is reemployed from USERRA  
4           leave shall be treated as not having incurred a break in  
5           school service by reason of the USERRA leave AND SHALL BE <--  
6           GRANTED VESTING CREDIT AS IF THE PARTICIPANT HAD NOT BEEN  
7           ON USERRA LEAVE. If a participant who is reemployed from  
8           USERRA leave subsequently makes mandatory pickup  
9           participant contributions in the amounts and in the time  
10           periods required by 38 U.S.C. Ch. 43 (relating to  
11           employment and reemployment rights of members of the  
12           uniformed services) and IRC § 414(u) as if the  
13           participant had continued in school employment and  
14           performed school service and been compensated during the  
15           period of USERRA leave, then the participant's employer  
16           shall make the corresponding employer defined  
17           contributions. Such an employee shall have the employees  
18           contributions, benefits, rights and obligations  
19           determined under this part as if he were an active  
20           participant who performed school service during the  
21           USERRA leave in the job position that the employee would  
22           have held had he not been on USERRA leave and received  
23           the compensation on which the mandatory pickup  
24           participant contributions to receive school service  
25           credit for the USERRA leave were determined, including  
26           the right to make voluntary contributions on such  
27           compensation as permitted by law.

28           (ii) A participant who is reemployed from USERRA  
29           leave who does not make the mandatory pickup participant  
30           contributions or makes only part of the mandatory pickup

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

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

17 (3.1) A participant employee who performs USERRA leave  
18 from which the employee could have been reemployed from  
19 USERRA leave had the school employee returned to school  
20 service in the time frames required by 38 U.S.C. Ch. 43 for  
21 reemployment rights, but did not do so, shall not be eligible  
22 to make mandatory pickup participant contributions or  
23 voluntary contributions for the period of USERRA leave should  
24 the employee later return to school service and be a  
25 participant in the plan.

26 (4) [A school employee] An active member or inactive  
27 member on leave without pay who, on or after the effective  
28 date of this subsection, is granted a leave of absence under  
29 section 1178 of the Public School Code, a leave of absence  
30 under 51 Pa.C.S. § 4102 (relating to leaves of absence for

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

7 (4.1) An active participant or inactive participant who,  
8 on or after the effective date of this subsection, is granted  
9 a leave of absence under 51 Pa.C.S. § 4102 (relating to  
10 leaves of absence for certain government employees) or a  
11 military leave under 51 Pa.C.S. Ch. 73 (relating to military  
12 leave of absence), that is not USERRA leave shall not be able  
13 to make mandatory pickup participant contributions or  
14 voluntary contributions during or for the leave of absence or  
15 military leave, and shall not have employer defined  
16 contributions made during such leave, without regard to  
17 whether or not the school employee received salary, wages,  
18 stipends, differential wage payments or other payments from  
19 his employer during the leave, notwithstanding any provision  
20 to the contrary in 51 Pa.C.S. Ch. 73 or § 4102.

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

28 (5.1) If a participant dies while performing USERRA  
29 leave, then the beneficiaries or successor payees, as the  
30 case may be, of the deceased participant are entitled to any

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

5 (6) A school employee who is on a leave of absence from  
6 his duties as a school employee and for which 51 Pa.C.S. §  
7 4102 provides that he is not to suffer a loss of pay, time or  
8 efficiency shall not be an active member, receive service  
9 credit or make member contributions for the leave of absence  
10 except as provided for in this part. Notwithstanding this  
11 paragraph, any pay the member receives under section 1178 of  
12 the Public School Code or 51 Pa.C.S. § 4102 shall be included  
13 in the determination of final average salary and other  
14 calculations in the system utilizing compensation as if the  
15 payments were compensation under this part.

16 § 8303.1. Waiver of adjustments.

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

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

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

29 (3) the member or participant had no knowledge or notice  
30 of the error before adjustment was made, and the member,

1 participant, beneficiary or survivor annuitant took action  
2 with respect to their benefits based on erroneous information  
3 provided by the system or plan; and

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

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

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

19 § 8304. Creditable nonschool service.

20 (a) Eligibility.--An active member or a multiple service  
21 member who is an active member of the State Employees'  
22 Retirement System shall be eligible to receive Class T-C, Class  
23 T-E or Class T-F service credit for creditable nonschool service  
24 and Class T-D, Class T-E or Class T-F service for intervening  
25 military service, provided the member becomes a Class T-D member  
26 pursuant to section 8305.1 (relating to election to become a  
27 Class T-D member) or Class T-F member pursuant to section 8305.2  
28 (relating to election to become a Class T-F member) or 8305  
29 (relating to classes of service), as set forth in subsection (b)  
30 provided that he is not entitled to receive, eligible to receive

1 now or in the future, or is receiving retirement benefits for  
2 such service under a retirement system administered and wholly  
3 or partially paid for by any other governmental agency or by any  
4 private employer, or a retirement program approved by the  
5 employer in accordance with section 8301(a)(1) (relating to  
6 mandatory and optional membership in the system and  
7 participation in the plan), and further provided that such  
8 service is certified by the previous employer and the manner of  
9 payment of the amount due is agreed upon by the member, the  
10 employer, and the board.

11 \* \* \*

12 Section 105. Section 8305(b) of Title 24 is amended and the  
13 section is amended by adding a subsection to read:

14 § 8305. Classes of service.

15 \* \* \*

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

25 \* \* \*

26 (f) Ineligibility for active membership and classes of  
27 service.--An individual who first becomes a school employee on  
28 or after July 1, 2016, shall be ineligible for active membership  
29 in the system. Instead, any such school employee shall be a  
30 participant in the plan as a result of such school service,

1 subject to the provisions in section 8301 (relating to mandatory  
2 and optional membership in the system and participation in the  
3 plan).

4 Section 106. Sections 8305.2(c) and (d) and 8306(b) of Title  
5 24 are amended to read:

6 § 8305.2. Election to become a Class T-F member.

7 \* \* \*

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

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

22 § 8306. Eligibility points.

23 \* \* \*

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

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

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

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

18 Section 107. Sections 8307(c), 8310, 8321(b), 8322.1(a),  
19 8323(a) and (d), 8324(b), (c) and (d), 8325.1(a), 8326(a), (c)  
20 and (d), 8327, 8328(b), (c), ~~(d), (e)~~, (g) and (h), 8330, 8341, <--  
21 8342(a), 8344(a) and (b), 8346 and 8349 heading, (a) and (b) of  
22 Title 24 are amended to read:

23 § 8307. Eligibility for annuities.

24 \* \* \*

25 (c) Disability annuity.--An active or inactive member who  
26 has credit for at least five years of service shall, upon filing  
27 of a proper application, be entitled to a disability annuity if  
28 he becomes mentally or physically incapable of continuing to  
29 perform the duties for which he is employed and qualifies for an  
30 annuity in accordance with the provisions of section 8505(c)(1)

1 (relating to duties of board regarding applications and  
2 elections of members and participants).

3 § 8310. Eligibility for refunds.

4 Upon termination of service any active member, regardless of  
5 eligibility for benefits, may elect to receive his accumulated  
6 deductions in lieu of any benefit from the system to which he is  
7 entitled.

8 § 8321. Regular member contributions for current service.

9 \* \* \*

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

1 the system's actuarial funded status is 100% or more as of the  
2 date used for the comparison required under this subsection, as  
3 determined in the current annual actuarial valuation, the  
4 shared-risk contribution rate shall be zero. In the event that  
5 the annual interest rate adopted by the board for the  
6 calculation of the normal contribution rate is changed during  
7 the period used to determine the shared-risk contribution rate,  
8 the board, with the advice of the actuary, shall determine the  
9 applicable rate during the entire period, expressed as an annual  
10 rate. For periods commencing on or after July 1, 2016, the  
11 determination of the shared-risk member contribution rate shall  
12 be based on the annual interest rate adopted by the board for  
13 the calculation of the accrued liability contribution rate under  
14 section 8328(c) (relating to actuarial cost method).

15 (1) Until the system has a ten-year period of investment  
16 rate of return experience following the effective date of  
17 this subsection, the look-back period shall begin not earlier  
18 than the effective date of this subsection.

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

25 (3) There shall be no increase in the member  
26 contribution rate if there has not been an equivalent  
27 increase to the employer contribution rate over the previous  
28 three-year period.

29 § 8322.1. Pickup contributions.

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

1 contributions to the fund required to be made under sections  
2 8321 (relating to regular member contributions for current  
3 service) and 8322 (relating to joint coverage member  
4 contributions), with respect to current school service rendered  
5 by an active member on or after January 1, 1983, shall be picked  
6 up by the employer and shall be treated as the employer's  
7 contribution for purposes of IRC § 414(h).

8 \* \* \*

9 § 8323. Member contributions for creditable school service.

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

29 \* \* \*

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

1           (1) In all cases other than for the purchase of credit  
2 for sabbatical leave and activated military service leave  
3 beginning before the effective date of paragraph (2), the  
4 amount payable shall be certified by the board in accordance  
5 with methods approved by the actuary and may be paid in a  
6 lump sum within 90 days or in the case of an active member or  
7 an eligible State employee who is an active member of the  
8 State Employees' Retirement System it may be amortized with  
9 statutory interest through salary deductions to the system in  
10 amounts agreed upon by the member and the board. The salary  
11 deduction amortization plans agreed to by members and the  
12 board may include a deferral of payment amounts and statutory  
13 interest until the termination of school service or State  
14 service as the board in its sole discretion decides to allow.  
15 The board may limit salary deduction amortization plans to  
16 such terms as the board in its sole discretion determines. In  
17 the case of an eligible State employee who is an active  
18 member of the State Employees' Retirement System, the agreed  
19 upon salary deductions shall be remitted to the State  
20 Employees' Retirement Board, which shall certify and transfer  
21 to the board the amounts paid.

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

28 § 8324. Contributions for purchase of credit for creditable  
29 nonschool service and noncreditable school service.

30 \* \* \*

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

1 Application may be filed for all such military service credit  
2 upon completion of three years of subsequent credited school  
3 service and shall be credited as Class T-C service. In the event  
4 that a Class T-E member makes a purchase of credit for such  
5 military service, then such service shall be credited as Class  
6 T-E service. In the event that a Class T-F member makes a  
7 purchase of credit for such military service, then such service  
8 shall be credited as Class T-F service.

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

21 (1) Regular monthly payments during active military  
22 service.

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

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

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

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

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

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

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

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

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

29 \* \* \*

30 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

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

21 \* \* \*

22 § 8326. Contributions by the Commonwealth.

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

1 8328 (relating to actuarial cost method). In case a school  
2 employee has elected membership in a retirement program approved  
3 by the employer, the Commonwealth shall contribute to such  
4 program on account of his membership an amount no greater than  
5 the amount it would have contributed had the employee been a  
6 member of the Public School Employees' Retirement System.

7 \* \* \*

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

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

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

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

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

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

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

1 (d) Contributions resulting from members reemployed from  
2 USERRA leave.--When a school employee reemployed from USERRA  
3 leave makes the member contributions required to be granted  
4 school service credit for the USERRA leave before July 1, 2016,  
5 either by actual payment or by actuarial debt under section 8325  
6 (relating to incomplete payments), the Commonwealth employer or  
7 other employer by whom the school employee is employed at the  
8 time the member contributions are made, or the last employer  
9 before termination in the case of payment under sections 8327  
10 (relating to payments by employers) and 8535 (relating to  
11 payments to school entities by Commonwealth), shall make any  
12 employer contributions that would have been made under this  
13 section as if the employee making the member contributions after  
14 being reemployed from USERRA leave continued to be employed in  
15 his school office or position instead of performing USERRA  
16 leave.

17 § 8327. Payments by employers.

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

19 (1) For payments on or prior to June 30, 2016, each  
20 employer, including the Commonwealth as employer of employees  
21 of the Department of Education, State-owned colleges and  
22 universities, Thaddeus Stevens College of Technology, Western  
23 Pennsylvania School for the Deaf, Scotland School for  
24 Veterans' Children[,] and [the] The Pennsylvania State  
25 University, shall make payments to the fund each quarter in  
26 an amount equal to one-half the sum of the percentages, as  
27 determined under section 8328 (relating to actuarial cost  
28 method), applied to the total compensation during the pay  
29 periods in the preceding quarter of all its employees who  
30 were members of the system during such period, including

1 members on activated military service leave. In the event a  
2 member on activated military service leave does not return to  
3 service for the necessary time or receives an undesirable,  
4 bad conduct or dishonorable discharge or does not elect to  
5 receive credit for activated military service under section  
6 8302(b.1)(3) (relating to credited school service), the  
7 contributions made by the employer on behalf of such member  
8 shall be returned with valuation interest upon application by  
9 the employer.

10 (2) For payments after June 30, 2016, each employer,  
11 including the Commonwealth as employer of employees of the  
12 Department of Education, State-owned colleges and  
13 universities, Thaddeus Stevens College of Technology, Western  
14 Pennsylvania School for the Deaf, Scotland School for  
15 Veterans' Children and The Pennsylvania State University,  
16 shall make payments to the fund each quarter in an amount  
17 equal to one-half the sum of the percentages, as determined  
18 under section 8328, applied to the total compensation during  
19 the pay periods in the preceding quarter of all its employees  
20 who were members of the system during such period, including  
21 members on activated military service leave, plus the accrued  
22 liability contribution rate applied to the total compensation  
23 of all active participants in the plan. In the event a member  
24 on activated military service leave does not return to  
25 service for the necessary time or receives an undesirable,  
26 bad conduct or dishonorable discharge or does not elect to  
27 receive credit for activated military service under section  
28 8302(b.1)(3), the contributions made by the employer on  
29 behalf of such member shall be returned with valuation  
30 interest upon application by the employer.

1 (b) Deduction from appropriations.--

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

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

1 credited to the appropriate accounts in the fund and the  
2 trust. Any reduction in payments to a chartering school  
3 district made pursuant to this section shall be deducted from  
4 the amount due to the charter school district pursuant to the  
5 Public School Code[ of 1949].

6 (c) Payments by employers after June 30, 1995.--After June  
7 30, 1995, and before July 1, 2016, each employer, including the  
8 Commonwealth as employer of employees of the Department of  
9 Education, State-owned colleges and universities, Thaddeus  
10 Stevens College of Technology, Western Pennsylvania School for  
11 the Deaf, Scotland School for Veterans' Children and The  
12 Pennsylvania State University, shall make payments to the fund  
13 and the trust each quarter in an amount computed in the  
14 following manner:

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

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

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

15    (d) Payments by employers after June 30, 2016.--After June  
16 30, 2016, each employer, including the Commonwealth as employer  
17 of employees of the Department of Education, State-owned  
18 colleges and universities, Thaddeus Stevens College of  
19 Technology, Western Pennsylvania School for the Deaf, Scotland  
20 School for Veterans' Children and The Pennsylvania State  
21 University, shall make payments to the fund and trust each  
22 quarter in an amount computed in the following manner:

23           (1) For an employer that is a school entity, the amount  
24 shall be the sum of the percentages as determined under  
25 section 8328 applied to the total compensation during the pay  
26 periods in the preceding quarter of all employees who were  
27 active members of the system during such period, including  
28 members on activated military service leave, plus the accrued  
29 liability contribution rate applied to the total compensation  
30 of all active participants in the plan. In the event a member

1 on activated military service leave does not return to  
2 service for the necessary time or receives an undesirable,  
3 bad conduct or dishonorable discharge or does not elect to  
4 receive credit for activated military service under section  
5 8302(b.1)(3), the contribution made by the employer on behalf  
6 of such member shall be returned with valuation interest upon  
7 application by the employer.

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

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

23 (e) Deemed agreed to.--The agreement of an employer listed  
24 in the definition of school employee under section 8102  
25 (relating to definitions) or any other law to make contributions  
26 to the fund or to enroll its employees as members in the system  
27 shall be deemed to be an agreement to make contributions to the  
28 trust or enroll its employees in the plan.

29 (f) Contributions.--The employer employing a participant  
30 shall pick up the required mandatory participant contributions

1 by a reduction in the compensation of the participant.

2 (g) Contributions resulting from members reemployed from  
3 USERRA leave.--When a school employee reemployed from USERRA  
4 leave makes the member contributions required to be granted  
5 school service credit for the USERRA leave after June 30, 2016,  
6 either by actual payment or by actuarial debt under section 8325  
7 (relating to incomplete payments), the employer that employed  
8 the school employee when the member contributions are made or  
9 the last employer before termination in the case of payments  
10 under section 8325 shall make the employer contributions that  
11 would have been made under this section if the employee making  
12 the member contributions after he is reemployed from USERRA  
13 leave continued to be employed in his school office or position  
14 instead of performing USERRA leave.

15 § 8328. Actuarial cost method.

16 \* \* \*

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

18 (1) For fiscal years ending on or before June 30, 2015,  
19 the normal contribution rate shall be determined after each  
20 actuarial valuation. Until all accrued liability  
21 contributions have been completed, the normal contribution  
22 rate shall be determined, on the basis of an annual interest  
23 rate and such mortality and other tables as shall be adopted  
24 by the board in accordance with generally accepted actuarial  
25 principles, as a level percentage of the compensation of the  
26 average new active member, which percentage, if contributed  
27 on the basis of his prospective compensation through the  
28 entire period of active school service, would be sufficient  
29 to fund the liability for any prospective benefit payable to  
30 him, in excess of that portion funded by his prospective

1 member contributions, excluding the shared-risk  
2 contributions.

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

18 (c) Accrued liability contribution rate.--

19 (1) For the fiscal years beginning July 1, 2002, and  
20 ending June 30, 2011, the accrued liability contribution rate  
21 shall be computed as the rate of total compensation of all  
22 active members which shall be certified by the actuary as  
23 sufficient to fund over a period of ten years from July 1,  
24 2002, the present value of the liabilities for all  
25 prospective benefits of active members, except for the  
26 supplemental benefits provided in sections 8348 (relating to  
27 supplemental annuities), 8348.1 (relating to additional  
28 supplemental annuities), 8348.2 (relating to further  
29 additional supplemental annuities), 8348.3 (relating to  
30 supplemental annuities commencing 1994), 8348.4 (relating to

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

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

26 (3) Notwithstanding any other provision of law,  
27 beginning July 1, 2004, and ending June 30, 2011, the  
28 outstanding balance of the increase in accrued liability due  
29 to the change in benefits enacted in 2001 and the outstanding  
30 balance of the net actuarial loss incurred in fiscal year

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

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

1 percentage of compensation over a period of ten years from  
2 the July 1 second succeeding the date such legislation is  
3 enacted.

4 (5) Notwithstanding any other provision of this  
5 subsection, for fiscal years beginning on or after July 1,  
6 2015, compensation shall be defined as the total compensation  
7 of all active members and active participants.

8 (6) For purposes of determining the accrued liability  
9 contribution rate in this subsection and the experience  
10 adjustment factor in subsection (e) for The Pennsylvania  
11 State University, the State System of Higher Education,  
12 State-owned educational institutions and community colleges,  
13 the term "compensation of all active members and active  
14 participants" shall include an additional amount equal to the  
15 difference between:

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

21 (ii) the 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 who  
25 are members or participants of an independent retirement  
26 program approved by the employer of The Pennsylvania  
27 State University, the State System of Higher Education,  
28 State-owned educational institutions and community  
29 collective colleges multiplied by a fraction equal to the  
30 amount determined under subparagraph (i) as part of the

1 June 30, 2015, actuarial valuation divided by the amount  
2 of compensation of all active members, active  
3 participants, active members of the State Employees'  
4 Retirement System, active participants of the State  
5 Employees' Defined Contribution Plan and employees who  
6 are members or participants of an independent retirement  
7 program approved by the employer determined as part of  
8 the June 30, 2015, actuarial valuation.

9 (7) For the fiscal year beginning July 1, 2016, and all  
10 subsequent fiscal years, The Pennsylvania State University,  
11 the State System of Higher Education, each State-owned  
12 educational institution and each community college shall make  
13 such additional actuarial accrued liability contributions as  
14 shall be certified by the board. The additional actuarial  
15 accrued liability contributions shall be the product of:

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

19 (ii) and the difference between:

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

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

1 determined under clause (A) as part of the June 30,  
2 2015, actuarial valuation divided by the amount of  
3 compensation of all active members, active  
4 participants, active members of the State Employees'  
5 Retirement System, active participants of the State  
6 Employees' Defined Contribution Plan and employees  
7 who are members or participants of an independent  
8 retirement program approved by the employer of each  
9 such educational institution determined as part of  
10 the June 30, 2015, actuarial valuation.

11 ~~(d) Supplemental annuity contribution rate.~~ <--

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

25 ~~(2) For fiscal years beginning July 1, 2011, and ending~~  
26 ~~on or before June 30, 2015, contributions from the~~  
27 ~~Commonwealth and other employers whose employees are members~~  
28 ~~of the system required to provide for the payment of~~  
29 ~~supplemental annuities as provided in sections 8348, 8348.1,~~  
30 ~~8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be~~

1 ~~paid as part of the accrued liability contribution rate as~~  
2 ~~provided for in subsection (c) (4), and there shall not be a~~  
3 ~~separate supplemental annuity contribution rate attributable~~  
4 ~~to those supplemental annuities. In the event that~~  
5 ~~supplemental annuities are increased by legislation enacted~~  
6 ~~subsequent to June 30, 2010, [the] but before July 1, 2015,~~  
7 ~~such additional liability for the increase in benefits shall~~  
8 ~~be funded as a level percentage of compensation over a period~~  
9 ~~of ten years from the July 1 second succeeding the date such~~  
10 ~~legislation is enacted.~~

11 ~~(3) For fiscal years beginning on or after July 1, 2015,~~  
12 ~~contributions from employers whose employees are members of~~  
13 ~~the system required to provide for the payment of~~  
14 ~~supplemental annuities as provided in sections 8348, 8348.1,~~  
15 ~~8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be~~  
16 ~~paid as part of the accrued liability contribution rate as~~  
17 ~~provided for in subsection (c) (4), and there shall not be a~~  
18 ~~separate supplemental annuity contribution rate attributable~~  
19 ~~to those supplemental annuities. In the event that~~  
20 ~~supplemental annuities are increased by legislation enacted~~  
21 ~~subsequent to June 30, 2014, the additional liability for the~~  
22 ~~increase in benefits shall be funded as a level in equal~~  
23 ~~dollar installments as a percentage of compensation of all~~  
24 ~~active members and active participants over a period of ten~~  
25 ~~years from the July 1 second succeeding the date such~~  
26 ~~legislation is enacted.~~

27 ~~(c) Experience adjustment factor.—~~

28 ~~(1) For each year after the establishment of the accrued~~  
29 ~~liability contribution rate for the fiscal [year] years~~  
30 ~~beginning July 1, 2011, and ending on or before June 30,~~

1 ~~2015, any increase or decrease in the unfunded accrued~~  
2 ~~liability, excluding the gains or losses on the assets of the~~  
3 ~~health insurance account, due to actual experience differing~~  
4 ~~from assumed experience, changes in actuarial assumptions,~~  
5 ~~changes in contributions caused by the final contribution~~  
6 ~~rate being different from the actuarially required~~  
7 ~~contribution rate, active members making shared risk~~  
8 ~~contributions or changes in the terms and conditions of the~~  
9 ~~benefits provided by the system by judicial, administrative~~  
10 ~~or other processes other than legislation, including, but not~~  
11 ~~limited to, reinterpretation of the provisions of this part,~~  
12 ~~recognized by the actuarial valuations on June 30, 2011, and~~  
13 ~~June 30, 2012, shall be amortized as a level percentage of~~  
14 ~~compensation over a period of 24 years beginning with the~~  
15 ~~July 1 second succeeding the actuarial valuation determining~~  
16 ~~said increases or decreases.~~

17 ~~(2) (Reserved).~~

18 ~~(3) For fiscal years beginning on or after July 1, 2015,~~  
19 ~~any increase or decrease in the unfunded accrued liability,~~  
20 ~~excluding the gains or losses on the assets of the health~~  
21 ~~insurance account, due to actual experience differing from~~  
22 ~~assumed experience, changes in actuarial assumptions, changes~~  
23 ~~in contributions caused by the final contribution rate being~~  
24 ~~different from the actuarially required contribution rate,~~  
25 ~~active members making shared risk contributions or changes in~~  
26 ~~the terms and conditions of the benefits provided by the~~  
27 ~~system by judicial, administrative or other processes other~~  
28 ~~than legislation, including, but not limited to,~~  
29 ~~reinterpretation of the provisions of this part, shall be~~  
30 ~~amortized as a level percentage of compensation of all active~~

~~members and active participants over a period of 24 years beginning with the July 1 second succeeding the actuarial valuation determining such increases or decreases.~~

\* \* \*

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

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

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

(h) Final contribution rate.--

(1) For the fiscal year beginning July 1, 2010, the final contribution rate is 5% of the total compensation of all active members. For each subsequent fiscal year for which the collared contribution rate is applicable, the final contribution rate shall be the collared contribution rate as

1 calculated in subsection (g), plus the costs added by  
2 legislation.

3 (2) For all other fiscal years ending on or before June  
4 30, 2016, the final contribution rate shall be the  
5 actuarially required contribution rate, provided that the  
6 final contribution rate shall not be less than the normal  
7 contribution rate as provided in subsection (b).

8 \* \* \*

9 § 8330. Appropriations by the Commonwealth.

10 (a) Annual submission of budget.--The board shall prepare  
11 and through the Governor submit annually to the General Assembly  
12 an itemized budget consisting of the amounts necessary to be  
13 appropriated by the Commonwealth out of the General Fund  
14 required to meet the separate obligations to both the fund and  
15 the trust accruing during the fiscal period beginning July 1 of  
16 the following year.

17 (b) Appropriation and payment.--The General Assembly shall  
18 make an appropriation sufficient to provide for the separate  
19 obligations of the Commonwealth to both the fund and the trust.  
20 Such amount shall be paid by the State Treasurer through the  
21 Department of Revenue into the fund or the trust as the case may  
22 be within 30 days of receipt of the requisition presented each  
23 quarter by the board.

24 § 8341. Return of accumulated deductions.

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

28 § 8342. Maximum single life annuity.

29 (a) General rule.--Upon termination of service, any full  
30 coverage member who is eligible to receive an annuity pursuant

1 to the provisions of section 8307(a) or (b) (relating to  
2 eligibility for annuities) and has made an application in  
3 accordance with the provisions of section 8507(f) (relating to  
4 rights and duties of school employees [and members], members and  
5 participants) shall be entitled to receive a maximum single life  
6 annuity attributable to his credited service and equal to the  
7 sum of the following single life annuities beginning at the  
8 effective date of retirement and, in case the member on the  
9 effective date of retirement is under superannuation age,  
10 multiplied by a reduction factor calculated to provide benefits  
11 actuarially equivalent to an annuity starting at superannuation  
12 age: Provided however, That on or after July 1, 1976, in the  
13 case of any member who has attained age 55 and has 25 or more  
14 eligibility points such sum of single life annuities shall be  
15 reduced by a percentage determined by multiplying the number of  
16 months, including a fraction of a month as a full month, by  
17 which the effective date of retirement precedes superannuation  
18 age by 1/4%: Further provided, In no event shall a Class T-E or  
19 Class T-F member receive an annual benefit, calculated as of the  
20 effective date of retirement, greater than the member's final  
21 average salary:

22 (1) A standard single life annuity multiplied by the  
23 class of service multiplier and calculated on the basis of  
24 the number of years of credited school service other than  
25 concurrent service.

26 (2) A standard single life annuity multiplied by the  
27 class of service multiplier and calculated on the basis of  
28 the number of years of concurrent service and multiplied by  
29 the ratio of total compensation received in the school system  
30 during the period of concurrent service to the total

1 compensation received during such period.

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

6 \* \* \*

7 § 8344. Disability annuities.

8 (a) Amount of annuity.--A member who has made application  
9 for a disability annuity as provided in section 8507(k)  
10 (relating to rights and duties of school employees [and  
11 members], members and participants) and has been found to be  
12 eligible in accordance with the provisions of sections 8307(c)  
13 (relating to eligibility for annuities) and 8505(c)(1) (relating  
14 to duties of board regarding applications and elections of  
15 members and participants) shall receive a disability annuity  
16 payable from the effective date of disability and continued  
17 until a subsequent determination by the board that the annuitant  
18 is no longer entitled to a disability annuity. The disability  
19 annuity shall be equal to a standard single life annuity if the  
20 total number of years of credited service is greater than  
21 16.667, otherwise the standard single life annuity shall be  
22 multiplied by the lesser of the following ratios:

23 
$$Y^*/Y \text{ or } 16.667/Y$$

24 where Y = number of years of credited service and Y\* = total  
25 years of credited service if the member were to continue as a  
26 school employee until attaining superannuation age, or if the  
27 member has attained superannuation age then the number of years  
28 of credited service. In no event shall the disability annuity  
29 plus any cost-of-living increases be less than \$100 for each  
30 full year of credited service. The member shall be entitled to

1 the election of a joint and survivor annuity on that portion of  
2 the disability annuity to which he is entitled under section  
3 8342 (relating to maximum single life annuity).

