
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1499 Session of
2015

INTRODUCED BY TOBASH, JANUARY 12, 2016

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JANUARY 12, 2016

AN ACT

1 Amending Titles 24 (Education), 51 (Military Affairs) and 71
2 (State Government) of the Pennsylvania Consolidated Statutes,
3 extensively revising pension provisions: for the Public
4 School Employees' Retirement System, in the areas of
5 preliminary provisions, of membership, contributions and
6 benefits, of School Employees' Defined Contribution Plan, of
7 administration and miscellaneous provisions and of health
8 insurance for retired school employees; for military
9 pensions, in the area of military leave of absence; for the
10 State Employees' Retirement System, in the areas of
11 preliminary provisions, of membership, credited service,
12 classes of service and eligibility for benefits, of
13 contributions, of benefits, of State Employees' Defined
14 Contribution Plan, of administration, funds, accounts,
15 general provisions; providing, as to the revisions, for
16 reservation of legislative authority, for construction, for
17 accrued liability, for construction related to Federal law,
18 for immunity from personal liability, for restoration of
19 service credit or a retirement benefit, for recertification
20 of contribution rates, for transfer of assets and for
21 severability; and making editorial changes.

22 The General Assembly of the Commonwealth of Pennsylvania
23 hereby enacts as follows:

24 ARTICLE I

25 Section 101. The definitions of "active member," "alternate
26 payee," "basic contribution rate," "beneficiary," "class of
27 service multiplier," "compensation," "creditable nonschool
28 service," "credited service," "date of termination of service,"

1 "distribution," "domestic relations order," "eligible
2 annuitants," "final average salary," "inactive member,"
3 "intervening military service," "irrevocable beneficiary,"
4 "leave for service with a collective bargaining organization,"
5 "member's annuity," "multiple service," "reemployed from USERRA
6 leave," "salary deductions," "shared risk contribution rate,"
7 "standard single life annuity," "superannuation or normal
8 retirement age," "valuation interest" and "vestee" in section
9 8102 of Title 24 of the Pennsylvania Consolidated Statutes are
10 amended and the section is amended by adding definitions to
11 read:

12 § 8102. Definitions.

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

16 * * *

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

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

27 "Accumulated total defined contributions." The total of the
28 accumulated mandatory participant contributions, accumulated
29 employer defined contributions and accumulated voluntary
30 contributions, reduced by any distributions, standing to the

1 credit of a participant in an individual investment account in
2 the trust.

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

8 * * *

9 "Active member." A school employee for whom pickup
10 contributions are being made to the fund or for whom such
11 contributions otherwise required for current school service are
12 not being made solely by reason of any provision of this part
13 relating to the limitations under section 401(a)(17) or 415(b)
14 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
15 U.S.C. § 401(a)(17) or 415(b))[.], or limitations on
16 contributions to the system applicable to Class T-G members when
17 the Class T-G member is making mandatory pickup participant
18 contributions to the trust.

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

27 * * *

28 "Alternate payee." Any spouse, former spouse, child or
29 dependent of a member or participant who is recognized by a
30 domestic relations order as having a right to receive all or a

1 portion of the moneys payable to that member or participant
2 under this part.

3 * * *

4 "Basic contribution rate." For Class T-A, T-B and T-C
5 service, the rate of 6 1/4%. For Class T-D service, the rate of
6 7 1/2%. For all active members on the effective date of this
7 provision who are currently paying 5 1/4% and elect Class T-D
8 service, the rate of 6 1/2%. For Class T-E service, the rate of
9 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
10 service for members with less than 25 eligibility points accrued
11 as a Class T-G member, the rate of 6%, up to the defined benefit
12 compensation limit. For Class T-G service for members with more
13 than 25 eligibility points accrued as a Class T-G member, the
14 rate of zero.

15 "Beneficiary." [The] In the case of the system, the person
16 or persons last designated in writing to the board by a member
17 to receive his accumulated deductions or a lump sum benefit upon
18 the death of such member. In the case of the plan, the person or
19 persons last designated in writing to the board by a participant
20 to receive the participant's vested accumulated total defined
21 contributions or a lump sum benefit upon the death of the
22 participant.

23 * * *

24 "Class of service multiplier."

25	Class of service	Multiplier
26	T-A	.714
27	T-B	.625
28	T-C	1.000
29	T-D	1.000
30	T-E	1.000

1 T-F 1.000

2 T-G 1.000

3 * * *

4 "Compensation." Pickup contributions and mandatory pickup
5 participant contributions plus any remuneration received as a
6 school employee excluding reimbursements for expenses incidental
7 to employment and excluding any bonus, severance payments, any
8 other remuneration or other emolument received by a school
9 employee during his school service which is not based on the
10 standard salary schedule under which he is rendering service,
11 payments for unused sick leave or vacation leave, bonuses or
12 other compensation for attending school seminars and
13 conventions, payments under health and welfare plans based on
14 hours of employment or any other payment or emolument which may
15 be provided for in a collective bargaining agreement which may
16 be determined by the Public School Employees' Retirement Board
17 to be for the purpose of enhancing compensation as a factor in
18 the determination of final average salary, and excluding
19 payments for military leave and any other payments made by an
20 employer while on USERRA leave, leave of absence granted under
21 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
22 government employees), military leave of absence granted under
23 51 Pa.C.S. § 7302 (relating to granting military leaves of
24 absence), leave granted under section 1178 of the act of March
25 10, 1949 (P.L.30, No.14), known as the Public School Code of
26 1949, or other types of military leave, including other types of
27 leave payments, stipends, differential wage payments as defined
28 in IRC § 414(u)(12) and any other payments, provided, however,
29 that the limitation under section 401(a)(17) of the Internal
30 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))

1 taken into account for the purpose of member contributions,
2 including regular or joint coverage member contributions,
3 regardless of class of service, shall apply to each member who
4 first became a member of the Public School Employees' Retirement
5 System on or after July 1, 1996, and who by reason of such fact
6 is a noneligible member subject to the application of the
7 provisions of section 8325.1 (relating to annual compensation
8 limit under IRC § 401(a)(17)), and shall apply to each
9 participant pertaining to his participation in the plan.

10 * * *

11 "Creditable nonschool service." Service [other than service
12 as a school employee] for which an active member may obtain
13 credit in the system other than service as a school employee.

14 "Credited service." School or creditable nonschool service
15 for which the required contributions have been made to the fund,
16 or for which the contributions otherwise required for such
17 service were not made solely by reason of any provision of this
18 part relating to the limitations under section 401(a)(17) or
19 [415(b)] 415 of the Internal Revenue Code of 1986 (Public Law
20 99-514, 26 U.S.C. § 401(a)(17) or [415(b)] 415), or limitations
21 on contributions to the system applicable to Class T-G members
22 when the Class T-G member is making mandatory pickup participant
23 contributions to the trust or for which salary deductions or
24 lump sum payments to the system have been agreed upon in
25 writing.

26 "Date of termination of service." The latest of the
27 following dates:

28 (1) the last [date] day of service for which pickup
29 contributions are made for an active member or[,]
30 for which the contributions otherwise required for such service were

1 not made solely by reason of any provision of this part
2 relating to the limitations under section 401(a)(17) or 415
3 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
4 U.S.C. § 401(a)(17) or 415), or limitations on contributions
5 applicable to a Class T-G member;

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

11 (3) the last day of service for which mandatory pickup
12 participant contributions are made for an active participant.

13 "Defined benefit compensation limit." For fiscal year 2015-
14 2016, the amount of \$50,000. For each subsequent fiscal year,
15 this amount shall be increased by 1% per year, compounded
16 annually, rounded to the nearest \$100.

17 * * *

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

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

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

5 * * *

6 "Eligible annuitants." All current and prospective
7 annuitants with 24 1/2 or more eligibility points earned in a
8 class other than Class T-G and all current and prospective
9 disability annuitants who become eligible for disability
10 annuities while in a class of service other than Class T-G.
11 Beginning January 1, 1995, "eligible annuitants" shall include
12 members with 15 or more eligibility points earned in a class
13 other than Class T-G who terminated or who terminate school
14 service on or after attaining superannuation retirement age and
15 who are annuitants with an effective date of retirement after
16 superannuation age.

17 * * *

18 "Employer defined contributions." Contributions made to an
19 active participant's account by an employer to the trust to be
20 credited in the active participant's individual investment
21 account as follows:

22 (1) For participants who have less than 25 eligibility
23 points credited as a member of Class T-G, or if a multiple
24 service member in Class A-5 of the State Employees'
25 Retirement System, contributions shall equal to 0.5% of
26 compensation up to the defined benefit compensation limit and
27 4% of compensation above such limit.

28 (2) For participants who have more than 25 eligibility
29 points credited as a member of Class T-G, or if a multiple
30 service member in Class A-5 of the State Employees'

1 Retirement System, contributions shall equal to 4% of
2 compensation.

3 "Final average salary." [The] As follows:

4 (1) For purposes of calculating all annuities and
5 benefits from the system attributable to a class of service
6 other than Class T-G, the highest average compensation
7 received as an active member during any three nonoverlapping
8 periods of 12 consecutive months months, excluding
9 compensation received from school service credited as a
10 member of Class T-G, with the compensation for part-time
11 service being annualized on the basis of the fractional
12 portion of the school year for which credit is received;
13 except, if the employee was not a member in a class of
14 service other than Class T-G for three such periods, the
15 total compensation received as an active member in a class of
16 service other than Class T-G annualized in the case of part-
17 time service divided by the number of such periods of
18 membership in a class of service other than Class T-G; in the
19 case of a member with multiple service credit, the final
20 average salary, for purposes of calculating all annuities and
21 benefits from the system attributable to a class of service
22 other than Class T-G, shall be determined by reference to
23 compensation received by him as a school employee or a State
24 employee or both, excluding compensation received for service
25 performed as a member of Class T-G or Class A-5 in the State
26 Employees' Retirement System; and, in the case of a
27 noneligible member, subject to the application of the
28 provisions of section 8325.1 (relating to annual compensation
29 limit under IRC § 401(a)(17)). [Final]

30 (2) For purposes of calculating all annuities and

1 benefits from the system attributable to service as a member
2 of Class T-G, the highest average compensation received as an
3 active member of Class T-G during any five fiscal years, as
4 limited each fiscal year by the defined benefit compensation
5 limit, with the limited compensation for part-time service
6 being annualized on the basis of the fractional portion of
7 the school year for which credit is received; except, if the
8 employee was not a member of Class T-G for five such periods,
9 the total compensation received as an active member of Class
10 T-G annualized in the case of part-time service divided by
11 the number of such periods of membership in Class T-G; in the
12 case of a member with multiple service credit, the final
13 average salary, for purposes of calculating all annuities and
14 benefits from the system attributable to Class T-G service,
15 shall be determined by reference to compensation received by
16 him as a school employee for service credited as Class T-G or
17 as a State employee for service credited as Class A-5, or
18 both; and, in the case of a noneligible member, subject to
19 the application of the provisions of section 8325.1.

20 (3) For all members, final average salary shall be
21 determined by including in compensation, payments deemed to
22 have been made to a member reemployed from USERRA leave to
23 the extent member contributions have been made as provided in
24 section 8302(d) (2) (relating to credited school service) and
25 payments made to a member on leave of absence under 51
26 Pa.C.S. § 4102 (relating to leaves of absence for certain
27 government employees) as provided in section 8302(d) (6).

28 * * *

29 "Holding vehicle trust." The School Employees' Defined
30 Contribution Holding Vehicle Trust.

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

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

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

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

9 * * *

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

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

21 * * *

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

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

9 "Mandatory pickup participant contributions." Either of the
10 following:

11 (1) For participants who have accrued less than 25
12 eligibility points credited as a member of Class T-G or, if a
13 multiple service member, of Class A-5 in the State Employees'
14 Retirement System, contributions shall equal 1% of
15 compensation required to be credited in the plan up to the
16 defined benefit compensation limit and 7% of compensation
17 above such limit.

18 (2) For participants who have accrued more than 25
19 eligibility points credited as a member of Class T-G or, if a
20 multiple service member, of Class A-5 in the State Employees'
21 Retirement System, contributions shall equal 7% of
22 compensation required to be credited in the plan.

23 * * *

24 "Member's annuity." The single life annuity which is
25 actuarially equivalent on the effective date of retirement and
26 taking into account any delay in the receipt of the portion of
27 the annuity based on Class T-G service, if the effective date of
28 retirement is under superannuation age applicable to Class T-G
29 service, to the sum of the accumulated deductions and the
30 shared-risk member contributions and statutory interest credited

1 on the deductions and contributions standing to the member's
2 credit in the members' savings account.

3 * * *

4 "Multiple service." Credited service of a member who has
5 elected to combine his credited service in both the Public
6 School Employees' Retirement System and the State Employees'
7 Retirement System. A Class T-G member is eligible to elect
8 multiple service membership only for service credited as Class
9 A-5 service in the State Employees' Retirement System.

10 * * *

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

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

18 * * *

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

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

26 * * *

27 "Reemployed from USERRA leave." Resumption of active
28 membership or active participation as a school employee after a
29 period of USERRA leave, if the resumption of active membership
30 or active participation was within the time period and under

1 conditions and circumstances such that the school employee was
2 entitled to reemployment rights under 38 U.S.C. Ch. 43 (relating
3 to employment and reemployment rights of members of the
4 uniformed services).

5 * * *

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

10 * * *

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

16 * * *

17 "Shared-risk contribution rate." The additional contribution
18 rate that is added to the basic contribution rate for Class T-E
19 [and], T-F and T-G members, as provided for in section 8321(b)
20 (relating to regular member contributions for current service).

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

1 member. For Class T-F credited service of a member, an annuity
2 equal to 2.5% of the final average salary, multiplied by the
3 total number of years and fractional part of a year of credited
4 service of a member. For Class T-G credited service of a member,
5 an annuity equal to 2% of the final average salary, multiplied
6 by the total number of years and fractional part of a year of
7 credited service of a member, except that such total number of
8 years shall not exceed 25.

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

13 * * *

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

18 * * *

19 "Superannuation or normal retirement age."

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

1 member of Class T-G, and
2 if a multiple service
3 member, Class A-5

4 T-E and T-F 65 with accrual of at least
5 three eligibility points
6 or a combination of age
7 and eligibility points
8 totaling 92, provided the
9 member has accrued at
10 least 35 eligibility
11 points, excluding any
12 eligibility points
13 accrued as a member of
14 Class T-G, and if a
15 multiple service member,
16 Class A-5

17 T-G 65 with accrual of at least
18 three eligibility points
19 accrued solely as a
20 result of Class T-G
21 service or, if a multiple
22 service member, Class A-5
23 service

24 * * *

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

28 * * *

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

1 other than the members' savings account.

2 "Vestee." A member with five or more eligibility points in a
3 class of service other than Class T-E, Class T-F, Class T-G or
4 Class A-5 in the State Employees' Retirement System who has
5 terminated school service, has left his accumulated deductions
6 in the fund and is deferring filing of an application for
7 receipt of an annuity. For Class T-E and Class T-F members, a
8 member with ten or more eligibility points in a class of service
9 other than Class T-G or, if a multiple service member, Class A-5
10 in the State Employees' Retirement System who has terminated
11 school service, has left his accumulated deductions in the fund
12 and is deferring filing of an application for receipt of an
13 annuity. For Class T-G members, a member with ten or more
14 eligibility points credited as a member of Class T-G or, if a
15 multiple service member, of Class A-5 in the State Employees
16 Retirement System, who has terminated school service, and either
17 is not eligible to begin receiving an immediate annuity or, if
18 eligible, has elected to defer filing of an application for
19 receipt of an annuity.