4 (b) Reduction on account of earned income.--Payments on  
5 account of disability shall be reduced by that amount by which  
6 the earned income of the annuitant, as reported in accordance  
7 with section 8508(b) (relating to rights and duties of  
8 annuitants) for the preceding year together with the disability  
9 annuity payments for the year, exceeds the greater of \$5,000 or  
10 the last year's salary of the annuitant as a [school employee]  
11 member of the system, provided that the annuitant shall not  
12 receive less than his member's annuity or the amount to which he  
13 may be entitled under section 8342, whichever is greater.

14 \* \* \*

15 § 8346. Termination of annuities.

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

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

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

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

5 (a.2) Return of benefits paid during USERRA leave.--If a  
6 former school employee is reemployed from USERRA leave who had  
7 received any payments or annuity from the system during the  
8 USERRA leave, the employee shall return to the board the amount  
9 received plus statutory interest. The amount payable shall be  
10 certified by the board in accordance with methods approved by  
11 the actuary and:

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

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

21 (b) Return to school service during emergency.--When, in the  
22 judgment of the employer, an emergency creates an increase in  
23 the work load such that there is serious impairment of service  
24 to the public or in the event of a shortage of appropriate  
25 subject certified teachers or other personnel, an annuitant or  
26 participant receiving distributions may be returned to school  
27 service for a period not to extend beyond the school year during  
28 which the emergency or shortage occurs, without loss of his  
29 annuity or distributions. The annuitant shall not be entitled to  
30 earn any credited service, and no contributions may be made by

1 the annuitant, the employer or the Commonwealth on account of  
2 such employment. Such service shall not be subject to member  
3 contributions or be eligible for qualification as creditable  
4 school service or for participation in the plan, mandatory  
5 pickup participant contributions or employer defined  
6 contributions.

7 (b.1) Return to school service in an extracurricular  
8 position.--

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

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

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

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

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

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

28                   (i) is a multiple service member; or

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

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

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

19 (i) an annuity (prior to optional modification)  
20 calculated as if the freezing of the former annuitant's  
21 account pursuant to subsection (a) had not occurred,  
22 adjusted by crediting Class T-C school service as Class  
23 T-D service as provided for in section 8305(c) (relating  
24 to classes of service) and further adjusted according to  
25 paragraph (3), provided that a former annuitant of the  
26 system or a former annuitant of the State Employees'  
27 Retirement System who retired under a provision of law  
28 granting additional service credit if termination of  
29 school or State service or retirement occurred during a  
30 specific period of time shall not be permitted to retain

1 the additional service credit under the prior law when  
2 the annuity is computed for his most recent retirement;  
3 or

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

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

23 § 8349. Payment of benefits from the system.

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

27 (b) Death benefits.--If the amount of a death benefit  
28 payable from the fund to a beneficiary of a member under section  
29 8347 (relating to death benefits) or under the provisions of  
30 Option 1 of section 8345(a)(1) (relating to member's options) is

1 \$10,000 or more, such beneficiary may elect to receive payment  
2 according to one of the following options:

3 (1) A lump sum payment.

4 (2) An annuity actuarially equivalent to the amount  
5 payable.

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

9 \* \* \*

10 Section 108. Title 24 is amended by adding a chapter to  
11 read:

12 CHAPTER 84

13 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

14 Sec.

15 8401. Establishment.

16 8402. Plan document.

17 8403. Individual investment accounts.

18 8404. Participant contributions.

19 8405. Mandatory participant pickup contributions.

20 8406. Employer defined contributions.

21 8407. Eligibility for benefits.

22 8408. Death benefits.

23 8409. Vesting.

24 8410. Termination of distributions.

25 8411. Agreements with financial institutions and other  
26 organizations.

27 8411.1. RELATION OF ADMINISTRATORS OF SCHOOL EMPLOYEES' DEFINED <--  
28 CONTRIBUTION PLAN TO PROVIDERS OF 403(B) PLANS.

29 8412. Annuitization.

30 8413. Powers and duties of board.

1 8414. Responsibility for investment loss.

2 8415. Investments based on participants' investment allocation  
3 choices.

4 8416. Expenses.

5 8417. Required distributions.

6 § 8401. Establishment.

7 (a) School Employees' Defined Contribution Plan.--The plan  
8 is established in accordance with this part. The board shall  
9 administer and manage the plan, which shall be a defined  
10 contribution plan exclusively for the benefit of those school  
11 employees who participate in the plan and their beneficiaries  
12 within the meaning of and in conformity with IRC § 401(a). The  
13 board shall determine the terms and provisions of the plan not  
14 inconsistent with this part, the Internal Revenue Code of 1986  
15 and other applicable law and shall provide for the plan's  
16 administration.

17 (b) School Employees Defined Contribution Trust.--The trust  
18 is established as part of the plan in accordance with this part.  
19 The trust shall be comprised of the individual investment  
20 accounts and all assets and moneys in those accounts. The  
21 members of the board shall be the trustees of the trust, which  
22 shall be administered exclusively for the benefit of those  
23 school employees who participate in the plan and their  
24 beneficiaries within the meaning of and conformity with IRC §  
25 401(a). The board shall determine the terms and provisions of  
26 the trust not inconsistent with this part, the Internal Revenue  
27 Code of 1986 and other applicable law and shall provide for the  
28 investment and administration of the trust.

29 (c) Assets held in trust.--All assets and income in the plan  
30 that have been or shall be withheld or contributed by the

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

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

21 § 8402. Plan document.

22 The board shall set forth the terms and provisions of the  
23 plan and trust in a document containing the terms and conditions  
24 of the plan and in a trust declaration that shall be published  
25 in the Pennsylvania Bulletin. The creation of the document  
26 containing the terms and conditions of the plan and the trust  
27 declaration and the establishment of the terms and provisions of  
28 the plan and the trust need not be promulgated by regulation or  
29 formal rulemaking and shall not be subject to the act of July  
30 31, 1968 (P.L.769, No.240), referred to as the Commonwealth

1 Documents Law. A reference in this part or other law to the plan  
2 shall include the plan document unless the context clearly  
3 indicates otherwise.

4 § 8403. Individual investment accounts.

5 The board shall:

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

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

20 § 8404. Participant contributions.

21 (a) Mandatory contributions.--Each participant shall make  
22 mandatory pickup participant contributions through payroll  
23 deductions to his individual investment account equal to 6.5% of  
24 compensation for current school service. The employer shall  
25 cause such contributions for current service to be made and  
26 deducted from each payroll or on such schedule established by  
27 the board.

28 (b) Voluntary contributions.--A participant may make  
29 voluntary contributions through direct trustee-to-trustee  
30 transfers or through transfers of money received in an eligible

1 rollover into the trust to the extent allowed by IRC § 402. Such  
2 rollovers shall be made in a form and manner as determined by  
3 the board, shall be credited to the participant's individual  
4 investment account and shall be separately accounted for by the  
5 board.

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 participant contributions  
11 in excess of the limitations and investment earnings thereon  
12 shall be refunded to the participant by the board.

13 § 8405. Mandatory pickup participant contributions.

14 (a) Treatment for purposes of IRC § 414(h).--All  
15 contributions to the trust required to be made under section  
16 8404(a) (relating to participant contributions) with respect to  
17 current school service rendered by an active participant shall  
18 be picked up by the employer and shall be treated as the  
19 employer's contribution for purposes of IRC § 414(h). After the  
20 effective date of this section, an employer employing a  
21 participant in the plan shall pick up the required mandatory  
22 participant contributions by a reduction in the compensation of  
23 the participant.

24 (b) Treatment for other purposes.--For all other purposes  
25 under this part and otherwise, such mandatory pickup participant  
26 contributions shall be treated as contributions made by a  
27 participant in the same manner and to the same extent as if the  
28 contributions were made directly by the participant and not  
29 picked up.

30 § 8406. Employer defined contributions.

1 (a) Contributions for current service.--The employer of a  
2 participant shall make employer defined contributions for  
3 current service of each active participant, which shall be  
4 credited to the active participant's individual investment  
5 account. Employer defined contributions must be recorded and  
6 accounted for separately from participant contributions.

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

20 (c) Limitations on contributions.--No contributions shall be  
21 allowed that would cause a violation of the limitations related  
22 to contributions applicable to governmental plans contained in  
23 IRC § 415 or in other provisions of law. In the event that any  
24 disallowed contributions are made, any employer defined  
25 contributions in excess of the limitations and investment  
26 earnings thereon shall be refunded to the employer by the board.  
27 § 8407. Eligibility for benefits.

28 (a) General.--A participant who terminates school service  
29 shall be eligible to withdraw the vested accumulated total  
30 defined contributions standing to his credit in his individual

1 investment account or such lesser amount as the participant may  
2 request. Payment shall be made in a lump sum unless the board  
3 has established other forms of distribution in the plan  
4 document. A participant who withdraws the vested accumulated  
5 total defined contributions shall no longer be a participant in  
6 the plan, notwithstanding that the participant may have  
7 contracted to receive an annuity or other form of payment from a  
8 provider retained by the board for such purposes.

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

15 (c) Spousal consent not required.--A participant who is  
16 married may receive a lump sum distribution or other  
17 distribution directly from the board without the consent of the  
18 spouse.

19 (d) Prohibition.--Loans or other distributions from the plan  
20 to school employees who have not terminated school service are  
21 not permitted.

22 ~~(e) Small individual investment accounts. A participant who~~ <--

23 ~~(E) SMALL INDIVIDUAL INVESTMENT ACCOUNTS.--~~ <--

24 (1) A PARTICIPANT WHO terminates school service and  
25 whose vested accumulated total defined contributions are  
26 below the threshold established by law as of the date of  
27 termination of service may be paid the vested accumulated  
28 total defined contributions in a lump sum as provided in IRC  
29 § 401(a)(31).

30 (2) THE BOARD MAY ALSO PROVIDE IN THE PLAN DOCUMENT <--

1 THAT, NOTWITHSTANDING SUBSECTION (F), A PARTICIPANT WHOSE  
2 VESTED ACCUMULATED EMPLOYER DEFINED CONTRIBUTIONS ARE BELOW  
3 THE THRESHOLDS ESTABLISHED BY THE BOARD MAY RECEIVE THOSE  
4 DISTRIBUTIONS WITHOUT THE OBLIGATION TO PURCHASE AN ANNUITY.  
5 THE THRESHOLD MAY BE ESTABLISHED AS A DOLLAR AMOUNT, AN  
6 ANNUITY AMOUNT, IN SOME OTHER FORM INDIVIDUALLY OR IN  
7 COMBINATION AS THE BOARD DETERMINES.

8 (F) REQUIREMENT TO PURCHASE PARTIAL ANNUITY.--EXCEPT AS  
9 PROHIBITED BY THE IRC OR AS OTHERWISE PROVIDED IN THIS PART, A  
10 PARTICIPANT WHO IS ELIGIBLE AND ELECTS TO RECEIVE A DISTRIBUTION  
11 OR VESTED ACCUMULATED EMPLOYER DEFINED CONTRIBUTIONS SHALL BE  
12 REQUIRED TO PURCHASE AT LEAST A PARTIAL PAYOUT AS A LIFE ANNUITY  
13 WITH THAT DISTRIBUTION FROM AN ANNUITY PROVIDER CONTRACTED BY  
14 THE BOARD UNDER SECTION 8408(C) (RELATING TO DEATH BENEFITS) AND  
15 UNDER SUCH CONDITIONS AS PROVIDED IN THE PLAN DOCUMENT. THE  
16 CONDITIONS MAY INCLUDE THAT THE BOARD IS AUTHORIZED TO MAKE THE  
17 DISTRIBUTION DIRECTLY TO THE ANNUITY PROVIDER.

18 § 8408. Death benefits.

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

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

1 distribution in the plan document under which the participant  
2 was receiving distributions, to the participant's beneficiary or  
3 successor payee as provided in the plan document.

4 (c) Contracts.--The board may contract with financial  
5 institutions, insurance companies or other types of third-party  
6 providers to allow participants who receive a lump sum  
7 distribution to receive payments and death benefits in a form  
8 and manner as provided by the contract.

9 § 8409. Vesting.

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

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

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

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

30 (3) At and after the second year of school service as a

1 participant in the plan, 66%.

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

4 (c) Plan document.--The board shall establish, in the plan  
5 document created by the board under section 8402 (relating to  
6 plan document), the following:

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

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

12 (3) The effect of termination of school service or  
13 distributions from the plan on a participant's vested status  
14 in the plan.

15 (4) Other terms and conditions for the implementation  
16 and administration of this section.

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

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

28 § 8410. Termination of distributions.

29 (a) Return to school service.--A participant receiving  
30 distributions or an inactive participant who returns to school

1 service shall cease receiving distributions and shall not be  
2 eligible to receive distributions until the participant  
3 subsequently terminates school service, without regard to  
4 whether the participant is a mandatory, optional or prohibited  
5 member of the system or participant in the plan. THIS SUBSECTION <--  
6 SHALL NOT APPLY TO A DISTRIBUTION OF ACCUMULATED EMPLOYER  
7 DEFINED CONTRIBUTIONS OR OTHER DISTRIBUTIONS THAT THE  
8 PARTICIPANT HAS RECEIVED AND USED TO PURCHASE AN ANNUITY FROM A  
9 PROVIDER CONTRACTED BY THE BOARD.

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

25 § 8411. Agreements with financial institutions and other  
26 organizations.

27 (a) Authority to enter into agreements.--To establish and  
28 administer the plan, the board may enter into written agreements  
29 with one or more financial institutions or other organizations  
30 relating to the plan's administration and investment of funds

1 held pursuant to the plan.

2 (b) Agreement terms and considerations.--Under the plan, the  
3 board shall enter into an agreement to provide fully bundled  
4 retirement plan investment, plan administration and services to  
5 employees who participate in the plan. The agreement shall  
6 provide for appropriate long-term retirement-oriented  
7 investments and shall include either fixed or variable deferred  
8 annuities, or a combination thereof. In determining the  
9 financial institution or other organization with which the board  
10 shall enter into an agreement, the board shall consider all of  
11 the following:

12 (1) The financial stability of the financial institution  
13 or other organization and the ability of the financial  
14 institution or other organization to provide the contracted  
15 rights and benefits to participants.

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

18 (3) The experience of the financial institution or other  
19 organization in providing defined contribution retirement  
20 plans in lieu of defined benefit plan participation to  
21 employees or as part of employee hybrid retirement plans.

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

24 (5) The experience of the financial institution or other  
25 organization in providing plan education, counseling and  
26 advice to participants in employee retirement plans that are  
27 offered in lieu of defined benefit plan participation or as  
28 part of employee hybrid retirement plans.

29 (c) Advice to participants.--The plan shall provide  
30 education, counseling and objective, participant-specific plan

1 advice to participants.

2 § 8411.1. RELATION OF ADMINISTRATORS OF SCHOOL EMPLOYEES'  
3 DEFINED CONTRIBUTION PLAN TO PROVIDERS OF 403(B)  
4 PLANS.

<--

5 (A) GENERAL RULE.--A FINANCIAL INSTITUTION OR PENSION  
6 MANAGEMENT ORGANIZATION ENTERING INTO A WRITTEN AGREEMENT  
7 PURSUANT TO SECTION 8411 (RELATING TO AGREEMENTS WITH FINANCIAL  
8 INSTITUTIONS AND OTHER ORGANIZATIONS) MAY OFFER OR PROVIDE  
9 SERVICES TO ANY PLAN ESTABLISHED OR MAINTAINED BY A SCHOOL  
10 DISTRICT UNDER IRC § 403(B) OR 457 IF THE WRITTEN AGREEMENT FOR  
11 THE ADMINISTRATION OF THE SCHOOL EMPLOYEES' DEFINED CONTRIBUTION  
12 PLAN IS NOT COMBINED WITH ANY OTHER WRITTEN AGREEMENT FOR THE  
13 ADMINISTRATION OF A SCHOOL DISTRICT'S 403(B) PLAN OR 457 PLAN.  
14 EACH SCHOOL DISTRICT THAT PROVIDES A 403(B) PLAN SHALL MAKE  
15 AVAILABLE, IN THE MANNER PROVIDED BY SUBSECTION (C), TO  
16 PARTICIPANTS, MULTIPLE FINANCIAL INSTITUTIONS OR PENSION  
17 MANAGEMENT ORGANIZATIONS THAT HAVE NOT ENTERED INTO A WRITTEN  
18 AGREEMENT PURSUANT TO SECTION 8411 AND WHICH PROVIDE SERVICES TO  
19 THE SCHOOL DISTRICT'S 403(B) PLAN OR 457 PLAN.

20 (B) PLAN TRANSPARENCY AND ADMINISTRATION.--A FINANCIAL  
21 INSTITUTION OR PENSION MANAGEMENT ORGANIZATION PROVIDING  
22 SERVICES FOR ANY PLAN ESTABLISHED OR MAINTAINED BY A SCHOOL  
23 DISTRICT UNDER IRC § 403(B) OR 457 SHALL:

24 (1) ENTER INTO AN AGREEMENT WITH THE SCHOOL DISTRICT OR  
25 THE SCHOOL DISTRICT'S INDEPENDENT COMPLIANCE ADMINISTRATOR  
26 THAT SHALL REQUIRE THE FINANCIAL INSTITUTION OR PENSION  
27 MANAGEMENT ORGANIZATION TO PROVIDE IN AN ELECTRONIC FORMAT  
28 ALL DATA NECESSARY FOR THE ADMINISTRATION OF THE 403(B) PLAN  
29 OR 457 PLAN AS DETERMINED BY THE SCHOOL DISTRICT OR THE  
30 SCHOOL DISTRICT'S COMPLIANCE ADMINISTRATOR; AND

1           (2) PROVIDE ALL DATA REQUIRED BY THE SCHOOL DISTRICT OR  
2           THE SCHOOL DISTRICT'S COMPLIANCE ADMINISTRATOR TO FACILITATE  
3           DISCLOSURE OF ALL FEES, CHARGES, EXPENSES, COMMISSIONS,  
4           COMPENSATION AND PAYMENTS TO THIRD PARTIES RELATED TO  
5           INVESTMENTS OFFERED UNDER THE 403(B) PLAN OR 457 PLAN.

6           (C) PROVIDER SELECTION.--A SCHOOL DISTRICT THAT ESTABLISHES  
7           OR MAINTAINS A PLAN UNDER IRC § 403(B) OR 457 SHALL SELECT A  
8           MINIMUM OF TWO FINANCIAL INSTITUTIONS OR PENSION MANAGEMENT  
9           ORGANIZATIONS, IN ADDITION TO THE FINANCIAL INSTITUTION OR  
10           PENSION MANAGEMENT ORGANIZATION THAT ENTERED INTO AN AGREEMENT  
11           PURSUANT TO SECTION 8411, TO PROVIDE SERVICES TO THE 403(B) PLAN  
12           OR 457 PLAN. IF FEWER THAN TWO SUCH ADDITIONAL FINANCIAL  
13           INSTITUTIONS OR PENSION MANAGEMENT ORGANIZATIONS ARE DETERMINED  
14           TO BE AVAILABLE OR ABLE TO MEET THE REQUIREMENTS ESTABLISHED IN  
15           THIS SECTION, THEN THE SCHOOL DISTRICT SHALL SELECT THE NUMBER  
16           OF AVAILABLE PROVIDERS ABLE TO MEET THE SCHOOL DISTRICT'S  
17           REQUIREMENTS. A FINANCIAL INSTITUTION OR PENSION MANAGEMENT  
18           ORGANIZATION SHALL BE DESIGNATED A 403(B) PLAN OR 457 PLAN  
19           PROVIDER IF THE FINANCIAL INSTITUTION OR PENSION MANAGEMENT  
20           ORGANIZATION ENTERS INTO AN AGREEMENT IN ACCORDANCE WITH  
21           SUBSECTION (B).

22           § 8412. Annuitization.

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

30           § 8413. Powers and duties of board.

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

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

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

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

14 (3.1) The board shall include default investment options  
15 and strategies to include predetermined investment portfolio  
16 options that shall be constructed to reflect different risk  
17 profiles and shall be constructed to automatically reallocate  
18 and rebalance contributions as a participant ages. The plan  
19 may permit participants to construct their own investment  
20 portfolios using some or all of the investment options  
21 comprising the default solutions.

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

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

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

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

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

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

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

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

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

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

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

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

29           (iii) Procedures for rollovers and trustee-to-  
30 trustee transfers allowed under IRC and permitted by the

1 board as part of the plan.

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

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

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

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

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

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

30 (17) The provisions and restrictions of the act of July

1 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's  
2 Investments Act, shall not apply to the plan or trust or the  
3 investments thereof, but the board is authorized to offer to  
4 the plan participants investment vehicles that would be  
5 allowed under the Protecting Pennsylvania's Investments Act.  
6 The board shall also to the extent commercially available  
7 provide that one option for participants will have an annuity  
8 investment feature.

9 § 8414. Responsibility for investment loss.

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

17 § 8415. Investments based on participants' investment  
18 allocation choices.

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

26 (b) Investment.--Investment of contributions by any  
27 corporation, institution, insurance company or custodial bank or  
28 other entity that the board has approved shall not be  
29 unreasonably delayed, and in no case shall the investment of  
30 contributions be delayed more than 30 days from the date of

1 payroll deductions or the date voluntary contributions are made  
2 to the date that funds are invested. Any interest earned on the  
3 funds pending investment shall be allocated to the employers and  
4 credited to the individual investment accounts of participants  
5 who are then participating in the plan unless the interest is  
6 used to defray administrative costs and fees that would  
7 otherwise be required to be borne by participants who are then  
8 participating in the program.

9 § 8416. Expenses.

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

15 § 8417. Required distributions.

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

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

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

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

29 (iii) For the purposes of this paragraph, the term  
30 "government plans" shall have the same meaning as in IRC

1           § 414(d).  
2           (2) (i) Except as provided under subparagraph (ii), an  
3           amendment of this part on or after the effective date of  
4           the addition of subsection (b) to this section that  
5           increases contributions or benefits for active  
6           participants, inactive participants or participants  
7           receiving distributions may not be deemed to provide for  
8           a contribution or benefit in excess of a limitation,  
9           adjusted on or after the effective date of the addition  
10           of subsection (b) to this section, under IRC §415 unless  
11           specifically provided for by legislation.

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

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

19 § 8501. Public School Employees' Retirement Board.

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

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

1 \* \* \*

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

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

1 are not executed.

2 \* \* \*

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

6 § 8502. Administrative duties of board.

7 \* \* \*

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

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

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

7 \* \* \*

8 (e) Records.--

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

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

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

27 (ii) cause substantial competitive harm to the  
28 person from whom sensitive investment or financial  
29 information relating to the investment was received; or

30 (iii) have a substantial detrimental impact on the

1 value of an investment to be acquired, held or disposed  
2 of by the fund or trust, or would cause a breach of the  
3 standard of care or fiduciary duty set forth in this  
4 part.

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

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

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

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

23 whichever is later.

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

30 (A) the [inspection] access no longer has a

1 substantial detrimental impact on the value of an  
2 investment of the fund or trust and would not cause a  
3 breach of the standard of care or fiduciary duty set  
4 forth in this part; or

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

7 whichever is later.

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

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

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

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

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

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

27 (v) The dollar amount of cash distributions received  
28 by the system or plan from the alternative investment  
29 vehicle since inception.

30 (vi) The net internal rate of return of the

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

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

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

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

28 (i) The existence, date, amount and any other  
29 information pertaining to the rollover contributions and  
30 trustee-to-trustee transfers, of any participant.

1           (ii) The investment option selections of any  
2           participant.

3           (iii) The balance of a participant's individual  
4           investment account, including the amount distributed to  
5           the participant, and any investment gains or losses, or  
6           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          (7) 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, investments, account value or  
14          benefits payable to or on account of a participant as a  
15          public record subject to public access under the Right-to-  
16          Know Law.

17          \* \* \*

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

1 actuarial assumption specified in or underlying any such rule,  
2 regulation or computational procedure and utilized as a basis  
3 for determining any benefit shall be applied in a uniform  
4 manner.

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

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

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

9 (k) Certification of employer contributions to fund.--The  
10 board shall, each year in addition to the itemized budget  
11 required under section 8330 (relating to appropriations by the  
12 Commonwealth), certify to the employers and the Commonwealth the  
13 employer contribution rate expressed as a percentage of members'  
14 payroll necessary for the funding of prospective annuities for  
15 active members and the annuities of annuitants, and certify the  
16 rates and amounts of the normal contributions as determined  
17 pursuant to section 8328(b) (relating to actuarial cost method),  
18 accrued liability contributions as determined pursuant to  
19 section 8328(c), supplemental annuities contribution rate as  
20 determined pursuant to section 8328(d), the experience  
21 adjustment factor as determined pursuant to section 8328(e),  
22 premium assistance contributions as determined pursuant to  
23 section 8328(f), the costs added by legislation as determined  
24 pursuant to section 8328(i), the actuarial required contribution  
25 rate as determined pursuant to section 8328(i), the collared  
26 contribution rate as determined pursuant to section 8328(g), the  
27 final contribution rate as determined pursuant to section  
28 8328(h) and the shared-risk contribution rate as determined  
29 under section 8321(b) (relating to regular member contributions  
30 for current service), which shall be paid to the fund and

1 credited to the appropriate accounts. These certifications shall  
2 be regarded as final and not subject to modification by the  
3 Secretary of the Budget.

4 \* \* \*

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

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

24 \* \* \*

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

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

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

9 § 8502.2. Health insurance.

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

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

19 (2) Determination of the benefits structure.

20 (3) Determination of enrollment procedures.

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

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

26 \* \* \*

27 (d) Additional requirements.--The assets of the fund shall  
28 not be liable or utilized for payment of any expenses or claims  
29 incurred by the health insurance program. The program shall be  
30 an approved health insurance program for purposes of section

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

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

10 § 8503. Duties of board to advise and report to employers [and  
11 members], members and participants.

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

26 \* \* \*

27 (b.1) Participant status statements.--The board shall have  
28 furnished annually to each participant on or before December 31,  
29 and more frequently as the board may agree or as required by  
30 law, a statement showing the accumulated total defined

1 contributions credited to the participant's individual  
2 investment account, the nature and type of investments and the  
3 investment allocation of future contributions as of June 30 of  
4 the current year and requesting the participant to make any  
5 necessary corrections or revision regarding his designated  
6 beneficiary.

7 \* \* \*

8 Section 113. Section 8504(c) of Title 24 is amended to read:

9 § 8504. Duties of board to report to State Employees'

10 Retirement Board.

11 \* \* \*

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

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

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

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

27 (2) Transfer to the State Employees' Retirement Fund the  
28 accumulated deductions standing to such member's credit and  
29 the actuarial reserve required on account of the member's  
30 years of credited service in the school system and his final

1 average salary determined on the basis of his compensation as  
2 a member in both systems.

3 Section 114. Sections 8505 heading, (b), (h) and (i),  
4 8506(a), (d), (e) and (k) and 8507 heading, (a), (d.1), (e), (f)  
5 and (h) of Title 24 are amended and the sections are amended by  
6 adding subsections to read:

7 § 8505. Duties of board regarding applications and elections of  
8 members and participants.

9 \* \* \*

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

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

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

29 (ii) Transfer the balance of the present value of  
30 the total annuity, minus the amount to be returned to the

1 board on account of return to service that the board has  
2 determined is to be credited in the State accumulation  
3 account, from the annuity reserve account to the State  
4 accumulation account.

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

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

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

27 \* \* \*

28 (e.1) Certification to participants terminating service.--  
29 The board shall certify to a participant, within one year of  
30 termination of service of such participant, in writing, of the

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

10 \* \* \*

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

19 \* \* \*

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

23 (h) Death benefits.--Upon receipt of notification of the  
24 death of a member [or], a former member on USERRA leave, an  
25 active participant, an inactive participant or a former  
26 participant performing USERRA leave, the board shall notify the  
27 designated beneficiary or survivor annuitant of the benefits to  
28 which he is entitled and shall make the first payment to the  
29 beneficiary under the plan elected by the beneficiary within 60  
30 days of receipt of certification of death and other necessary

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

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

28 \* \* \*

29 § 8506. Duties of employers.

30 (a) Status of members and participants.--The employer shall,

1 each month, notify the board in a manner prescribed by the board  
2 of the salary changes effective during the past month, the date  
3 of all removals from the payroll, and the type of leave of any  
4 member or participant who has been removed from the payroll for  
5 any time during that month, and:

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

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

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

19 \* \* \*

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

1 employer shall certify to the board the amounts picked up and  
2 deducted and the employer defined contributions being made and  
3 shall send the total amount picked up, deducted and contributed  
4 together with a duplicate of such voucher to the secretary of  
5 the board every pay period or on such schedule as established by  
6 the board.

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

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

1 shall cause proper contributions to be made from the date of  
2 election of membership or participation.

3 \* \* \*

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

7 (1) Any school employee who:

8 (i) ceases to be an active member or active  
9 participant to perform USERRA service; or

10 (ii) is granted a leave of absence under 51 Pa.C.S.  
11 § 4102 (relating to leaves of absence for certain  
12 government employees) or a military leave of absence  
13 under 51 Pa.C.S. § 7302 (relating to granting military  
14 leaves of absence).

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

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

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

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

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

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

8 § 8507. Rights and duties of school employees [and members],  
9 members and participants.

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

30 \* \* \*

1 (b.1) Application for participation.--On or after July 1,  
2 2016, in the case of a new employee who is not currently a  
3 participant in the plan and whose participation is mandatory, or  
4 in the case of a new employee whose participation is not  
5 mandatory but is permitted and who desires to become a  
6 participant in the plan, the new employee shall execute an  
7 application for participation and a nomination of a beneficiary.