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

25 Section 102. Section 8103 of Title 24 is amended by adding
26 subsections to read:

27 § 8103. Construction of part.

28 * * *

29 (c) Exclusive source of rights and benefits.--Regardless of
30 any other provision of law, pension and benefit rights of school

1 employees shall be determined solely by this part, or the plan
2 document established by the board, and no collective bargaining
3 agreement nor any arbitration award between the employer and its
4 employees or their collective bargaining representatives shall
5 be construed to change any of the provisions in this part, to
6 require the board to administer pension or retirement benefits
7 not set forth in this part or not established by the board in
8 the plan document, to require the board to modify, amend or
9 change any of the terms and provisions of the plan document or
10 otherwise require action by any other government body pertaining
11 to pension or retirement benefits or rights of school employees.

12 (d) References to certain Federal statutes.--References in
13 this part to the IRC or the Uniformed Services Employment and
14 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
15 3149), including administrative regulations promulgated under
16 the IRC or the Uniformed Services Employment and Reemployment
17 Rights Act of 1994, are intended to include laws and regulations
18 in effect on or after the effective date of this subsection.

19 (e) Construction.--

20 (1) This part may not be construed to mean that the
21 limitations on benefits or other requirements under IRC §
22 401(a) or other applicable provisions of the IRC that are
23 applicable to participants in the plan do not apply to the
24 participants or to the members of the system and the benefits
25 payable under this part.

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

1 Uniformed Services Employment and Reemployment Rights Act of
2 1994 before the effective date of this subsection.

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

8 (f) Applicability.--The following shall apply:

9 (1) The provisions of this part regarding the
10 establishment of and participation in the plan shall apply to
11 current and former members of the system who return to school
12 service on or after July 1, 2016, after a termination of
13 school service, notwithstanding the following:

14 (i) Whether the termination occurred before, on or
15 after July 1, 2016.

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

19 (2) A terminated school employee who returns to school
20 service on or after July 1, 2016, is subject to the
21 provisions of this part regarding participation in the plan
22 or membership in the system that are in effect on the
23 effective date of reemployment, including, but not limited
24 to, benefit formulas and accrual rates, eligibility for
25 annuities and distributions, contribution rates, definitions,
26 purchase of creditable school and nonschool service
27 provisions, purchase of creditable State and nonstate service
28 provisions, and actuarial and funding assumptions.

29 Section 103. Title 24 is amended by adding sections to read:

30 § 8103.1. Reference to Public School Employees' Retirement

1 System.

2 (a) General rule.--Unless the context clearly indicates
3 otherwise, a reference to the Public School Employees'
4 Retirement System in a statutory provision, other than this part
5 and 71 Pa.C.S. Pt. XXV (relating to retirement for State
6 employees and officers), shall include a reference to the plan,
7 and a reference to the Public School Employees' Retirement Fund
8 shall include a reference to the trust.

9 (b) Certain agreements.--The agreement of an employer to
10 make contributions to the fund or to enroll its employees as
11 members in the system shall be deemed to be an agreement to make
12 contributions to the trust or to enroll its employees in the
13 plan.

14 § 8103.2. Notice to members and participants.

15 Notice by publication, including, but not limited to,
16 newsletters, newspapers, forms, first class mail, letters,
17 manuals and, to the extent authorized by a policy adopted by the
18 board, electronic notice, including, but not limited to, e-mail
19 or Internet websites distributed or made available to members
20 and participants in a manner reasonably calculated to give
21 actual notice of the provisions of this part that require notice
22 to members and participants shall be deemed sufficient notice
23 for all purposes.

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

25 § 8301. Mandatory and optional membership in the system and
26 participation in the plan.

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

30 (1) Any officer or employee of the [Department of

1 Education] department, State-owned educational institutions,
2 community colleges, area vocational-technical schools,
3 technical institutes, or [the] The Pennsylvania State
4 University and who is a member of the State Employees'
5 Retirement System or a member of another retirement program
6 approved by the employer.

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

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

18 (4) Any part-time school employee who has an individual
19 retirement account pursuant to the Federal act of September
20 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
21 Employee Retirement Income Security Act of 1974.

22 (b) Prohibited membership in system.--The school employees
23 categorized in subsection (a)(1) and (2) shall not have the
24 right to elect membership in the system.

25 (c) Optional membership in system.--The school employees
26 categorized in subsection (a)(3) and, if otherwise eligible,
27 subsection (a)(4) shall have the right to elect membership in
28 the system. Once such election is exercised, membership shall
29 commence from the original date of eligibility and shall
30 continue until the termination of such service.

1 (d) Mandatory participation in plan.--The school employees
2 who are mandatory members of Class T-G shall be mandatory
3 participants in the plan as of the effective date of membership
4 in the system.

5 (e) Optional participation in plan.--The school employees
6 who are optional members of the system as members of Class T-G
7 shall be optional participants in the plan. The school employees
8 who elect membership in the system as members of Class T-G also
9 elect participation in the plan as of the effective date of
10 membership in the system.

11 Section 105. Sections 8302(a), (b)(1) and (2), (c) and (d)
12 and 8303(c) of Title 24 are amended and the sections are amended
13 by adding subsections to read:

14 § 8302. Credited school service.

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

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

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

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

28 (2) the proper contributions are made by the member and
29 the employer and, for Class T-G members, by the active
30 participant and the employer.

1 * * *

2 (c) Cancellation of credited service.--

3 (1) All credited service in the system shall be
4 [cancelled] canceled if a member withdraws his accumulated
5 deductions[.] except that:

6 (i) a member with Class T-G service credit and one
7 or more other classes of service credit shall not have
8 his service credit in the classes of service other than
9 Class T-G canceled when the member receives a lump sum
10 payment of accumulated deductions relating to the Class
11 T-G service; and

12 (ii) a member with Class T-G service credit and one
13 or more other classes of service credit shall not have
14 his service credit as a member of Class T-G canceled when
15 the member receives a lump sum payment of accumulated
16 deductions resulting from the other classes of service.

17 (2) A partial or total distribution of accumulated total
18 defined contributions to a participant who also is a member
19 shall not cancel service credited in the system.

20 (d) Credit for military service.--A school employee who has
21 performed USERRA leave may receive credit in the system as
22 follows:

23 (1) For purposes of determining whether a member is
24 eligible to receive credited service in the system for a
25 period of active military service, other than active duty
26 service to meet periodic training requirements, rendered
27 after August 5, 1991, and that began before the effective
28 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
29 (relating to military leave of absence) shall apply to all
30 individuals who were active members of the system when the

1 period of military service began, notwithstanding if the
2 member is not defined as an employee under 51 Pa.C.S. § 7301
3 (relating to definitions).

4 (1.1) School employees may not receive service credit or
5 exercise the options under 51 Pa.C.S. § 7306(a), (b) and (c)
6 (relating to retirement rights) for military leaves that
7 begin on or after the effective date of this subsection,
8 except otherwise provided under this subsection.

9 (2) A school employee who has performed USERRA leave may
10 receive credit as provided by this paragraph.

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

1 leave in the job position that he would have held had he
2 not been on USERRA leave and received the compensation on
3 which the member contributions to receive school service
4 credit for the USERRA leave were determined.

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

26 (iii) A school employee who is reemployed from
27 USERRA leave as an active member of the system and who
28 does not make the required member contributions or makes
29 only part of the required member contributions within the
30 allowed payment period shall not be:

1 (A) Granted credited service for the period of
2 USERRA leave for which the required member
3 contributions were not timely made.

4 (B) Eligible to subsequently make contributions.

5 (C) Granted either school service credit or
6 nonschool service credit for the period of USERRA
7 leave for which the required member contributions
8 were not timely made.

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

19 (4) [A school employee] An active or inactive member
20 who, on or after the effective date of this subsection, is
21 granted a leave of absence under section 1178 of the Public
22 School Code, a leave of absence under 51 Pa.C.S. § 4102
23 (relating to leaves of absence for certain government
24 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
25 is not USERRA leave shall be able to receive creditable
26 nonschool service as nonintervening military service should
27 the employee return to school service as an active member of
28 the system and is otherwise eligible to purchase the service
29 as nonintervening military service.

30 (5) If a member dies while performing USERRA leave, the

1 beneficiaries or survivor annuitants of the deceased member
2 shall be entitled to any additional benefits, including
3 eligibility points, other than benefit accruals relating to
4 the period of qualified military service, provided under this
5 part as if the member resumed and then terminated employment
6 on account of death.

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

18 (e) Military service by participant.--A participant who has
19 performed USERRA leave shall be treated and may make
20 contributions as follows:

21 (1) A participant who is reemployed from USERRA leave
22 shall be treated as not having incurred a break in school
23 service by reason of the USERRA leave and shall be granted
24 eligibility points as if the participant had not been on
25 USERRA leave. If a participant who is reemployed from USERRA
26 leave subsequently makes mandatory pickup participant
27 contributions in the amounts and in the time periods required
28 by 38 U.S.C. Ch. 43 and IRC § 414(u) as if the participant
29 had continued in his school employment and performed school
30 service and been compensated during the period of USERRA

1 leave, the participant's employer shall make the
2 corresponding employer defined contributions. The employee
3 shall have his contributions, benefits, rights and
4 obligations determined under this part as if he was an active
5 participant who performed school service during the USERRA
6 leave in the job position that he would have held had he not
7 been on USERRA leave and received the compensation on which
8 the mandatory pickup participant contributions to receive
9 school service credit for the USERRA leave were determined,
10 including the right to make voluntary contributions as
11 permitted by law.

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

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

28 (4) An active participant or inactive participant who,
29 on or after the effective date of this subsection, is granted
30 a leave of absence under 51 Pa.C.S. § 4102 or a military

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

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

17 § 8303. Eligibility points for retention and reinstatement of
18 service credits.

19 * * *

20 (c) Purchase of previous creditable service.--[Every]
21 Subject to the limitations in subsection (c.1), an active member
22 of the system or a multiple service member who is an active
23 member of the State Employees' Retirement System on or after the
24 effective date of this part may purchase credit and receive
25 eligibility points:

26 (1) as a member of Class T-C, Class T-E or Class T-F for
27 previous creditable school service or creditable nonschool
28 service; [or]

29 (2) as a member of Class T-D for previous creditable
30 school service, provided the member elects to become a Class

1 T-D member pursuant to section 8305.1 (relating to election
2 to become a Class T-D member); or

3 (3) as a member of Class T-G for previous creditable
4 school service performed as a Class T-G member;

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

9 (c.1) Ineligibility to purchase previous school service
10 credit.--An active member of Class T-G, or a multiple service
11 member who is an active member of Class A-5 in the State
12 Employees' Retirement System, shall not be eligible to purchase
13 service credit for previous school service, whether or not
14 previously credited in the system, except to reinstate
15 previously credited Class T-G service credit for which
16 accumulated deductions were withdrawn, and except to the extent
17 that any other provision of law requires or allows the crediting
18 of any period of leave to be purchased as school service after
19 the member returns from the leave to school service.

20 * * *

21 Section 106. Section 8304(a) of Title 24 is amended to read:
22 § 8304. Creditable nonschool service.

23 (a) Eligibility.--An active member in a class other than
24 Class T-G, or a multiple service member who is an active member
25 of the State Employees' Retirement System in a class other than
26 Class A-5, shall be eligible to receive Class T-C, Class T-E or
27 Class T-F service credit for creditable nonschool service and
28 Class T-D, Class T-E or Class T-F service for intervening
29 military service, provided the member becomes a Class T-D member
30 pursuant to section 8305.1 (relating to election to become a

1 Class T-D member) or Class T-F member pursuant to section 8305.2
2 (relating to election to become a Class T-F member) or 8305
3 (relating to classes of service), as set forth in subsection (b)
4 provided that he is not entitled to receive, eligible to receive
5 now or in the future, or is receiving retirement benefits for
6 such service under a retirement system administered and wholly
7 or partially paid for by any other governmental agency or by any
8 private employer, or a retirement program approved by the
9 employer in accordance with section 8301(a)(1) (relating to
10 mandatory and optional membership), and further provided that
11 such service is certified by the previous employer and the
12 manner of payment of the amount due is agreed upon by the
13 member, the employer, and the board. An active member who is a
14 member of Class T-G or a multiple service member who is a State
15 employee and an active member of the State Employees' Retirement
16 System as a member of Class A-5 shall be eligible for Class T-G
17 service credit for creditable nonschool service as set forth in
18 subsection (b)(2) for which the member makes the required
19 contributions to the fund.

20 * * *

21 Section 107. Section 8305(a), (b), (c)(1) and (4), (d) and
22 (e) of Title 24 are amended and the section is amended by adding
23 a subsection to read:

24 § 8305. Classes of service.

25 (a) Class T-C membership.--A school employee who is a member
26 of Class T-C on the effective date of this part or who becomes a
27 member of the system subsequent to the effective date of this
28 part shall be classified as a Class T-C member, provided the
29 school employee does not become a member of Class T-D pursuant
30 to subsection (c) and does not become a member of Class T-G

1 pursuant to subsection (f).

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

11 (c) Class T-D membership.--

12 (1) A person who becomes a school employee and an active
13 member, or a person who becomes a multiple service member who
14 is a State employee and a member of the State Employees'
15 Retirement System, on or after the effective date of this
16 subsection shall be classified as a Class T-D member upon
17 payment of regular member contributions. Any prior school
18 service credited as Class T-C service shall be credited as
19 Class T-D service, subject to the limitations contained in
20 paragraph (4) and section 8303(c.1) (relating to eligibility
21 points for retention and reinstatement of service credits).

22 * * *

23 (4) (i) School service performed as Class T-C service
24 before the effective date of this subsection shall be
25 credited as Class T-D service only upon completion of all
26 acts necessary for the school service to be credited as
27 Class T-C service had this subsection not been enacted.

28 (ii) A person who is not a school employee or a
29 State employee on June 30, 2001, and July 1, 2001, and
30 who has previous school service shall not receive Class

1 T-D service credit for school service performed before
2 July 1, 2001, until the person becomes an active member
3 or an active member of the State Employees' Retirement
4 System and a multiple service member and earns three
5 eligibility points by performing credited school service
6 in a class other than Class T-G or State service in a
7 class other than Class A-5 after June 30, 2001. This
8 subparagraph does not apply to a disability annuitant who
9 returns to school service after June 30, 2001, upon
10 termination of the disability annuity.

11 (d) Class T-E membership.--Notwithstanding any other
12 provision, a person who first becomes a school employee and an
13 active member, or a person who first becomes a multiple service
14 member who is a State employee and a member of the State
15 Employees' Retirement System, on or after the effective date of
16 this subsection shall be classified as a Class T-E member upon
17 payment of regular member contributions and the shared-risk
18 contributions, provided the member does not terminate service
19 and then return to service on or after July 1, 2016.

20 (e) Class T-F membership.--Notwithstanding any other
21 provision, a person who first becomes a school employee and an
22 active member, or a person who first becomes a multiple service
23 member who is a State employee and a member of the State
24 Employees' Retirement System, on or after the effective date of
25 this subsection and who is eligible to become a Class T-E member
26 shall have the right to elect into Class T-F membership,
27 provided the person elects to become a Class T-F member pursuant
28 to section 8305.2 (relating to election to become a Class T-F
29 member), upon written election filed with the board and payment
30 of regular member contributions and the shared-risk

1 contributions, provided the member does not terminate service
2 and then return to service on or after July 1, 2016.

3 (f) Class T-G membership.--A person who first becomes a
4 school employee and an active member, or a person who first
5 becomes a multiple service member who is a State employee and a
6 member of the State Employees' Retirement System, on or after
7 July 1, 2016, shall be classified as a Class T-G member upon
8 payment of regular member contributions and the shared risk
9 contributions.

10 Section 108. Sections 8305.1(c) and 8305.2(c) of Title 24
11 are amended to read:

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

13 * * *

14 (c) Effect of election.--An election to become a Class T-D
15 member shall remain in effect until the termination of
16 employment. Those members who, on the effective date of this
17 section, contribute at the rate of 5 1/4% shall be deemed to
18 have accepted the basic contribution rate of 6 1/2% for all
19 Class T-D service performed on or after January 1, 2002. Those
20 members who, on the effective date of this section, contribute
21 at the rate of 6 1/4% shall be deemed to have accepted the basic
22 contribution rate of 7 1/2% for all Class T-D service performed
23 on or after January 1, 2002. Upon termination and a subsequent
24 reemployment that occurs before July 1, 2016, the class of
25 service of the school employee shall be credited in the class of
26 service otherwise provided for in this part. If the reemployment
27 occurs on or after July 1, 2016, the school employee's
28 eligibility for membership and class of service in the system or
29 participation in the plan shall be as provided in this part.

30 * * *

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

2 * * *

3 (c) Effect of election.--An election to become a Class T-F
4 member shall be irrevocable and shall commence from the original
5 date of eligibility[. A member who elects Class T-F membership
6 shall receive Class T-F service credit on any and all future
7 service, regardless of whether the member terminates service or
8 has a break in service.] and shall remain in effect for all
9 future school service creditable in the system that otherwise
10 would not be credited as Class T-G service.

11 * * *

12 Section 108.1. Title 24 is amended by adding a section to
13 read:

14 § 8305.3. Election to become a Class T-G member.

15 (a) General rule.--A member who returns to school service on
16 or after July 1, 2016, may make a one-time election to become a
17 member of Class T-G.

18 (b) Time for making election.--A member must elect to become
19 a Class T-G member by filing a written election with the board
20 within 45 days of notification by the board of the member's
21 eligibility to elect Class T-G membership and participation. A
22 school employee who is eligible to become a Class T-G member who
23 begins USERRA leave during the election period without having
24 elected Class T-G membership may make the election within 45
25 days after being reemployed from USERRA leave.

26 (c) Effect of election.--An election to become a Class T-G
27 member shall be irrevocable and shall commence from the original
28 date of the member's return to service. A member who elects
29 Class T-G membership shall receive Class T-G service credit on
30 any and all future service, regardless of whether the member

1 terminates service or has a break in service.

2 (d) Effect of failure to make election.--A member who fails
3 to timely file an election to become a Class T-G member shall
4 never be able to elect Class T-G service, regardless of whether
5 the member terminates service or has a break in service.

6 Section 108.2. Sections 8306, 8307(b) and (c), 8308, 8309,
7 8310, 8321, 8322.1, 8323(a), (c) and (d)(1), 8324(a), (b), (c)
8 and (d), 8325.1(a), 8326(a) and (c) and 8327 of Title 24 are
9 amended to read:

10 § 8306. Eligibility points.

11 (a) General rule.--An active member of the system shall
12 accrue one eligibility point for each year of credited service
13 as a member of the [school or State retirement] system or if a
14 multiple service member, as a member of the State Employees'
15 Retirement system. A member shall accrue an additional two-
16 thirds of an eligibility point for each year of Class D-3
17 credited service under the State Employees' Retirement System.
18 In the case of a fractional part of a year of credited service,
19 a member shall accrue the corresponding fractional portion of an
20 eligibility point.

21 (a.1) USERRA leave.--A member or participant who is
22 reemployed from USERRA leave or who dies while performing USERRA
23 leave shall be granted the eligibility points that he would have
24 accrued had he continued in his school office or employment
25 instead of performing USERRA leave. If a school employee who is
26 reemployed from USERRA leave makes the member or mandatory
27 pickup participant contributions to be granted school service
28 credit for the USERRA leave, no additional eligibility points
29 may be granted.

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

1 (1) In determining whether a member, other than a
2 disability annuitant who returns to school service after June
3 30, 2001, upon termination of the disability annuity, who is
4 not a school employee or a State employee on June 30, 2001,
5 and July 1, 2001, and who has previous school service, has
6 the five eligibility points required by the definition of
7 "vestee" in sections 8102 (relating to definitions), 8307
8 (relating to eligibility for annuities), 8308 (relating to
9 eligibility for vesting) and 8345 (relating to member's
10 options), only eligibility points earned by performing
11 credited school service, USERRA leave credited as an active
12 member of the system in a class of service other than Class
13 T-G or credited State service as an active member of the
14 State Employees' Retirement System in a class other than
15 Class A-5 after June 30, 2001, shall be counted until such
16 member earns one such eligibility point by performing
17 credited school service or credited State service after June
18 30, 2001, at which time all eligibility points, other than
19 eligibility points in classes of service other than Class T-G
20 or Class A-5, as determined under subsection (a) shall be
21 counted.

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

27 (c) Transitional rule for members with Class T-G service
28 credit.--

29 (1) Any provision of this part pertaining to eligibility
30 points applicable to the eligibility for or calculation of

1 annuities or benefits attributable to classes of service
2 other than Class T-G shall not include any eligibility points
3 attributable to service credited in Class T-G or as a member
4 of Class A-5 in the State Employees' Retirement System.

5 (2) Any provision of this part pertaining to eligibility
6 points applicable to the eligibility for or calculation of
7 annuities or benefits attributable to service in Class T-G
8 shall include only eligibility points attributable to service
9 credited in Class T-G or if a multiple service member as a
10 member of Class A-5 in the State Employees' Retirement
11 System.

12 (3) Only eligibility points earned as a member of Class
13 T-G, or if a multiple service member as a member of Class A-5
14 in the State Employees' Retirement System, shall be
15 applicable to any provision in this part requiring
16 eligibility points for the determination or payment of
17 benefits from the plan.

18 § 8307. Eligibility for annuities.

19 * * *

20 (b) Withdrawal annuity.--

21 (1) A vestee in Class T-C or Class T-D with five or more
22 eligibility points or an active or inactive Class T-C or
23 Class T-D member who terminates school service having five or
24 more eligibility points in classes of service other than
25 Class T-G, or if a multiple service member, Class A-5, shall,
26 upon filing a proper application, be entitled to receive an
27 early annuity based on the service credited as a Class T-C or
28 T-D member.

29 (2) A vestee in Class T-E or Class T-F with ten or more
30 eligibility points or an active or inactive Class T-E or

1 Class T-F member who terminates school service having ten or
2 more eligibility points in classes of service other than
3 Class T-G, or if a multiple service member, Class A-5, shall,
4 upon filing a proper application, be entitled to receive an
5 early annuity based on the service credited as a Class T-E or
6 T-F member.

7 (3) A vestee with Class T-G service credit who
8 terminates school service with at least 25 eligibility points
9 credited as a Class T-G member, or if a multiple service
10 member, as Class A-5, shall, upon filing a proper
11 application, be entitled to receive an early annuity from the
12 system based on the eligibility points credited as a Class T-
13 G or Class A-5 member.

14 (4) A member who is vested with Class T-C, T-D, T-E or
15 T-F credited service and who also is vested with ten or more
16 but less than 25 eligibility points credited as a result of
17 Class T-G service, or if a multiple service member, as Class
18 A-5, shall, upon filing a proper application, be entitled to
19 receive:

20 (i) An early annuity based on the credited service
21 in classes other than T-G or, if a multiple service
22 member, Class A-5 service, to be paid upon the effective
23 date of retirement.

24 (ii) An annuity based on the Class T-G credited
25 service, or if a multiple service member, Class A-5
26 service, to be paid upon attainment of superannuation age
27 for such Class T-G service.

28 (c) Disability annuity.--An active or inactive member who
29 has [credit for at least five years of service] five or more
30 eligibility points other than eligibility points resulting from

1 service as a member of Class T-G, or has five or more
2 eligibility points as a member of Class T-G, shall, upon filing
3 of a proper application, be entitled to a disability annuity
4 based on service and compensation in classes other than Class T-
5 G if he is eligible for a disability annuity on service and
6 compensation other than Class T-G, and a disability annuity
7 based on service and compensation as a member of Class T-G if he
8 is eligible for a disability annuity on service and compensation
9 as a member of Class T-G, if he becomes mentally or physically
10 incapable of continuing to perform the duties for which he is
11 employed and qualifies for an annuity in accordance with the
12 provisions of section 8505(c) (1) (relating to duties of board
13 regarding applications and elections of members).

14 § 8308. Eligibility for vesting.

15 Eligibility for vesting shall be as follows:

16 (1) Any Class T-C or Class T-D member who terminates
17 school service with five or more eligibility points shall be
18 entitled to vest his retirement benefits until attainment of
19 superannuation age. Any Class T-E or Class T-F member who
20 terminates school service with ten or more eligibility points
21 shall be entitled to vest his retirement benefits until
22 attainment of superannuation age.

23 (2) Any member who has only Class T-G service, or if a
24 multiple service member only Class A-5 service, with ten or
25 more eligibility points but less than 25 eligibility points
26 who terminates school service must vest his retirement
27 benefit until attainment of superannuation age. Any such
28 member with 25 or more eligibility points who terminates
29 school service shall be entitled to vest his retirement
30 benefit until attainment of superannuation age.

1 (3) Any member who has Class T-G service credit and
2 service credited in one or more other classes of service and
3 terminates school service, or if a multiple service member
4 and an active member of the State Employees' Retirement
5 System terminates State service, shall be eligible to vest
6 his retirement benefits in each class in accordance with the
7 requirements for that class of service.

8 § 8309. Eligibility for death benefits.

9 Eligibility for death benefits shall be as follows:

10 (1) In the event of the death of a member who is
11 eligible for an annuity in accordance with section 8307(a) or
12 (b) (relating to eligibility for annuities) his beneficiary
13 shall be entitled to a death benefit as provided in section
14 8347 (relating to death benefits). In the event of the death
15 of a member not eligible for an annuity his beneficiary shall
16 receive the accumulated deductions standing to the member's
17 credit in the fund.

18 (2) A member with at least ten eligibility points
19 credited as a result of Class T-G service or, if a multiple
20 service member, in Class A-5 in the State Employees'
21 Retirement System who dies and is under superannuation age
22 shall be entitled to a death benefit based on such service as
23 provided in section 8347.

24 § 8310. Eligibility for refunds.

25 Upon termination of service any active member, regardless of
26 eligibility for benefits, may elect to receive his accumulated
27 deductions in lieu of any benefit from the system to which he is
28 entitled. A Class T-G member who terminates service and is not
29 eligible for an immediate annuity or eligible to become a vestee
30 as a result of such Class T-G service may elect to receive his

1 accumulated deductions in lieu of any benefit from the system
2 accrued as a Class T-G member.

3 § 8321. Regular member contributions for current service.

4 (a) General.--Regular member contributions shall be made to
5 the fund on behalf of each active member for current service
6 except for any period of current service in which the making of
7 such contributions has ceased solely by reason of any provision
8 of this part relating to the limitations under IRC § 401(a)(17)
9 or 415(b) [.] or limitations on contributions to the system
10 applicable to a Class T-G member when the Class T-G member is
11 making mandatory pickup participant contributions to the trust.

12 (b) Class T-E [and], Class T-F and Class T-G shared-risk
13 contributions.--Commencing with the annual actuarial valuation
14 performed under section 8502(j) (relating to administrative
15 duties of board), for the period ending June 30, 2014, for Class
16 T-E and Class T-F members, and for the period ending June 30,
17 2018, for Class T-G members, and every three years thereafter,
18 the board shall compare the actual investment rate of return,
19 net of fees, to the annual interest rate adopted by the board
20 for the calculation of the normal contribution rate, based on
21 the market value of assets, for the prior ten-year period. If
22 the actual investment rate of return, net of fees, is less than
23 the annual interest rate adopted by the board by an amount of 1%
24 or more, the shared-risk contribution rate of Class T-E [and],
25 Class T-F and Class T-G members will increase by .5%. If the
26 actual investment rate of return, net of fees, is equal to or
27 exceeds the annual interest rate adopted by the board, the
28 shared-risk contributions rate of Class T-E [and], Class T-F and
29 Class T-G members will decrease by .5%. Class T-E [and], Class
30 T-F and Class T-G members will contribute at the total member

1 contribution rate in effect when they are hired. The total
2 member contribution rate for Class T-E members shall not be less
3 than 7.5%, nor more than 9.5%. The total member contribution
4 rate for Class T-F members shall not be less than 10.3%, nor
5 more than 12.3%. The total member contribution rate for Class T-
6 G members shall not be less than 6% nor more than 8%.

7 Notwithstanding this subsection, if the system's actuarial
8 funded status is 100% or more as of the date used for the
9 comparison required under this subsection, as determined in the
10 current annual actuarial valuation, the shared-risk contribution
11 rate shall be zero. In the event that the annual interest rate
12 adopted by the board for the calculation of the normal
13 contribution rate is changed during the period used to determine
14 the shared-risk contribution rate, the board, with the advice of
15 the actuary, shall determine the applicable rate during the
16 entire period, expressed as an annual rate. The following
17 provisions shall apply:

18 (1) Until the system has a ten-year period of investment
19 rate of return experience following [the effective date of
20 this subsection] July 1, 2011, the look-back period shall
21 begin not earlier than:

22 (i) July 1, 2011, for Class T-E and T-F members; and
23 (ii) the effective date of this [subsection]
24 subparagraph for Class T-G members.

25 (2) For any fiscal year in which the employer
26 contribution rate is lower than the final contribution rate
27 under section 8328(h) (relating to actuarial cost method),
28 the total member contribution rate for Class T-E [and] T-F
29 and T-G members shall be prospectively reset to the basic
30 contribution rate.

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

5 § 8322.1. Pickup contributions.

6 (a) Treatment for purposes of IRC § 414(h).--All
7 contributions to the fund required to be made under sections
8 8321 (relating to regular member contributions for current
9 service) and 8322 (relating to joint coverage member
10 contributions), with respect to current school service rendered
11 by an active member on or after January 1, 1983, shall be picked
12 up by the employer and shall be treated as the employer's
13 contribution for purposes of IRC § 414(h).

14 * * *

15 § 8323. Member contributions for creditable school service.