8 \* \* \*

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

24 (d.2) Voluntary contributions by a participant.--Any active  
25 participant who desires to make voluntary contributions to be  
26 credited to his individual investment account shall notify the  
27 board and, upon compliance with the requirements, procedures and  
28 limitations established by the board in the plan document, may  
29 do so subject to the limitations under IRC §§ 401(a) and 415 and  
30 other applicable law.

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

9 (e.1) Beneficiary for death benefits from plan.--Every  
10 participant shall nominate a beneficiary by written designation  
11 filed with the board as provided in section 8506 (relating to  
12 duties of employers) to receive the death benefit payable under  
13 section ~~8347~~ 8408 (relating to death benefits). A participant <--  
14 may also nominate a contingent beneficiary or beneficiaries to  
15 receive the death benefit provided under ~~this~~ section 8408. Such <--  
16 nomination may be changed at any time by the participant by  
17 written designation filed with the board.

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

24 (1) Withdraw his accumulated deductions.

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

29 (3) Receive an immediate annuity, if eligible, and may,  
30 if he is a joint coverage member, elect to become a full

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

3 \* \* \*

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

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

23 \* \* \*

24 Section 115. Sections 8521(b), 8522, 8524, 8525, 8531, 8533,  
25 8533.1, 8533.3 and 8533.4(a) of Title 24 are amended to read:

26 § 8521. Management of fund and accounts.

27 \* \* \*

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

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

15 \* \* \*

16 § 8522. Public School Employees' Retirement Fund.

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

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

7 § 8524. State accumulation account.

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

24 § 8525. Annuity reserve account.

25 (a) Credits and charges to account.--The annuity reserve  
26 account shall be the ledger account to which shall be credited  
27 the reserves held for the payment of annuities and death  
28 benefits resulting from membership in the system on account of  
29 all annuitants and the contributions from the Commonwealth and  
30 other employers as determined in accordance with section 8328

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

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

26 § 8531. State guarantee regarding the system.

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

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

7 § 8533. Taxation, attachment and assignment of funds.

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

26 (b) Forfeiture.--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 Forfeitures under this subsection or under any other provision  
30 of law may not be applied to increase the benefits that any

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

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

24 (d) Direct rollover.--Effective with distributions made on  
25 or after January 1, 1993, and notwithstanding any other  
26 provision of this part to the contrary, a distributee may elect,  
27 at the time and in the manner prescribed by the board, to have  
28 any portion of an eligible rollover distribution paid directly  
29 to an eligible retirement plan by way of a direct rollover. For  
30 purposes of this subsection, a "distributee" includes a member, \_

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

19 § 8533.1. Approval of domestic relations orders.

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

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

28 (2) Requires the system to provide no more than the  
29 total amount of benefits than the member would otherwise  
30 receive (determined on the basis of actuarial value) unless

1 increased benefits are paid to the member or alternate payee  
2 based upon cost-of-living increases or increases based on  
3 other than actuarial value.

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

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

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

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

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

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

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

1 system or participants in the plan.

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

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

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

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

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

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

1 payee to keep a current mailing address on file with the  
2 system.

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

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

19 (10) In the case of participants who have not yet begun  
20 to receive distributions as of the date the domestic  
21 relations order is approved by the secretary of the board or  
22 his designated representative, requires the immediate  
23 distribution of the alternate payee's share of the  
24 participant's individual investment account, which may be  
25 made by direct payment, eligible rollover or trustee-to-  
26 trustee transfer to another eligible plan or qualified  
27 account owned by the alternate payee-, NOTWITHSTANDING ANY <--  
28 OTHER PROVISION OF THIS PART OR THE PLAN THAT WOULD REQUIRE A  
29 DISTRIBUTION OF ACCUMULATED EMPLOYER DEFINED CONTRIBUTIONS IN  
30 THE FORM OF AN ANNUITY OR TO REQUIRE THE PURCHASE OF AN

1        ANNUITY.

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

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

27        (c) Other orders.--The requirements for approval identified  
28 in [subsection (a)] subsections (a) and (a.1) shall not apply to  
29 any domestic relations order which is an order for support as  
30 that term is defined in 23 Pa.C.S. § 4302 (relating to

1 definitions) or an order for the enforcement of arrearages as  
2 provided in 23 Pa.C.S. § 3703 (relating to enforcement of  
3 arrearages). These orders shall be approved to the extent that  
4 they do not attach moneys in excess of the limits on attachments  
5 as established by the laws of this Commonwealth and the United  
6 States, require distributions of benefits in a manner that would  
7 violate the laws of the United States, any state or this  
8 Commonwealth or require the distribution of funds for support or  
9 enforcement of arrearages against any participant who is not  
10 receiving distributions from the plan at the time such order is  
11 entered.

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

21 § 8533.3. Irrevocable survivor annuitant.

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

1 domestic relations order by the secretary of the board, or his  
2 designated representative, in which case the irrevocable  
3 survivor annuitant so ordered by the court cannot be changed by  
4 the member without approval by the court. A person ineligible to  
5 be designated as a survivor annuitant may not be designated an  
6 irrevocable survivor annuitant.

7 § 8533.4. Amendment of approved domestic relations orders.

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

14 \* \* \*

15 Section 116. Title 24 is amended by adding a section to  
16 read:

17 § 8533.5. Irrevocable successor payee.

18 Notwithstanding any other provisions of this part, a domestic  
19 relations order pertaining to a participant may provide for an  
20 irrevocable successor payee, only if the participant is  
21 receiving a payment pursuant to a payment option provided by the  
22 board that allows for a successor payee. A domestic relations  
23 order requiring the designation of an irrevocable successor  
24 payee shall be deemed to be one that requires a participant who  
25 is receiving payments from an annuity or other distribution  
26 option to designate an alternate payee as a successor payee and  
27 that prohibits the removal or change of that successor payee  
28 without approval of a court of competent jurisdiction, except by  
29 operation of law. Such a domestic relations order may be  
30 certified as an approved domestic relations order by the

1 secretary of the board, or his designated representative, in  
2 which case the irrevocable successor payee so ordered by the  
3 court cannot be changed by the participant except by approval by  
4 the court. A person ineligible to be designated as a successor  
5 payee may not be designated as an irrevocable successor payee. A  
6 court may not name an irrevocable successor payee if the  
7 alternate payee is eligible to receive a lump sum distribution  
8 of the alternate payee's portion of the marital portion of the  
9 pension benefit.

10 Section 117. Sections 8534 and 8535 of Title 24 are amended  
11 to read:

12 § 8534. Fraud and adjustment of errors.

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

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

1 provided for in the plan document.

2 § 8535. Payments to school entities by Commonwealth.

3 For each school year beginning with the 1995-1996 school year  
4 and ending with the 2015-2016 school year, each school entity  
5 shall be paid by the Commonwealth for contributions based upon  
6 school service of active members of the system after June 30,  
7 1995, as follows:

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

26 (2) The Commonwealth shall pay each school entity for  
27 contributions made to the Public School Employees' Retirement  
28 Fund based upon school service of all active members,  
29 including members on activated military service leave, who  
30 are not described in paragraph (1), one-half of the amount

1 certified by the Public School Employees' Retirement Board as  
2 necessary to provide, together with the members'  
3 contributions, reserves on account of prospective annuities,  
4 supplemental annuities and the premium assistance program as  
5 provided in this part in accordance with section 8328.

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

16 Section 118. Title 24 is amended by adding a section to  
17 read:

18 § 8535.1. Payments to school entities by Commonwealth  
19 commencing with the 2016-2017 school year.

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

25 (1) The Commonwealth shall pay each school entity for  
26 contributions made to the fund based upon school service of  
27 all active members, including members on activated military  
28 service leave, and active participants of the plan whose  
29 effective dates of employment with their school entities are  
30 after June 30, 1994, and who also had not previously been

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

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

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

1 Section 119. The definition of "eligible person" in section  
2 8702(a) of Title 24 is amended to read:

3 § 8702. Definitions.

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

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

16 \* \* \*

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

19 § 9101. Status of program relative to Public School Employees'  
20 Retirement Code.

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

27 (b) State guarantee.--The program shall not be subject to  
28 the provisions of section 8531 (relating to State guarantee  
29 regarding the system).

30 \* \* \*

1 ARTICLE II

2 AMENDMENTS TO TITLE 51

3 Section 201. Section 7306(a) of Title 51 is amended and the  
4 section is amended by adding subsections to read:

5 § 7306. Retirement rights.

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

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

30 (2) He may discontinue making payments into the fund

1 during the period of his military leave of absence. In such  
2 event, the employer shall also discontinue making its  
3 contributions during this period. In this case, his  
4 retirement rights shall be determined by completely  
5 disregarding the period of his military leave of absence for  
6 all purposes.

7 \* \* \*

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

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

23 ARTICLE III

24 AMENDMENTS TO TITLE 71

25 Section 301. The definitions of "alternate payee," "average  
26 noncovered salary," "beneficiary," "compensation," "creditable  
27 nonstate service," "credited service," "date of termination of  
28 service," "distribution," "domestic relations order," "final  
29 average salary," "inactive member," "intervening military  
30 service," "irrevocable beneficiary," "previous State service,"

1 "reemployed from USERRA leave," "retirement counselor," "salary  
2 deductions," "special vestee," "State employee," "superannuation  
3 age" and "valuation interest" in section 5102 of Title 71 are  
4 amended and the section is amended by adding definitions to  
5 read:

6 § 5102. Definitions.

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

10 \* \* \*

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

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

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

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

1 and expenses credited or charged thereon.

2 \* \* \*

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

10 \* \* \*

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

16 \* \* \*

17 "Average noncovered salary." The average of the amounts of  
18 compensation received by an active member each calendar year  
19 since January 1, 1956<sub>L</sub> exclusive of the amount which was or  
20 could have been covered by the Federal Social Security Act[,]  
21 (42 U.S.C. § 301 et seq.), during that portion of the member's  
22 service since January 1, 1956<sub>L</sub> for which he has received social  
23 security integration credit.

24 \* \* \*

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

<--

1 \* \* \*

2 "COMBINED SERVICE EMPLOYEE." A CURRENT OR FORMER STATE <--  
3 EMPLOYEE WHO IS BOTH A MEMBER OF THE SYSTEM AND A PARTICIPANT IN  
4 THE PLAN.

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

1 compensation limit under IRC § 401(a)(17)) and shall apply to  
2 each participant.

3 \* \* \*

4 "Creditable nonstate service." Service other than:

5 (1) service as a State employee;

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

9 (3) school service converted to State service pursuant  
10 to section 5303.2 (relating to election to convert school  
11 service to State service)

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

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

24 "Date of termination of service." The last day of service  
25 for which:

26 (1) pickup contributions are made for an active member  
27 [or] ;

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



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

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

10 \* \* \*

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

1 member who first became a member on or after January 1, 1996,  
2 the final average salary shall be determined as hereinabove  
3 provided but subject to the application of the provisions of  
4 section 5506.1(a) (relating to annual compensation limit under  
5 IRC § 401(a)(17)). Final average salary shall be determined by  
6 including in compensation payments deemed to have been made to a  
7 member reemployed from USERRA leave to the extent member  
8 contributions have been made as provided in section 5302(f)(2)  
9 (relating to credited State service) and payments made to a  
10 member on leave of absence under 51 Pa.C.S. § 4102 (relating to  
11 leaves of absence for certain government employees) as provided  
12 in section 5302(f)(6).

13 \* \* \*

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

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

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

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

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

20 \* \* \*

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

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

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

3 \* \* \*

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

8 \* \* \*

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

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

15 \* \* \*

16 "Plan." The State 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 5402 (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 State service." Service rendered as a State  
24 employee prior to his most recent entrance in the system[.],  
25 provided that the State employee was not a participant in the  
26 plan, was not eligible to be an optional participant in the plan  
27 under section 5301(b.1) (relating to mandatory and optional  
28 membership in system and participation in plan) or was not  
29 prohibited from being a participant under section 5301(c.1)  
30 during such service.

1 \* \* \*

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

10 \* \* \*

11 "Required beginning date." The latest date by which  
12 distributions of a participant's interest in his individual  
13 investment account must commence under section 401(a)(9) of the  
14 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
15 401(a)(9)).

16 "Retirement counselor." The State Employees' Retirement  
17 System or State Employees' Defined Contribution Plan employee  
18 whose duty it shall be to advise each employee of his rights and  
19 duties as a member of the system or as a participant of the  
20 plan.

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

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

29 \* \* \*

30 "Special vestee." An employee of The Pennsylvania State

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

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

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

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

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

24 \* \* \*

25 "State employee." Any person holding a State office or  
26 position under the Commonwealth, employed by the State  
27 Government of the Commonwealth, in any capacity whatsoever,  
28 except an independent contractor or any person compensated on a  
29 fee basis or any person paid directly by an entity other than a  
30 State Employees' Retirement System employer, and shall include

1 members of the General Assembly, and any officer or employee of  
2 the following:

3 (1) (i) The Department of Education.  
4 (ii) State-owned educational institutions.  
5 (iii) Community colleges.  
6 (iv) The Pennsylvania State University, except an  
7 employee in the College of Agriculture who is paid wholly  
8 from Federal funds or an employee who is participating in  
9 the Federal Civil Service Retirement System. The  
10 university shall be totally responsible for all employer  
11 contributions under [section] sections 5507 (relating to  
12 contributions to system by the Commonwealth and other  
13 [employers).] employers before July 1, 2016) and 5507.1  
14 (relating to contributions to system by the Commonwealth  
15 and other employers starting July 1, 2016).

16 (2) The Pennsylvania Turnpike Commission, the Delaware  
17 River Port Authority, the Port Authority Transit Corporation,  
18 the Philadelphia Regional Port Authority, the Delaware River  
19 Joint Toll Bridge Commission, the State Public School  
20 Building Authority, The General State Authority, the State  
21 Highway and Bridge Authority, the Delaware Valley Regional  
22 Planning Commission, the Interstate Commission of the  
23 Delaware River Basin, and the Susquehanna River Basin  
24 Commission any time subsequent to its creation, provided the  
25 commission or authority agrees to contribute and does  
26 contribute to the fund or to the trust, from time to time,  
27 the moneys required to build up the reserves necessary for  
28 the payment of the annuities or other benefits of such  
29 officers and employees without any liability on the part of  
30 the Commonwealth to make appropriations for such purposes,

1 and provided in the case of employees of the Interstate  
2 Commission of the Delaware River Basin, that the employee  
3 shall have been a member of the system for at least ten years  
4 prior to January 1, 1963.

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

18 \* \* \*

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

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

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

15 \* \* \*

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

18 \* \* \*

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

22 \* \* \*

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

26 \* \* \*

27 "Voluntary contributions." Contributions made by a  
28 participant to the trust and credited to his individual <--  
29 investment account in excess of his mandatory pickup participant  
30 contributions by an eligible rollover or direct trustee-to-

1 trustee transfer AND CREDITED TO HIS INDIVIDUAL INVESTMENT  
2 ACCOUNT.

<--

3 Section 302. Section 5103 of Title 71 is amended to read:  
4 § 5103. Notice to members and participants.

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

14 Section 303. Title 71 is amended by adding a section to  
15 read:

16 § 5104. Reference to State Employees' Retirement System.

17 (a) Construction.--As of the effective date of this section,  
18 unless the context clearly indicates otherwise, any reference to  
19 the State Employees' Retirement System in a statutory provision  
20 other than this part and 24 Pa.C.S. Pt. IV (relating to  
21 retirement for school employees) shall include a reference to  
22 the State Employees' Defined Contribution Plan and any reference  
23 to the State Employees' Retirement Fund shall include a  
24 reference to the State Employees' Defined Contribution Trust.

25 (b) Agreement.--The agreement of an employer listed in the  
26 definition of "State employee" under section 5102 (relating to  
27 definitions) or any other law to make contributions to the State  
28 Employees' Retirement Fund or to enroll its employees as members  
29 in the State Employees' Retirement System shall be deemed to be  
30 an agreement to make contributions to the State Employees'

1 Defined Contribution Trust or to enroll its employees in the  
2 State Employees' Defined Contribution Plan.

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

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

8 (a) Mandatory membership IN THE SYSTEM.--Membership in the <--  
9 system shall be mandatory as of the effective date of employment  
10 for all State employees except the following:

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

1 1, 2016). For the fiscal year 1986-1987 an employer may  
2 contribute on account of such elected membership at a rate  
3 which is the greater of 7% or the employer normal  
4 contribution rate as determined in section 5508(b) and for  
5 the fiscal year 1992-1993 and all years after that at a rate  
6 of 9.29%.

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

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

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

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

28 (17) State employees, ~~except for~~ OTHER THAN ANY sworn <--  
29 police officers OFFICER PERFORMING SERVICE AS A SWORN POLICE <--  
30 OFFICER, whose first period of State service starts on or

1 after January 1, 2016.

2 (a.1) Mandatory participation in the plan.--State employees  
3 listed in subsection (a) (17) who are not listed in subsection  
4 (a) (1) through (13) shall be mandatory participants as of the  
5 first date of State service.

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

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

17 THE STATE EMPLOYEES DESCRIBED IN THIS PARAGRAPH SHALL NOT <--  
18 HAVE THE RIGHT TO ELECT MEMBERSHIP IN THE SYSTEM.

19 (2) The State employees not listed in subsection (a)  
20 (17), who are listed in subsection (a) (1) through (10) and  
21 who are not members of the system because membership is  
22 optional, shall have the right to elect participation in the  
23 plan. Once such election is exercised, participation shall be  
24 effective as of the date of election and shall continue until  
25 termination of State service. THE STATE EMPLOYEES DESCRIBED <--  
26 IN THIS PARAGRAPH SHALL NOT HAVE THE RIGHT TO ELECT  
27 MEMBERSHIP IN THE SYSTEM.

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

1 system.

2 (c.1) Prohibited participation in the plan.--The State  
3 employees listed in subsection (a)(17) who also are listed in  
4 subsection (a)(13) and (15) or who are employees of The  
5 Pennsylvania State University, the State System of Higher  
6 Education, State-owned educational institutions or community  
7 colleges shall not be eligible to participate in the plan.

8 (d) Return to service.--An annuitant who returns to service  
9 as a State employee shall resume active membership in the system  
10 as of the effective date of employment, except as otherwise  
11 provided in section 5706(a) (relating to termination of  
12 annuities), regardless of the optional membership category of  
13 the position. An inactive participant or a participant receiving  
14 distributions who returns to service as a State employee shall  
15 be an active participant of the plan as of the effective date of  
16 employment unless the position is eligible for optional  
17 participation or is not eligible for participation in the plan,  
18 or except as otherwise provided in section 5706(a).

19 \* \* \*

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

22 § 5302. Credited State service.

23 (a) Computation of credited service.--In computing credited  
24 State service of a member for the determination of benefits, a  
25 full-time salaried State employee, including any member of the  
26 General Assembly, shall receive credit for service in each  
27 period for which contributions as required are made to the fund,  
28 or for which contributions otherwise required for such service  
29 were not made to the fund solely by reason of section 5502.1  
30 (relating to waiver of regular member contributions and Social

1 Security integration member contributions) or any provision of  
2 this part relating to the limitations under IRC § 401(a)(17) or  
3 415(b), but in no case shall he receive more than one year's  
4 credit for any 12 consecutive months or 26 consecutive biweekly  
5 pay periods. A per diem or hourly State employee shall receive  
6 one year of credited service for each nonoverlapping period of  
7 12 consecutive months or 26 consecutive biweekly pay periods in  
8 which he is employed and for which contributions are made to the  
9 fund or would have been made to the fund but for such waiver  
10 under section 5502.1 or limitations under the IRC for at least  
11 220 days or 1,650 hours of employment. If the member was  
12 employed and contributions were made to the fund for less than  
13 220 days or 1,650 hours, he shall be credited with a fractional  
14 portion of a year determined by the ratio of the number of days  
15 or hours of service actually rendered to 220 days or 1,650  
16 hours, as the case may be. A part-time salaried employee shall  
17 be credited with the fractional portion of the year which  
18 corresponds to the number of hours or days of service actually  
19 rendered and for which contributions are made to the fund in  
20 relation to 1,650 hours or 220 days, as the case may be. In no  
21 case shall a member who has elected multiple service receive an  
22 aggregate in the two systems of more than one year of credited  
23 service for any 12 consecutive months.

24 (b) Creditable leaves of absence.--

25 (1) A member on leave without pay who is studying under  
26 a Federal grant approved by the head of his department or who  
27 is engaged up to a maximum of two years of temporary service  
28 with the United States Government, another state or a local  
29 government under the Intergovernmental Personnel Act of 1970  
30 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall

1 be eligible for credit for such service: Provided, That  
2 contributions are made in accordance with sections 5501  
3 (relating to regular member contributions for current  
4 service), 5501.1 (relating to shared-risk member  
5 contributions for Class A-3 and Class A-4 service), 5505.1  
6 (relating to additional member contributions) [and], 5507  
7 (relating to contributions to system by the Commonwealth and  
8 other employers before July 1, 2016) and 5507.1 (relating to  
9 contributions to system by the Commonwealth and other  
10 employers starting July 1, 2016), the member returns from  
11 leave without pay to active State service as a member of the  
12 system for a period of at least one year, and he is not  
13 entitled to retirement benefits for such service under a  
14 retirement system administered by any other governmental  
15 agency.

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

1 consecutive terms of the same office; that the employer shall  
2 fully compensate the member or the participant, including,  
3 but not limited to, salary, wages, pension and retirement  
4 contributions and benefits, other benefits and seniority, as  
5 if he were in full-time active service; and that the  
6 Statewide employee organization shall fully reimburse the  
7 employer for all expenses and costs of such paid leave,  
8 including, but not limited to, contributions and payment in  
9 accordance with [sections] section 5404 (relating to  
10 participant contributions), 5405 (relating to mandatory  
11 pickup participant contributions), 5406 (relating to employer  
12 defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or  
13 5507.1, if the employee organization either directly pays, or  
14 reimburses the Commonwealth or other employer for,  
15 contributions made in accordance with [section] sections  
16 5404, 5405, 5406, 5507 and 5507.1.

17 \* \* \*

18 (e) Cancellation of credited service.--All credited service  
19 in the system shall be cancelled if a member withdraws his total  
20 accumulated deductions, except that a member with Class A-3 or  
21 Class A-4 service credit and one or more other classes of  
22 service credit shall not have his service credit as a member of  
23 any classes of service other than as a member of Class A-3 or  
24 Class A-4 cancelled when the member receives a lump sum payment  
25 of accumulated deductions resulting from Class A-3 or Class A-4  
26 service pursuant to section 5705.1 (relating to payment of  
27 accumulated deductions resulting from Class A-3 and Class A-4  
28 service). A PARTIAL OR TOTAL DISTRIBUTION OF ACCUMULATED TOTAL <--  
29 DEFINED CONTRIBUTIONS TO A COMBINED SERVICE EMPLOYEE SHALL NOT  
30 CANCEL SERVICE CREDITED IN THE SYSTEM.

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

4 (1) For purposes of determining whether a member is  
5 eligible to receive credited service in the system for a  
6 period of active military service, other than active duty  
7 service to meet periodic training requirements, rendered  
8 after August 5, 1991, and that began before the effective  
9 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73  
10 (relating to military leave of absence) shall apply to all  
11 individuals who were active members of the system when the  
12 period of military service began, even if not defined as an  
13 employee pursuant to 51 Pa.C.S. § 7301 (relating to  
14 definitions).

15 (1.1) State employees may not receive service credit in  
16 the system or exercise the options under 51 Pa.C.S. § 7306  
17 (relating to retirement rights) for military leaves that  
18 begin on or after the effective date of this subsection,  
19 except as otherwise provided by this subsection.

20 (1.2) State employees may not participate in the plan or  
21 exercise the options under 51 Pa.C.S. § 7306 (relating to  
22 retirement rights) for military leaves that begin on or after  
23 the effective date of this paragraph, except as otherwise  
24 provided by this subsection.

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

28 (i) A State employee who is reemployed from USERRA  
29 leave as an active member of the system shall be treated  
30 as not having incurred a break in State service by reason

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

25 (ii) For purposes of determining whether a State  
26 employee has made the required employee contributions for  
27 State service credit for USERRA leave, if an employee who  
28 is reemployed from USERRA leave as an active member of  
29 the system terminates State service or dies in State  
30 service before the expiration of the allowed payment

1 period, then State service credit for the USERRA leave  
2 will be granted as if the required member contributions  
3 were paid the day before termination or death. The amount  
4 of the required member contributions will be treated as  
5 an incomplete payment subject to the provisions of  
6 section 5506 (relating to incomplete payments). Upon a  
7 subsequent return to State service or to school service  
8 as a multiple service member, the required member  
9 contributions treated as incomplete payments shall be  
10 treated as member contributions that were either  
11 withdrawn in a lump sum at termination or paid as a lump  
12 sum pursuant to section 5705(a)(4) (relating to member's  
13 options), as the case may be.

14 (iii) A State employee who is reemployed from USERRA  
15 leave as an active member of the system who does not make  
16 the required member contributions or makes only part of  
17 the required member contributions within the allowed  
18 payment period shall not be granted credited service for  
19 the period of USERRA leave for which the required member  
20 contributions were not timely made, shall not be eligible  
21 to subsequently make contributions and shall not be  
22 granted either State service credit or nonstate service  
23 credit for the period of USERRA leave for which the  
24 required member contributions were not timely made.

25 (2.1) The following shall apply:

26 (i) A participant who is reemployed from USERRA  
27 leave shall be treated as not having incurred a break in  
28 State service by reason of the USERRA leave; AND SHALL BE <--  
29 GRANTED VESTING CREDIT AS IF THE PARTICIPANT HAD NOT BEEN  
30 ON USERRA LEAVE. If a participant who is reemployed from

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

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

27 (3) A State employee who is a member of the system and  
28 performs USERRA leave from which the employee could have been  
29 reemployed from USERRA leave had the State employee returned  
30 to State service in the time frames required by 38 U.S.C. Ch.

1 43 for reemployment rights, but did not do so, shall be able  
2 to receive creditable nonstate service as nonintervening  
3 military service for the period of USERRA leave should the  
4 employee later return to State service as an active member of  
5 the system and is otherwise eligible to purchase the service  
6 as nonintervening military service.

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

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

26 (4.1) An active participant or inactive participant on  
27 leave without pay who, on or after the effective date of this  
28 paragraph, is granted a leave of absence under 51 Pa.C.S. §  
29 4102 or a military leave under 51 Pa.C.S. Ch.73 that is not  
30 USERRA leave shall not be able to make mandatory pickup

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

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

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

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

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

4 Section 306. Sections 5303(b)(2), (d)(1), (e)(1) and (4),  
5 5303.2(a) and (e), 5304(a) and (b), 5305(b) introductory  
6 paragraph and (3) and 5305.1 of Title 71 are amended to read:  
7 § 5303. Retention and reinstatement of service credits.

8 \* \* \*

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

10 \* \* \*

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

22 \* \* \*

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

24 (1) Any person who was an employee of any county in this  
25 Commonwealth on the personal staff of an appellate court  
26 judge prior to September 9, 1985, and who had that employment  
27 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703  
28 (relating to local chamber facilities) shall be a member of  
29 the system for all service rendered as an employee of the  
30 Commonwealth on the personal staff of an appellate court

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

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

19 \* \* \*

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

22 (1) Any employee of the Philadelphia Regional Port  
23 Authority who becomes a State employee, as defined in section  
24 5102 (relating to definitions), and an active member of the  
25 system shall be eligible to obtain retirement credit for  
26 prior uncredited service with the Philadelphia Port  
27 Corporation, a Pennsylvania not-for-profit corporation  
28 ("predecessor corporation"), provided that the Commonwealth  
29 does not incur any liability for the funding of the annuities  
30 attributable to the prior, uncredited "predecessor

1 corporation" service, the cost of which shall be determined  
2 according to paragraph (2).

3 \* \* \*

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

12 \* \* \*

13 § 5303.2. Election to convert school service to State service.

14 (a) Eligibility.--An active member or inactive member on  
15 leave without pay who was an employee transferred from the  
16 Department of Education to the Department of Corrections  
17 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,  
18 No.175), known as The Administrative Code of 1929, and who on  
19 the effective date of that transfer did not participate in an  
20 independent retirement program approved by the Department of  
21 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory  
22 and optional membership) or section 5301(a)(12) (relating to  
23 mandatory and optional membership in system and participation in  
24 plan), notwithstanding any other provision of law or any  
25 collective bargaining agreement, arbitration award, contract or  
26 term or conditions of any retirement system or pension plan, may  
27 make a one-time election to convert all service credited in the  
28 Public School Employees' Retirement System as of June 30, 1999,  
29 and transfer to the system all accumulated member contributions  
30 and statutory interest credited in the members' savings account

1 in the Public School Employees' Retirement System as of June 30,  
2 1999, plus statutory interest on that amount credited by the  
3 Public School Employees' Retirement System from July 1, 1999, to  
4 the date of transfer to the system.

5 \* \* \*

6 (e) Transfer.--Within 180 days after the effective date of  
7 this subsection, the Public School Employees' Retirement System  
8 shall transfer to the board for each member electing to convert  
9 under this section the accumulated member contributions and  
10 statutory interest credited in the Public School Employees'  
11 Retirement System, plus an amount equal to the value of all  
12 annual employer contributions made to the Public School  
13 Employees' Retirement System with interest at the annual rate  
14 adopted by the board for the calculation of the normal  
15 contribution rate under section 5508(b) (relating to actuarial  
16 cost method for fiscal years ending before July 1, 2016), from  
17 the date of each contribution to the date of the transfer of the  
18 funds to the board. Any debt owed by a member to the Public  
19 School Employees' Retirement System for whatever reason shall be  
20 transferred to the system and shall be paid in a manner and in  
21 accordance with conditions prescribed by the board.

22 \* \* \*

23 § 5304. Creditable nonstate service.

24 (a) Eligibility.--

25 (1) An active member who first becomes an active member  
26 before January 1, 2011, or before December 1, 2010, as a  
27 member of the General Assembly, or a multiple service member  
28 who first becomes an active member before January 1, 2011, or  
29 before December 1, 2010, as a member of the General Assembly,  
30 and who is a school employee and an active member of the

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

12 (2) An active member who first becomes an active member  
13 on or after January 1, 2011, or on or after December 1, 2010,  
14 as a member of the General Assembly, or a multiple service  
15 member who first becomes an active member on or after January  
16 1, 2011, or on or after December 1, 2010, as a member of the  
17 General Assembly, and who is a school employee and an active  
18 member of the Public School Employees' Retirement System  
19 shall be eligible for Class A-3 service credit for creditable  
20 nonstate service as set forth in subsections (b) and (c)  
21 except that intervening military service shall be credited in  
22 the class of service for which the member was eligible at the  
23 time of entering into military service and for which he makes  
24 the required contributions to the fund and except that a  
25 multiple service member who is a school employee and an  
26 active member of the Public School Employees' Retirement  
27 System shall not be eligible to purchase service credit for  
28 creditable nonstate service set forth in subsection (c) (5).

29 \* \* \*

30 (b) Limitations on eligibility.--An active member or a

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

17 \* \* \*

18 § 5305. Social security integration credits.

19 \* \* \*

20 (b) Accrual of subsequent credits.--Any active member who  
21 has social security integration accumulated deductions to his  
22 credit or is receiving a benefit on account of social security  
23 integration credits may accrue one social security integration  
24 credit for each year of service as a State employee on or  
25 subsequent to March 1, 1974 and a fractional credit for a  
26 corresponding fractional year of service provided that  
27 contributions are made to the fund, or would have been made to  
28 the fund but for section 5502.1 (relating to waiver of regular  
29 member contributions and Social Security integration member  
30 contributions) or the limitations under IRC § 401(a)(17) or

1 415(b), in accordance with section 5502 (relating to Social  
2 Security integration member contributions), and he:

3 \* \* \*

4 (3) terminates his status as a vestee or an annuitant  
5 and returns to State service as an active member of the  
6 system.

7 \* \* \*

8 § 5305.1. Eligibility for actuarial increase factor.

9 A person who is:

10 (1) an active member;

11 (2) an inactive member on leave without pay; [or] <--

12 (3) a multiple service member who is a school employee  
13 and an active member of the Public School Employees'

14 Retirement System; OR <--

15 (4) A COMBINED SERVICE EMPLOYEE WHO IS AN ACTIVE  
16 PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE WITHOUT PAY;

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

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

27 § 5306. Classes of service.

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

29 (1) A State employee who is a member of Class A on the  
30 effective date of this part or who first becomes a member of

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

10 (2) A State employee who first becomes a member of the  
11 system on or after January 1, 2011, or on or after December  
12 1, 2010, as a member of the General Assembly, shall be  
13 classified as a Class A-3 member and receive credit for Class  
14 A-3 service upon payment of regular member contributions and  
15 shared-risk member contributions for Class A-3 service  
16 provided that the State employee does not become a member of  
17 Class A-4 pursuant to subsection (a.3), except that a member  
18 of the judiciary shall be classified as a member of such  
19 other class of service for which the member of the judiciary  
20 is eligible, shall elect and make regular member  
21 contributions[.], and further provided that the State <--  
22 employee does not become a participant in the plan or is not  
23 eligible to be an optional participant of the plan under  
24 section 5301 (relating to mandatory and optional membership  
25 in system and participation in plan).

26 (3) A person who first becomes a sworn police officer on  
27 or after January 1, 2016, shall receive credit for service as  
28 a sworn police officer as a member of Class A-3 upon payment  
29 of the required member contributions and shall not be  
30 eligible to be a participant in the plan for such service.

1 All other State service shall be credited in the plan as  
2 otherwise provided under this part, except that any State  
3 service performed concurrently with service as an active or  
4 inactive member on leave without pay as a sworn police  
5 officer shall be credited as Class A-3 service and shall not  
6 be eligible for active participation in the plan. Class A-3  
7 service provided for under this subparagraph shall be subject  
8 to an election to be credited as Class A-4 service.

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

10 \* \* \*

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

30 \* \* \*

1           (6) A State employee who after June 30, 2001, becomes a  
2 State police officer or who is employed in a position in  
3 which the member could elect membership in the system in a  
4 class of service other than Class AA or Class D-4 shall  
5 retain any Class AA service credited prior to becoming a  
6 State police officer or being so employed but shall be  
7 ineligible to receive Class AA credit thereafter and instead  
8 shall receive Class A credit for service as a member of the  
9 judiciary if such judicial service begins before January 1,  
10 2016, or if he first became a member before January 1, 2011,  
11 or December 1, 2010, as a member of the General Assembly, or  
12 Class A-3 credit for service other than as a member of the  
13 judiciary if such nonjudicial service begins before January  
14 1, 2016, and he first became a member on or after January 1,  
15 2011, or December 1, 2010, as a member of the General  
16 Assembly, unless a class of membership other than Class A is  
17 elected.

18           \* \* \*

19           (a.2) Class of membership for members of the General  
20 Assembly.--

21           (1) A person who:

22               (i) becomes a member of the General Assembly and an  
23 active member of the system after June 30, 2001, and  
24 before December 1, 2010; or

25               (ii) is a member of the General Assembly on July 1,  
26 2001, but is not an active member of the system because  
27 membership in the system is optional pursuant to section  
28 5301 and who becomes an active member after June 30,  
29 2001, and before December 1, 2010;

30           and who was not a State police officer on or after July 1,

1 1989, shall be classified as a Class D-4 member and receive  
2 credit as a Class D-4 member for all State service as a  
3 member of the system performed as a member of the General  
4 Assembly upon payment of regular member contributions for  
5 Class D-4 service and, subject to the limitations contained  
6 in subsection (a.1)(7), if previously a member of Class A or  
7 employed in a position for which Class A service could have  
8 been earned, shall receive Class AA service credit for all  
9 Class A State service, other than State service performed as  
10 a State police officer or for which a class of service other  
11 than Class A or Class D-4 was or could have been elected or  
12 credited.

13 (2) Provided an election to become a Class D-4 member is  
14 made pursuant to section 5306.2 (relating to elections by  
15 members of the General Assembly), a State employee who was  
16 not a State police officer on or after July 1, 1989, who on  
17 July 1, 2001, is a member of the General Assembly and an  
18 active member of the system and not a member of Class D-3  
19 shall be classified as a Class D-4 member and receive credit  
20 as a Class D-4 member for all State service as a member of  
21 the system performed as a member of the General Assembly not  
22 credited as another class other than Class A upon payment of  
23 regular member contributions for Class D-4 service and,  
24 subject to the limitations contained in paragraph (a.1)(7),  
25 shall receive Class AA service credit for all Class A State  
26 service, other than State service performed as a State police  
27 officer or as a State employee in a position in which the  
28 member could have elected a class of service other than Class  
29 A, performed before July 1, 2001.

30 \* \* \*

1 (b) Other class membership.--

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

8 (2) Notwithstanding any other provision of this section,  
9 a State employee who is appointed bail commissioner of the  
10 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)  
11 (relating to jurisdiction and venue) and is eligible to be a  
12 member of the system as a bail commissioner may, within 30  
13 days of the effective date of this sentence or within 30 days  
14 of his initial appointment as a bail commissioner, whichever  
15 is later, elect Class E-2 service credit for service  
16 performed as a bail commissioner. This class of service  
17 multiplier for E-2 service as a bail commissioner shall be  
18 1.5.

19 \* \* \*

20 (e) Ineligibility for active membership and classes of  
21 service.--An individual who is a State employee on January 1,  
22 2016, but is not a member of the system or who first becomes a  
23 State employee, other than a State police officer, on or after  
24 January 1, 2016, shall be ineligible for active membership in  
25 the system or the several classes of State service as otherwise  
26 provided for under this section. Any such State employee, if  
27 eligible, may be a participant in the plan as a result of such  
28 State service.

29 Section 308. Sections 5306.3(c) ~~and (d)~~, 5307(b)(1), <--  
30 ~~5308(e)~~, 5307, 5308, 5308.1(1) and 5311(a) of Title 71 are <--

1 amended to read:

2 § 5306.3. Election to become a Class A-4 member.

3 \* \* \*

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

19 ~~(d) Effect of failure to make election. Failure to elect to <--~~  
20 ~~become a Class A 4 member within the election period set forth~~  
21 ~~in subsection (b) shall result in all of the member's State~~  
22 ~~service, other than service performed as a member of the~~  
23 ~~judiciary, being credited as Class A 3 service and not subject~~  
24 ~~to further election or crediting as Class A 4 service. Upon~~  
25 ~~termination and subsequent employment, a member who failed to~~  
26 ~~elect to become a Class A 4 member shall not be eligible to make~~  
27 ~~another election to become a Class A 4 member for either past or~~  
28 ~~future State service.~~

29 \* \* \*

<--

30 § 5307. Eligibility points.

2        (A) GENERAL RULE.--AN ACTIVE MEMBER OF THE SYSTEM SHALL <--  
3 ACCRUE ONE ELIGIBILITY POINT FOR EACH YEAR OF CREDITED SERVICE  
4 AS A MEMBER OF THE STATE OR THE PUBLIC SCHOOL EMPLOYEES'  
5 RETIREMENT SYSTEM. A MEMBER SHALL ACCRUE AN ADDITIONAL TWO-  
6 THIRDS OF AN ELIGIBILITY POINT FOR EACH YEAR OF CLASS D-3  
7 CREDITED SERVICE. IN THE CASE OF A FRACTIONAL PART OF A YEAR OF  
8 CREDITED SERVICE, A MEMBER SHALL ACCRUE THE CORRESPONDING  
9 FRACTIONAL PORTION OF ELIGIBILITY POINTS TO WHICH THE CLASS OF  
10 SERVICE ENTITLES HIM.

11        (A.1) USERRA LEAVE.--A MEMBER OF THE SYSTEM WHO IS  
12 REEMPLOYED FROM USERRA LEAVE OR WHO DIES WHILE PERFORMING USERRA  
13 LEAVE SHALL BE GRANTED THE ELIGIBILITY POINTS THAT HE WOULD HAVE  
14 ACCRUED HAD HE CONTINUED IN HIS STATE OFFICE OR EMPLOYMENT  
15 INSTEAD OF PERFORMING USERRA LEAVE. IN THE EVENT THAT A STATE  
16 EMPLOYEE WHO IS REEMPLOYED FROM USERRA LEAVE MAKES THE MEMBER  
17 CONTRIBUTIONS TO BE GRANTED STATE SERVICE CREDIT FOR THE USERRA  
18 LEAVE, NO ADDITIONAL ELIGIBILITY POINTS WILL BE GRANTED.

19        (b) Transitional rule.--

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

1 member of the system, USERRA leave or credited school service  
2 as an active member of the Public School Employees'  
3 Retirement System after June 30, 2001, shall be counted until  
4 such member earns one eligibility point by performing  
5 credited State service or credited school service after June  
6 30, 2001, at which time all eligibility points as determined  
7 pursuant to subsection (a) shall be counted.

8 \* \* \*

9 (2) ANY MEMBER TO WHOM PARAGRAPH (1) APPLIES SHALL BE <--  
10 CONSIDERED TO HAVE SATISFIED ANY REQUIREMENT FOR FIVE <--  
11 ELIGIBILITY POINTS CONTAINED IN THIS PART IF THE MEMBER:

12 (I) HAS TEN OR MORE ELIGIBILITY POINTS AS DETERMINED  
13 PURSUANT TO SUBSECTION (A); OR

14 (II) HAS CLASS G, CLASS H, CLASS I, CLASS J, CLASS  
15 L, CLASS M OR CLASS N SERVICE AND HAS EIGHT OR MORE  
16 ELIGIBILITY POINTS AS DETERMINED PURSUANT TO SUBSECTION  
17 (A) .

18 (C) TRANSITIONAL RULE FOR COMBINED SERVICE EMPLOYEES.--IN  
19 DETERMINING WHETHER A COMBINED SERVICE EMPLOYEE HAS THE FIVE  
20 ELIGIBILITY POINTS REQUIRED BY SECTIONS 5102, 5308(B)(1),  
21 5309(1) AND 5705(A) OR THE TEN ELIGIBILITY POINTS REQUIRED BY  
22 SECTIONS 5102, 5308(B)(2), 5309(2) AND 5705(A), ANY SUCH  
23 COMBINED SERVICE EMPLOYEE SHALL BE CONSIDERED TO HAVE SATISFIED  
24 ANY REQUIREMENT FOR FIVE OR TEN ELIGIBILITY POINTS, AS THE CASE  
25 MAY BE, IF THE COMBINED SERVICE EMPLOYEE DOES NOT TERMINATE  
26 STATE SERVICE FOR THREE OR MORE YEARS AFTER THE EFFECTIVE DATE  
27 OF PARTICIPATION IN THE PLAN.

28 § 5308. Eligibility for annuities.

29 \* \* \*

30 (A) SUPERANNUATION ANNUITY.--ATTAINMENT OF SUPERANNUATION <--

1 AGE BY AN ACTIVE MEMBER [OR] AN INACTIVE MEMBER ON LEAVE  
2 WITHOUT PAY OR A COMBINED SERVICE EMPLOYEE WHO IS AN ACTIVE  
3 PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE WITHOUT PAY WITH  
4 THREE OR MORE ELIGIBILITY POINTS OTHER THAN ELIGIBILITY POINTS  
5 RESULTING FROM NONSTATE SERVICE OR NONSCHOOL SERVICE SHALL  
6 ENTITLE HIM TO RECEIVE A SUPERANNUATION ANNUITY UPON TERMINATION  
7 OF STATE SERVICE AND COMPLIANCE WITH SECTION 5907(F) (RELATING  
8 TO RIGHTS AND DUTIES OF STATE EMPLOYEES [AND] MEMBERS AND  
9 PARTICIPANTS).

10 (B) WITHDRAWAL ANNUITY.--

11 (1) ANY VESTEE OR ANY ACTIVE MEMBER [OR] INACTIVE  
12 MEMBER ON LEAVE WITHOUT PAY OR A COMBINED SERVICE EMPLOYEE  
13 WHO IS AN ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE  
14 WITHOUT PAY WHO TERMINATES STATE SERVICE HAVING FIVE OR MORE  
15 ELIGIBILITY POINTS AND WHO DOES NOT HAVE CLASS A-3 OR CLASS  
16 A-4 SERVICE CREDIT OR CLASS T-E OR CLASS T-F SERVICE CREDIT  
17 IN THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, OR WHO HAS  
18 CLASS G, CLASS H, CLASS I, CLASS J, CLASS K, CLASS L, CLASS M  
19 OR CLASS N SERVICE AND TERMINATES STATE SERVICE HAVING FIVE  
20 OR MORE ELIGIBILITY POINTS, UPON COMPLIANCE WITH SECTION  
21 5907(F), (G) OR (H) SHALL BE ENTITLED TO RECEIVE AN ANNUITY.

22 (2) ANY VESTEE, ACTIVE MEMBER [OR] INACTIVE MEMBER ON  
23 LEAVE WITHOUT PAY OR A COMBINED SERVICE EMPLOYEE WHO IS AN  
24 ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE WITHOUT  
25 PAY WHO HAS CLASS A-3 OR CLASS A-4 SERVICE CREDIT OR CLASS T-  
26 E OR CLASS T-F SERVICE CREDIT IN THE PUBLIC SCHOOL EMPLOYEES'  
27 RETIREMENT SYSTEM WHO TERMINATES STATE SERVICE HAVING TEN OR  
28 MORE ELIGIBILITY POINTS, UPON COMPLIANCE WITH SECTION  
29 5907(F), (G) OR (H), SHALL BE ENTITLED TO RECEIVE AN ANNUITY.

30 (3) ANY VESTEE, ACTIVE MEMBER [OR] INACTIVE MEMBER ON

1 LEAVE WITHOUT PAY OR A COMBINED SERVICE EMPLOYEE WHO IS AN  
2 ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE WITHOUT  
3 PAY WHO HAS EITHER CLASS A-3 OR CLASS A-4 SERVICE CREDIT OR  
4 CLASS T-E OR CLASS T-F SERVICE CREDIT IN THE PUBLIC SCHOOL  
5 EMPLOYEES' RETIREMENT SYSTEM AND ALSO HAS SERVICE CREDITED IN  
6 THE SYSTEM IN ONE OR MORE OTHER CLASSES OF SERVICE WHO HAS  
7 FIVE OR MORE, BUT FEWER THAN TEN, ELIGIBILITY POINTS, UPON  
8 COMPLIANCE WITH SECTION 5907(F), (G) OR (H), SHALL BE  
9 ELIGIBLE TO RECEIVE AN ANNUITY CALCULATED ON HIS SERVICE  
10 CREDITED IN CLASSES OF SERVICE OTHER THAN CLASS A-3 OR CLASS  
11 A-4, PROVIDED THAT THE MEMBER HAS FIVE OR MORE ELIGIBILITY  
12 POINTS RESULTING FROM SERVICE IN CLASSES OTHER THAN CLASS A-3  
13 OR CLASS A-4 OR CLASS T-E OR CLASS T-F SERVICE IN THE PUBLIC  
14 SCHOOL EMPLOYEES' RETIREMENT SYSTEM.

15 (c) Disability annuity.--An active member or inactive member  
16 on leave without pay who has five or more eligibility points  
17 other than eligibility points resulting from membership in the  
18 Public School Employees' Retirement System or any active member  
19 or inactive member on leave without pay who is an officer of the  
20 Pennsylvania State Police or an enforcement officer shall, upon  
21 compliance with section 5907(k), be entitled to a disability  
22 annuity if he becomes mentally or physically incapable of  
23 continuing to perform the duties for which he is employed and  
24 qualifies in accordance with the provisions of section 5905(c)  
25 (1) (relating to duties of the board regarding applications and  
26 elections of members and participants).

27 (D) ELIGIBILITY OF COMBINED SERVICE EMPLOYEES FOR  
28 SUPERANNUATION ANNUITY.--A COMBINED SERVICE EMPLOYEE IS DEEMED  
29 TO HAVE SATISFIED THE REQUIREMENT OF THREE OR MORE YEARS OF  
30 CREDITED STATE OR SCHOOL SERVICE UNDER SUBSECTION (A) IF THE

<--

1 COMBINED SERVICE EMPLOYEE DOES NOT TERMINATE STATE SERVICE  
2 BEFORE THREE YEARS AFTER THE EFFECTIVE DATE OF PARTICIPATION IN  
3 THE PLAN. NOTHING IN THIS SUBSECTION AMENDS OR WAIVES ANY OTHER  
4 REQUIREMENT TO BE ELIGIBLE FOR A SUPERANNUATION ANNUITY.

5 § 5308.1. Eligibility for special early retirement.

6 Notwithstanding any provisions of this title to the contrary,  
7 the following special early retirement provisions shall be  
8 applicable to specified eligible members as follows:

9 (1) During the period of July 1, 1985, to September 30,  
10 1991, an active member who has attained the age of at least  
11 53 years and has accrued at least 30 eligibility points shall  
12 be entitled, upon termination of State service and compliance  
13 with section 5907(f) (relating to rights and duties of State  
14 employees [and], members and participants), to receive a  
15 maximum single life annuity calculated under section 5702  
16 (relating to maximum single life annuity) without a reduction  
17 by virtue of an effective date of retirement which is under  
18 the superannuation age.

19 \* \* \*

20 § 5311. Eligibility for refunds.

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

25 \* \* \*

26 Section 309. Title 71 is amended by adding a chapter to  
27 read:

28 CHAPTER 54  
29 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN  
30 Sec.

1 5401. Establishment.  
2 5402. Plan document.  
3 5403. Individual investment accounts.  
4 5404. Participant contributions.  
5 5405. Mandatory pickup participant contributions.  
6 5406. Employer defined contributions.  
7 5407. Eligibility for benefits.  
8 5408. Death benefits.  
9 5409. Vesting.  
10 5410. Termination of distributions.  
11 5411. Agreements with financial institutions and other  
12 organizations.  
13 5411.1 Annuitization.  
14 5412. Powers and duties of board.  
15 5413. Responsibility for investment loss.  
16 5414. Investments based on participants' investment allocation  
17 choices.  
18 5415. Expenses.  
19 5416. (Reserved).  
20 5417. Required distributions.  
21 § 5401. Establishment.  
22 (a) State Employees' Defined Contribution Plan.--The State  
23 Employees' Defined Contribution Plan is established. The board  
24 shall administer and manage the plan which shall be a defined  
25 contribution plan exclusively for the benefit of those State  
26 employees who participate in the plan and their beneficiaries  
27 within the meaning of and in conformity with IRC § 401(a). The  
28 board shall determine the terms and provisions of the plan not  
29 inconsistent with this part, IRC or other applicable law and  
30 shall provide for the plan's administration.

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

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

26     (d) Name for transacting business.--All of the business of  
27 the plan shall be transacted, the trust invested, all  
28 requisitions for money drawn and payments made and all of its  
29 cash and securities and other property shall be held by the name  
30 of the "State Employees' Defined Contribution Plan," except

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

6 § 5402. Plan document.

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

19 § 5403. Individual investment accounts.

20 The board shall establish in the trust an individual  
21 investment account for each participant in the plan. All  
22 contributions by a participant or an employer for or on behalf  
23 of a participant shall be credited to the participant's  
24 individual investment account, together with all interest and  
25 investment earnings and losses. Investment and administrative  
26 fees, costs and expenses shall be charged to the participants'  
27 individual investment accounts. Employer defined contributions  
28 shall be recorded and accounted for separately from participant  
29 contributions, but all interest, investment earnings and losses,  
30 and investment and administrative fees, costs and expenses shall

1 be allocated proportionately.

2 § 5404. Participant contributions.

3 (a) Mandatory contributions.--Each participant shall make  
4 mandatory pickup participant contributions through payroll  
5 deductions to the participant's individual investment account  
6 equal to 6.5% of compensation for current State service. The  
7 employer shall cause such contributions for current service to  
8 be made and deducted from each payroll or on such schedule as  
9 established by the board.

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

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

25 § 5405. Mandatory pickup participant contributions.

26 (a) Treatment for purposes of IRC § 414(h).--All  
27 contributions to the trust required to be made under section  
28 5404(a) (relating to participant contributions) with respect to  
29 current State service rendered by an active participant shall be  
30 picked up by the Commonwealth or other employer and shall be

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

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

11 § 5406. Employer defined contributions.

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

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

30 (c) Limitations on contributions.--No contributions shall be

1 allowed which would cause a violation of the limitations related  
2 to contributions applicable to governmental plans contained in  
3 IRC § 415 or in other provisions of law. In the event that any  
4 disallowed contributions are made, any employer defined  
5 contributions in excess of the limitations and investment  
6 earnings thereon shall be refunded to the employer by the board.  
7 § 5407. Eligibility for benefits.

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

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

26 (C) COMBINED SERVICE PARTICIPANT.--A PARTICIPANT WHO IS A <--  
27 COMBINED SERVICE EMPLOYEE MUST BE TERMINATED FROM ALL POSITIONS  
28 THAT RESULT IN EITHER MEMBERSHIP IN THE SYSTEM OR PARTICIPATION  
29 IN THE PLAN TO BE ELIGIBLE TO RECEIVE A DISTRIBUTION.

30 (e) (D) Loans.--Loans or other distributions from the plan <--

1 to State employees who have not terminated State service are not  
2 permitted, except as required by law.

3 ~~(d) Small individual investment accounts. A participant who~~ <--

4 (E) SMALL INDIVIDUAL INVESTMENT ACCOUNTS.-- <--

5 (1) A PARTICIPANT WHO terminates State service and whose  
6 VESTED accumulated total defined contributions are below the <--  
7 threshold established by law as of the date of termination of  
8 service may be paid the VESTED accumulated total defined <--  
9 contributions in a lump sum as provided in IRC § 401(a)(31).

10 (2) THE BOARD MAY ALSO PROVIDE IN THE PLAN DOCUMENT <--  
11 THAT, NOTWITHSTANDING SUBSECTION (F), A PARTICIPANT WHOSE  
12 VESTED ACCUMULATED EMPLOYER DEFINED CONTRIBUTIONS ARE BELOW  
13 THE THRESHOLDS ESTABLISHED BY THE BOARD MAY RECEIVE THOSE  
14 DISTRIBUTIONS WITHOUT THE OBLIGATION TO PURCHASE AN ANNUITY.  
15 THE THRESHOLD MAY BE ESTABLISHED AS A DOLLAR AMOUNT, AN  
16 ANNUITY AMOUNT, IN SOME OTHER FORM INDIVIDUALLY OR IN  
17 COMBINATION AS THE BOARD DETERMINES.

18 (F) REQUIREMENT TO PURCHASE PARTIAL ANNUITY.--EXCEPT AS  
19 PROHIBITED BY THE IRC OR AS OTHERWISE PROVIDED IN THIS PART, A  
20 PARTICIPANT WHO IS ELIGIBLE AND ELECTS TO RECEIVE A DISTRIBUTION  
21 OR VESTED ACCUMULATED EMPLOYER DEFINED CONTRIBUTIONS SHALL BE  
22 REQUIRED TO PURCHASE AT LEAST A PARTIAL PAYOUT AS A LIFE ANNUITY  
23 WITH THAT DISTRIBUTION FROM AN ANNUITY PROVIDER CONTRACTED BY  
24 THE BOARD UNDER SECTION 5408(C) (RELATING TO DEATH BENEFITS) AND  
25 UNDER SUCH CONDITIONS AS PROVIDED IN THE PLAN DOCUMENT. THE  
26 CONDITIONS MAY INCLUDE THAT THE BOARD IS AUTHORIZED TO MAKE THE  
27 DISTRIBUTION DIRECTLY TO THE ANNUITY PROVIDER.

28 (G) SPOUSAL CONSENT NOT REQUIRED.--A PARTICIPANT WHO IS  
29 MARRIED MAY RECEIVE A LUMP SUM DISTRIBUTION OR OTHER  
30 DISTRIBUTION DIRECTLY FROM THE BOARD WITHOUT THE CONSENT OF THE

1 SPOUSE.

2 § 5408. Death benefits.

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

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

19 (c) Contracts.--The board may contract with financial  
20 institutions, insurance companies or other types of third-party  
21 providers to allow participants who receive a lump sum  
22 distribution to receive payments and death benefits in a form  
23 and manner as provided by the contract.

24 § 5409. Vesting.

25 (a) Participant and voluntary contributions.--Subject to the  
26 forfeiture and attachment provisions of section 5953 (relating  
27 to taxation, attachment and assignment of funds) or otherwise as  
28 provided by law, a participant shall be vested with respect to  
29 all mandatory pickup participant contributions and voluntary  
30 contributions paid by or on behalf of the participant to the

1 trust in addition to interest and investment gains or losses on  
2 the participant contributions, but not including investment fees  
3 and administrative charges.

4 (b) Employer contributions.--Subject to the forfeiture and  
5 attachment provisions of section 5953 or otherwise as provided  
6 by law, a participant shall be vested with respect to employer-  
7 defined contributions paid to the participant's individual  
8 investment account in the trust and earnings on the employer  
9 contributions, but minus losses and a proportionate share of  
10 investment fees and administrative charges, according to the  
11 following schedule:

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

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

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

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

20 (c) Plan document.--The board shall establish, in the plan  
21 document created by the board under section 5402 (relating to  
22 plan document), the following:

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

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

28 (3) The effect of termination of State service or  
29 distributions from the plan on a participant's vested status  
30 in the plan.

1           (4) Other terms and conditions for the implementation  
2           and administration of this section.

3           (d) Nonvested employer-defined contributions.--Nonvested  
4           employer-defined contributions, including earnings and losses on  
5           the employer contributions, that are not distributable to a  
6           participant who has not fully vested are credited to the  
7           participant's most recent employer's future obligations assessed  
8           under section 5509 (relating to appropriations and assessments  
9           by the Commonwealth).

10          (e) USERRA leave and vesting credit.--A participant in the  
11          plan who is reemployed from USERRA leave or who dies while  
12          performing USERRA leave shall receive vesting credit under this  
13          section for the State service that would have been performed had  
14          the member not performed USERRA leave.  
15          § 5410. Termination of distributions.