16 (a) Previous school service, sabbatical leave and full
17 coverage.--The contributions to be paid by an active member or
18 an eligible State employee for credit in the system for
19 reinstatement of [all] the portion of previously credited school
20 service, school service not previously credited, sabbatical
21 leave as if he had been in full-time daily attendance that a
22 member is eligible to have credited, or full-coverage membership
23 shall be sufficient to provide an amount equal to the
24 accumulated deductions which would have been standing to the
25 credit of the member for such service had regular member
26 contributions been made with full coverage at the rate of
27 contribution necessary to be credited as Class T-C service,
28 Class T-D service if the member is a Class T-D member, Class T-E
29 service if the member is a Class T-E member or Class T-F service
30 if the member is a Class T-F member and had such contributions

1 been credited with statutory interest during the period the
2 contributions would have been made and during all periods of
3 subsequent school service as an active member or inactive member
4 and State service as an active member or inactive member on
5 leave without pay up to the date of purchase.

6 * * *

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

23 § 8324. Contributions for purchase of credit for creditable
24 nonschool service and noncreditable school service.

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

1 (b) Nonintervening military service.--

2 (1) The amount due for the purchase of credit for
3 military service other than intervening military service by a
4 member not in Class T-G shall be determined by applying the
5 member's basic contribution rate plus the normal contribution
6 rate as provided in section 8328 (relating to actuarial cost
7 method) at the time of entry of the member into school
8 service subsequent to such military service to one-third of
9 his total compensation received during the first three years
10 of such subsequent credited school service, excluding
11 compensation received for Class T-G service, and multiplying
12 the product by the number of years and fractional part of a
13 year of creditable nonintervening military service being
14 purchased together with statutory interest during all periods
15 of subsequent school service as an active member or inactive
16 member and State service as an active member or inactive
17 member on leave without pay to date of purchase.

18 (2) The amount due for the purchase of credit for
19 military service other than intervening military service by a
20 member who is eligible to make the purchase under section
21 8304 (relating to creditable nonschool service) shall be
22 determined by applying the member's basic contribution rate,
23 plus the Commonwealth's normal contribution rate for active
24 members at the time of entry, subsequent to such military
25 service, of the member into Class T-G service to his average
26 annual rate of compensation received for Class T-G service
27 subject to any limit each year by the application of the
28 Class T-G defined benefit compensation limit, over the first
29 three years of such subsequent Class T-G service and
30 multiplying the result by the number of years and fractional

1 part of a year of creditable nonintervening military service
2 being purchased together with statutory interest during all
3 periods of subsequent school service as an active member or
4 inactive member and State service as an active member or
5 inactive member on leave without pay of the State Employees'
6 Retirement System to date of purchase.

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

1 service shall be credited as Class T-F service.

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

14 (1) Regular monthly payments during active military
15 service.

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

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

1 (d) Other creditable nonschool service and noncreditable
2 school service.--

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

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

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

30 (3) Contributions on account of Class T-E or Class T-F

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

22 * * *

23 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

24 (a) General rule.--In addition to other applicable
25 limitations set forth in this part, and notwithstanding any
26 provision of this part to the contrary, the annual compensation
27 of each noneligible member and each participant taken into
28 account for benefit purposes under this subchapter shall not
29 exceed the limitation under IRC § 401(a)(17). On and after July
30 1, 1996, any reference in this part to the limitation under IRC

1 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
2 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
3 compensation limit set forth in this subsection. The OBRA '93
4 annual compensation limit is \$150,000, as adjusted by the
5 commissioner for increases in the cost of living in accordance
6 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
7 effect for a calendar year applies to any determination period
8 which is a period, not exceeding 12 months, over which
9 compensation is determined, beginning in such calendar year. If
10 a determination period consists of fewer than 12 months, the
11 OBRA '93 compensation limit will be multiplied by a fraction,
12 the numerator of which is the number of months in the
13 determination period and the denominator of which is 12.

14 * * *

15 § 8326. Contributions by the Commonwealth.

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

30 * * *

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

2 (1) The Commonwealth shall make contributions into the
3 fund on behalf of all active members and participants,
4 including members and participants on activated military
5 service leave, for service performed after June 30, 1995, in
6 the following manner:

7 (i) For members and participants who are employees
8 of employers that are school entities, no Commonwealth
9 contributions shall be made.

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

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

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

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

24 * * *

25 § 8327. Payments by employers.

26 (a) [General rule.--Each] Timing of payments.--

27 (1) For payments prior to June 30, 2016, each employer,
28 including the Commonwealth as employer of employees of the
29 [Department of Education] department, State-owned colleges
30 and universities, Thaddeus Stevens College of Technology,

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

18 (2) For payments after June 30, 2016, each employer,
19 including the Commonwealth as employer of employees of the
20 department, State-owned colleges and universities, Thaddeus
21 Stevens College of Technology, Western Pennsylvania School
22 for the Deaf and The Pennsylvania State University, shall
23 make payments to the fund each month in an amount equal to
24 one-half the sum of the percentages, as determined under
25 section 8328, applied to the total compensation during the
26 pay periods in the preceding month of all its employees who
27 were members of the system during such period, including
28 members on activated or USERRA military service leave, plus
29 the accrued liability contribution rate applied to the total
30 compensation of all active participants in the plan. In the

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

8 (b) Deduction from appropriations.--

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

22 (2) To facilitate the payments of amounts due from any
23 charter school, as defined in Article XVII-A of the act of
24 March 10, 1949 (P.L.30, No.14), known as the Public School
25 Code of 1949, to the fund and the trust through the State
26 Treasurer and to permit the exchange of credits between the
27 State Treasurer and any employer, the Secretary of Education
28 and the State Treasurer shall cause to be deducted and paid
29 into the fund and the trust from any funds appropriated to
30 the [Department of Education] department for basic education

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

13 (c) Payments by employers after June 30, 1995, and before
14 July 1, 2016.--After June 30, 1995, and before July 1, 2016,
15 each employer, including the Commonwealth as employer of
16 employees of the [Department of Education] department, State-
17 owned colleges and universities, Thaddeus Stevens College of
18 Technology, Western Pennsylvania School for the Deaf[, Scotland
19 School for Veterans' Children] and The Pennsylvania State
20 University, shall make payments to the fund and the trust each
21 quarter in an amount computed in the following manner:

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

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

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

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

22 (d) Payments by employers after June 30, 2016.--After June
23 30, 2016, each employer, including the Commonwealth as employer
24 of employees of the department, State-owned colleges and
25 universities, Thaddeus Stevens College of Technology, Western
26 Pennsylvania School for the Deaf and The Pennsylvania State
27 University, shall make payments to the fund and the trust each
28 month in an amount computed in the following manner:

29 (1) For an employer that is a school entity, the amount
30 shall be the sum of the percentages as determined under

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

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

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

30 (e) Deemed agreed to.--The agreement of an employer listed

1 in the definition of school employee under section 8102
2 (relating to definitions) or any other law to make contributions
3 to the fund or to enroll its employees as members in the system
4 shall be deemed to be an agreement to make contributions to the
5 trust or enroll its employees in the plan.

6 (f) Contributions.--The employer employing a participant
7 shall pick up the required mandatory participant contributions
8 by a reduction in the compensation of the participant.

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

22 Section 109. Section 8328(a), (b), (c)(4), (d)(2), (e) and
23 (f) of Title 24 are amended and subsections (c), (d) and (g) are
24 amended by adding paragraphs to read:

25 § 8328. Actuarial cost method.

26 (a) Employer contribution rate.--The amount of the total
27 employer contributions shall be computed by the actuary as a
28 percentage of the total compensation of all active members and
29 active participants, as applicable, during the period for which
30 the amount is determined and shall be so certified by the board.

1 The total employer contribution rate shall be the sum of the
2 final contribution rate as computed in subsection (h) plus the
3 premium assistance contribution rate as computed in subsection
4 (f). The actuarially required contribution rate shall consist of
5 the normal contribution rate as defined in subsection (b), the
6 accrued liability contribution rate as defined in subsection (c)
7 and the supplemental annuity contribution rate as defined in
8 subsection (d). Beginning July 1, 2004, the actuarially required
9 contribution rate shall be modified by the experience adjustment
10 factors as calculated in subsection (e).

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

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

27 (2) For fiscal years beginning on or after July 1, 2015,
28 the normal contribution rate shall be determined after each
29 actuarial valuation. Until all accrued liability
30 contributions have been completed, the normal contribution

1 rate shall be determined, on the basis of an annual interest
2 rate and such mortality and other tables as shall be adopted
3 by the board in accordance with generally accepted actuarial
4 principles, as a level percentage of the compensation of all
5 active members in classes of service other than Class T-G,
6 and for Class T-G members, as limited:

7 (i) By the defined benefit compensation limit.

8 (ii) To Class T-G members who have less than 25
9 eligibility points as a member of Class T-G, or if a
10 multiple service member, as a member of Class A-5,
11 which percentage, if contributed on the basis of the member's
12 prospective compensation through the entire period of active
13 school service, as limited by the defined benefit
14 compensation limit, would be sufficient to fund the liability
15 for any prospective benefit payable to him, in excess of that
16 portion funded by his prospective member contributions,
17 excluding the shared-risk contributions. In no case shall the
18 employer normal cost be less than zero.

19 (c) Accrued liability contribution rate.--

20 * * *

21 (4) For the fiscal year beginning July 1, 2011, the
22 accrued liability contribution rate shall be computed as the
23 rate of total compensation of all active members which shall
24 be certified by the actuary as sufficient to fund as a level
25 percentage of compensation over a period of 24 years from
26 July 1, 2011, the present value of the liabilities for all
27 prospective benefits calculated as of June 30, 2010,
28 including the supplemental benefits as provided in sections
29 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
30 8348.7, in excess of the actuarially calculated assets in the

1 fund (calculated recognizing all realized and unrealized
2 investment gains and losses each year in level annual
3 installments over a ten-year period). In the event that the
4 accrued liability is increased by legislation enacted
5 subsequent to June 30, 2010, but before July 1, 2014, such
6 additional liability shall be funded as a level percentage of
7 compensation over a period of ten years from the July 1
8 second succeeding the date such legislation is enacted.

9 (5) For fiscal years beginning on or after July 1, 2016,
10 the actuarially calculated assets in the fund determined in
11 accordance with paragraph (4) shall be no less than 70% and
12 no more than 130% of market value. In the event that the
13 accrued liability is changed by legislation enacted
14 subsequent to June 30, 2014, such change in liability shall
15 be funded as a level percentage of compensation of all active
16 members and active participants, as applicable, over a period
17 of ten years from the July 1 second succeeding the date such
18 legislation is enacted.

19 (d) Supplemental annuity contribution rate.--

20 * * *

21 (2) For fiscal years beginning July 1, 2011, and ending
22 June 30, 2015, contributions from the Commonwealth and other
23 employers whose employees are members of the system required
24 to provide for the payment of supplemental annuities as
25 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,
26 8348.5, 8348.6 and 8348.7 shall be paid as part of the
27 accrued liability contribution rate as provided for in
28 subsection (c)(4), and there shall not be a separate
29 supplemental annuity contribution rate attributable to those
30 supplemental annuities. In the event that supplemental

1 annuities are increased by legislation enacted subsequent to
2 June 30, 2010, [the] but before July 1, 2014, such additional
3 liability for the increase in benefits shall be funded as a
4 level percentage of compensation over a period of ten years
5 from the July 1 second succeeding the date such legislation
6 is enacted.

7 (3) For fiscal years beginning on or after July 1, 2016,
8 contributions from employers whose employees are members of
9 the system required to provide for the payment of
10 supplemental annuities as provided in sections 8348, 8348.1,
11 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be
12 paid as part of the accrued liability contribution rate as
13 provided for in subsection (c)(4), and there shall not be a
14 separate supplemental annuity contribution rate attributable
15 to those supplemental annuities. In the event that
16 supplemental annuities are increased by legislation enacted
17 subsequent to June 30, 2014, the additional liability for the
18 increase in benefits shall be funded as a level percentage of
19 compensation of all active members and active participants
20 over a period of ten years from the July 1 second succeeding
21 the date such legislation is enacted.

22 (e) Experience adjustment factor.--

23 (1) For each year after the establishment of the accrued
24 liability contribution rate for the fiscal year beginning
25 July 1, 2011, and ending June 30, 2015, any increase or
26 decrease in the unfunded accrued liability, excluding the
27 gains or losses on the assets of the health insurance
28 account, due to actual experience differing from assumed
29 experience, changes in actuarial assumptions, changes in
30 contributions caused by the final contribution rate being

1 different from the actuarially required contribution rate,
2 active members making shared-risk contributions or changes in
3 the terms and conditions of the benefits provided by the
4 system by judicial, administrative or other processes other
5 than legislation, including, but not limited to,
6 reinterpretation of the provisions of this part, shall be
7 amortized as a level percentage of compensation over a period
8 of 24 years beginning with the July 1 second succeeding the
9 actuarial valuation determining said increases or decreases.

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

26 (f) Premium assistance contribution rate.--For each fiscal
27 year beginning with July 1, 1991, the total contribution rate as
28 calculated according to this section shall be increased annually
29 in the full amount certified by the board as necessary to fund
30 the premium assistance program in accordance with section 8509

1 (relating to health insurance premium assistance program),
2 notwithstanding any other provisions of this section. The total
3 contribution rate under this subsection shall be a percentage of
4 the compensation of all active members in classes of service
5 other than Class T-G and the compensation of active members of
6 Class T-G who have 25 or fewer eligibility points resulting from
7 Class T-G service, or if a multiple service member, as Class A-5
8 service, up to the defined benefit compensation limit.

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

10 * * *

11 (3) For purposes of applying the collared contribution
12 rate, compensation for determining the normal contribution
13 rate shall be defined as the total compensation of all active
14 members and active participants, as applicable.

15 * * *

16 Section 110. Sections 8330 and 8341 of Title 24 are amended
17 to read:

18 § 8330. Appropriations by the Commonwealth.

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

26 (b) Appropriation and payment.--The General Assembly shall
27 make an appropriation sufficient to provide for the separate
28 obligations of the Commonwealth to the fund and the trust. Such
29 amount shall be paid by the State Treasurer through the
30 Department of Revenue into the fund or the trust, as the case

1 may be, within 30 days of receipt of the requisition presented
2 each quarter by the board.

3 § 8341. Return of accumulated deductions.

4 Accumulated deductions may be returned as follows:

5 (1) Any member upon termination of service may, in lieu
6 of all benefits payable from the system and attributable to
7 service in classes other than Class T-G under this chapter to
8 which he may be entitled, elect to receive his accumulated
9 deductions.

10 (2) A Class T-G member who terminates service and is not
11 eligible for an immediate annuity or eligible to become a
12 vestee as a result of such Class T-G service may elect to
13 receive his accumulated deductions in lieu of any benefit
14 from the system accrued as a Class T-G member.

15 (3) A member with vested Class T-G service credit may
16 not, in lieu of all benefits payable from the system under
17 this part to which he may be entitled, elect to receive his
18 accumulated deductions on the portion of the benefit relating
19 to his Class T-G service.

20 Section 111. Sections 8342(a) and 8344(a), (b) and (d) of
21 Title 24 are amended and the sections are amended by adding
22 subsections to read:

23 § 8342. Maximum single life annuity.

24 (a) General rule.--Upon termination of service, any full
25 coverage member who is eligible to receive an annuity pursuant
26 to the provisions of section 8307(a) or (b) (relating to
27 eligibility for annuities) and has made an application in
28 accordance with the provisions of section 8507(f) (relating to
29 rights and duties of school employees [and members], members and
30 participants) shall be entitled to receive a maximum single life

1 annuity attributable to his credited service and equal to the
2 sum of the following single life annuities beginning at the
3 effective date of retirement and, in case the member on the
4 effective date of retirement is under superannuation age,
5 multiplied by a reduction factor calculated to provide benefits
6 actuarially equivalent to an annuity starting at superannuation
7 age: Provided however, That on or after July 1, 1976, in the
8 case of any member except a Class T-G member who has attained
9 age 55 and has 25 or more eligibility points such sum of single
10 life annuities shall be reduced by a percentage determined by
11 multiplying the number of months, including a fraction of a
12 month as a full month, by which the effective date of retirement
13 precedes superannuation age by 1/4%: Further provided, In no
14 event shall a Class T-E or Class T-F member receive an annual
15 benefit, calculated as of the effective date of retirement,
16 greater than the member's final average salary attributable to
17 Class T-E or T-F service:

18 (1) A [standard single life annuity multiplied by the]
19 single life annuity that is the sum of annuities determined
20 separately for each class of service [multiplier] and
21 calculated on the basis of the number of years of credited
22 school service other than concurrent service.

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

29 (3) A supplemental annuity such that the total annuity
30 prior to any optional modification or any reduction due to

1 retirement prior to superannuation age shall be at least \$100
2 for each full year of credited service.

3 * * *

4 (d) Coordination of benefits.--The determination and payment
5 of the maximum single life annuity under this section shall be
6 in addition to any payments a member may be entitled to receive,
7 has received or is receiving as a result of being a participant
8 in the plan.

9 § 8344. Disability annuities.

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

27
$$Y^*/Y \text{ or } 16.667/Y$$

28 where Y = total number of years of credited service and Y* =
29 total years of credited service if the member were to continue
30 as a school employee until attaining superannuation age, or if

1 the member has attained superannuation age then the number of
2 years of credited service. In no event shall the disability
3 annuity plus any cost-of-living increases be less than \$100 for
4 each full year of credited service. The member shall be entitled
5 to the election of a joint and survivor annuity on that portion
6 of the disability annuity to which he is entitled under section
7 8342 (relating to maximum single life annuity).

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

18 * * *

19 (d) Withdrawal of accumulated deductions.--Upon termination
20 of disability annuity payments in excess of an annuity
21 calculated in accordance with section 8342, a disability
22 annuitant who:

23 (1) is a Class T-C or Class T-D member; or

24 (2) is a Class T-E [or], Class T-F or Class T-G member
25 with less than ten eligibility points and who does not return
26 to school service may file an application with the board for
27 an amount equal to the accumulated deductions, shared-risk
28 member contributions and statutory interest standing to his
29 credit at the effective date of disability less the total
30 payments received on account of his member's annuity.

1 * * *

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

7 Section 112. Sections 8345(a) and 8346(a), (a.1), (b), (b.1)
8 (1), (c) and (d)(1) of Title 24 are amended to read:

9 § 8345. Member's options.

10 (a) General rule.--Any Class T-C or Class T-D member who is
11 a vestee with five or more eligibility points, any Class T-E or
12 Class T-F member who is a vestee with ten or more eligibility
13 points, [or] any [other] eligible member upon termination of
14 school service [who has not withdrawn his accumulated deductions
15 as provided in section 8341 (relating to return of accumulated
16 deductions)] who is eligible to receive an annuity, or a Class
17 T-G member who is a vestee with at least 25 eligibility points
18 resulting from service credited as a member of Class T-G, may
19 apply for and elect to receive either a maximum single life
20 annuity, as calculated in accordance with the provisions of
21 section 8342 (relating to maximum single life annuity), or a
22 reduced annuity certified by the actuary to be actuarially
23 equivalent to the maximum single life annuity and in accordance
24 with one of the following options, except that no member shall
25 elect an annuity payable to one or more survivor annuitants
26 other than his spouse or alternate payee of such a magnitude
27 that the present value of the annuity payable to him for life
28 plus any lump sum payment he may have elected to receive is less
29 than 50% of the present value of his maximum single life
30 annuity. In no event shall a Class T-E or Class T-F member

1 receive an annual benefit, calculated as of the effective date
2 of retirement, greater than the member's final average salary.

3 (1) Option 1.--A life annuity to the member with:
4 (i) a guaranteed total payment attributable to
5 classes of service other than Class T-G equal to the
6 present value of the maximum single life annuity
7 attributable to classes of service other than Class T-G
8 on the effective date of retirement with the provision
9 that, if, at his death, he has received less than such
10 present value, the unpaid balance shall be payable to his
11 beneficiary[.]; and

12 (ii) a guaranteed total payment attributable to
13 Class T-G service equal to the present value of the
14 maximum single life annuity attributable to Class T-G
15 service on the effective date of retirement with the
16 provision that, if, at his death, he has received less
17 than such present value, the unpaid balance shall be
18 payable to his beneficiary.

19 (2) Option 2.--A joint and survivor annuity payable
20 during the lifetime of the member with the full amount of
21 such annuity payable thereafter to his survivor annuitant, if
22 living at his death.

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

27 (4) Option 4.--Some other benefit which shall be
28 certified by the actuary to be actuarially equivalent to the
29 maximum single life annuity, subject to the following
30 restrictions:

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

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

6 (iii) A portion of the benefit may be payable as a
7 lump sum, except that such lump sum payment shall not
8 exceed an amount equal to the accumulated deductions
9 standing to the credit of the member. The balance of the
10 present value of the maximum single life annuity adjusted
11 in accordance with section 8342(b) shall be paid in the
12 form of an annuity with a guaranteed total payment, a
13 single life annuity, or a joint and survivor annuity or
14 any combination thereof but subject to the restrictions
15 of subparagraphs (i) and (ii) of this paragraph. This
16 subparagraph shall not apply to a Class T-E [or], Class
17 T-F or Class T-G member.

18 * * *

19 § 8346. Termination of annuities.

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

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

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

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

9 * * *

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

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

28 (1) An annuitant or participant receiving distributions
29 may be employed under separate contract by a public school or
30 charter school in an extracurricular position performed

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

16 * * *

17 (c) Subsequent discontinuance of service.--Upon subsequent
18 discontinuance of service, such [member] terminating school
19 employee other than a former annuitant who had the effect of his
20 frozen present value eliminated in accordance with subsection
21 (d) 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 the] to
24 which shall be added, if the service after reemployment was as a
25 member of the system:

26 (1) The present value of a maximum single life annuity
27 based on years of service credited in classes of service
28 other than Class T-G subsequent to reentry in the system and
29 his final average salary computed by reference to his
30 compensation for service credited in classes of service other

1 than Class T-G as a member of the system or as Class A-5 as a
2 member of the State Employees' Retirement System during his
3 entire period of school and State service.

4 (2) If eligible, the present value of a maximum single
5 life annuity based on years of service credited in Class T-G
6 subsequent to reentry in the system and his final average
7 salary computed by reference to his compensation for service
8 credited in Class T-G and Class A-5 during his entire period
9 of school and State service.

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

11 (1) An annuitant who returns to school service as an
12 active member of the system and earns three eligibility
13 points by performing credited school service or reemployment
14 from USERRA leave in a class of service other than Class T-G
15 following the most recent period of receipt of an annuity
16 under this part, or an annuitant who enters State service
17 and:

18 (i) is a multiple service member; or

19 (ii) who elects multiple service membership, and
20 earns three eligibility points by performing credited State
21 service, reemployment from USERRA leave, in a class of
22 service other than Class A-5 or credited school service in a
23 class of service other than Class T-G following the most
24 recent period of receipt of an annuity under this part, and
25 who had the present value of his annuity frozen in accordance
26 with subsection (a), shall qualify to have the effect of the
27 frozen present value resulting from all previous periods of
28 retirement eliminated, provided that all payments under
29 Option 4 and annuity payments payable during previous periods
30 of retirement plus interest as set forth in paragraph (3)

1 shall be returned to the fund in the form of an actuarial
2 adjustment to his subsequent benefits or in such form as the
3 board may otherwise direct.

4 * * *

5 Section 113. Sections 8347(a) and (d) and 8349(a) and (b) of
6 Title 24 are amended and the sections are amended by adding
7 subsections to read:

8 § 8347. Death benefits.

9 (a) Members eligible for annuities.--

10 (1) Any member or former member on USERRA leave, other
11 than an annuitant, who dies and was eligible for an annuity
12 in accordance with section 8307(a) or (b) (relating to
13 eligibility for annuities) shall be considered as having
14 applied for an annuity to become effective the day before his
15 death; and, in the event he has not elected an option, it
16 shall be assumed that he elected Option 1 and assigned as
17 beneficiary that person last designated in writing to the
18 board.

19 (2) This subsection shall also apply to a member with at
20 least ten eligibility points credited as a member of Class T-
21 G, or if a multiple service member, Class A-5, and who is
22 under superannuation age.

23 * * *

24 (b.1) Members eligible for annuities in some classes of
25 service and ineligible in other classes of service.--In the
26 event of the death of a member who is eligible for an annuity
27 based on service credited in some classes of service and not
28 eligible for an annuity for service credited in other classes of
29 service, a benefit shall be paid under subsection (a) based on
30 the service for which an annuity is deemed payable in addition

1 to payment under subsection (b) of the accumulated deductions
2 attributable to service for which the member was not eligible
3 for an annuity.

4 * * *

5 (c.1) Death of disability annuitant.--In the event of the
6 death of a disability annuitant:

7 (1) Who has elected to receive a maximum disability
8 annuity before he has received in annuity payments an amount
9 equal to the present value, on the effective date of
10 disability, of the benefits attributable to classes of
11 service other than Class T-G to which he would have been
12 entitled under subsection (a) had he died while in school
13 service, the balance of such amount shall be paid to his
14 designated beneficiary, except that, in the event of the
15 death of a disability annuitant who was not entitled to
16 receive benefits attributable to classes of service other
17 than Class T-G under subsection (a), his beneficiary shall be
18 paid the accumulated deductions standing to his credit on the
19 effective date of disability less the total payments received
20 on account of his member's annuity.

21 (2) Who has elected to receive a maximum disability
22 annuity before he has received in annuity payments an amount
23 equal to the present value, on the effective date of
24 disability, of the benefits attributable to Class T-G service
25 to which he would have been entitled under subsection (a) had
26 he died while in school service, the balance of such amount
27 shall be paid to his designated beneficiary, except that, in
28 the event of the death of a disability annuitant who was not
29 entitled to receive benefits attributable to Class T-G
30 service under subsection (a), his beneficiary shall be paid

1 the accumulated deductions standing to his credit on the
2 effective date of disability less the total payments received
3 on account of his member's annuity.

4 (d) Other annuitants.--In the event of the death of an
5 annuitant[who]:

6 (1) Who has elected to receive the maximum single life
7 annuity before he has received in total annuity payments an
8 amount equal to the full amount of the accumulated deductions
9 on other than Class T-G service standing to his credit on the
10 effective date of retirement, the difference between the
11 total payments made to the date of death and the accumulated
12 deductions shall be paid to his designated beneficiary[.] on
13 other than Class T-G service.

14 (2) Who has elected to receive the maximum single life
15 annuity before he has received in annuity payments the full
16 amount of the accumulated deductions attributable to Class T-
17 G service standing to his credit on the effective date of
18 retirement, the balance shall be paid to his designated
19 beneficiary.

20 § 8349. Payment of benefits from the system.

21 (a) Annuities.--[Any] Except as provided in subsection (d),
22 any annuity granted under the provisions of this part and paid
23 from the fund shall be paid in equal monthly installments.

24 (b) Death benefits.--If the amount of a death benefit
25 payable from the fund to a beneficiary of a member under section
26 8347 (relating to death benefits) or under the provisions of
27 Option 1 of section 8345(a)(1) (relating to member's options) is
28 \$10,000 or more, such beneficiary may elect to receive payment
29 according to one of the following options:

30 (1) A lump sum payment.

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

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

6 * * *

7 (d) Members with Class T-G service and service in one or
8 more other classes of service.--An annuitant whose receipt of
9 the portion of his annuity attributable to Class T-G service has
10 been delayed to the attainment of the superannuation age shall
11 have his annuity increased upon attainment of the applicable
12 superannuation age under the terms and conditions of the annuity
13 payment option selected at the time of retirement, or if
14 applicable, under section 8507(j) (relating to rights and duties
15 of school employees, members and participants). In the event
16 such a member selected a joint and survivor annuity and died
17 prior to attaining the applicable superannuation age, the
18 annuity of his survivor annuitant, if surviving, will be
19 increased at the time the member would have attained
20 superannuation age.

21 Section 114. Title 24 is amended by adding a chapter to
22 read:

23 CHAPTER 84

24 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

25 Sec.

26 8401. Establishment.

27 8402. Plan document.

28 8403. Individual investment accounts.

29 8404. Participant contributions.

30 8405. Mandatory pickup participant contributions.

1 8406. Employer defined contributions.

2 8406.1. Use of plan savings.

3 8407. Eligibility for benefits.

4 8408. Death benefits.

5 8409. Vesting.

6 8410. Termination of distributions.

7 8411. Agreements with financial institutions and other
8 organizations.

9 8412. Powers and duties of board.

10 8413. Responsibility for investment loss.

11 8414. Investments based on participants' investment allocation
12 choices.

13 8415. Expenses.

14 8416. Tax qualification.

15 8417. Establishment of School Employees' Defined Contribution
16 Holding Vehicle Trust.

17 § 8401. Establishment.

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

27 (b) School Employees' Defined Contribution Trust.--The
28 School Employees' Defined Contribution Trust is established as
29 part of the plan in accordance with this part. The trust shall
30 be comprised of the individual investment accounts and all

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

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

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

1 § 8402. Plan document.

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

14 § 8403. Individual investment accounts.

15 The board:

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

24 (2) Shall separately track participant contributions,
25 including investment gains and losses, and employer
26 contributions, including investment gains and losses, but all
27 interest, investment gains and losses and administrative
28 fees, costs and expenses shall be allocated proportionately.

29 (3) May contract with financial institutions, insurance
30 companies or other types of third-party providers and other

1 vendors to allow participants to deposit participant
2 contributions into the individual investment accounts in a
3 form and manner as provided by the contract.

4 § 8404. Participant contributions.

5 (a) Mandatory contributions.--A participant shall make
6 mandatory pickup participant contributions through payroll
7 deductions to the participant's individual investment account
8 for required school service. The employer shall cause the pickup
9 contributions for required service to be made and deducted from
10 each payroll or on a schedule established by the board.

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

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

26 § 8405. Mandatory pickup participant contributions.

27 (a) Treatment for purposes of IRC § 414(h).--The
28 contributions to the trust required to be made under section
29 8404(a) (relating to participant contributions) with respect to
30 required school service rendered by an active participant shall

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

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

13 § 8406. Employer defined contributions.