16          (a) Return to State service.--A participant receiving  
17          distributions or an inactive participant who returns to State  
18          service shall cease receiving distributions and shall not be  
19          eligible to receive distributions until the participant  
20          subsequently terminates State service, without regard to whether  
21          the participant is a mandatory, optional or prohibited member of  
22          the system or participant in the plan. THIS SUBSECTION SHALL NOT <--  
23          APPLY TO A DISTRIBUTION OF ACCUMULATED EMPLOYER DEFINED  
24          CONTRIBUTIONS OR OTHER DISTRIBUTIONS THAT THE PARTICIPANT HAS  
25          RECEIVED AND USED TO PURCHASE AN ANNUITY FROM A PROVIDER  
26          CONTRACTED BY THE BOARD.

27          (b) Return of benefits paid during USERRA leave.--If a  
28          former State employee is reemployed from USERRA leave and has  
29          previously received any payments or annuity from the plan during  
30          the USERRA leave, the employee shall return to the board the

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

12 § 5411. Agreements with financial institutions and other  
13 organizations.

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

20 (b) Agreement terms and considerations.--Under the plan, the  
21 board shall enter into an agreement to provide fully bundled  
22 retirement plan investment, plan administration and services to  
23 employees who participate in the plan. The agreement shall  
24 provide for appropriate long-term retirement-oriented  
25 investments and shall include either fixed or variable deferred  
26 annuities, or a combination thereof. In determining the  
27 financial institution or other organization with which the board  
28 shall enter into an agreement, the board shall consider all of  
29 the following:

30 (1) The financial stability of the financial institution

1 or other organization and the ability of the financial  
2 institution or other organization to provide the contracted  
3 rights and benefits to participants.

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

6 (3) The experience of the financial institution or other  
7 organization in providing defined contribution retirement  
8 plans in lieu of defined benefit plan participation to  
9 employees or as part of employee hybrid retirement plans.

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

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

17 (c) Advice to participants.--The plan shall provide  
18 education, counseling, and objective participant-specific plan  
19 advice to participants.

20 § 5411.1. Annuitization.

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

28 § 5412. Powers and duties of board.

29 The board shall have the following powers and duties to  
30 establish the plan and trust and administer the provisions of

1 this chapter and part:

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

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

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

12 (3.1) The board shall include default investment options  
13 and strategies to include predetermined investment portfolio  
14 options that shall be constructed to reflect different risk  
15 profiles and shall be constructed to automatically reallocate  
16 and rebalance contributions as a participant ages. The plan  
17 may permit participants to construct their own investment  
18 portfolios using some or all of the investment options  
19 comprising the default solutions.

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

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

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

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

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

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

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

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

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

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

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

20 (i) Procedures whereby eligible participants may  
21 change their investment choices on a periodic basis or  
22 make other elections regarding their participation in the  
23 plan.

24 (ii) Procedures for deducting mandatory pickup  
25 participant contributions from a participant's  
26 compensation.

27 (iii) Procedures for rollovers and trustee-to-  
28 trustee transfers allowed under the IRC and permitted as  
29 part of the plan.

30 (iv) Standards and criteria for disclosing and

1 providing options to eligible individuals regarding  
2 investments of amounts deferred under the plan, provided  
3 that one of the available options must serve as the  
4 default option for participants who do not make a timely  
5 election and that, to the extent commercially available,  
6 one option must have an annuity investment feature.

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

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

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

21 (15) The board may contract any services and duties in  
22 lieu of staff, except final adjudications or if prohibited by  
23 law. Any duties or responsibilities of the board not required  
24 by law to be performed by the board can be delegated to a  
25 third-party provider subject to appeal to the board.

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

29 (17) The provisions and restrictions of the act of July  
30 2, 2010 (P.L.266, No.44), known as the Protecting

1 Pennsylvania's Investments Act, shall not apply to the plan  
2 or trust or the investments thereof, but the board is  
3 authorized to offer to the plan participants investment  
4 vehicles that would be permitted under the Protecting  
5 Pennsylvania's Investments Act.

6 § 5413. Responsibility for investment loss.

7 The board, the Commonwealth, an employer or other political  
8 subdivision shall not be responsible for any investment loss  
9 incurred under the plan, or for the failure of any investment to  
10 earn any specific or expected return or to earn as much as any  
11 other investment opportunity, whether or not such other  
12 opportunity was offered to participants in the plan.

13 § 5414. Investments based on participants' investment  
14 allocation choices.

15 (a) General rule.--All contributions, interest and  
16 investment earnings shall be ~~100% vested and shall be invested~~ <--  
17 based on the participant's investment allocation choices. All  
18 investment allocation choices shall be credited proportionally  
19 between participant contributions and employer defined  
20 contributions. Each participant shall be credited individually  
21 with the amount of contributions, interest and investment  
22 earnings.

23 (b) Investment of contributions made by entities other than  
24 the Commonwealth.--Investment of contributions by any  
25 corporation, institution, insurance company or custodial bank  
26 that the board has approved shall not be unreasonably delayed,  
27 and in no case shall the investment of contributions be delayed  
28 more than 30 days from the date of payroll deduction or the date  
29 voluntary contributions are made to the date that funds are  
30 invested. Any interest earned on the funds pending investment

1 shall be allocated to the Commonwealth and credited to the  
2 individual investment accounts of participants who are then  
3 participating in the plan unless the interest is used to defray  
4 administrative costs and fees that would otherwise be required  
5 to be borne by participants who are then participating in the  
6 plan.

7 § 5415. Expenses.

8 All fees, costs and expenses of administering the plan and  
9 the trust and investing the assets of the trust shall be borne  
10 by the participants and paid from assessments against the  
11 balances of the individual investment accounts as established by  
12 the board, except as may be provided otherwise by law.

13 § 5416. (Reserved).

14 § 5417. Required distributions.

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

18 Section 310. Section 5501.1(b) (7) and (8) of Title 71 are  
19 amended and the subsection is amended by adding a paragraph to  
20 read:

21 § 5501.1. Shared-risk member contributions for Class A-3 and  
22 Class A-4 service.

23 \* \* \*

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

25 \* \* \*

26 (7) For any fiscal year in which the actual  
27 contributions by the Commonwealth or an employer are lower  
28 than those required to be made under section 5507(d)  
29 [(relating to contributions by the Commonwealth and other  
30 employers)] (relating to contributions to system by the

1 Commonwealth and other employers before July 1, 2016) or  
2 5507.1 (relating to contributions to system by the  
3 Commonwealth and other employers starting July 1, 2016), the  
4 prospective shared-risk contribution rate for those employees  
5 whose employers are not making the contributions required by  
6 section 5507(d) shall be zero and shall not subsequently be  
7 increased, except as otherwise provided in this section.

8 (8) If the actuary certifies that the accrued liability  
9 contributions calculated in accordance with the actuarial  
10 cost method provided in [section 5508(b)] section 5508  
11 (relating to actuarial cost method for fiscal years ending  
12 before July 1, 2016) or 5508.1 (relating to actuarial cost  
13 method for fiscal years beginning July 1, 2016, or later), as  
14 adjusted by the experience adjustment factor, are zero or  
15 less, then the shared-risk contribution rate for the next  
16 fiscal year shall be zero and shall not subsequently be  
17 increased, except as otherwise provided in this section.

18 (9) For periods commencing on or after July 1, 2016, the  
19 determination of shared-risk member contribution rate shall  
20 be based on the annual interest rate adopted by the board for  
21 the calculation of the accrued liability contribution rate  
22 under section 5508.1(c).

23 Section 311. The definition of "actuarially required  
24 contribution rate" in section 5501.2 of Title 71 is amended to  
25 read:

26 § 5501.2. Definitions.

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

30 "Actuarially required contribution rate." The employer

1 contribution rate as calculated pursuant to section 5508(a),  
2 (b), (c), (e) and (f) (relating to actuarial cost method for  
3 fiscal years ending before July 1, 2016) or 5508.1(a), (b), (c),  
4 (e) and (f) (relating to actuarial cost method for fiscal years  
5 beginning July 1, 2016, or later)).

6 \* \* \*

7 Section 312. Sections 5502, 5503.1(a), 5504(a)(1), (a.1) and  
8 (b), 5505(b)(1), (c), (d) and (i)(4), 5505.1, 5506, 5506.1(a)  
9 and 5507 heading, (a), (b), (d), (e) and (f) of Title 71 are  
10 amended to read:

11 § 5502. Social Security integration member contributions.

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

1 integration membership.

2 § 5503.1. Pickup contributions.

3 (a) Treatment for purposes of IRC § 414(h).--All  
4 contributions to the fund required to be made under sections  
5 5501 (relating to regular member contributions for current  
6 service), 5501.1 (relating to shared-risk member contributions  
7 for Class A-3 and Class A-4 service), 5502 (relating to Social  
8 Security integration member contributions), 5503 (relating to  
9 joint coverage member contributions) and [section] 5505.1  
10 (relating to additional member contributions), with respect to  
11 current State service rendered by an active member on or after  
12 January 1, 1982, shall be picked up by the Commonwealth or other  
13 employer and shall be treated as the employer's contribution for  
14 purposes of IRC § 414(h).

15 \* \* \*

16 § 5504. Member contributions for the purchase of credit for  
17 previous State service or to become a full coverage  
18 member.

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

21 (1) The contributions to be paid by an active member or  
22 eligible school employee for credit in the system for total  
23 previous State service other than service in Class G, Class  
24 H, Class I, Class J, Class K, Class L, Class M and Class N or  
25 to become a full coverage member shall be sufficient to  
26 provide an amount equal to the regular and additional  
27 accumulated deductions which would have been standing to the  
28 credit of the member for such service had regular and  
29 additional member contributions been made with full coverage  
30 in the class of service and at the rate of contribution

1 applicable during such period of previous service and had his  
2 regular and additional accumulated deductions been credited  
3 with statutory interest during all periods of subsequent  
4 State service as an active member or inactive member on leave  
5 without pay and school service as an active member or  
6 inactive member on leave without pay of the Public School  
7 Employees' Retirement System up to the date of purchase.

8 \* \* \*

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

15 (b) Certification and method of payment.--The amount payable  
16 shall be certified in each case by the board in accordance with  
17 methods approved by the actuary and shall be paid in a lump sum  
18 within 30 days or in the case of an active member or eligible  
19 school employee who is an active member of the Public School  
20 Employees' Retirement System may be amortized with statutory  
21 interest through salary deductions to the system in amounts  
22 agreed upon by the member and the board. The salary deduction  
23 amortization plans agreed to by members and the board may  
24 include a deferral of payment amounts and statutory interest  
25 until the termination of school service or State service or  
26 beginning service as a participant as the board in its sole  
27 discretion decides to allow. The board may limit the salary  
28 deduction amortization plans to such terms as the board in its  
29 sole discretion determines. In the case of an eligible school  
30 employee who is an active member of the Public School Employees'

1 Retirement System, the agreed upon salary deductions shall be  
2 remitted to the Public School Employees' Retirement Board, which  
3 shall certify and transfer to the board the amounts paid.

4 § 5505. Contributions for the purchase of credit for creditable  
5 nonstate service.

6 \* \* \*

7 (b) Nonintervening military service.--

8 (1) The amount due for the purchase of credit for  
9 military service other than intervening military service  
10 shall be determined by applying the member's basic  
11 contribution rate, the additional contribution rate plus the  
12 Commonwealth normal contribution rate for active members at  
13 the time of entry, subsequent to such military service, of  
14 the member into State service to his average annual rate of  
15 compensation over the first three years of such subsequent  
16 State service and multiplying the result by the number of  
17 years and fractional part of a year of creditable  
18 nonintervening military service being purchased together with  
19 statutory interest during all periods of subsequent State  
20 service as an active member or inactive member on leave  
21 without pay and school service as an active member or  
22 inactive member on leave without pay of the Public School  
23 Employees' Retirement System to date of purchase. Upon  
24 application for credit for such service, payment shall be  
25 made in a lump sum within 30 days or in the case of an active  
26 member or eligible school employee who is an active member of  
27 the Public School Employees' Retirement System it may be  
28 amortized with statutory interest through salary deductions  
29 to the system in amounts agreed upon by the member and the  
30 board. The salary deduction amortization plans agreed to by

1 members and the board may include a deferral of payment  
2 amounts and statutory interest until the termination of  
3 school service or State service or beginning service as a  
4 participant as the board in its sole discretion decides to  
5 allow. The board may limit salary deduction amortization  
6 plans to such terms as the board in its sole discretion  
7 determines. In the case of an eligible school employee who is  
8 an active member of the Public School Employees' Retirement  
9 System, the agreed upon salary deductions shall be remitted  
10 to the Public School Employees' Retirement Board, which shall  
11 certify and transfer to the board the amounts paid.  
12 Application may be filed for all such military service credit  
13 upon completion of three years of subsequent State service  
14 and shall be credited as Class A service.

15 \* \* \*

16 (c) Intervening military service.--Contributions on account  
17 of credit for intervening military service shall be determined  
18 by the member's regular contribution rate, shared-risk  
19 contribution rate, Social Security integration contribution  
20 rate, the additional contribution rate which shall be applied  
21 only to those members who began service on or after the  
22 effective date of this amendatory act and compensation at the  
23 time of entry of the member into active military service,  
24 together with statutory interest during all periods of  
25 subsequent State service as an active member or inactive member  
26 on leave without pay and school service as an active member or  
27 inactive member on leave without pay of the Public School  
28 Employees' Retirement System to date of purchase. Upon  
29 application for such credit the amount due shall be certified in  
30 the case of each member by the board in accordance with methods

1 approved by the actuary, and contributions may be made by:

2 (1) regular monthly payments during active military  
3 service; or

4 (2) a lump sum payment within 30 days of certification;  
5 or

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

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

22 (d) Nonmilitary and nonmagisterial service.--Contributions  
23 on account of credit for creditable nonstate service other than  
24 military and magisterial service by State employees who first  
25 become members of the system before January 1, 2011, or before  
26 December 1, 2010, as a member of the General Assembly shall be  
27 determined by applying the member's basic contribution rate, the  
28 additional contribution rate plus the Commonwealth normal  
29 contribution rate for active members at the time of entry  
30 subsequent to such creditable nonstate service of the member

1 into State service to his compensation at the time of entry into  
2 State service as a member of the system and multiplying the  
3 result by the number of years and fractional part of a year of  
4 creditable nonstate service being purchased together with  
5 statutory interest during all periods of subsequent State  
6 service as an active member or inactive member on leave without  
7 pay and school service as an active member or inactive member on  
8 leave without pay of the Public School Employees' Retirement  
9 System to the date of purchase. Upon application for credit for  
10 such service payment shall be made in a lump sum within 30 days  
11 or in the case of an active member or eligible school employee  
12 who is an active member of the Public School Employees'  
13 Retirement System it may be amortized with statutory interest  
14 through salary deductions to the system in amounts agreed upon  
15 by the member and the board. The salary deduction amortization  
16 plans agreed to by members and the board may include a deferral  
17 of payment amounts and statutory interest until the termination  
18 of school service or State service or beginning service as a  
19 participant as the board in its sole discretion decides to  
20 allow. The board may limit salary deduction amortization plans  
21 to such terms as the board in its sole discretion determines. In  
22 the case of an eligible school employee who is an active member  
23 of the Public School Employees' Retirement System, the agreed  
24 upon salary deduction shall be remitted to the Public School  
25 Employees' Retirement Board, which shall certify and transfer to  
26 the board the amounts paid.

27 \* \* \*

28 (i) Purchases of nonstate service credit by State employees  
29 who first became members of the system on or after December 1,  
30 2010.--

1 \* \* \*

2 (4) The payment for credit purchased under this  
3 subsection shall be certified in each case by the board in  
4 accordance with methods approved by the actuary and shall be  
5 paid in a lump sum within 30 days or in the case of an active  
6 member or eligible school employee who is an active member of  
7 the Public School Employees' Retirement System may be  
8 amortized with statutory interest through salary deductions  
9 to the system in amounts agreed upon by the member and the  
10 board. The salary deduction amortization plans agreed to by  
11 members and the board may include a deferral of payment  
12 amounts and interest until the termination of school service  
13 or State service or beginning service as a participant as the  
14 board in its sole discretion decides to allow. The board may  
15 limit the salary deduction amortization plans to such terms  
16 as the board in its sole discretion determines. In the case  
17 of an eligible school employee who is an active member of the  
18 Public School Employees' Retirement System, the agreed upon  
19 salary deductions shall be remitted to the Public School  
20 Employees' Retirement Board, which shall certify and transfer  
21 to the board the amounts paid.

22 § 5505.1. Additional member contributions.

23 In addition to regular or joint coverage member contributions  
24 and social security integration contributions, contributions  
25 shall be made on behalf of each active member, regardless of  
26 class of service, at the rate of 1 1/4% of compensation until  
27 such time as the actuary certifies that all accrued liability  
28 contributions have been completed in accordance with the  
29 actuarial cost method provided in section 5508(b) (relating to  
30 actuarial cost method for fiscal years ending before July 1,

1 2016).

2 § 5506. Incomplete payments.

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

1 of such reduced present value.

2 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

23 \* \* \*

24 § 5507. Contributions to system by the Commonwealth and other  
25 employers before July 1, 2016.

26 (a) Contributions on behalf of active members.--[The] Until  
27 June 30, 2016, the Commonwealth and other employers whose  
28 employees are members of the system, and from January 1, 2016,  
29 to June 30, 2016, the Commonwealth and other employers whose  
30 employees are participants in the plan, shall make contributions

1 to the fund on behalf of all active members in such amounts as  
2 shall be certified by the board as necessary to provide,  
3 together with the members' total accumulated deductions, annuity  
4 reserves on account of prospective annuities other than those  
5 provided in sections 5708 (relating to supplemental annuities),  
6 5708.1 (relating to additional supplemental annuities), 5708.2  
7 (relating to further additional supplemental annuities), 5708.3  
8 (relating to supplemental annuities commencing 1994), 5708.4  
9 (relating to special supplemental postretirement adjustment),  
10 5708.5 (relating to supplemental annuities commencing 1998),  
11 5708.6 (relating to supplemental annuities commencing 2002),  
12 5708.7 (relating to supplemental annuities commencing 2003) and  
13 5708.8 (relating to special supplemental postretirement  
14 adjustment of 2002), in accordance with the actuarial cost  
15 method provided in section 5508(a), (b), (c), (d) and (f)  
16 (relating to actuarial cost method for fiscal years ending  
17 before July 1, 2016).

18 (b) Contributions on behalf of annuitants.--[The] Until June  
19 30, 2016, the Commonwealth and other employers whose employees  
20 are members of the system shall make contributions on behalf of  
21 annuitants in such amounts as shall be certified by the board as  
22 necessary to fund the liabilities for supplemental annuities in  
23 accordance with the actuarial cost method provided in section  
24 5508(e) [(relating to actuarial cost method)].

25 \* \* \*

26 (d) Payment of final contribution rate.--Notwithstanding the  
27 calculation of the actuarially required contribution rate and  
28 the provisions of subsections (a) and (b), until June 30, 2016,  
29 the Commonwealth and other employers whose employees are members  
30 of the system shall make contributions to the fund on behalf of

1 all active members and annuitants in such amounts as shall be  
2 certified by the board in accordance with section 5508(i).

3 (e) Benefits completion plan contributions.--In addition to  
4 all other contributions required under this section and section  
5 5508, until June 30, 2016, the Commonwealth and other employers  
6 whose employees are members of the system shall make  
7 contributions as certified by the board pursuant to section 5941  
8 (relating to benefits completion plan).

9 (f) Contributions resulting from members reemployed from  
10 USERRA leave.--When a State employee reemployed from USERRA  
11 leave makes the member contributions required to be granted  
12 State service credit for the USERRA leave before July 1, 2016,  
13 either by actual payment or by actuarial debt under section 5506  
14 (relating to incomplete payments), then the Commonwealth  
15 employer or other employer by whom the State employee is  
16 employed at the time the member contributions are made, or the  
17 last employer before termination in the case of payment under  
18 section 5506, shall make whatever employer contributions would  
19 have been made under this section had the employee making the  
20 member contributions after being reemployed from USERRA leave  
21 continued to be employed in his State office or position instead  
22 of performing USERRA leave.

23 Section 313. Title 71 is amended by adding a section to  
24 read:

25 § 5507.1. Contributions to system by the Commonwealth and other  
26 employers starting July 1, 2016.

27 (a) Contributions on behalf of members.--For fiscal years  
28 beginning on or after July 1, 2016, the Commonwealth and other  
29 employers whose employees are or were members of the system  
30 shall make contributions to the fund on behalf of all members in

1 such amounts as shall be certified by the board as necessary to  
2 provide, together with the members' total accumulated  
3 deductions, annuity reserves on account of annuities including  
4 those provided in sections 5708 (relating to supplemental  
5 annuities), 5708.1 (relating to additional supplemental  
6 annuities), 5708.2 (relating to further additional supplemental  
7 annuities), 5708.3 (relating to supplemental annuities  
8 commencing 1994), 5708.4 (relating to special supplemental  
9 postretirement adjustment), 5708.5 (relating to supplemental  
10 annuities commencing 1998), 5708.6 (relating to supplemental  
11 annuities commencing 2002), 5708.7 (relating to supplemental  
12 annuities commencing 2003) and 5708.8 (relating to special  
13 supplemental postretirement adjustment of 2002), in accordance  
14 with the actuarial cost method provided in section 5508.1  
15 (relating to actuarial cost method for fiscal years beginning  
16 July 1, 2016, or later).

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

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

20 (2) Payment of accrued liability contributions as  
21 modified by the experience adjustment factor shall be as a  
22 percentage of compensation of active members and active  
23 participants.

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

29 (c) Payment of final contribution rate.--Notwithstanding the  
30 calculation of the actuarially required contribution rate and

1 the provisions of subsections (a) and (b) (1) and (2), after June  
2 30, 2016, the Commonwealth and other employers whose employees  
3 are members of the system shall make contributions to the fund  
4 on behalf of all active members and annuitants in such amounts  
5 as shall be certified by the board in accordance with section  
6 5508.1(h).

7 (d) Benefits completion plan contributions.--In addition to  
8 all other contributions required under this section and section  
9 5508.1, after June 30, 2016, the Commonwealth and other  
10 employers whose employees are active members of the system shall  
11 make contributions as certified by the board pursuant to section  
12 5941 (relating to benefits completion plan).

13 (e) Contributions resulting from members reemployed from  
14 USERRA leave.--When a State employee reemployed from USERRA  
15 leave makes the member contributions required to be granted  
16 State service credit for the USERRA leave after June 30, 2016,  
17 either by actual payment or by actuarial debt under section 5506  
18 (relating to incomplete payments), the Commonwealth employer or  
19 other employer that employed the State employee when the member  
20 contributions are made or the last employer before termination  
21 in the case of payment under section 5506 shall make the  
22 employer contributions that would have been made under this  
23 section if the employee making the member contributions after  
24 the employee is reemployed from USERRA leave continued to be  
25 employed in the employee's State office or position instead of  
26 performing USERRA leave.

27 Section 314. Section 5508 heading, (a), (b), (c) (1) and (3),  
28 (e) (2), (f) (1), (h) and (i) of Title 71 are amended and  
29 subsection (c) is amended by adding a paragraph to read:  
30 § 5508. Actuarial cost method for fiscal years ending before

1                   July 1, 2016.

2           (a) Employer contribution rate on behalf of active  
3 members.--[The] For the fiscal years ending before July 1, 2016,  
4 the amount of the Commonwealth and other employer contributions  
5 on behalf of all active members shall be computed by the actuary  
6 as a percentage of the total compensation of all active members  
7 during the period for which the amount is determined and shall  
8 be so certified by the board. The actuarially required  
9 contribution rate on behalf of all active members shall consist  
10 of the employer normal contribution rate, as defined in  
11 subsection (b), and the accrued liability contribution rate as  
12 defined in subsection (c). The actuarially required contribution  
13 rate on behalf of all active members shall be modified by the  
14 experience adjustment factor as calculated in subsection (f).

15           (b) Employer normal contribution rate.--[The] For the fiscal  
16 years ending before July 1, 2016, the employer normal  
17 contribution rate shall be determined after each actuarial  
18 valuation on the basis of an annual interest rate and such  
19 mortality and other tables as shall be adopted by the board in  
20 accordance with generally accepted actuarial principles. The  
21 employer normal contribution rate shall be determined as a level  
22 percentage of the compensation of the average new active member,  
23 which percentage, if contributed on the basis of his prospective  
24 compensation through his entire period of active State service,  
25 would be sufficient to fund the liability for any prospective  
26 benefit payable to him in excess of that portion funded by his  
27 prospective member contributions, excluding shared-risk member  
28 contributions.

29           (c) Accrued liability contribution rate.--

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

1 July 1, 2003, the accrued liability contribution rate shall  
2 be computed as the rate of total compensation of all active  
3 members which shall be certified by the actuary as sufficient  
4 to fund over a period of ten years from July 1, 2002, the  
5 present value of the liabilities for all prospective  
6 benefits, except for the supplemental benefits as provided in  
7 sections 5708 (relating to supplemental annuities), 5708.1  
8 (relating to additional supplemental annuities), 5708.2  
9 (relating to further additional supplemental annuities),  
10 5708.3 (relating to supplemental annuities commencing 1994),  
11 5708.4 (relating to special supplemental postretirement  
12 adjustment), 5708.5 (relating to supplemental annuities  
13 commencing 1998), 5708.6 (relating to supplemental annuities  
14 commencing 2002), 5708.7 (relating to supplemental annuities  
15 commencing 2003) and 5708.8 (relating to special supplemental  
16 postretirement adjustment of 2002), in excess of the total  
17 assets in the fund (calculated recognizing all investment  
18 gains and losses over a five-year period), excluding the  
19 balance in the supplemental annuity account, and the present  
20 value of employer normal contributions and of member  
21 contributions payable with respect to all active members on  
22 December 31, 2001, and excluding contributions to be  
23 transferred by county retirement systems or pension plans  
24 pursuant to section 5507(c) (relating to contributions to  
25 system by the Commonwealth and other employers before July 1,  
26 2016). The amount of each annual accrued liability  
27 contribution shall be equal to the amount of such  
28 contribution for the fiscal year beginning July 1, 2002,  
29 except that, if the accrued liability is increased by  
30 legislation enacted subsequent to June 30, 2002, but before

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

7 \* \* \*

8 (3) For the fiscal year beginning July 1, 2010, the  
9 accrued liability contribution rate shall be computed as the  
10 rate of total compensation of all active members which shall  
11 be certified by the actuary as sufficient to fund in equal  
12 dollar installments over a period of 30 years from July 1,  
13 2010, the present value of the liabilities for all  
14 prospective benefits calculated as of the immediately prior  
15 valuation date, including the supplemental benefits as  
16 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,  
17 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits  
18 payable from the retirement benefit plan established pursuant  
19 to section 5941 (relating to benefits completion plan), in  
20 excess of the actuarially calculated assets in the fund  
21 (calculated recognizing all realized and unrealized  
22 investment gains and losses each year in level annual  
23 installments over five years), including the balance in the  
24 supplemental annuity account, and the present value of  
25 employer normal contributions and of member contributions  
26 payable with respect to all active members, inactive members  
27 on leave without pay, vestees and special vestees on December  
28 31, 2009. If the accrued liability is changed by legislation  
29 enacted subsequent to December 31, 2009, and before January  
30 1, 2015, such change in liability shall be funded in equal

1 dollar installments over a period of ten years from the first  
2 day of July following the valuation date coincident with or  
3 next following the date such legislation is enacted.

4 (4) For the fiscal year beginning July 1, 2015, the  
5 accrued liability contribution rate shall be computed as  
6 provided for under this section, except that the rate shall  
7 be computed as a rate of total compensation of all active  
8 members and active participants for the fiscal year. In  
9 addition to any employer defined contributions made to the  
10 trust, the Commonwealth and other employers of participants  
11 shall make the accrued liability contributions to the fund  
12 certified by the board.

13 \* \* \*

14 (e) Supplemental annuity contribution rate.--

15 \* \* \*

16 (2) For fiscal years beginning on or after July 1, 2010,  
17 and ending on or before June 30, 2016, contributions from the  
18 Commonwealth and other employers whose employees are members  
19 of the system required to provide for the payment of  
20 supplemental annuities as provided in sections 5708, 5708.1,  
21 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8  
22 shall be paid as part of the accrued liability contribution  
23 rate as provided for in subsection (c)(3), and there shall  
24 not be a separate supplemental annuity contribution rate  
25 attributable to those supplemental annuities. In the event  
26 that supplemental annuities are increased by legislation  
27 enacted subsequent to December 31, 2009, and before January  
28 1, 2015, the additional liability for the increase in  
29 benefits shall be funded in equal dollar installments over a  
30 period of ten years from the first day of July following the

1 valuation date coincident with or next following the date  
2 such legislation is enacted.

3 (f) Experience adjustment factor.--

4 (1) For each [year] fiscal year ending before July 1,  
5 2016, after the establishment of the accrued liability  
6 contribution rate and the supplemental annuity contribution  
7 rate for the fiscal year beginning July 1, 2010, any increase  
8 or decrease in the unfunded accrued liability and any  
9 increase or decrease in the liabilities and funding for  
10 supplemental annuities, due to actual experience differing  
11 from assumed experience (recognizing all realized and  
12 unrealized investment gains and losses over a five-year  
13 period), changes in contributions caused by the final  
14 contribution rate being different from the actuarially  
15 required contribution rate, State employees making shared-  
16 risk member contributions, changes in actuarial assumptions  
17 or changes in the terms and conditions of the benefits  
18 provided by the system by judicial, administrative or other  
19 processes other than legislation, including, but not limited  
20 to, reinterpretation of the provisions of this part  
21 recognized by the actuarial valuations on December 31, 2010,  
22 and through December 31, ~~2013~~ 2014, shall be amortized in <--  
23 equal dollar annual contributions over a period of 30 years  
24 beginning with the July 1 succeeding the actuarial valuation  
25 determining said increases or decreases.