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

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

1 participant's individual investment account as otherwise
2 provided by this part.

3 (c) Limitations on contributions.--No contributions shall be
4 allowed that would cause a violation of the limitations related
5 to contributions applicable to governmental plans contained in
6 IRC § 415 or in other provisions of law. In the event that any
7 disallowed contributions are made, any employer defined
8 contributions in excess of the limitations and investment
9 earnings thereon shall be refunded to the employer by the board.
10 § 8406.1. Use of plan savings.

11 (a) Determination.--The system shall determine the
12 difference between:

13 (1) The current aggregate employer contributions and the
14 aggregate employer contributions that would have been
15 required by Act 120 of 2010.

16 (2) The current plan expenditures and the plan
17 expenditures that would have been required by Act 120 of
18 2010.

19 (b) Utilization.--Any savings realized based on the
20 implementation of the plan, as determined under subsection (a),
21 shall be utilized to pay down the accrued unfunded liability.

22 (c) Intent.--It is the intent of the General Assembly to
23 make an annual appropriation from the General Fund to the system
24 in the amount determined under subsection (a)(1).

25 (d) Definition.--As used in this section, the term "Act 120
26 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
27 No.120), entitled, "An act amending Titles 24 (Education) and 71
28 (State Government) of the Pennsylvania Consolidated Statutes, in
29 Title 24, further providing for definitions, for mandatory and
30 optional membership, for contributions by the Commonwealth, for

1 payments by employers, for actuarial cost method, for additional
2 supplemental annuities, for further additional supplemental
3 annuities, for supplemental annuities commencing 1994, for
4 supplemental annuities commencing 1998, for supplemental
5 annuities commencing 2002, for supplemental annuities commencing
6 2003, for administrative duties of board, for payments to school
7 entities by Commonwealth, for eligibility points for retention
8 and reinstatement of service credits and for creditable
9 nonschool service; providing for election to become a Class T-F
10 member; further providing for classes of service, for
11 eligibility for annuities, for eligibility for vesting, for
12 regular member contributions, for member contributions for
13 creditable school service, for contributions for purchase of
14 credit for creditable nonschool service, for maximum single life
15 annuity, for disability annuities, for member's options, for
16 duties of board regarding applications and elections of members
17 and for rights and duties of school employees and members;
18 providing for Independent Fiscal Office study; in Title 71,
19 establishing an independent fiscal office and making a related
20 repeal; further providing for definitions, for credited State
21 service, for retention and reinstatement of service credits, for
22 creditable nonstate service and for classes of service;
23 providing for election to become a Class A-4 member; further
24 providing for eligibility for annuities and for eligibility for
25 vesting; providing for shared-risk member contributions for
26 Class A-3 and Class A-4 service; further providing for waiver of
27 regular member contributions and Social Security integration
28 member contributions, for member contributions for purchase of
29 credit for previous State service or to become a full coverage
30 member, for contributions for the purchase of credit for

1 creditable nonstate service, for contributions by the
2 Commonwealth and other employers, for actuarial cost method, for
3 maximum single life annuity, for disability annuities and for
4 member's options; providing for payment of accumulated
5 deductions resulting from Class A-3 service; further providing
6 for additional supplemental annuities, for further additional
7 supplemental annuities, for supplemental annuities commencing
8 1994, for supplemental annuities commencing 1998, for
9 supplemental annuities commencing 2002, for supplemental
10 annuities commencing 2003, for special supplemental
11 postretirement adjustment of 2002, for administrative duties of
12 the board, for duties of board to advise and report to heads of
13 departments and members, for duties of board regarding
14 applications and elections of members, for installment payments
15 of accumulated deductions, for rights and duties of State
16 employees and members, for members' savings account, for State
17 accumulation account, for State Police Benefit Account, for
18 Enforcement Officers' Benefit Account, for supplemental annuity
19 account and for construction of part; and providing for
20 Independent Fiscal Office study, for retirement eligibility of
21 Pennsylvania State Police officers or members, for a prohibition
22 on the issuance of pension obligation bonds, for holding certain
23 public officials harmless, for construction of calculation or
24 actuarial method, for applicability and for certain operational
25 provisions."

26 § 8407. Eligibility for benefits.

27 (a) Termination of service.--A participant who terminates
28 school service shall be eligible to withdraw the vested
29 accumulated total defined contributions standing to the
30 participant's credit in the participant's individual investment

1 account or a lesser amount as the participant may request.
2 Payment shall be made in a lump sum unless the board has
3 established other forms of distribution in the plan document. A
4 participant who withdraws the vested accumulated total defined
5 contributions shall no longer be a participant in the plan,
6 notwithstanding that the former school employee may continue to
7 be a member of the system with Class T-G service credit or may
8 contract to receive an annuity or other form of payment from a
9 provider retained by the board for such purposes.

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

16 (c) Prohibited distributions.--A school employee must be
17 terminated from all positions that result in either membership
18 in the system or participation in the plan to be eligible to
19 receive a distribution.

20 (d) Loans.--Loans or other distributions, including hardship
21 or unforeseeable emergency distributions, from the plan to
22 school employees who have not terminated school service are not
23 permitted, except as required by law.

24 (e) (Reserved).

25 (f) Small individual investment accounts.--A participant who
26 terminates school service and whose vested accumulated total
27 defined contributions are below the threshold established by law
28 as of the date of termination of service may be paid the vested
29 accumulated total defined contributions in a lump sum as
30 provided in IRC § 401(a) (31).

1 § 8408. Death benefits.

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

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

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

22 § 8409. Vesting.

23 (a) Participant and voluntary contributions.--Subject to the
24 forfeiture and attachment provisions of section 8533 (relating
25 to taxation, attachment and assignment of funds) or otherwise as
26 provided by law, a participant shall be vested with respect to
27 all mandatory pickup participant contributions and voluntary
28 contributions paid by or on behalf of the participant to the
29 trust plus interest and investment earnings on the participant
30 contributions but minus investment fees and administrative

1 charges.

2 (b) Employer defined contributions.--

3 (1) Subject to the forfeiture and attachment provisions
4 of section 8533 or otherwise as provided by law, a
5 participant shall be vested with respect to employer defined
6 contributions paid plus interest and investment earnings by
7 or on behalf of the participant to the trust after attaining
8 three eligibility points.

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

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

18 § 8410. Termination of distributions.

19 (a) Return to school service.--

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

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

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

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

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

18 § 8411. Agreements with financial institutions and other
19 organizations.

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

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

28 (2) The board shall publish the solicitation in the
29 Pennsylvania Bulletin.

30 (3) Proposals received shall be evaluated based on

1 specific criteria adopted by the board. The criteria shall
2 include experience, customer service history and other
3 criteria.

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

6 § 8412. Powers and duties of board.

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

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

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

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

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

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

27 (6) The board may perform an annual or more frequent
28 review of any qualified fund manager for the purpose of
29 assuring it continues to meet all standards and criteria
30 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 or ensure the
9 administration of the plan in compliance with the
10 qualifications and other rules of the IRC.

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

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

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

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

22 (i) Procedures by which 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 pickup
27 participant contributions from a participant's
28 compensation.

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

1 the board as part of the plan.

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

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

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

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

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

1 third-party provider subject to appeal to the board.

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

5 (17) The provisions and restrictions of the act of July
6 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's
7 Investments Act, shall not apply to the plan or trust or the
8 investments thereof, but the board may offer to the plan
9 participants investment vehicles that would be allowed under
10 the Protecting Pennsylvania's Investments Act.

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

14 § 8413. Responsibility for investment loss.

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

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

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

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

15 § 8415. Expenses.

16 All expenses, fees and costs of administering the plan and
17 the trust and investing the assets of the trust shall be borne
18 by the participants and paid from assessments against the
19 balances of the individual investment accounts as established by
20 the board, except that, for fiscal years ending before July 1,
21 2017, the expenses, fees and costs of establishing and
22 administering the plan and trust shall be paid by the
23 Commonwealth through annual appropriations from the General
24 Fund, made on the basis of estimates from the board.

25 § 8416. Tax qualification.

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

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

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

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

10 (iii) For the purposes of this paragraph, the term
11 "government plans" shall have the same meaning as in IRC
12 § 414(d).

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

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

26 § 8417. Establishment of School Employees' Defined Contribution
27 Holding Vehicle Trust.

28 (a) School Employees' Defined Contribution Holding Vehicle
29 Trust.--The School Employees' Defined Contribution Holding
30 Vehicle Trust is established as part of the plan. The holding

1 vehicle trust shall be comprised of the individual investment
2 accounts and all assets and moneys in those accounts from July
3 1, 2015, until the earlier of the date the board certifies that
4 the School Employees' Defined Contribution Trust is operational
5 and able to accept participant and employer contributions or
6 December 31, 2016. The members of the board shall be the
7 trustees of the holding vehicle trust, which shall be held in a
8 separate account, established by the Treasury Department and
9 shall not be inconsistent with this part, the IRC or other
10 applicable law. The holding vehicle trust shall be administered
11 exclusively for the benefit of those school employees who
12 participate in the plan and their beneficiaries within the
13 meaning of and in conformity with IRC § 401(a) subject to the
14 requirements of Chapter 85 (relating to administration and
15 miscellaneous provisions).

16 (b) Assets held in trust.--All assets and income in the
17 holding vehicle trust that are withheld or contributed by the
18 participants, the Commonwealth and other employers in accordance
19 with this part shall be held in trust as permitted by the
20 applicable provisions of the IRC for the exclusive benefit of
21 the participants and their beneficiaries until such time as the
22 funds are transferred to the School Employees' Defined
23 Contribution Trust in accordance with the terms of the plan
24 document. The assets of the holding vehicle trust may be used
25 for the payment of the fees, costs and expenses related to the
26 administration and investment of the holding vehicle trust and
27 transfer of assets to the School Employees' Defined Contribution
28 Trust.

29 (c) Mandatory pickup participant contributions.--All
30 mandatory pickup participant contributions and employer defined

1 contributions that will be required under sections 8404
2 (relating to participant contributions), 8405 (relating to
3 mandatory pickup participant contributions) and 8406 (relating
4 to employer defined contributions) to be made to the School
5 Employees' Defined Contribution Trust upon certification of such
6 trust shall be made to the holding vehicle trust prior to the
7 date the board certifies the School Employees' Defined
8 Contribution Trust. The employer shall cause those contributions
9 for service required to be credited in the plan to be made and
10 deducted from each payroll or on a schedule as established by
11 the board, and participant contributions shall be picked up by
12 the Commonwealth or other employer and shall be treated as the
13 employer's contribution for purposes of IRC § 414(h). After the
14 effective date of this section, an employer employing a
15 participant in the plan shall pick up the required mandatory
16 participant contributions by a reduction in the compensation of
17 the participant. No participant is permitted to make voluntary
18 contributions to the holding vehicle trust.

19 (d) Treatment for other purposes.--For all purposes other
20 than the IRC, the mandatory pickup participant contributions
21 shall be treated as contributions made by a participant in the
22 same manner and to the same extent as if the contributions were
23 made directly by the participant and not picked up.

24 (e) Limitations on contributions.--No contributions may be
25 allowed that would cause a violation of the limitations related
26 to contributions applicable to governmental plans contained in
27 IRC § 415 or in other provisions of law. In the event that any
28 disallowed contributions are made, any employer defined
29 contributions in excess of the limitations and investment
30 earnings on the contributions shall be refunded to the employer

1 by the board.

2 (f) Death benefits.--In the event of the death of an active
3 participant or inactive participant, the board shall pay to the
4 participant's beneficiary the vested balance in the
5 participant's individual investment account in a lump sum.

6 (g) Interest.--Upon the disbursement of a return of
7 accumulated deductions to a participant who has terminated
8 school service or of a death benefit to a participant's
9 designated beneficiaries or upon the transfer of all assets in
10 the holding vehicle trust to the School Employees' Defined
11 Contribution Trust or December 31, 2016, whichever occurs first,
12 the Commonwealth shall make an interest payment to the holding
13 vehicle trust. The interest payment shall be equal to 4% annual
14 rate of return on the mandatory pickup participant contributions
15 and employer defined contributions made for the participant,
16 increased or decreased for any investment losses or earnings
17 while in the holding vehicle trust, but in no case shall the
18 interest payment be less than zero.

19 (h) Responsibility for loss of investment opportunity.--The
20 board, the Commonwealth, an employer or other political
21 subdivision shall not be responsible for the failure of any
22 investment in the holding vehicle trust to earn any specific or
23 expected return greater than the 4% interest rate paid under
24 subsection (g) or to earn as much as any other investment
25 opportunity, whether or not the other opportunity was offered to
26 participants in the holding vehicle trust.

27 (i) Termination of holding vehicle trust.--After the
28 disbursement or transfer of all assets in the holding vehicle
29 trust and the certification by the board that no further
30 liabilities from the holding vehicle trust exist, the holding

1 vehicle trust shall be closed.

2 (j) Expiration.--The board shall publish the certification
3 under subsection (i) in the Pennsylvania Bulletin. Subsections
4 (a), (b), (c), (d), (e), (f), (g) and (i) and this subsection
5 shall expire on the date of publication of the certification.

6 Section 115. Section 8501(a), (c) and (d) of Title 24 are
7 amended to read:

8 § 8501. Public School Employees' Retirement Board.

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

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

20 * * *

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

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

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

21 * * *

22 Section 116. Section 8502(b), (c), (e), (h), (i), (j), (k),
23 (n) and (o) of Title 24 are amended and the section is amended
24 by adding a subsection to read:

25 § 8502. Administrative duties of board.

26 * * *

27 (b) Professional personnel.--

28 (1) The board shall contract for the services of a chief
29 medical examiner, an actuary, investment advisors,
30 counselors, an investment coordinator, and such other

1 professional personnel as it deems advisable.

2 (2) The board may utilize the same individuals and firms
3 contracted under this subsection for both the system and the
4 plan but shall allocate the fees, costs and expenses incurred
5 under this subsection between the system and the plan as
6 appropriate.

7 (c) Expenses.--

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

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

17 (3) For fiscal years ending on or before June 30, 2017,
18 such expenses of the plan as approved by the General Assembly
19 through an appropriation shall be paid from the General Fund.
20 For fiscal years beginning on or after July 1, 2016, such
21 expenses of the plan as approved by the General Assembly
22 shall be paid from interest, pursuant to section 8414(b)
23 (relating to investments based on participant investment
24 allocation choices) or assessments on the balances of the
25 participants' individual investment accounts.

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

1 by the board through the use of directed commissions. All
2 such directed commission expenditures shall be made by the
3 board for the exclusive benefit of the system and its members
4 and for the exclusive benefit of the plan and its
5 participants, respectively.

6 * * *

7 (e) Records.--

8 (1) The board shall keep a record of all its proceedings
9 which shall be [open to inspection by] accessible to the
10 public, except as otherwise provided in this part or by other
11 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] February 14, 2008 (P.L.6, No.3), known as the
18 Right-to-Know Law, if, in the reasonable judgment of the
19 board, the [inspection] access would:

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

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

29 (iii) have a substantial detrimental impact on the
30 value of an investment to be acquired, held or disposed

1 of by the fund or trust, or would cause a breach of the
2 standard of care or fiduciary duty set forth in this
3 part.

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

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

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

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

22 whichever is later.

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

29 (A) the [inspection] access no longer has a
30 substantial detrimental impact on the value of an

1 investment of the fund or trust and would not cause a
2 breach of the standard of care or fiduciary duty set
3 forth in this part; or

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

6 whichever is later.

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

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

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

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

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

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

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

29 (vi) The net internal rate of return of the
30 alternative investment vehicle since inception, provided

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

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

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

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

27 (i) The existence, date, amount and any other
28 information pertaining to the voluntary contributions,
29 including rollover contributions and trustee-to-trustee
30 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) (i) Nothing in this part shall be construed to
11 designate any record, material or data received,
12 prepared, used or retained by the board or its employees
13 or agents relating to the contributions, investments,
14 account value or benefits payable to or on account of a
15 participant as a public record subject to public access
16 under the Right-to-Know Law.

17 (ii) This paragraph shall apply to a record,
18 material or data under this subsection notwithstanding
19 whether:

20 (A) the record, material or data was created,
21 generated or stored before the effective date of this
22 paragraph;

23 (B) the record, material or data was previously
24 released or made public; or

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

1 * * *

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

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

27 (j) Actuarial investigation and valuation.--The board shall
28 have the actuary make an annual valuation of the various
29 accounts of the fund within six months of the close of each
30 fiscal year. In the fiscal year 1975 and in every fifth year

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

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

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

18 * * *

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

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

8 * * *

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

21 Section 117. Section 8502.2(a) of Title 24 is amended to
22 read:

23 § 8502.2. Health insurance.

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

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

3 (2) Determination of the benefits structure.

4 (3) Determination of enrollment procedures.

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

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

10 * * *

11 Section 118. Sections 8503(a), 8505(h) and (i), 8506(a),
12 (d), (e), (g), (h), (i) and (k) and 8507(a), (c), (e) and (f) of
13 Title 24 are amended and the sections are amended by adding
14 subsections to read:

15 § 8503. Duties of board to advise and report to employers [and
16 members], members and participants.

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

1 * * *

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

12 * * *

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

15 * * *

16 (e.1) Certification to participants terminating service.--In
17 the case of a participant terminating service, the board shall
18 certify to a participant in writing of the vested accumulated
19 total defined contributions credited to the participant's
20 individual investment account as of the date stated in the
21 writing, any notices regarding rollover or other matters
22 required by IRC or other law, the obligation of the participant
23 to commence distributions from the plan by the participant's
24 required beginning date and the ability to receive all or part
25 of the vested balance in the participant's individual investment
26 account in a lump sum or in such other form as the board may
27 authorize or as required by law.

28 * * *

29 (f.1) Notification to inactive participants approaching
30 required beginning date.--The board shall notify each inactive

1 participant who has terminated school service and for whom
2 distribution has not commenced by 90 days before the
3 participant's required beginning date, in writing, that the
4 inactive participant has an obligation to commence distributions
5 by the required beginning date in a form and manner required by
6 IRC § 401(a)(9) and other applicable provisions of IRC.

7 * * *

8 (g.1) Initial payment to participants.--The board shall make
9 the initial payment to a participant who has applied for a
10 distribution within 60 days of the filing of the application and
11 receipt of the required data from the employer of the
12 participant and other necessary data.

13 (h) Death benefits.--Upon receipt of notification of the
14 death of a member or former member on USERRA leave, an active
15 participant, an inactive participant or a former participant on
16 USERRA leave, the board shall notify the designated beneficiary
17 or survivor annuitant of the benefits to which he is entitled
18 and shall make the first payment to the beneficiary under the
19 plan elected by the beneficiary within 60 days of receipt of
20 certification of death and other necessary data. If no
21 beneficiary designation is in effect at the date of the member's
22 or participant's death or no notice has been filed with the
23 board to pay the amount of such benefits to the member's or
24 participant's estate, the board is authorized to pay such
25 benefits to the executor, administrator, surviving spouse or
26 next-of-kin of the deceased member or participant, and payment
27 pursuant hereto shall fully discharge the fund or plan from any
28 further liability to make payment of such benefits to any other
29 person. If the surviving spouse or next-of-kin of the deceased
30 member or participant cannot be found for the purpose of paying

1 such benefits for a period of seven years from the date of death
2 of the member or participant, then such benefits shall be
3 escheated to the Commonwealth for the benefit of the fund or
4 plan.

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

19 * * *

20 § 8506. Duties of employers.

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

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

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

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

10 * * *

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

28 (d) New employees subject to mandatory membership or
29 participation.--Upon the assumption of duties of each new school
30 employee whose membership in the system or plan is mandatory,

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

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

24 * * *

25 (g) Former State employee contributors.--The employer shall,
26 upon the employment of a former member of the State Employees'
27 Retirement System who is not an annuitant of the State
28 Employees' Retirement System, advise such employee [of his] if
29 he has a right to elect multiple service membership within 365
30 days of entry into the system or, for a member of Class T-G, if

1 he has a right to elect within 45 days of entry into the system
2 and, in the case any such employee who so elects has withdrawn
3 his accumulated deductions, require him to restore his
4 accumulated deductions as they would have been at the time of
5 his separation had he been a full coverage member, together with
6 statutory interest for all periods of subsequent State and
7 school service to date of repayment. The employer shall advise
8 the board of such election.

9 (h) Former State employee annuitants.--The employer shall,
10 upon the employment of an annuitant of the State Employees'
11 Retirement System who applies for membership in the system,
12 advise such employee [that] if he may elect multiple service
13 membership within 365 days of entry into the system or, for a
14 member of Class T-G, if he has a right to elect within 45 days
15 of entry into the system and that if he so elects his annuity
16 from the State Employees' Retirement System will be discontinued
17 effective upon the date of his return to school service and,
18 upon termination of school service and application for an
19 annuity, the annuity will be adjusted in accordance with section
20 8346 (relating to termination of annuities). The employer shall
21 advise the board of such election.

22 (i) Termination of service.--The employer shall, in the case
23 of any member terminating school service, advise such member in
24 writing of any benefits to which he may be entitled under the
25 provisions of this part and shall have the member prepare, on or
26 before the date of termination of school service, one or more of
27 the following three forms, a copy of which shall be given to the
28 member and the original of which shall be filed with the board:

29 (1) An application for the return of accumulated
30 deductions, if eligible.

1 (2) An election to vest his retirement rights, if
2 eligible, and, if he is a joint coverage member and so
3 desires, an election to become a full coverage member and an
4 agreement to pay within 30 days of the date of termination of
5 service the lump sum required.

6 (3) An application for an immediate annuity, if
7 eligible, and, if he is a joint coverage member and so
8 desires, an election to become a full coverage member and an
9 agreement to pay within 30 days of date of termination of
10 service the lump sum required.

11 * * *

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

15 (1) Any school employee who:

16 (i) ceases to be an active member or active
17 participant to perform USERRA service; or

18 (ii) is granted a leave of absence under 51 Pa.C.S.
19 § 4102 (relating to leaves of absence for certain
20 government employees) or a military leave of absence
21 under 51 Pa.C.S. § 7302 (relating to granting military
22 leaves of absence).

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

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

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

29 (1) Differential wage payments and military leave of absence
30 payments.--Notwithstanding the exclusion of differential wage

1 payments as defined in IRC § 414(u)(12) from compensation under
2 this part, the employer of any school employee on USERRA leave
3 shall report differential wage payments made to the employee to
4 the board, and the employer of any school employee on leave of
5 absence pursuant to 51 Pa.C.S. § 4102 shall report any payment
6 made to the employee, in the form and manner established by the
7 board.

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,
4 the new employee shall execute an application for participation
5 and a nomination of a beneficiary.

6 (c) Multiple service membership.--

7 (1) Any [active member] school employee who is an active
8 member in a class of service other than Class T-G and who was
9 formerly an active member in the State Employees' Retirement
10 System in a class of service other than Class A-5 may elect
11 to become a multiple service member. Such election for a
12 member in other than Class T-G shall occur no later than 365
13 days after becoming an active member in a class of service
14 other than Class T-G in this system.

15 (2) Any school employee who is an active member of Class
16 T-G and who was formerly an active member in the State
17 Employees' Retirement System in Class A-5 may elect to become
18 a multiple service member. Such election shall occur no later
19 than 45 days after becoming an active member of Class T-G.

20 (3) A school employee who is eligible to elect to become
21 a multiple service member and who begins USERRA leave during
22 the election period without having elected multiple service
23 membership may make the election within 365 days, or 45 days
24 if a member of Class T-G, after being reemployed from USERRA
25 leave.

26 * * *

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

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

8 (d.3) Voluntary contributions by a participant.--Any
9 participant who desires to make voluntary contributions to be
10 credited to his individual investment account shall notify the
11 board and, upon compliance with the requirements, procedures and
12 limitations established by the board in the plan document, may
13 do so subject to the limitations under IRC §§ 401(a) and 415 and
14 other applicable law.

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

23 (e.1) Beneficiary for death benefits from plan.--Every
24 participant shall nominate a beneficiary by written designation
25 filed with the board as provided in section 8506 (relating to
26 duties of employers) to receive the death benefit payable under
27 section 8347 (relating to death benefits). A participant may
28 also nominate a contingent beneficiary or beneficiaries to
29 receive the death benefit provided under section 8408 (relating
30 to death benefits). Such nomination may be changed at any time

1 by the participant by written designation filed with the board.

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

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

12 (1) Withdraw his accumulated deductions, if eligible.

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

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

21 * * *

22 (g.1) Deferral of retirement rights.--If a participant
23 terminates school service and does not commence receiving a
24 distribution, he shall nominate a beneficiary by written
25 designation filed with the board, and he may anytime thereafter,
26 but no later than his required beginning date, withdraw the
27 vested accumulated total defined contributions standing to his
28 credit or apply for another form of distribution required by law
29 or authorized by the board.

30 * * *

1 Section 119. Sections 8521(b), 8522, 8524, 8525 and 8531 of
2 Title 24 are amended to read:

3 § 8521. Management of fund and accounts.

4 * * *

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

22 * * *

23 § 8522. Public School Employees' Retirement Fund.

24 (a) General rule.--The fund shall consist of all moneys in
25 the several separate funds in the State Treasury set apart to be
26 used under the direction of the board for the benefit of members
27 of the system; and the Treasury Department shall credit to the
28 fund all moneys received from the Department of Revenue arising
29 from the contributions relating to or on behalf of the members
30 of the system required under the provisions of Chapter 83

1 (relating to membership, contributions and benefits) and all
2 earnings from investments or moneys of said fund. There shall be
3 established and maintained by the board the several ledger
4 accounts specified in sections 8523 (relating to members'
5 savings account), 8524 (relating to State accumulation account),
6 8525 (relating to annuity reserve account) and 8526 (relating to
7 health insurance account).

8 (b) Individual investment accounts and trust.--The
9 individual investment accounts that are part of the trust shall
10 not be part of the fund. Mandatory pickup participant
11 contributions, voluntary contributions and employer defined
12 contributions made under this part and any income earned by the
13 investment of such contributions shall not be paid or credited
14 to the fund but instead shall be paid to the trust and credited
15 to the individual investment accounts.

16 § 8524. State accumulation account.

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

1 account. The administrative expenses of the board shall be
2 charged to the State accumulation account. Employer defined
3 contributions, mandatory pickup contributions and a
4 participant's voluntary contributions, together with any income
5 or interest earned thereon, may be temporarily placed into the
6 State accumulation account pending allocation or distribution
7 to the participant's individual investment account.

8 § 8525. Annuity reserve account.

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

30 (b) Transfers from account.--Should an annuitant be

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

10 § 8531. State guarantee regarding the system.

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

21 Section 120. Section 8533(a), (b) and (d) of Title 24 are
22 amended and the section is amended by adding a subsection to
23 read:

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

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

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

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

15 (b) Forfeiture.--

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

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

1 have been ordered to be distributed to an alternate payee as
2 the result of an equitable distribution of marital property
3 as part of an approved domestic relations order entered
4 before the date of the order or action in a court or other
5 tribunal resulting in a forfeiture of a participant's
6 interest in the trust shall not be subject to the provisions
7 of section 16(b) of the Article V of the Constitution of
8 Pennsylvania, the Public Employee Pension Forfeiture Act or
9 42 Pa.C.S. § 3352. Any accumulated employer defined
10 contributions forfeited as a result of this subsection or
11 other law shall be retained by the board and used for the
12 payment of expenses of the plan.

13 * * *

14 (d) Direct rollover.--Effective with distributions made on
15 or after January 1, 1993, and notwithstanding any other
16 provision of this part to the contrary, a distributee may elect,
17 at the time and in the manner prescribed by the board, to have
18 any portion of an eligible rollover distribution paid directly
19 to an eligible retirement plan by way of a direct rollover. For
20 purposes of this subsection, a "distributee" includes a member
21 [and], a participant, a member's surviving spouse [and], a
22 participant's surviving spouse, a member's former spouse who is
23 an alternate payee under an approved domestic relations order[.]
24 and a participant's former spouse who is an alternate payee
25 under an approved domestic relations order and anyone else
26 authorized under IRC and the plan terms approved by the board to
27 have an eligible rollover distribution paid directly to an
28 eligible retirement plan by way of a direct rollover. For
29 purposes of this subsection, the term "eligible rollover
30 distribution" has the meaning given such term by IRC § 402(f)(2)

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

9 Section 121. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)
10 of Title 24 are amended to read:

11 § 8533.1. Approval of domestic relations orders.

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

17 (1) Requires the system to provide any type or form of
18 benefit or any option applicable to members already provided
19 under this part.

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

26 (3) Specifies the amount or percentage of the member's
27 benefits to be paid by the system to each such alternate
28 payee or the manner in which the amount or percentage is to
29 be determined.

30 (4) Specifies the retirement option to be selected by

1 the member upon retirement or states that the member may
2 select any retirement option offered by this part upon
3 retirement.

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

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

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

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

21 (1) Does not require the segregation of the alternate
22 payee's share of the participant's individual investment
23 account into a subaccount or newly established individual
24 account titled in the name of the alternate payee.

25 (2) Does not require the plan to recover or distribute
26 any funds which were distributed to the participant or at the
27 participant's direction prior to the approval of the domestic
28 relations order by the secretary of the board or his
29 designated representative.

30 (3) Requires the plan to pay to the alternate payee no

1 more than the lesser of the vested amount of the
2 participant's individual investment account specified by the
3 domestic relations order or the vested amount of the
4 participant's individual investment account as of the date of
5 the transfer of the alternate payee's share to the alternate
6 payee.

7 (4) States that the plan shall not be required to recoup
8 or make good for losses in value to the participant's
9 individual investment account incurred between the date of
10 the valuation of the account used for equitable distribution
11 purposes and the date of distribution to the alternate payee.

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

16 (6) Specifies the name and last known mailing address,
17 if any, of the participant and the name and last known
18 mailing address of each alternate payee covered by the order
19 and states that it is the responsibility of each alternate
20 payee to keep a current mailing address on file with the
21 plan.

22 (7) Does not grant an alternate payee the rights,
23 privileges or options available to a participant.