26 \* \* \*

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

28 The collared contribution rate for each [year] fiscal year  
29 ending on or before June 30, 2016, shall be determined by  
30 comparing the actuarially required contribution rate calculated

1 without regard for costs added by legislation to the prior  
2 year's final contribution rate. If, for any of the fiscal years  
3 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,  
4 2013, July 1, 2014, and July 1, 2015, the actuarially required  
5 contribution rate calculated without regard for costs added by  
6 legislation is more than 3%, 3.5%, 4.5%, 4.5% and 4.5%, <--  
7 respectively, of the total compensation of all active members  
8 greater than the prior year's final contribution rate, then the  
9 collared contribution rate shall be applied and be equal to the  
10 prior year's final contribution rate increased by the respective  
11 percentage above of total compensation of all active members.  
12 Otherwise, and for all subsequent fiscal years, the collared  
13 contribution rate shall not be applicable. In no case shall the  
14 collared contribution rate be less than 4% of total compensation  
15 of all active members.

16 (i) Final contribution rate.--For the fiscal year beginning  
17 July 1, 2010, the final contribution rate shall be 5% of total  
18 compensation of all active members. For each subsequent fiscal  
19 year for which the collared contribution rate is applicable, the  
20 final contribution rate shall be the collared contribution rate  
21 plus the costs added by legislation. For all other fiscal years  
22 ending before July 1, 2016, the final contribution rate shall be  
23 the actuarially required contribution rate, provided that the  
24 final contribution rate shall not be less than the employer  
25 normal contribution rate, as defined in subsection (b).

26 Section 315. Title 71 is amended by adding a section to  
27 read:

28 § 5508.1. Actuarial cost method for fiscal years beginning July  
29 1, 2016, or later.

30 (a) Employer contributions on behalf of members.--For fiscal

1 years beginning on or after July 1, 2016, the amount of the  
2 Commonwealth and other employer contributions on behalf of all  
3 members shall be computed by the actuary and certified by the  
4 board as an employer normal contribution rate as defined in  
5 subsection (b) and the accrued liability contribution amount as  
6 defined in subsection (c). The accrued liability contribution  
7 amount shall be modified by the experience adjustment factor as  
8 calculated in subsection (f).

9 (b) Employer normal contribution rate.--For fiscal years  
10 beginning on or after July 1, 2016, the employer normal  
11 contribution rate for all active members of the system shall be  
12 the employer normal contribution rate that would have been  
13 applicable if the employer normal contribution rate was  
14 determined as part of the December 31, 2015, actuarial valuation  
15 under section 5508(b) (relating to actuarial cost method for  
16 fiscal years ending before July 1, 2016) without regard to the  
17 provisions of this section and the inapplicability of that rate  
18 to periods on or after July 1, 2016.

19 (c) Accrued liability contribution amount.--

20 (1) For fiscal years beginning July 1, 2016, the accrued  
21 liability contribution rate shall be computed as the rate of  
22 total compensation of all active members and active  
23 participants which shall be determined by the actuary as  
24 sufficient to fund in THE equal dollar installments over a <--  
25 period of 30 years from July 1, 2016, the present value of  
26 all the liabilities for all prospective benefits of members  
27 of the system calculated as of the immediately prior  
28 valuation date, including the supplemental benefits as  
29 provided in sections 5708 (relating to supplemental  
30 annuities), 5708.1 (relating to additional supplemental

1 ~~annuities), 5708.2 (relating to further additional~~  
2 ~~supplemental annuities), 5708.3 (relating to supplemental~~  
3 ~~annuities commencing 1994), 5708.4 (relating to special~~  
4 ~~supplemental postretirement adjustment), 5708.5 (relating to~~  
5 ~~supplemental annuities commencing 1998), 5708.6 (relating to~~  
6 ~~supplemental annuities commencing 2002), 5708.7 (relating to~~  
7 ~~supplemental annuities commencing 2003) and 5708.8 (relating~~  
8 ~~to special supplemental postretirement adjustment of 2002),~~  
9 ~~but excluding the benefits payable from the retirement~~  
10 ~~benefit plan established pursuant to section 5941 (relating~~  
11 ~~to benefits completion plan), in excess of the actuarially~~  
12 ~~calculated assets in the fund, calculated recognizing all~~  
13 ~~realized and unrealized investment gains and losses each year~~  
14 ~~in level annual installments over five years, including the~~  
15 ~~balance in the supplemental annuity account, and the present~~  
16 ~~value of employer normal contributions and of member~~  
17 ~~contributions payable with respect to all active members,~~  
18 ~~inactive members on leave without pay, vestees and special~~  
19 ~~vestees on December 31, 2015. DETERMINED UNDER SECTION~~ <--  
20 ~~5508(C). If the accrued liability is changed by legislation~~  
21 ~~enacted subsequent to December 31, 2015, such change in~~  
22 ~~liability shall be funded in equal dollar installments as a~~  
23 ~~percentage of compensation of all active members and active~~  
24 ~~participants over a period of 10 years from the first day of~~  
25 ~~July following the valuation date coincident with or next~~  
26 ~~following the date such legislation is enacted. The accrued~~  
27 ~~liability contribution rate shall be determined after each~~  
28 ~~actuarial valuation on the basis of an annual interest rate~~  
29 ~~and such mortality and other tables as shall be adopted by~~  
30 ~~the board in accordance with generally accepted actuarial~~

1 principles.

2 (2) For purposes of determining the accrued liability  
3 contribution rate in paragraph (1) and subsection (e) and the  
4 experience adjustment factor in subsection (f), the term  
5 "compensation of all active members and active participants"  
6 shall include an additional amount equal to the difference  
7 between:

8 (i) The actual compensation of all active members  
9 and active participants of The Pennsylvania State  
10 University, the State System of Higher Education, State-  
11 owned educational institutions and community colleges.

12 (ii) The compensation of all employees of The  
13 Pennsylvania State University, the State System of Higher  
14 Education, State-owned educational institutions and  
15 community colleges who are 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 multiplied by  
21 a fraction equal to the amount determined under  
22 subparagraph (i) as part of the December 31, 2015,  
23 actuarial valuation divided by the amount determined  
24 under this subparagraph as of December 31, 2015.

25 (d) Allocation of accrued liability contribution amount.--  
26 For the fiscal year beginning July 1, 2016, and all subsequent  
27 fiscal years, The Pennsylvania State University, the State  
28 System of Higher Education, each State-owned educational  
29 institution and each community college shall make such  
30 additional actuarial accrued liability contributions as shall be

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

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

6 (2) the difference between:

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

10 (ii) the compensation of all active members, active  
11 participants, active members of the Public School  
12 Employees' Retirement System, active participants of the  
13 School Employees' Defined Contribution Plan and employees  
14 who are members or participants of an independent  
15 retirement program approved by the employer of each such  
16 educational institution multiplied by a fraction equal to  
17 the amount determined under subparagraph (i) as part of  
18 the December 31, 2015, actuarial valuation divided by the  
19 amount of compensation of all active members, active  
20 participants, active members of the Public School  
21 Employees' Retirement System, active participants of the  
22 School Employees' Defined Contribution Plan and employees  
23 who are members or participants of an independent  
24 retirement program approved by the employer of each such  
25 educational institution determined as of December 31,  
26 2015.

27 (e) Supplemental annuity contribution amounts.--For fiscal  
28 years beginning on or after July 1, 2016, contributions from the  
29 Commonwealth and other employers whose employees are members of  
30 the system required to provide for the payment of supplemental

1 annuities as provided in sections 5708, 5708.1, 5708.2, 5708.3, <--  
2 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8 5708 (RELATING TO <--  
3 SUPPLEMENTAL ANNUITIES), 5708.1 (RELATING TO ADDITIONAL  
4 SUPPLEMENTAL ANNUITIES), 5708.2 (RELATING TO FURTHER ADDITIONAL  
5 SUPPLEMENTAL ANNUITIES), 5708.3 (RELATING TO SUPPLEMENTAL  
6 ANNUITIES COMMENCING 1994), 5708.4 (RELATING TO SPECIAL  
7 SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT), 5708.5 (RELATING TO  
8 SUPPLEMENTAL ANNUITIES COMMENCING 1998), 5708.6 (RELATING TO  
9 SUPPLEMENTAL ANNUITIES COMMENCING 2002), 5708.7 (RELATING TO  
10 SUPPLEMENTAL ANNUITIES COMMENCING 2003) AND 5708.8 (RELATING TO  
11 SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT OF 2002) shall be  
12 paid as part of the accrued liability contribution rate as  
13 provided for in subsection (c) and there shall not be a separate  
14 supplemental annuity contribution amount attributable to those  
15 supplemental annuities. In the event that supplemental annuities  
16 are increased by legislation enacted subsequent to December 31,  
17 2015, the additional liability for the increase in benefits  
18 shall be funded in equal dollar installments as a percentage of  
19 compensation of all active members and active participants over  
20 a period of ten years from the first day of July following the  
21 valuation date coincident with or next following the date such  
22 legislation is enacted as part of the accrued liability amount  
23 and not as a separate supplemental annuity contribution amount.

24 (f) Experience adjustment factor.--

25 ~~(1) For each year after the establishment of the accrued~~ <--  
26 ~~liability contribution amount for the fiscal year beginning~~  
27 ~~July 1, 2016, any increase or decrease in the unfunded~~

28 (1) FOR EACH YEAR BEGINNING ON OR AFTER JULY 1, 2016: <--

29 (I) THE ACCRUED LIABILITY CONTRIBUTION RATE COMPUTED  
30 UNDER SUBSECTION (C) SHALL BE MODIFIED EACH YEAR BY ANY

1 AMOUNTS CALCULATED FOR EACH YEAR UNDER SECTION 5508(F)  
2 FOR EACH OF THE RESPECTIVE AMORTIZATION PERIODS REMAINING  
3 AS OF JULY 1, 2016; AND

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

24 (2) The actuarially required contribution rate shall be  
25 the sum of the normal contribution rate determined under  
26 subsection (b) (2), the accrued liability contribution rate  
27 and the supplemental annuity contribution rate modified by  
28 the experience adjustment factor as calculated in paragraph  
29 (1).

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

1 The collared contribution rate for each fiscal year beginning on  
2 or after July 1, 2016, shall be determined by comparing the  
3 actuarially required contribution rate calculated without regard  
4 for costs added by legislation to the prior year's final  
5 contribution rate. If the actuarially required contribution rate  
6 calculated without regard for costs added by legislation is more  
7 than 4.5% of the total compensation of all active members  
8 greater than the prior year's final contribution rate, then the  
9 collared contribution rate shall be applied and be equal to the  
10 prior year's final contribution rate increased by 4.5% of total  
11 compensation of all active members. Otherwise, and for all  
12 subsequent fiscal years, the collared contribution rate shall  
13 not be applicable. In no case shall the collared contribution  
14 rate be less than 4% of total compensation of all active  
15 members.

16 (h) Final contribution rate.--For the fiscal year beginning  
17 July 1, 2016, if the collared contribution rate is applicable,  
18 the final contribution rate shall be the collared contribution  
19 rate plus the costs added by legislation. For each subsequent  
20 fiscal year for which the collared contribution rate is  
21 applicable, the final contribution rate shall be the collared  
22 contribution rate plus the costs added by legislation. For all  
23 other fiscal years beginning on or after July 1, 2016, the final  
24 contribution rate shall be the actuarially required contribution  
25 rate, provided that the final contribution rate shall not be  
26 less than the employer normal contribution rate, as provided  
27 under subsection (b).

28 Section 316. Sections 5509, 5701, ~~5701.1, 5702(a)(1),~~ <--  
29 ~~5704(a) and (c), 5706(a), (a.1), (a.2), (b) and (c)(1) and (3),~~  
30 ~~5707(f), 5708.1(f), 5708.2(f), 5708.3(f), 5708.5(f), 5708.6(f),~~

1 ~~5708.7(f), 5708.8(g), 5709 heading, (a) and (b) and 5901(a), (c)~~  
2 ~~and (d)~~ AND 5701.1 of Title 71 are amended to read: <--

3 § 5509. Appropriations and assessments by the Commonwealth.

4 (a) Annual submission of budget.--The board shall prepare  
5 and submit annually an itemized budget consisting of the amounts  
6 necessary to be appropriated by the Commonwealth out of the  
7 General Fund and special operating funds and the amounts to be  
8 assessed the other employers required to meet the separate  
9 obligations to both the fund and the trust accruing during the  
10 fiscal period beginning the first day of July of the following  
11 year.

12 (b) Appropriation and payment.--The General Assembly shall  
13 make an appropriation sufficient to provide for the separate  
14 obligations of the Commonwealth to both the fund and the trust.  
15 Such amount shall be paid by the State Treasurer through the  
16 Department of Revenue into the fund or the trust, as the case  
17 may be, in accordance with requisitions presented by the board.  
18 The contributions to the system by the Commonwealth on behalf of  
19 active members who are officers of the Pennsylvania State Police  
20 shall be charged to the General Fund and to the Motor License  
21 Fund in the same ratios as used to apportion the appropriations  
22 for salaries of members of the Pennsylvania State Police. The  
23 contributions to the system by the Commonwealth on behalf of  
24 active members who are enforcement officers and investigators of  
25 the Pennsylvania Liquor Control Board shall be charged to the  
26 General Fund and to the State Stores Fund.

27 (c) Contributions from funds other than General Fund.--The  
28 amounts assessed other employers who are required to make the  
29 necessary separate contributions to both the fund and the trust  
30 out of funds other than the General Fund shall be paid by such

1 employers into the fund or the trust, as the case may be, in  
2 accordance with requisitions presented by the board. The General  
3 Fund of the Commonwealth shall not be held liable to appropriate  
4 the moneys required to build up the reserves in the fund  
5 necessary for the payment of benefits from the system to  
6 employees or to make the employer defined contributions for  
7 employees of such other employers. In case any such other  
8 employer shall fail to provide to the fund the moneys necessary  
9 for such purpose, then the service of such members of the system  
10 for such period for which money is not so provided shall be  
11 credited and pickup contributions with respect to such members  
12 shall continue to be credited to the members' savings account.  
13 The annuity to which such member is entitled shall be determined  
14 as actuarially equivalent to the present value of the maximum  
15 single life annuity of each such member reduced by the amount of  
16 employer contributions to the system payable on account and  
17 attributable to his compensation during such service, except  
18 that no reduction shall be made as a result of the failure of an  
19 employer to make contributions required for a period of USERRA  
20 leave.

21 § 5701. Return of total accumulated deductions.

22 Any member upon termination of service may, in lieu of all  
23 benefits payable from the system under this chapter to which he  
24 may be entitled, elect to receive his total accumulated  
25 deductions.

26 § 5701.1. Transfer of accumulated deductions.

27 When an employee of the Juvenile Court Judges' Commission  
28 elects membership in an independent retirement program pursuant  
29 to section 5301(f) (relating to mandatory and optional  
30 membership in system and participation in plan), the board shall

1 transfer directly to the trustee or administrator of the  
2 independent retirement program all accumulated deductions  
3 resulting from service credited while an employee of the  
4 Juvenile Court Judges' Commission.

5 SECTION 316.1. SECTIONS 5702(A)(1) AND 5704(A) AND (C) OF <--  
6 TITLE 71 ARE AMENDED AND THE SECTIONS ARE AMENDED BY ADDING  
7 SUBSECTIONS TO READ:

8 § 5702. Maximum single life annuity.

9 (a) General rule.--Any full coverage member who is eligible  
10 to receive an annuity pursuant to the provisions of section  
11 5308(a) or (b) (relating to eligibility for annuities) who  
12 terminates State service, or if a multiple service member who is  
13 a school employee who is an active member of the Public School  
14 Employees' Retirement System who terminates school service,  
15 before attaining age 70 shall be entitled to receive a maximum  
16 single life annuity attributable to his credited service and  
17 equal to the sum of the following single life annuities  
18 beginning at the effective date of retirement:

19 (1) A standard single life annuity multiplied by the sum  
20 of the products, determined separately for each class of  
21 service, obtained by multiplying the appropriate class of  
22 service multiplier by the ratio of years of service credited  
23 in that class to the total credited service. In case the  
24 member on the effective date of retirement is under  
25 superannuation age for any service, a reduction factor  
26 calculated to provide benefits actuarially equivalent to an  
27 annuity starting at superannuation age shall be applied to  
28 the product determined for that service. The class of service  
29 multiplier for any period of concurrent service shall be  
30 multiplied by the proportion of total State and school

1 compensation during such period attributable to State service  
2 as a member of the system. In the event a member has two  
3 multipliers for one class of service the class of service  
4 multiplier to be used for calculating benefits for that class  
5 shall be the average of the two multipliers weighted by the  
6 proportion of compensation attributable to each multiplier  
7 during the three years of highest annual compensation in that  
8 class of service: Provided, That in the case of a member of  
9 Class E-1, a portion but not all of whose three years of  
10 highest annual judicial compensation is prior to January 1,  
11 1973, two class of service multipliers shall be calculated on  
12 the basis of his entire judicial service, the one applying  
13 the judicial class of service multipliers effective prior to  
14 January 1, 1973 and the second applying the class of service  
15 multipliers effective subsequent to January 1, 1973. The  
16 average class of service multiplier to be used for  
17 calculating benefits for his judicial service shall be the  
18 average of the two calculated multipliers weighted by the  
19 proportion of compensation attributable to each of the  
20 calculated multipliers during the three years of highest  
21 annual compensation in that class of service.

22 \* \* \*

23 (E) COORDINATION OF BENEFITS.--THE DETERMINATION AND PAYMENT <--  
24 OF THE MAXIMUM SINGLE LIFE ANNUITY UNDER THIS SECTION SHALL BE  
25 IN ADDITION TO ANY PAYMENTS A COMBINED SERVICE EMPLOYEE MAY BE  
26 ENTITLED TO RECEIVE, HAS RECEIVED OR IS RECEIVING AS A RESULT OF  
27 BEING A PARTICIPANT IN THE PLAN.

28 § 5704. Disability annuities.

29 (a) Amount of annuity.--A member who has made application  
30 for a disability annuity and has been found to be eligible in

1 accordance with the provisions of section 5905(c)(1) (relating  
2 to duties of the board regarding applications and elections of  
3 members and participants) shall receive a disability annuity  
4 payable from the effective date of disability as determined by  
5 the board and continued until a subsequent determination by the  
6 board that the annuitant is no longer entitled to a disability  
7 annuity. The disability annuity shall be equal to a standard  
8 single life annuity multiplied by the class of service  
9 multiplier applicable to the class of service at the time of  
10 disability if the product of such class of service multiplier  
11 and the total number of years of credited service is greater  
12 than 16.667, otherwise the standard single life annuity shall be  
13 multiplied by the lesser of the following ratios:

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

15 where Y = number of years of credited service, Y\* = total years  
16 of credited service if the member were to continue as a State  
17 employee until attaining superannuation age as applicable at the  
18 time of disability, or if the member has attained superannuation  
19 age, as applicable at the time of disability, then the number of  
20 years of credited service and M = the class of service  
21 multiplier as applicable at the effective date of disability. A  
22 member of Class C shall receive, in addition, any annuity to  
23 which he may be eligible under section 5702(a)(3) (relating to  
24 maximum single life annuity). The member shall be entitled to  
25 the election of a joint and survivor annuity on that portion of  
26 the disability annuity to which he is entitled under section  
27 5702.

28 \* \* \*

29 (c) Reduction on account of earned income.--Subsequent to  
30 January 1, 1972, payments on account of disability shall be

1 reduced by that amount by which the earned income of the  
2 annuitant, as reported in accordance with section 5908(b)  
3 (relating to rights and duties of annuitants), for the preceding  
4 calendar year together with the disability annuity payments  
5 provided in this section other than subsection (b), for the  
6 year, exceeds the product of:

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

9 [(ii)] (2) the ratio of the current monthly payment  
10 to the monthly payment at the effective date of  
11 disability;

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

15 \* \* \*

16 (H) COORDINATION OF BENEFITS.--THE DETERMINATION AND PAYMENT <--  
17 OF THE DISABILITY ANNUITY UNDER THIS SECTION SHALL BE IN  
18 ADDITION TO ANY PAYMENTS A COMBINED SERVICE EMPLOYEE MAY BE  
19 ENTITLED TO RECEIVE, HAS RECEIVED OR IS RECEIVING AS A RESULT OF  
20 BEING A PARTICIPANT IN THE PLAN.

21 SECTION 316.2. SECTIONS 5706(A), (A.1), (A.2), (B) AND (C)  
22 (1) AND (3), 5707(A), (B) AND (F), 5708.1(F), 5708.2(F),  
23 5708.3(F), 5708.5(F), 5708.6(F), 5708.7(F), 5708.8(G), 5709  
24 HEADING, (A) AND (B) AND 5901(A), (C) AND (D) OF TITLE 71 ARE  
25 AMENDED TO READ:

26 § 5706. Termination of annuities.

27 (a) General rule.--If the annuitant returns to State service  
28 or enters or has entered school service and elects multiple  
29 service membership, any annuity payable to him under this part  
30 shall cease effective upon the date of his return to State

1 service or entering school service without regard to whether he  
2 is a mandatory, optional or prohibited member of the system or  
3 participant in the plan, or if a multiple service member,  
4 whether he is a mandatory, optional or prohibited member or  
5 participant of the Public School Employees' Retirement System or  
6 School Employees' Defined Contribution Plan and in the case of  
7 an annuity other than a disability annuity the present value of  
8 such annuity, adjusted for full coverage in the case of a joint  
9 coverage member who makes the appropriate back contributions for  
10 full coverage, shall be frozen as of the date such annuity  
11 ceases. An annuitant who is credited with an additional 10% of  
12 Class A and Class C service as provided in section 5302(c)  
13 (relating to credited State service) and who returns to State  
14 service shall forfeit such credited service and shall have his  
15 frozen present value adjusted as if his 10% retirement incentive  
16 had not been applied to his account. In the event that the cost-  
17 of-living increase enacted December 18, 1979 occurred during the  
18 period of such State or school employment, the frozen present  
19 value shall be increased, on or after the member attains  
20 superannuation age, by the percent applicable had he not  
21 returned to service. This subsection shall not apply in the case  
22 of any annuitant who may render services to the Commonwealth in  
23 the capacity of an independent contractor or as a member of an  
24 independent board or commission or as a member of a departmental  
25 administrative or advisory board or commission when such members  
26 of independent or departmental boards or commissions are  
27 compensated on a per diem basis for not more than 150 days per  
28 calendar year or as a member of an independent board or  
29 commission requiring appointment by the Governor, with advice  
30 and consent of the Senate, where the annual salary payable to

1 the member does not exceed \$35,000 and where the member has been  
2 an annuitant for at least six months immediately preceding the  
3 appointment. Such service shall not be subject to member  
4 contributions or be eligible for qualification as creditable  
5 State service or for participation in the plan, mandatory pickup  
6 participant contributions or employer defined contributions.

7 (a.1) Return to State service during emergency.--When, in  
8 the judgment of the employer, an emergency creates an increase  
9 in the work load such that there is serious impairment of  
10 service to the public, an annuitant may be returned to State  
11 service for a period not to exceed 95 days in any calendar year  
12 without loss of his annuity. In computing the number of days an  
13 annuitant has returned to State service, any amount of time less  
14 than one-half of a day shall be counted as one-half of a day.  
15 For agencies, boards and commissions under the Governor's  
16 jurisdiction, the approval of the Governor that an emergency  
17 exists shall be required before an annuitant may be returned to  
18 State service. Such service shall not be subject to member  
19 contributions or be eligible for qualification as creditable  
20 State service or for participation in the plan, mandatory pickup  
21 participant contributions or employer defined contributions.

22 (a.2) Return of benefits.--In the event an annuitant whose  
23 annuity ceases pursuant to this section receives any annuity  
24 payment, including a lump sum payment pursuant to section 5705  
25 (relating to member's options) on or after the date of his  
26 return to State service or entering school service, the  
27 annuitant shall return to the board the amount so received plus  
28 statutory interest. The amount payable shall be certified in  
29 each case by the board in accordance with methods approved by  
30 the actuary and shall be paid in a lump sum within 30 days or in

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

16 \* \* \*

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

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

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

9 (i) is a multiple service member; or

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

23 \* \* \*

24 (3) In addition to any other adjustment to the present  
25 value of the maximum single life annuity that a member may be  
26 entitled to receive that occurs as a result of any other  
27 provision of law, the present value of the maximum single  
28 life annuity shall be reduced by all amounts paid or payable  
29 to him during all previous periods of retirement plus  
30 interest on these amounts until the date of subsequent

1 retirement. The interest for each year shall be calculated  
2 based upon the annual interest rate adopted for that fiscal  
3 year by the board for the calculation of the normal  
4 contribution rate pursuant to section 5508(b) (relating to  
5 actuarial cost method[.] for fiscal years ending before July  
6 1, 2016) or for the calculation of the accrued liability  
7 contribution rate under section 5508.1(c) (relating to  
8 actuarial cost method for fiscal years beginning July 1,  
9 2016, or later) for fiscal years starting on or after July 1,  
10 2016.

11 § 5707. Death benefits.

12 (A) MEMBERS ELIGIBLE FOR ANNUITIES.--ANY ACTIVE MEMBER, <--  
13 INACTIVE MEMBER ON LEAVE WITHOUT PAY, COMBINED SERVICE EMPLOYEE  
14 WHO IS AN ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE  
15 WITHOUT PAY, VESTEE OR CURRENT OR FORMER STATE EMPLOYEE  
16 PERFORMING USERRA LEAVE WHO DIES AND WAS ELIGIBLE FOR AN ANNUITY  
17 IN ACCORDANCE WITH SECTION 5308(A) OR (B) (RELATING TO  
18 ELIGIBILITY FOR ANNUITIES) OR SPECIAL VESTEE WHO HAS ATTAINED  
19 SUPERANNUATION AGE AND DIES BEFORE APPLYING FOR A SUPERANNUATION  
20 ANNUITY SHALL BE CONSIDERED AS HAVING APPLIED FOR AN ANNUITY TO  
21 BECOME EFFECTIVE THE DAY BEFORE HIS DEATH AND IN THE EVENT HE  
22 HAS NOT ELECTED AN OPTION OR SUCH ELECTION HAS NOT BEEN APPROVED  
23 PRIOR TO HIS DEATH, IT SHALL BE ASSUMED THAT HE ELECTED OPTION  
24 1.

25 (B) MEMBERS INELIGIBLE FOR ANNUITIES.--IN THE EVENT OF THE  
26 DEATH OF A SPECIAL VESTEE, AN ACTIVE MEMBER, AN INACTIVE MEMBER  
27 ON LEAVE WITHOUT PAY, A COMBINED SERVICE EMPLOYEE WHO IS AN  
28 ACTIVE PARTICIPANT OR INACTIVE PARTICIPANT ON LEAVE WITHOUT PAY,  
29 OR A CURRENT OR FORMER STATE EMPLOYEE PERFORMING USERRA LEAVE  
30 WHO IS NOT ENTITLED TO A DEATH BENEFIT AS PROVIDED IN SUBSECTION

1 (A), HIS DESIGNATED BENEFICIARY SHALL BE PAID THE FULL AMOUNT OF  
2 HIS TOTAL ACCUMULATED DEDUCTIONS.

3 \* \* \*

4 (f) Members subject to limitations under section 5702(c).--  
5 Subject to the limitations contained in section 401(a)(9) of the  
6 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
7 401(a)(9)), the present value of any annuity in excess of that  
8 payable under section 5702 (relating to maximum single life  
9 annuity) that is not subject to the limitations under section  
10 415(b) of the Internal Revenue Code of 1986 shall be paid in a  
11 lump sum to the beneficiary designated by the member after the  
12 death of the member. A beneficiary receiving a benefit under  
13 this subsection shall not be able to elect a payment method  
14 otherwise allowed under section 5709(b)(2) and (3) (relating to  
15 payment of benefits from the system).

16 § 5708.1. Additional supplemental annuities.

17 \* \* \*

18 (f) Funding.--The actuary shall annually certify the amount  
19 of appropriations for the next fiscal year needed to fund, over  
20 a period of ten years from July 1, 2002, the additional monthly  
21 supplemental annuity provided for in this section, which amounts  
22 shall be paid during the period beginning July 1, 2002, and  
23 ending June 30, 2010. For fiscal years beginning on or after  
24 July 1, 2010, the additional liability provided in this section  
25 shall be funded as part of the actuarial accrued liability as  
26 provided in [section 5508 (relating to actuarial cost method).]  
27 sections 5508 (relating to actuarial cost method for fiscal  
28 years ending before July 1, 2016) and 5508.1 (relating to  
29 actuarial cost method for fiscal years beginning July 1, 2016,  
30 or later).

1 \* \* \*

2 § 5708.2. Further additional supplemental annuities.

3 \* \* \*

4 (f) Funding.--The actuary shall annually estimate the amount  
5 of Commonwealth appropriations for the next fiscal year needed  
6 to fund, over a period of ten years from July 1, 2002, the  
7 additional monthly supplemental annuity provided for in this  
8 section, which amounts shall be paid during the period beginning  
9 July 1, 2002, and ending June 30, 2010. For fiscal years  
10 beginning on or after July 1, 2010, the additional liability  
11 provided in this section shall be funded as part of the  
12 actuarial accrued liability as provided in [section 5508  
13 (relating to actuarial cost method).] sections 5508 (relating to  
14 actuarial cost method for fiscal years ending before July 1,  
15 2016) and 5508.1 (relating to actuarial cost method for fiscal  
16 years beginning July 1, 2016, or later).

17 \* \* \*

18 § 5708.3. Supplemental annuities commencing 1994.

19 \* \* \*

20 (f) Funding.--For the period beginning July 1, 2002, and  
21 ending June 30, 2010, the additional liability for the increase  
22 in benefits provided in this section shall be funded in equal  
23 dollar annual installments over a period of ten years beginning  
24 July 1, 2002. For fiscal years beginning on or after July 1,  
25 2010, the additional liability for the increase in benefits  
26 provided in this section shall be funded as part of the  
27 actuarial accrued liability as provided in [section 5508  
28 (relating to actuarial cost method).] sections 5508 (relating to  
29 actuarial cost method for fiscal years ending before July 1,  
30 2016) and 5508.1 (relating to actuarial cost method for fiscal

1 years beginning July 1, 2016, or later).

2 \* \* \*

3 § 5708.5. Supplemental annuities commencing 1998.

4 \* \* \*

5 (f) Funding.--For the period beginning July 1, 2002, and  
6 ending June 30, 2010, the additional liability for the increase  
7 in benefits provided in this section shall be funded in equal  
8 dollar annual installments over a period of ten years beginning  
9 July 1, 2002. For fiscal years beginning on or after July 1,  
10 2010, the additional liability for the increase in benefits  
11 provided in this section shall be funded as part of the  
12 actuarial accrued liability as provided in [section 5508  
13 (relating to actuarial cost method).] sections 5508 (relating to  
14 actuarial cost method for fiscal years ending before July 1,  
15 2016) and 5508.1 (relating to actuarial cost method for fiscal  
16 years beginning July 1, 2016, or later).

17 \* \* \*

18 § 5708.6. Supplemental annuities commencing 2002.

19 \* \* \*

20 (f) Funding.--For the period beginning July 1, 2003, and  
21 ending June 30, 2010, the additional liability for the increase  
22 in benefits provided in this section shall be funded in equal  
23 dollar annual installments over a period of ten years beginning  
24 July 1, 2003. For fiscal years beginning on or after July 1,  
25 2010, the additional liability for the increase in benefits  
26 provided in this section shall be funded as part of the  
27 actuarial accrued liability as provided in [section 5508  
28 (relating to actuarial cost method).] sections 5508 (relating to  
29 actuarial cost method for fiscal years ending before July 1,  
30 2016) and 5508.1 (relating to actuarial cost method for fiscal

1 years beginning July 1, 2016, or later).

2 \* \* \*

3 § 5708.7. Supplemental annuities commencing 2003.

4 \* \* \*

5 (f) Funding.--For the period beginning July 1, 2004, and  
6 ending June 30, 2010, the additional liability for the increase  
7 in benefits provided in this section shall be funded in equal  
8 dollar annual installments over a period of ten years beginning  
9 July 1, 2004. For fiscal years beginning on or after July 1,  
10 2010, the additional liability for the increase in benefits  
11 provided in this section shall be funded as part of the  
12 actuarial accrued liability as provided in [section 5508  
13 (relating to actuarial cost method).] sections 5508 (relating to  
14 actuarial cost method for fiscal years ending before July 1,  
15 2016) and 5508.1 (relating to actuarial cost method for fiscal  
16 years beginning July 1, 2016, or later).

17 \* \* \*

18 § 5708.8. Special supplemental postretirement adjustment of  
19 2002.

20 \* \* \*

21 (g) Funding.--For the period beginning July 1, 2003, and  
22 ending June 30, 2010, the additional liability for the increase  
23 in benefits provided in this section shall be funded in equal  
24 dollar annual installments over a period of ten years beginning  
25 July 1, 2003. For fiscal years beginning on or after July 1,  
26 2010, the additional liability for the increase in benefits  
27 provided in this section shall be funded as part of the  
28 actuarial accrued liability as provided in [section 5508  
29 (relating to actuarial cost method).] sections 5508 (relating to  
30 actuarial cost method for fiscal years ending before July 1,

1 2016) and 5508.1 (relating to actuarial cost method for fiscal  
2 years beginning July 1, 2016, or later).

3 \* \* \*

4 § 5709. Payment of benefits from the system.

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

8 (b) Death benefits.--If the amount of a death benefit  
9 payable from the fund to a beneficiary of a member under section  
10 5707 (relating to death benefits) or under the provisions of  
11 Option 1 of section 5705(a) (1) (relating to member's options) is  
12 \$10,000 or more, such beneficiary may elect to receive payment  
13 according to one of the following options:

14 (1) a lump sum payment;

15 (2) an annuity actuarially equivalent to the amount  
16 payable; or

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

20 \* \* \*

21 § 5901. The State Employees' Retirement Board.

22 (a) Status and membership.--The board shall be an  
23 independent administrative board and consist of 11 members: the  
24 State Treasurer, ex officio, two Senators, two members of the  
25 House of Representatives and six members appointed by the  
26 Governor, one of whom shall be an annuitant of the system or a  
27 participant of the plan who has terminated State service and is  
28 receiving or is eligible to receive distributions, for terms of  
29 four years, subject to confirmation by the Senate. At least five  
30 board members shall be active members of the system or active

1 participants of the plan, and at least two shall have ten or  
2 more years of credited State service or shall have been active  
3 participants of the plan for ten calendar years. The chairman of  
4 the board shall be designated by the Governor from among the  
5 members of the board. Each member of the board who is a member  
6 of the General Assembly may appoint a duly authorized designee  
7 to act in his stead. In the event that a board member, who is  
8 designated as an active participant or as the participant in the  
9 plan who is receiving or is eligible to receive distributions,  
10 receives a total distribution of the member's interest in the  
11 plan, that board member may continue to serve on the board for  
12 the remainder of the member's term.

13 \* \* \*

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

23 (d) Compensation and expenses.--The members of the board who  
24 are members of the system or participants in the plan shall  
25 serve without compensation but shall not suffer loss of salary  
26 or wages through serving on the board. The members of the board  
27 who are not members of the system or participants in the plan  
28 shall receive \$100 per day when attending meetings and all board  
29 members shall be reimbursed for any necessary expenses. However,  
30 when the duties of the board as mandated are not executed, no

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

4 \* \* \*

5 Section 317. Sections 5902(a.1) introductory paragraph, (3),  
6 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (m) and (n) and  
7 5903 heading and (a) of Title 71 are amended and the sections  
8 are amended by adding subsections to read:

9 § 5902. Administrative duties of the board.

10 \* \* \*

11 (a.1) Secretary.--The secretary shall act as chief  
12 administrative officer for the board with respect to both the  
13 system and the plan. In addition to other powers and duties  
14 conferred upon and delegated to the secretary by the board, the  
15 secretary shall:

16 \* \* \*

17 (3) Review and analyze proposed legislation and  
18 legislative developments affecting the system or the plan and  
19 present findings to the board, legislative committees, and  
20 other interested groups or individuals.

21 \* \* \*

22 (5) Receive inquiries and requests for information  
23 concerning the system or the plan from the press,  
24 Commonwealth officials, State employees, the general public,  
25 research organizations, and officials and organizations from  
26 other states, and provide information as authorized by the  
27 board.

28 (6) Supervise a staff of administrative, technical, and  
29 clerical employees engaged in record-keeping and clerical  
30 processing activities for both the system and the plan in

1 maintaining files of members and participants, accounting for  
2 contributions, processing payments to annuitants and  
3 terminated participants, preparing required reports, and  
4 retirement counseling. The board may utilize the staff of  
5 employees provided for under this subsection for both the  
6 system and the plan but shall allocate the fees, costs and  
7 expenses incurred under this subsection between the system  
8 and the plan as appropriate.

9 (b) Professional personnel.--The board shall contract for  
10 the services of a chief medical examiner, an actuary, investment  
11 advisors and counselors, and such other professional personnel  
12 as it deems advisable. The board may, with the approval of the  
13 Attorney General, contract for legal services. 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 5414(b) (relating to investments based on members' investment  
27 allocation choices), or assessments on the balances of the  
28 participants' individual investment accounts except as may be  
29 provided otherwise by law. Concurrently with its administrative  
30 budget, the board shall also submit to the General Assembly

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

7 \* \* \*

8 (e) Records.--

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

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

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

27 (ii) cause substantial competitive harm to the  
28 person from whom sensitive investment or financial  
29 information relating to the investment was received; or

30 (iii) have a substantial detrimental impact on the

1 value of an investment to be acquired, held or disposed  
2 of by the fund or trust or would cause a breach of the  
3 standard of care or fiduciary duty set forth in this  
4 part.

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

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

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

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

23 whichever is later.

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

30 (A) the [inspection] access no longer has a

1 substantial detrimental impact on the value of an  
2 investment of the fund or trust and would not cause a  
3 breach of the standard of care or fiduciary duty set  
4 forth in this part; or

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

7 whichever is later.

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

14 (5) Any record, material or data received, prepared,  
15 used or retained by the board or its employees, or agents  
16 relating to the contributions, account value or benefits  
17 payable to or on account of a participant shall not  
18 constitute a public record subject to public access under the  
19 Right-to-Know Law, if, in the reasonable judgment of the  
20 board, the access would disclose any of the following:

21 (i) The existence, date, amount and any other  
22 information pertaining to the rollover contributions or  
23 trustee-to-trustee transfers, of any participant.

24 (ii) The investment options selections of any  
25 participant.

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

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

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

2           (6) Nothing in this subsection shall be construed to  
3           designate any record, material or data received, prepared,  
4           used or retained by the board or its employees, or agents  
5           relating to the contributions, account value or benefits  
6           payable to or on account of a participant as a public record  
7           subject to public access under the Right-to-Know Law.

8           \* \* \*

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

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

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

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

25 (k) Certification of employer contributions to the fund.--  
26 The board shall, each year in addition to the itemized budget  
27 required under section 5509 (relating to appropriations and  
28 assessments by the Commonwealth), certify, as a percentage of  
29 the members' payroll, the shared-risk contribution rate, the  
30 employers' contributions as determined pursuant to [section 5508

1 (relating to actuarial cost method)] sections 5508 (relating to  
2 actuarial cost method for fiscal years ending before July 1,  
3 2016) and 5508.1 (relating to actuarial cost method for fiscal  
4 years beginning July 1, 2016, or later) necessary for the  
5 funding of prospective annuities for active members and the  
6 annuities of annuitants and certify the rates and amounts of the  
7 employers' normal contributions as determined pursuant to  
8 [section] sections 5508(b) and 5508.1(b), accrued liability  
9 contributions as determined pursuant to [section] sections  
10 5508(c) and 5508.1(c) and (d), supplemental annuities  
11 contribution rate as determined pursuant to section 5508(e), the  
12 experience adjustment factor as determined pursuant to [section]  
13 sections 5508(f) and 5508.1(f), the collared contribution rate  
14 pursuant to section 5508(h) and the final contribution rate  
15 pursuant to section 5508(i), which shall be paid to the fund and  
16 credited to the appropriate accounts. The board may allocate the  
17 final contribution rate and certify various employer  
18 contribution rates and amounts based upon the different benefit  
19 eligibility, class of service multiplier, superannuation age and  
20 other benefit differences resulting from State service credited  
21 for individual members even though such allocated employer  
22 contribution rate on behalf of any given member may be more or  
23 less than 5% of the member's compensation for the period from  
24 July 1, 2010, to June 30, 2011, or may differ from the prior  
25 year's contribution for that member by more or less than the  
26 percentages used to calculate the collared contribution rate for  
27 that year and may be below any minimum contribution rate  
28 established for the collared contribution rate or final  
29 contribution rate. These certifications shall be regarded as  
30 final and not subject to modification by the Secretary of the

1 Budget.

2 \* \* \*

3 (m) Annual financial statement.--The board shall prepare and  
4 have published, on or before July 1 of each year, [a financial  
5 statement] financial statements as of the calendar year ending  
6 December 31 of the previous year showing the condition of the  
7 fund and the trust and the various accounts, including, but not  
8 limited to, the board's accrual and expenditure of directed  
9 commissions, and setting forth such other facts,  
10 recommendations, and data as may be of use in the advancement of  
11 knowledge concerning annuities and other benefits provided by  
12 this part. The board shall submit said financial [statement]  
13 statements to the Governor and shall file copies with the head  
14 of each department for the use of the State employees and the  
15 public.

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

23 \* \* \*

24 (p) Participant and employer contributions to the trust.--  
25 The board shall, each year in addition to any fees and itemized  
26 budget required under section 5509 (relating to appropriations  
27 and assessments by the Commonwealth), certify, as a percentage  
28 of each participant's compensation, the employer defined  
29 contributions, which shall be paid to the trust and credited to  
30 each participant's individual investment account. These

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

7 § 5903. Duties of the board to advise and report to heads of  
8 departments [and], members and participants.

9 (a) Manual of regulations.--The board shall, with the advice  
10 of the Attorney General and the actuary, prepare and provide,  
11 within 90 days of the effective date of this part, a manual  
12 incorporating rules and regulations consistent with the  
13 provisions of this part to the heads of departments who shall  
14 make the information contained therein available to the general  
15 membership. The board shall thereafter advise the heads of  
16 departments within 90 days of any changes in such rules and  
17 regulations due to changes in the law or due to changes in  
18 administrative policies. As soon as practicable after the  
19 commissioner's announcement with respect thereto, the board  
20 shall also advise the heads of departments as to any cost-of-  
21 living adjustment for the succeeding calendar year in the amount  
22 of the limitation under IRC § 401(a)(17) and the dollar amounts  
23 of the limitations under IRC § 415[(b)]. As soon as practicable  
24 after January 1 of each year, the board shall also advise the  
25 heads of departments of the employees for whom, pursuant to  
26 section 5502.1 (relating to waiver of regular member  
27 contributions and Social Security integration member  
28 contributions), pickup contributions are not to be made.

29 \* \* \*

30 (b.1) Participant status statements.--The board shall have

1 furnished annually to each participant, on or before April 1 and  
2 more frequently as the board may agree or as required by law, a  
3 statement for each participant in the plan showing the  
4 accumulated total defined contributions credited to the  
5 participant's individual investment account, the nature and type  
6 of investments and the investment allocation of future  
7 contributions as of December 31 of the previous year and  
8 requesting the participant to make any necessary correction or  
9 revision regarding his designated beneficiary.

10 \* \* \*

11 Section 318. Section 5904(c) (2) of Title 71 is amended to  
12 read:

13 § 5904. Duties of the board to report to the Public School  
14 Employees' Retirement Board.

15 \* \* \*

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

23 \* \* \*

24 (2) transfer to the Public School Employees' Retirement  
25 Fund the total accumulated deductions standing to such  
26 member's credit and the actuarial reserve required on account  
27 of years of credited service in the State system, final  
28 average salary determined on the basis of his compensation as  
29 a member in both systems and the average noncovered salary to  
30 be charged to the State accumulation account, the State

1 Police benefit account or the enforcement officers' benefit  
2 account, as each case may require.

3 \* \* \*

4 Section 319. Sections 5905 heading, (b) (3), (c.1) and (g),  
5 5906(a) introductory paragraph and (3), (b), (d), (e), (g), (h),  
6 (i) and (l) and 5907 heading, (a), (e), (f) and (h) of Title 71  
7 are amended and the sections are amended by adding subsections  
8 to read:

9 § 5905. Duties of the board regarding applications and  
10 elections of members and participants.

11 \* \* \*

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

18 \* \* \*

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

30 \* \* \*

1 (c.1) Termination of service by a member.--In the case of  
2 any member terminating State service who is entitled to an  
3 annuity and who is not then a disability annuitant, the board  
4 shall advise such member in writing of any benefits from the  
5 system to which he may be entitled under the provisions of this  
6 part and shall have the member prepare, on or before the date of  
7 termination of State service, one of the following three forms,  
8 a copy of which shall be given to the member and the original of  
9 which shall be filed with the board:

10 (1) an application for the return of total accumulated  
11 deductions;

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

16 (3) an application for an immediate annuity and, if he  
17 desires:

18 (i) an election to convert his medical, major  
19 medical and hospitalization insurance coverage to the  
20 plan for State annuitants; and

21 (ii) if he is a joint coverage member, an election  
22 to become a full coverage member and an agreement to pay  
23 within 30 days of date of termination of service the lump  
24 sum required.

25 (c.2) Termination of service by a participant.--In the case  
26 of any participant terminating State service, the board shall  
27 advise the participant in writing of the VESTED accumulated <--  
28 total defined contributions credited to the participant's  
29 individual investment account as of the date stated in the  
30 writing, any notices regarding rollover or other matters

1 required by THE IRC or other law, the obligation of the <--  
2 participant to commence distributions from the plan by the  
3 participant's required beginning date and the ability to receive  
4 all or part of the VESTED balance in the participant's <--  
5 individual investment account in a lump sum or in such other  
6 form as the board may authorize or is required by law.

7 \* \* \*

8 (e.2) Notification to inactive participants approaching  
9 required beginning date.--The board shall notify each inactive  
10 participant who has terminated State service and had not  
11 commenced distribution by 90 days before the participant's  
12 required beginning date in writing that the participant has an  
13 obligation to commence distributions by his required beginning  
14 date in a form and manner required by IRC § 401(a)(9) and other  
15 applicable provisions of the IRC.

16 \* \* \*

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

20 (g) Death benefits.--Upon receipt of notification from the  
21 head of a department of the death of an active member, a member  
22 performing USERRA leave [or], a member on leave without pay, an  
23 active participant, an inactive participant on leave without pay  
24 or a former participant performing USERRA leave, the board shall  
25 advise the designated beneficiary of the benefits to which he is  
26 entitled, and shall make the first payment to the beneficiary  
27 within 60 days of receipt of certification of death and other  
28 necessary data. If no beneficiary designation is in effect at  
29 the date of the member's death or no notice has been filed with  
30 the board to pay the amount of the benefits to the member's

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

18 \* \* \*

19 § 5906. Duties of heads of departments.

20 (a) Status of members and participants.--The head of  
21 department shall, at the end of each pay period, notify the  
22 board in a manner prescribed by the board of salary changes  
23 effective during that period for any members and participants of  
24 the department, the date of all removals from the payroll, and  
25 the type of leave of any members and participants of the  
26 department who have been removed from the payroll for any time  
27 during that period, and:

28 \* \* \*

29 (3) if the removal is due to termination of State  
30 service, he shall furnish the board with a complete State

1 service record, including service in other departments or  
2 agencies, or creditable nonstate service and;

3 (i) in the case of death of the member or  
4 participant the head of the department shall so notify  
5 the board;

6 (ii) in the case of a service connected disability  
7 of a member the head of department shall, to the best of  
8 his ability, investigate the circumstances surrounding  
9 the disablement of the member and submit in writing to  
10 the board information which shall include but not  
11 necessarily be limited to the following: date, place and  
12 time of disablement to the extent ascertainable; nature  
13 of duties being performed at such time; and whether or  
14 not the duties being performed were authorized and  
15 included among the member's regular duties. In addition,  
16 the head of department shall furnish in writing to the  
17 board all such other information as may be related to the  
18 member's disablement;

19 (iii) in the case of a member terminating from The  
20 Pennsylvania State University who is a member of the  
21 system with five or more but less than ten eligibility  
22 points and who has terminated State service on June 30,  
23 1997, because of the transfer of his job position or  
24 duties to a controlled organization of the Penn State  
25 Geisinger Health System or because of the elimination of  
26 his job position or duties due to the transfer of other  
27 job positions or duties to a controlled organization of  
28 the Penn State Geisinger Health System, the head of the  
29 department shall so certify to the board.

30 (b) Records and information.--At any time at the request of

1 the board and at termination of service of a member or a  
2 participant, the head of department shall furnish service and  
3 compensation records and such other information as the board may  
4 require and shall maintain and preserve such records as the  
5 board may direct for the expeditious discharge of its duties.

6 \* \* \*

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

9 (1) Cause the mandatory pickup participant contributions  
10 on behalf of a participant to be made.

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

13 (3) Notify the board at times and in a manner prescribed  
14 by the board of the compensation of any participant to whom  
15 the limitation under IRC § 401(a)(17) either applies or is  
16 expected to apply and cause such participant's contributions  
17 to be deducted from payroll to cease at the limitation under  
18 IRC § 401(a)(17) on the payroll date if and when such limit  
19 shall be reached.

20 (4) Certify to the State Treasurer the amounts picked up  
21 and deducted and the employer defined contributions being  
22 made and send the total amount picked up, deducted and  
23 contributed together with a duplicate of such voucher to the  
24 secretary of the board every pay period or on such schedule  
25 as established by the board.

26 (d) New employees subject to mandatory membership or  
27 participation.--Upon the assumption of duties of each new State  
28 employee whose membership in the system or plan is mandatory,  
29 the head of department shall cause an application for membership  
30 or participation and a nomination of beneficiary to be made by

1 such employee and filed with the board and shall make pickup  
2 contributions or mandatory pickup participant contributions from  
3 the effective date of State employment.

4 (e) New employees subject to optional membership or  
5 participation.--The head of department shall, upon the  
6 employment or entering into office of any State employee whose  
7 membership in the system or participation in the plan is not  
8 mandatory, inform such employee of his opportunity to become a  
9 member of the system or participant in the plan. If such  
10 employee so elects, the head of department shall cause an  
11 application for membership and a nomination of beneficiary to be  
12 made by him and filed with the board and shall cause proper  
13 contributions to be made from the effective date of membership  
14 or participation.

15 \* \* \*

16 (g) Former school employee contributors.--The head of  
17 department shall, upon the employment of a former contributor to  
18 the Public School Employees' Retirement System who is not an  
19 annuitant of the Public School Employees' Retirement System,  
20 advise such employee of his right to elect within 365 days of  
21 entry into the system to become a multiple service member, and  
22 in the case of any such employee who so elects and has withdrawn  
23 his accumulated deductions, require him to reinstate his credit  
24 in the Public School Employees' Retirement System. The head of  
25 the department shall advise the board of such election. This  
26 subsection shall not apply to a State employee who is employed  
27 in a position where he is or may be a participant in the plan.

28 (h) Former school employee annuitants.--The head of  
29 department shall, upon the employment of an annuitant of the  
30 Public School Employees' Retirement System who applies for

1 membership in the system, advise such employee that he may elect  
2 multiple service membership within 365 days of entry into the  
3 system and if he so elects his public school employee's annuity  
4 will be discontinued effective upon the date of his return to  
5 State service and, upon termination of State service and  
6 application for an annuity, the annuity will be adjusted in  
7 accordance with section 5706 (relating to termination of  
8 annuities). The head of department shall advise the board of  
9 such election. This subsection shall not apply to a State  
10 employee who is employed in a position where he is or may be a  
11 participant in the plan.

12 (i) Annual statement to members.--Annually, upon receipt  
13 from the board, the head of department shall furnish to each  
14 member the statement specified in section 5903(b) (relating to  
15 duties of the board to advise and report to heads of departments  
16 [and], members and participants).

17 \* \* \*

18 (l) State employees performing USERRA or military-related  
19 leave of absence.--The head of department shall report to the  
20 board any State employee who ceases to be an active member or  
21 active participant to perform USERRA service, or who is granted  
22 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves  
23 of absence for certain government employees) or a military leave  
24 of absence under 51 Pa.C.S. § 7302 (relating to granting  
25 military leaves of absence), the date on which the USERRA  
26 service, leave of absence or military leave of absence began,  
27 the date on which the State employee is reemployed from USERRA  
28 leave or returns after the leave of absence or military leave of  
29 absence, if the event occurs, and any other information the  
30 board may require or direct.

1 \* \* \*

2 (n) Obligation of educational institutions to report  
3 participation and compensation of employees in independent  
4 retirement programs.--The Pennsylvania State University, the  
5 State System of Higher Education, State-owned educational  
6 institutions and community colleges shall report to the board  
7 the compensation and other information as the board may request  
8 for the application and administration of sections 5507.1  
9 (relating to contributions to system by the Commonwealth and  
10 other employers starting July 1, 2016) and 5508.1(c) and (d)  
11 (relating to actuarial cost method for fiscal years beginning  
12 July 1, 2016, or later) of employees who are participants or  
13 members in the Public School Employees' Retirement System,  
14 School Employees' Defined Contribution Plan or independent  
15 retirement programs approved by the employer.  
16 § 5907. Rights and duties of State employees [and], members and  
17 participants.

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

1 information, the total amount received predicated on such false  
2 information together with statutory interest doubled and  
3 compounded shall be deducted from the present value of any  
4 remaining benefits to which the member is legally entitled.

5 \* \* \*

6 (b.1) Application for participation.--On or after January 1,  
7 2016, in the case of a new employee who is not currently a  
8 participant in the plan and whose participation is mandatory or  
9 in the case of a new employee whose participation is not  
10 mandatory but is permitted and who desires to become a  
11 participant in the plan, the new employee shall execute an  
12 application for participation and a nomination of a beneficiary.

13 \* \* \*

14 (d.2) Contributions for USERRA leave.--Any active  
15 participant or inactive participant on leave without pay or  
16 former participant who was reemployed from USERRA leave who  
17 desires to make mandatory pickup participant contributions for  
18 his USERRA leave shall so notify the board within the time  
19 period required under 38 U.S.C. Ch. 43 (relating to employment  
20 and reemployment rights of members of the uniformed services)  
21 and IRC § 414(u) of his desire to make such contributions. Upon  
22 making the permitted mandatory pickup participant contributions  
23 within the allowed time period, the head of the department shall  
24 make the corresponding employer defined contributions at the  
25 same time.

26 (d.3) Voluntary contributions by 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 limitation under IRC §§ 401(a) and 415 and  
2 other applicable law.

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

15 (e.1) Beneficiary for death benefits from the plan.--Every  
16 participant shall nominate a beneficiary by written designation  
17 filed with the board as provided in section 5906(d) or (e) to  
18 receive the death benefit payable under section 5408 (relating  
19 to death benefits). A participant may also nominate a contingent  
20 beneficiary or beneficiaries to receive the death benefit  
21 provided under section 5408. Such nomination may be changed at  
22 any time by the participant by written designation filed with  
23 the board.

24 (E.2) BENEFCIARY FOR COMBINED SERVICE EMPLOYEE.--A COMBINED <--  
25 SERVICE EMPLOYEE MAY DESIGNATE OR NOMINATE DIFFERENT PERSONS TO  
26 BE BENEFCIARIES, SURVIVOR ANNUITANTS AND SUCCESSOR PAYEES FOR  
27 THE EMPLOYEE'S BENEFITS FROM THE SYSTEM AND THE PLAN.

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

1 service the appropriate application, duly attested by the member  
2 or his legally constituted representative, electing to:

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

- 8 (3) receive an immediate annuity and may,
  - 9 (i) if eligible, elect to convert his medical, major  
10 medical, and hospitalization coverage to the plan for  
11 State annuitants; and

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

16 \* \* \*

17 (g.1) Deferral of retirement rights.--If a participant  
18 terminates State service and does not commence receiving a  
19 distribution, he shall nominate a beneficiary, and he may  
20 anytime thereafter, but no later than his required beginning  
21 date, withdraw the VESTED accumulated total defined <--  
22 contributions standing to his credit or apply for another form  
23 of distribution required by law or authorized by the board.

24 (h) Vestees and special vestees attaining superannuation  
25 age.--Upon attainment of superannuation age a vestee or special  
26 vestee shall execute and file an application for an annuity. Any  
27 such application filed within 90 days after attaining  
28 superannuation age shall be effective as of the date of  
29 attainment of superannuation age. Any application filed after  
30 such period shall be effective as of the date it is filed with

1 the board, subject to the provisions of section 5905(f)  
2 (relating to duties of the board regarding applications and  
3 elections of members and participants). If a vestee or special  
4 vestee does not file an application within seven years after  
5 attaining superannuation age, he shall be deemed to have elected  
6 to receive his total accumulated deductions upon attainment of  
7 superannuation age.

8 \* \* \*

9 Section 320. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,  
10 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

11 § 5931. Management of fund and accounts.

12 \* \* \*

13 (b) Crediting of interest.--The board, annually, shall allow  
14 the required interest on the mean amount for the preceding year  
15 to the credit of each of the accounts other than the individual  
16 investment accounts. The amount so allowed shall be credited  
17 thereto by the board and transferred from the interest reserve  
18 account.

19 \* \* \*

20 § 5932. State Employees' Retirement Fund.

21 The fund shall consist of all balances in the several  
22 separate accounts set apart to be used under the direction of  
23 the board for the benefit of members of the system; and the  
24 Treasury Department shall credit to the fund all moneys received  
25 from the Department of Revenue arising from the contributions  
26 relating to or on behalf of members of the system required under  
27 the provisions of Chapter 55 (relating to contributions), and  
28 any income earned by the investments or moneys of said fund.  
29 There shall be established and maintained by the board the  
30 several ledger accounts specified in sections 5933 (relating to

1 members' savings account), 5934 (relating to State accumulation  
2 account), 5935 (relating to annuity reserve account), 5936  
3 (relating to State Police benefit account), 5937 (relating to  
4 enforcement officers' benefit account), 5938 (relating to  
5 supplemental annuity account) and 5939 (relating to interest  
6 reserve account). The individual investment accounts that are  
7 part of the trust shall not be part of the fund. Mandatory  
8 pickup participant contributions, voluntary contributions and  
9 employer defined contributions made under this part and any  
10 income earned by the investment of such contributions shall not  
11 be paid or credited to the fund but shall be paid to the trust  
12 and credited to the individual investment accounts.

13 § 5934. State accumulation account.

14 The State accumulation account shall be the ledger account to  
15 which shall be credited all contributions of the Commonwealth or  
16 other employers whose employees are members of the system and  
17 made in accordance with the provisions of [section 5507(a) or  
18 (d) (relating to contributions by the Commonwealth and other  
19 employers)] sections 5507(a) or (d) (relating to contributions  
20 to system by the Commonwealth ~~an~~ AND other employers before July <--  
21 1, 2016) and 5507.1 (relating to contributions to system by the  
22 Commonwealth and other employers starting July 1, 2016) except  
23 that the amounts received under the provisions of the act of May  
24 12, 1943 (P.L.259, No.120), and the amounts received under the  
25 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,  
26 No.21), shall be credited to the State Police benefit account or  
27 the enforcement officers' benefit account as the case may be.  
28 All amounts transferred to the fund by county retirement systems  
29 or pension plans in accordance with the provisions of section  
30 5507(c) also shall be credited to the State accumulation

1 account. All amounts transferred to the fund by the Public  
2 School Employees' Retirement System in accordance with section  
3 5303.2(e) (relating to election to convert school service to  
4 State service), except amounts credited to the members' savings  
5 account, and all amounts paid by the Department of Corrections  
6 in accordance with section 5303.2(f) also shall be credited to  
7 the State accumulation account. The State accumulation account  
8 shall be credited with valuation interest. The reserves  
9 necessary for the payment of annuities and death benefits  
10 resulting from membership in the system as approved by the board  
11 and as provided in Chapter 57 (relating to benefits) shall be  
12 transferred from the State accumulation account to the annuity  
13 reserve account provided for in section 5935 (relating to  
14 annuity reserve account), except that the reserves necessary on  
15 account of a member who is an officer of the Pennsylvania State  
16 Police or an enforcement officer shall be transferred from the  
17 State accumulation account to the State Police benefit account  
18 provided for in section 5936 (relating to State Police benefit  
19 account) or to the enforcement officers' benefit account as  
20 provided for in section 5937 (relating to enforcement officers'  
21 benefit account) as the case may be. The reserves necessary for  
22 the payment of supplemental annuities in excess of those  
23 reserves credited to the supplemental annuity account on June  
24 30, 2010, shall be transferred from the State accumulation  
25 account to the supplemental annuity account. In the event that  
26 supplemental annuities are increased by legislation enacted  
27 after December 31, 2009, the necessary reserves shall be  
28 transferred from the State accumulation account to the  
29 supplemental annuity account.

30 § 5935. Annuity reserve account.

1 (a) Credits and charges to account.--The annuity reserve  
2 account shall be the ledger account to which shall be credited  
3 the reserves held for payment of annuities and death benefits on  
4 account of all annuitants except in the case of members who are  
5 officers of the Pennsylvania State Police or enforcement  
6 officers. The annuity reserve account shall be credited with  
7 valuation interest. After the transfers provided in sections  
8 5933 (relating to members' savings account), 5934 (relating to  
9 State accumulation account) and 5938 (relating to supplemental  
10 annuity account), all annuity and death benefit payments  
11 resulting from membership in the system except those payable to  
12 any member who retires as an officer of the Pennsylvania State  
13 Police or an enforcement officer shall be charged to the annuity  
14 reserve account and paid from the fund.

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

26 § 5936. State Police benefit account.

27 (a) Credits and charges to account.--The State Police  
28 benefit account shall be the ledger account to which shall be  
29 credited all contributions received under the provisions of the  
30 act of May 12, 1943 (P.L.259, No.120), and any additional

1 Commonwealth or other employer contributions provided for in  
2 [section 5507 (relating to contributions by the Commonwealth and  
3 other employers)] sections 5507 (relating to contributions to  
4 system by the Commonwealth and other employers before July 1,  
5 2016) and 5507.1 (relating to contributions to system by the  
6 Commonwealth and other employers starting July 1, 2016) which  
7 are creditable to the State Police benefit account. The State  
8 Police benefit account shall be credited with the required  
9 interest. In addition, upon the filing of an application for an  
10 annuity by a member who is an officer of the Pennsylvania State  
11 Police, the total accumulated deductions standing to the credit  
12 of the member in the members' savings account and the necessary  
13 reserves from the State accumulation account shall be  
14 transferred to the State Police benefit account. Thereafter, the  
15 total annuity of such annuitant shall be charged to the State  
16 Police benefit account and paid from the fund.

17 (b) Transfers from account.--Should the said annuitant be  
18 subsequently restored to active service as a member of the  
19 system or as a participant in the plan, the present value of the  
20 member's annuity at the time of reentry into State service shall  
21 be transferred from the State Police benefit account and placed  
22 to his individual credit in the members' savings account. In  
23 addition, the actuarial reserve for his annuity calculated as if  
24 he had been a member of Class A if he has Class A or Class C  
25 service credited; as if he had been a member of Class A-3 if the  
26 annuitant has Class A-3 State service credited; or as if he had  
27 been a member of Class A-4 if the annuitant has Class A-4  
28 service credited, less the amount transferred to the members'  
29 savings account shall be transferred from the State Police  
30 benefit account to the State accumulation account. Upon

1 subsequent retirement other than as an officer of the  
2 Pennsylvania State Police the actuarial reserve remaining in the  
3 State Police benefit account shall be transferred to the  
4 appropriate reserve account.

5 § 5937. Enforcement officers' benefit account.

6 (a) Credits and charges to account.--The enforcement  
7 officers' benefit account shall be the ledger account to which  
8 shall be credited moneys transferred from the enforcement  
9 officers' retirement account in the State Stores Fund according  
10 to the provisions of the act of April 12, 1951 (P.L.90, No.21),  
11 known as the Liquor Code, and any additional Commonwealth or  
12 other employer contributions provided for in [section 5507  
13 (relating to contributions by the Commonwealth and other  
14 employers)] sections 5507 (relating to contributions to system  
15 by the Commonwealth and other employers before July 1, 2016) and  
16 5507.1 (relating to contributions to system by the Commonwealth  
17 and other employers starting July 1, 2016) which are creditable  
18 to the enforcement officers' benefit account. The enforcement  
19 officers' benefit account shall be credited with the required  
20 interest. In addition, upon the filing of an application for an  
21 annuity by a member who is an enforcement officer of the  
22 Pennsylvania Liquor Control Board, the total accumulated  
23 deductions standing to the credit of the member in the members'  
24 savings account and the necessary reserves from the State  
25 accumulation account shall be transferred to the enforcement  
26 officers' benefit account. Thereafter, the total annuity of such  
27 annuitant shall be charged to the enforcement officers' benefit  
28 account and paid from the fund.

29 (b) Transfers from account.--Should the said annuitant be  
30 subsequently restored to active service as a member of the

1 system or as a participant in the plan, the present value of the  
2 member's annuity at the time of reentry into State service shall  
3 be transferred from the enforcement officers' benefit account  
4 and placed to his individual credit in the members' savings  
5 account. In addition, the actuarial reserve for his annuity  
6 calculated as if he had been a member of Class A if the  
7 annuitant does not have any Class AA, Class A-3 or Class A-4  
8 service credited; as if he had been a member of Class AA if the  
9 annuitant does have Class AA service credited; as if he had been  
10 a member of Class A-3 if the annuitant has Class A-3 State  
11 service credited; or as if he had been a member of Class A-4 if  
12 the annuitant has Class A-4 service credited, less the amount  
13 transferred to the members' savings account shall be transferred  
14 from the enforcement officers' benefit account to the State  
15 accumulation account. Upon subsequent retirement other than as  
16 an enforcement officer the actuarial reserve remaining in the  
17 enforcement officers' benefit account shall be transferred to  
18 the appropriate reserve account.

19 § 5938. Supplemental annuity account.

20 The supplemental annuity account shall be the ledger account  
21 to which shall be credited all contributions from the  
22 Commonwealth and other employers in accordance with section  
23 5507(b) [(relating to contributions by the Commonwealth and  
24 other employers)] (relating to contributions to system by the  
25 Commonwealth and other employers before July 1, 2016) for the  
26 payment of the supplemental annuities provided in sections 5708  
27 (relating to supplemental annuities), 5708.1 (relating to  
28 additional supplemental annuities), 5708.2 (relating to further  
29 additional supplemental annuities), 5708.3 (relating to  
30 supplemental annuities commencing 1994), 5708.4 (relating to

1 special supplemental postretirement adjustment), 5708.5  
2 (relating to supplemental annuities commencing 1998), 5708.6  
3 (relating to supplemental annuities commencing 2002), 5708.7  
4 (relating to supplemental annuities commencing 2003) and 5708.8  
5 (relating to special supplemental postretirement adjustment of  
6 2002) made before July 1, 2010, the amount transferred from the  
7 State accumulation account to provide all additional reserves  
8 necessary as of June 30, 2010, to pay such supplemental  
9 annuities and adjustments, and the amounts transferred from the  
10 State accumulation account to provide all additional reserves  
11 necessary as a result of supplemental annuities enacted after  
12 December 31, 2009. The supplemental annuity account shall be  
13 credited with valuation interest. The reserves necessary for the  
14 payment of such supplemental annuities shall be transferred from  
15 the supplemental annuity account to the annuity reserve account  
16 as provided in section 5935 (relating to annuity reserve  
17 account).

18 § 5939. Interest reserve account.

19 The interest reserve account shall be the ledger account to  
20 which shall be credited all income earned by the fund and to  
21 which shall be charged all administrative and investment  
22 expenses incurred by the fund. At the end of each year the  
23 required interest shall be transferred from the interest reserve  
24 account to the credit of each of the accounts of the fund in  
25 accordance with the provisions of this subchapter. In addition,  
26 at the end of each accounting period, the interest reserve  
27 account shall be credited or charged with all recognized changes  
28 in the market valuation of the investments of the fund. The  
29 administrative and investment expenses of the board relating to  
30 the administration of the system and investments of the fund

1 shall be paid from the fund out of earnings. Any surplus or  
2 deficit in the interest reserve account at the end of each year  
3 shall be transferred to the State accumulation account.

4 § 5951. State guarantee regarding the State Employees'  
5 Retirement System.

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

16 § 5953. Taxation, attachment and assignment of funds.

17 (a) General rule.--

18 (1) Except as provided in paragraphs (2), (3) [and], (4)  
19 and (5), the right of a person to any benefit or right  
20 accrued or accruing under the provisions of this part and the  
21 moneys in the fund and the trust are hereby exempt from any  
22 State or municipal tax, levy and sale, garnishment,  
23 attachment, spouse's election, the provisions of Article  
24 XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known  
25 as The Fiscal Code, or any other process whatsoever, and no  
26 participant or beneficiary, successor payee or alternate  
27 payee of a participant shall have the ability to commute,  
28 sell, assign, alienate, anticipate, mortgage, pledge,  
29 hypothecate, commutate or otherwise transfer or convey any  
30 benefit or interest in an individual investment account or

1 rights to receive or direct distributions under this part or  
2 under agreements entered into under this part except as  
3 otherwise provided in this part and in the case of either a  
4 member or a participant except for a set-off by the  
5 Commonwealth in the case provided in subparagraph (i), and  
6 shall be unassignable except:

7 (i) To the Commonwealth in the case of a member or  
8 participant who is terminating State service and has been  
9 determined to be obligated to the Commonwealth for the  
10 repayment of money owed on account of his employment or  
11 to the fund on account of a loan from a credit union to a  
12 member which has been satisfied by the board from the  
13 fund.

14 (ii) To a credit union as security for a loan to a  
15 member not to exceed \$750 and interest not to exceed 6%  
16 per annum discounted and/or fines thereon if the credit  
17 union is now or hereafter organized and incorporated  
18 under the laws of this Commonwealth and the membership of  
19 such credit union is limited solely to officials and  
20 employees of the Commonwealth and if such credit union  
21 has paid to the fund \$3 for each such assignment.

22 (2) Rights under this part shall be subject to  
23 forfeiture as provided by the act of July 8, 1978 (P.L.752,  
24 No.140), known as the Public Employee Pension Forfeiture Act,  
25 and by or pursuant to section 16(b) of Article V of the  
26 Constitution of Pennsylvania. Forfeitures under this  
27 subsection or under any other provision of law may not be  
28 applied to increase the benefits that any member would  
29 otherwise receive under this part. Notwithstanding this  
30 paragraph, 42 Pa.C.S. § 3352 (relating to pension rights),

1 the Public Employee Pension Forfeiture Act or section 16(b)  
2 of Article V of the Constitution of Pennsylvania, the  
3 accumulated mandatory participant contributions and  
4 accumulated voluntary contributions standing to the credit of  
5 a participant shall not be forfeited but shall be available  
6 for payment of fines and restitution as provided by law.  
7 Furthermore, amounts in the trust that have been ordered to  
8 be distributed to an alternate payee as the result of an  
9 equitable distribution of marital property as part of an  
10 approved domestic relations order entered before the date of  
11 the order or action in a court or other tribunal resulting in  
12 a forfeiture of a participant's interest in the trust shall  
13 not be subject to 42 Pa.C.S. § 3352, the Public Employee  
14 Pension Forfeiture Act or section 16(b) of Article V of the  
15 Constitution of Pennsylvania. Any accumulated employer  
16 defined contributions forfeited as a result of this paragraph  
17 or other law shall be retained by the board and used for the  
18 payment of expenses of the plan.

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

22 (4) Effective with distributions made on or after  
23 January 1, 1993, and notwithstanding any other provision of  
24 this part to the contrary, a distributee may elect, at the  
25 time and in the manner prescribed by the board, to have any  
26 portion of an eligible rollover distribution paid directly to  
27 an eligible retirement plan by way of a direct rollover. For  
28 purposes of this paragraph, a "distributee" includes a member  
29 [and], a participant, a member's surviving spouse [and], a  
30 participant's surviving spouse, a member's former spouse who

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

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

20 (1) In the case of a member or participant who is  
21 terminating service, the amount determined after  
22 certification by the head of the department that the member  
23 or participant is so obligated, and after review and approval  
24 by the department or agency's legal representative or upon  
25 receipt of an assignment from the member or participant in  
26 the amount so certified[.], except that no payment shall be  
27 made from the individual investment account of a participant  
28 until the participant otherwise applies for and receives a  
29 distribution and shall not exceed the amount of the  
30 distribution.

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

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

8           (ii) at such time as the Department of Banking shall  
9 require the credit union to charge the amount of the loan  
10 against the reserve fund of such credit union.

11 Any member who shall have pledged such rights as security  
12 for a loan from a credit union and, on whose behalf the board  
13 shall have made any payment by reason of that member's  
14 default, may not thereafter pledge or assign such rights to a  
15 credit union.

16           (3) In the case of a participant whose former spouse is  
17 an alternate payee of an equitable distribution of marital  
18 assets under an approved domestic relations order, a lump sum  
19 of the alternate payee's interest in the participant's  
20 accumulated total defined contributions. This paragraph  
21 applies without regard to whether the participant has not  
22 terminated, is terminating or has terminated State service.

23 Section 321. Section 5953.1(a) introductory paragraph and  
24 (1), (b), (c) and (d) of Title 71 are amended and the section is  
25 amended by adding a subsection to read:

26 § 5953.1. Approval of domestic relations orders.

27           (a) Certification regarding members.--A domestic relations  
28 order pertaining to a member of the system shall be certified as  
29 an approved domestic relations order by the secretary of the  
30 board, or his designated representative, only if that order

1 meets all of the following:

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

5 \* \* \*

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

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

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

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

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

30 (5) States that the plan shall not be required to recoup

1 or make good for losses in value to the participant's  
2 individual investment account incurred between the date of  
3 the valuation of the account used for equitable distribution  
4 purposes and the date of distribution to the alternate payee.

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

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

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

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

1       (10) In the case of a participant who has not yet begun  
2 to receive distributions as of the date the domestic  
3 relations order is approved by the secretary of the board or  
4 his designated representative, requires the immediate  
5 distribution of the alternate payee's share of the  
6 participant's individual investment account, which may be by  
7 direct payment, eligible rollover or trustee-to-trustee  
8 transfer to another eligible plan or qualified account owned  
9 by the alternate payee-, NOTWITHSTANDING ANY OTHER PROVISION <--  
10 OF THIS PART OR THE PLAN THAT WOULD REQUIRE A DISTRIBUTION OF  
11 ACCUMULATED EMPLOYER DEFINED CONTRIBUTIONS IN THE FORM OF AN  
12 ANNUITY OR TO REQUIRE THE PURCHASE OF AN ANNUITY.

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           (1) The following provisions shall not create in any  
2 member of the School Employees' Retirement System or  
3 participant in the School Employees' Defined Contribution  
4 Plan or in any other person claiming an interest in the  
5 account of the member or participant a contractual right,  
6 either express or implied, in the provisions or in any  
7 construction of 24 Pa.C.S. Pt. IV or 51 Pa.C.S., as so  
8 amended or supplemented, or any rules or regulations adopted  
9 under 24 Pa.C.S. Pt. IV or 51 Pa.C.S.:

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

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

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

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

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

1 Employees' Defined Contribution Plan or School Employees'  
2 Defined Contribution Trust, whether established by  
3 statute or in the plan document or trust declaration.

4 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain  
5 subject to the Internal Revenue Code of 1986 and the  
6 Uniformed Services Employment and Reemployment Rights Act of  
7 1994 (Public Law 103-353, 108 Stat. 3149), and regulations  
8 under those statutes, and the General Assembly reserves to  
9 itself such further exercise of its legislative power to  
10 amend or supplement such provisions as may from time to time  
11 be required in order to maintain the qualification of the  
12 system as a qualified pension plan under section 401(a) and  
13 other applicable provisions of the Internal Revenue Code of  
14 1986 and the Uniformed Services Employment and Reemployment  
15 Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

16 (3) Nothing in this act which amends or supplements  
17 provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV in  
18 relation to requirements:

19 (i) for qualification of the State Employees'  
20 Defined Contribution Plan as a qualified pension plan  
21 under the Internal Revenue Code of 1986 (Public Law 99-  
22 514, 26 U.S.C. § 1 et seq.) or compliance with 38 U.S.C.  
23 Ch. 43 (relating to employment and reemployment rights of  
24 members of the uniformed services);

25 (ii) for contributions to, participation in or  
26 benefits from the State Employees' Defined Contribution  
27 Plan or State Employees' Defined Contribution Trust; or

28 (iii) for domestic relations orders regarding  
29 alternate payees of participants in the State Employees'  
30 Defined Contribution Plan;

1 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as  
2 so amended or supplemented, or any rules or regulations  
3 adopted under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term  
4 or provision of the State Employees' Defined Contribution  
5 Plan or State Employees' Defined Contribution Trust, whether  
6 established by statute or in the plan document or trust  
7 declaration, shall create in any member of the State  
8 Employees' Retirement System or participant in the State  
9 Employees' Defined Contribution Plan or in any other person  
10 claiming an interest in the account of any such member or  
11 participant a contractual right, either express or implied,  
12 in such provisions nor in any construction of 51 Pa.C.S. §  
13 7306 or 71 Pa.C.S. Pt. XXV, as so amended or supplemented, or  
14 any rules or regulations adopted under 51 Pa.C.S. or 71  
15 Pa.C.S. Pt. XXV.

16 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain  
17 subject to the Internal Revenue Code of 1986 and 38 U.S.C.  
18 Ch. 43 and regulations thereunder, and the General Assembly  
19 reserves to itself such further exercise of its legislative  
20 power to amend or supplement such provisions as may from time  
21 to time be required in order to maintain the qualification of  
22 such system as a qualified pension plan under section 401(a)  
23 and other applicable provisions of the Internal Revenue Code  
24 of 1986 and 38 U.S.C. Ch. 43.

25 Section 402. References in this act to the Internal Revenue  
26 Code of 1986 or 38 U.S.C. Ch. 43, or administrative regulations  
27 promulgated thereunder, are intended to include such laws and  
28 regulations in effect on the effective date of this act and as  
29 they may hereafter be amended or supplemented or supplanted by  
30 successor provisions.

1 Section 403. Nothing in this act shall be construed or  
2 deemed to imply that, but for the expressed applications of the  
3 limitations on benefits or other requirements under section  
4 401(a) or applicable provisions of the Internal Revenue Code of  
5 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.) to  
6 participants in the School Employees' Defined Contribution Plan,  
7 those limitations would not otherwise apply to such participants  
8 or to members of the Public School Employees' Retirement System  
9 and the benefits payable pursuant to 24 Pa.C.S. Pt. IV.

10 Section 404. Nothing in this act shall be construed or  
11 deemed to imply that, but for the expressed applications of the  
12 limitations on benefits or other requirements under section  
13 401(a) or other applicable provisions of the Internal Revenue  
14 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.), those  
15 limitations would not otherwise apply to such participants or to  
16 members of the State Employees' Retirement System and the  
17 benefits payable under 71 Pa.C.S. Pt. XXV.

18 Section 405. (a) Notwithstanding any provisions of this act  
19 to the contrary, no contributions or benefit related to the  
20 State Employees' Defined Contribution Plan or the School  
21 Employee's Defined Contribution Plan shall be made or payable to  
22 the extent that such contributions or benefits exceed any  
23 limitation under section 415 of the Internal Revenue Code of  
24 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect  
25 with respect to governmental plans as such term is defined in  
26 section 414(d) of the Internal Revenue Code of 1986 on the date  
27 the contributions or benefit payment becomes effective. Any  
28 increase in any limitation under section 415 of the Internal  
29 Revenue Code of 1986 shall be applicable to all current and  
30 future participants.

1 (b) No future amendment of this act that increases  
2 contributions or benefits for active participants, inactive  
3 participants or participants receiving distributions shall be  
4 deemed by the rules of statutory construction or otherwise to  
5 provide for contributions or benefits in excess of any  
6 limitation, as adjusted or subsequently increased, provided for  
7 under section 415 of the Internal Revenue Code of 1986 unless  
8 specifically so provided by legislation. Notwithstanding this  
9 section, any future increase in benefits for any participants in  
10 the State Employee's Defined Contribution Plan or the School  
11 Employee's Defined Contribution Plan are intended to be  
12 applicable to the fullest extent allowed by law and this section  
13 authorizes any such increases in limitations or allowable  
14 benefits.

15 Section 406. Nothing in this act shall be construed or  
16 deemed to imply that any calculation or actuarial method used by  
17 the Public School Employees' Retirement Board, its actuaries or  
18 the Public School Employees' Retirement System was not in  
19 accordance with the provisions of the 24 Pa.C.S. Pt. IV or other  
20 applicable law prior to the effective date of this section.

21 Section 407. Nothing in this act shall be construed or  
22 deemed to imply that any calculation or actuarial method used by  
23 the State Employees' Retirement Board, its actuaries or the  
24 State Employees' Retirement System was not in accordance with  
25 the provisions of the State Employees' Retirement Code or other  
26 applicable law prior to the effective date of this section.

27 Section 408. Nothing in this act shall be construed or  
28 deemed to imply that any interpretation or application of the  
29 provisions of 24 Pa.C.S. Pt. IV or benefits available to members  
30 of the Public School Employees' Retirement System was not in

1 accordance with the provisions of 24 Pa.C.S. Pt. IV or other  
2 applicable law, including the Internal Revenue Code of 1986  
3 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed  
4 Services Employment and Reemployment Rights Act of 1994 (Public  
5 Law 103-353, 108 Stat. 3149) prior to the effective date of this  
6 section.

7 Section 409. Nothing in this act shall be construed or  
8 deemed to imply that any interpretation or application of the  
9 provisions of 71 Pa.C.S. Pt. XXV or benefits available to  
10 members of the State Employees' Retirement System was not in  
11 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other  
12 applicable law, including the Internal Revenue Code of 1986  
13 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43  
14 (relating to employment and reemployment rights of members of  
15 the uniformed services), prior to the effective date of this  
16 section.

17 Section 410. This act shall be construed and administered in  
18 such a manner that the Public School Employees' Retirement  
19 System and the School Employees' Defined Contribution Plan will  
20 satisfy the requirements necessary to qualify as a qualified  
21 pension plan under section 401(a) and other applicable  
22 provisions of the Internal Revenue Code of 1986 (Public Law 99-  
23 514, 26 U.S.C. § 1 et seq.) and the Uniformed Services  
24 Employment and Reemployment Rights Act of 1994 (Public Law 103-  
25 353, 108 Stat. 3149). The rules, regulations and procedures  
26 adopted and promulgated by the Public School Employees'  
27 Retirement Board, and the terms and conditions of the plan  
28 document and trust declaration adopted by the Public School  
29 Employees' Retirement Board, may include those necessary to  
30 accomplish the purpose of this section.

1 Section 411. This act shall be construed and administered in  
2 such a manner that the State Employees' Retirement System and  
3 the State Employees' Defined Contribution Plan will satisfy the  
4 requirements necessary to qualify as a qualified pension plan  
5 under section 401(a) and other applicable provisions of the  
6 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1  
7 et seq.) and 38 U.S.C. Ch. 43 (relating to employment and  
8 reemployment rights of members of the uniformed services). The  
9 rules, regulations and procedures adopted and promulgated by the  
10 State Employees' Retirement Board and the terms and conditions  
11 of the plan document and trust declaration adopted by the State  
12 Employees' Retirement Board may include those necessary to  
13 accomplish the purpose of this section.

14 Section 412. The following apply:

15 (1) If the application of any provision of this act to  
16 any person is held invalid, the invalidity shall not affect  
17 the application of this act to any other person, but the  
18 entire act shall be invalid as to the person to whom part of  
19 it was invalid.

20 (2) In the event that a school employee's participation  
21 in the School Employees' Defined Contribution Plan is  
22 declared invalid, the affected school employee shall return  
23 to the School Employees' Defined Contribution Trust any  
24 distributions and shall be granted status and service credit  
25 in the Public School Employees' Retirement System and shall  
26 be required to make all contributions to the Public School  
27 Employees' Retirement Fund as if this act had not been  
28 enacted. The affected school employee's accumulated mandatory  
29 participant contributions and accumulated voluntary  
30 contributions shall be transferred to the affected employee's

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

14 (3) In the event that a State employee's participation  
15 in the State Employees' Defined Contribution Plan is declared  
16 invalid, the affected State employee shall return to the  
17 State Employees' Defined Contribution Trust any distributions  
18 and shall be granted the status and service credit in the  
19 State Employees' Retirement System and shall be required to  
20 make all contributions to the State Employees' Retirement  
21 Fund as if this act had not been enacted. The affected State  
22 employee's accumulated mandatory participant contributions  
23 and accumulated voluntary contributions shall be transferred  
24 to the affected employee's member savings account to the  
25 extent necessary to fund that account with the member  
26 contributions and interest that would have been standing to  
27 the member's account had this act not been enacted. Any  
28 remaining balance shall be refunded to the State employee,  
29 who shall be responsible for paying to the fund in a manner  
30 and time determined by the State Employees' Retirement Board

1 any additional funds required if the accumulated mandatory  
2 participant contributions and accumulated voluntary  
3 contributions were not sufficient. The accumulated employer  
4 defined contributions shall be transferred to the State  
5 accumulation account and no further amount shall be due from  
6 the employer or refund paid.

7 Section 413. Nothing in this act shall be construed or  
8 deemed to imply that the release or making public of any record,  
9 material or data described in 71 Pa.C.S. § 5902(e)(2) as not  
10 being a public record is a violation of the State Employees'  
11 Retirement Board's fiduciary duties.

12 Section 414. (a) Notwithstanding any other provision of  
13 law, any change in accrued liability of the State Employees'  
14 Retirement System created by this act as a result of changes in  
15 benefits shall be funded in equal dollar installments over a  
16 period of 20 years beginning July 1, 2015. Any change in accrued  
17 liability as a result of the amendment of 71 Pa.C.S. §§ 5507 and  
18 5508 or the addition of 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be  
19 funded in equal dollar installments over a period of 30 years  
20 beginning July 1, 2015. Payments required to fund any changes in  
21 accrued liability resulting from the provisions of 71 Pa.C.S.  
22 Pt. XXV shall be subject to any limits imposed by this act on  
23 employer contributions to the State Employees' Retirement  
24 System, ~~and shall not be subject to re-amortization for 30 years <--~~  
25 ~~under 71 Pa.C.S. § 5508.1(e)~~. For purposes of 71 Pa.C.S. §§  
26 5501.2, 5507 and 5508, any such changes shall not be considered  
27 to be costs added by legislation.

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

30 Section 415. This act shall take effect immediately.