24 (8) In the case of a participant who has not yet begun
25 to receive distributions as of the date the domestic
26 relations order is approved by the secretary of the board or
27 his designated representative, requires the immediate
28 distribution of the alternate payee's share of the
29 participant's individual investment account, which may be
30 made by direct payment, eligible rollover or trustee-to-

1 trustee transfer to another eligible plan or qualified
2 account owned by the alternate payee.

3 (9) In the case of a participant who is currently
4 receiving distributions from the plan as of the date the
5 domestic relations order is approved by the secretary of the
6 board or his designated representative, may not order the
7 board to pay the alternate payee more than the balance
8 available in the participant's individual investment account
9 as of the date the order is approved or require that
10 distributions continue to the alternate payee after the death
11 of the participant and final settlement of the participant's
12 individual investment 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
7 would violate the laws of the United States, any other state or
8 this Commonwealth or require the distribution of funds for
9 support or enforcement of arrearages against any participant who
10 is not receiving distributions from the plan at the time such
11 order is entered. These orders may be approved notwithstanding
12 any other provision of this part or the plan that would
13 otherwise require a distribution of accumulated employer defined
14 contributions in the form of an annuity or to require the
15 purchase of an annuity.

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

25 § 8533.2. Irrevocable beneficiary.

26 Notwithstanding any other provision of this part, a domestic
27 relations order may provide for an irrevocable beneficiary. A
28 domestic relations order requiring the nomination of an
29 irrevocable beneficiary shall be deemed to be one that requires
30 a member or participant to nominate an alternate payee as a

1 beneficiary and that prohibits the removal or change of that
2 beneficiary without approval of a court of competent
3 jurisdiction, except by operation of law. Such a domestic
4 relations order may be certified as an approved domestic
5 relations order by the secretary of the board, or his designated
6 representative, after the member or participant makes such
7 nomination, in which case the irrevocable beneficiary so ordered
8 by the court cannot be changed by the member or participant
9 without approval by the court.

10 § 8533.3. Irrevocable survivor annuitant.

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

26 § 8533.4. Amendment of approved domestic relations orders.

27 (a) Deceased alternate payee.--In the event that the
28 alternate payee predeceases the member or participant and there
29 are benefits payable to the alternate payee, the divorce court
30 may amend the approved domestic relations order to substitute a

1 person for the deceased alternate payee to receive any benefits
2 payable to the deceased alternate payee.

3 * * *

4 Section 122. Title 24 is amended by adding a section to
5 read:

6 § 8533.5. Irrevocable successor payee.

7 (a) Condition.--Notwithstanding any other provisions of this
8 part, a domestic relations order pertaining to a participant may
9 provide for an irrevocable successor payee, only if the
10 participant is receiving a payment pursuant to a payment option
11 provided by the board that allows for a successor payee.

12 (b) Determination.--A domestic relations order requiring the
13 designation of an irrevocable successor payee shall be deemed to
14 be one that requires a participant who is receiving payments
15 from an annuity or other distribution option to designate an
16 alternate payee as a successor payee and that prohibits the
17 removal or change of that successor payee without approval of a
18 court of competent jurisdiction, except by operation of law.

19 (c) Certification.--A domestic relations order under
20 subsection (b) may be certified as an approved domestic
21 relations order by the secretary of the board, or his designated
22 representative, in which case the irrevocable successor payee
23 ordered by the court cannot be changed by the participant
24 without approval by the court.

25 (d) Ineligibility.--A person ineligible to be designated as
26 a successor payee may not be designated as an irrevocable
27 successor payee. A court may not name an irrevocable successor
28 payee if the alternate payee is eligible to receive a lump sum
29 distribution of the alternate payee's portion of the marital
30 portion of the pension benefit.

1 Section 123. Sections 8534 and 8535 of Title 24 are amended
2 to read:

3 § 8534. Fraud and adjustment of errors.

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

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

23 § 8535. Payments to school entities by Commonwealth.

24 For each school year beginning with the 1995-1996 school year
25 and ending with the 2015-2016 school year, each school entity
26 shall be paid by the Commonwealth for contributions based upon
27 school service of active members of the system after June 30,
28 1995, as follows:

29 (1) The Commonwealth shall pay each school entity for
30 contributions made to the Public School Employees' Retirement

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

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

27 (3) School entities shall have up to five days after
28 receipt of the Commonwealth's portion of the employer's
29 liability to make payment to the Public School Employees'
30 Retirement Fund. School entities are expected to make the

1 full payment to the Public School Employees' Retirement Fund
2 in accordance with section 8327 (relating to payments by
3 employers) in the event the receipt of the Commonwealth's
4 portion of the employer's liability is delayed because of
5 delinquent salary reporting or other conduct by the school
6 entities.

7 Section 124. Title 24 is amended by adding sections to read:

8 § 8535.1. Payments to school entities by Commonwealth
9 commencing with the 2016-2017 school year.

10 For each school year, beginning with the 2016-2017 school
11 year, each school entity shall be paid by the Commonwealth for
12 contributions based upon school service of active members of the
13 system and active participants of the plan after June 30, 2016,
14 as follows:

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

1 value/income aid ratio as defined in section 2501(14.1) of
2 the Public School Code was 0.50.

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

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

23 § 8537. Internal Revenue Code limitations.

24 Notwithstanding any provisions of this part to the contrary,
25 no contribution or benefit related to the School Employees'
26 Defined Contribution Plan shall be made or payable to the extent
27 that the contribution or benefit exceeds a limitation under IRC
28 § 415 in effect with respect to a "governmental plan," as
29 defined in IRC § 414(d) on the date the contribution or benefit
30 payment becomes effective. An increase in a limitation under IRC

1 § 415 shall be applicable to all current and future
2 participants.

3 Section 125. Section 8702(a) of Title 24 is amended to read:
4 § 8702. Definitions.

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

11 "Eligible person." An individual who is:

12 (1) an annuitant or survivor annuitant or the spouse or
13 dependent of an annuitant or survivor annuitant[.]; or

14 (2) a participant receiving distributions or a successor
15 payee, or the spouse or dependent of a participant receiving
16 distributions or successor payee.

17 "Fund." The Public School Retirees' Health Insurance Fund.

18 "Plan year." The period July 1, 2001, through December 31,
19 2001, shall be the first plan year. After December 31, 2001, the
20 plan year shall be the calendar year.

21 "Program." The group health insurance program that may be
22 sponsored by the Public School Employees' Retirement Board under
23 this part.

24 "Reserve account." The restricted receipt account
25 established in section 8902(b) (relating to Public School
26 Retirees' Health Insurance Fund).

27 * * *

28 ARTICLE II

29 Section 201. Section 7306(a) introductory paragraph of Title
30 51 is amended and the section is amended by adding a subsection

1 to read:

2 § 7306. Retirement rights.

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

14 * * *

15 (f) Participant of a defined contribution plan.--

16 (1) An employee who is an active or inactive participant
17 of the School Employees' Defined Contribution Plan at the
18 time the employee is granted a military leave of absence
19 shall be entitled to make contributions to the Public School
20 Employees' Defined Contribution Trust for the leave as
21 provided in 24 Pa.C.S. Pt. IV (relating to retirement for
22 school employees).

23 (2) An employee who is an active participant or inactive
24 participant on leave without pay of the State Employees'
25 Defined Contribution Plan at the time he is granted a
26 military leave of absence shall be entitled to make
27 contributions to the State Employees' Defined Contribution
28 Trust for the leave as provided in 71 Pa.C.S. Pt. XXV
29 (relating to retirement for State employees and officers).

30

ARTICLE III

1 Section 301. Section 4104(a)(7) of Title 71 is amended to
2 read:

3 § 4104. Duties of office.

4 (a) Mandatory.--The office shall:

5 * * *

6 (7) Study and analyze the impact of shared-risk
7 contributions under 24 Pa.C.S. § 8321(b) (relating to regular
8 member contributions for current service) and section 5501.1
9 (relating to shared-risk member contributions for Class A-3
10 [and], Class A-4 and Class A-5 service).

11 * * *

12 Section 302. The definitions of "active member," "alternate
13 payee," "average noncovered salary," "beneficiary," "class of
14 service multiplier," "compensation," "creditable nonstate
15 service," "credited service," "date of termination of service,"
16 "distribution," "domestic relations order," "final average
17 salary," "inactive member," "intervening military service,"
18 "irrevocable beneficiary," "member's annuity," "reemployed from
19 USERRA leave," "regular membership contributions," "retirement
20 counselor," "salary deductions," "shared-risk member
21 contributions," "special vestee," "standard single life
22 annuity," "State employee," "superannuation age,"
23 "superannuation score," "total accumulated deductions,"
24 "valuation interest" and "vestee" in section 5102 of Title 71
25 are amended and the section is amended by adding definitions to
26 read:

27 § 5102. Definitions.

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

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 State 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 State 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 "Active member." A State employee, or a member on leave
24 without pay, for whom pickup contributions are being made to the
25 fund or for whom such contributions otherwise required for
26 current State service are not being made solely by reason of
27 section 5502.1 (relating to waiver of regular member
28 contributions and Social Security integration member
29 contributions) or any provision of this part relating to the
30 limitations under section 401(a)(17) or section [415(b)] 415 of

1 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
2 § 401(a)(17) or [415(b)].] 415) or limitations on contributions
3 to the system applicable to a Class A-5 member who is making
4 mandatory pickup participant contributions to the trust.

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

12 * * *

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

18 * * *

19 "Average noncovered salary." The average of the amounts of
20 compensation received by an active member, other than
21 compensation attributable to service as a Class A-5 member, each
22 calendar year since January 1, 1956, exclusive of the amount
23 which was or could have been covered by the Federal Social
24 Security Act[, 42 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et
25 seq.), during that portion of the member's service since January
26 1, 1956, for which he has received social security integration
27 credit.

28 * * *

29 "Beneficiary." [The] In the case of the system, the person
30 or persons last designated in writing to the board by a member

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

7 * * *

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

18 "Class A-5 annual compensation limit." For calendar year
19 2016, the amount of \$50,000. For each subsequent calendar year,
20 the limit shall be 1% greater than the previous year's amount,
21 rounded to the nearest hundred dollars.

22 "Class of service multiplier."

23	Class of Service	Multiplier
24	A	1
25	AA	for all purposes
26		except
27		calculating
28		regular member
29		contributions on
30		compensation

1		paid prior to	
2		January 1, 2002	1.25
3	AA	for purposes of	
4		calculating	
5		regular member	
6		contributions	
7		on compensation	
8		paid prior to	
9		January 1, 2002	1
10	A-3	for all purposes	
11		except the	
12		calculation of	
13		regular member	
14		contributions	
15		and	
16		contributions	
17		for creditable	
18		nonstate service	1
19	A-3	for purposes of	
20		calculating	
21		regular member	
22		contributions	
23		and	
24		contributions	
25		for creditable	
26		nonstate service	1.25
27	A-4	for all purposes	
28		except the	
29		calculation of	
30		regular member	

1 contributions 1.25
2 A-4 for purposes of
3 calculating
4 regular member
5 contributions 1.86
6 A-5 for all purposes
7 except the
8 calculation of
9 regular member
10 contributions 1
11 A-5 for purposes of
12 calculating
13 regular member
14 contributions on
15 compensation up
16 to the Class A-5
17 annual
18 compensation
19 limit for
20 members who have
21 less than 25
22 eligibility
23 points credited
24 as a member of
25 Class A-5 or, if
26 a multiple
27 service member,
28 as a member of
29 Class T-G in the
30 Public School

1		<u>Employees'</u>	
2		<u>Retirement</u>	
3		<u>System</u>	<u>1.2</u>
4	<u>A-5</u>	<u>for purposes of</u>	
5		<u>calculating</u>	
6		<u>regular member</u>	
7		<u>contributions on</u>	
8		<u>compensation</u>	
9		<u>over the Class</u>	
10		<u>A-5 annual</u>	
11		<u>compensation</u>	
12		<u>limit or for</u>	
13		<u>members who have</u>	
14		<u>25 or more</u>	
15		<u>eligibility</u>	
16		<u>points credited</u>	
17		<u>as a member of</u>	
18		<u>Class A-5 or, if</u>	
19		<u>a multiple</u>	
20		<u>service member,</u>	
21		<u>as a member of</u>	
22		<u>Class T-G in the</u>	
23		<u>Public School</u>	
24		<u>Employees'</u>	
25		<u>Retirement</u>	
26		<u>System</u>	<u>0</u>
27	B		.625
28	C		1
29	D		1.25
30	D-1	prior to January	

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

1		July 1, 2001	1.5	
2	D-4	for purposes of		
3		calculating		
4		regular member		
5		contributions on		
6		compensation		
7		paid prior to		
8		July 1, 2001	1	
9	E, E-1	prior to January		
10		1, 1973	2	for each of the
11				first ten years
12				of judicial
13				service, and
14			1.5	for each
15				subsequent year
16				of judicial
17				service
18	E, E-1	on and		
19		subsequent to		
20		January 1, 1973	1.50	for each of the
21				first ten years
22				of judicial
23				service and
24			1.125	for each
25				subsequent year
26				of judicial
27				service
28	E-2	prior to		
29		September 1,		
30		1973	1.5	

1	E-2	on and	
2		subsequent to	
3		September 1,	
4		1973	1.125
5	G		0.417
6	H		0.500
7	I		0.625
8	J		0.714
9	K		0.834
10	L		1.000
11	M		1.100
12	N		1.250
13	T-C	(Public School	1
14		Employees'	
15		Retirement Code)	
16	T-E	(Public School	1
17		Employees'	
18		Retirement Code)	
19	T-F	(Public School	1
20		Employees'	
21		Retirement Code)	
22	<u>T-G</u>	<u>(Public School</u>	<u>1</u>
23		<u>Employees' Retirement</u>	
24		<u>Code)</u>	

25 * * *

26 "Compensation." Pickup contributions and mandatory pickup
27 participant contributions plus remuneration actually received as
28 a State employee excluding refunds for expenses, contingency and
29 accountable expense allowances; excluding any severance payments
30 or payments for unused vacation or sick leave; 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) or other types of military leave, including other types
7 of leave payments, stipends, differential wage payments as
8 defined in IRC § 414(u)(12) and any other payments; and for a
9 member who first becomes an officer of the State police on or
10 after July 1, 2017, excluding remuneration received in any pay
11 period for voluntary overtime service for service as an officer
12 of the State police that exceeds 10% of the member's base salary
13 as an officer of the State police in that pay period: Provided,
14 however, That compensation received prior to January 1, 1973,
15 shall be subject to the limitations for retirement purposes in
16 effect December 31, 1972, if any: Provided further, That the
17 limitation under section 401(a)(17) of the Internal Revenue Code
18 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)) taken into
19 account for the purpose of member contributions, including any
20 additional member contributions in addition to regular or joint
21 coverage member contributions and Social Security integration
22 contributions, regardless of class of service, shall apply to
23 each member who first became a member of the State Employees'
24 Retirement System on or after January 1, 1996, and who by reason
25 of such fact is a noneligible member subject to the application
26 of the provisions of section 5506.1(a) (relating to annual
27 compensation limit under IRC § 401(a)(17)) and shall apply to
28 each participant pertaining to his participation in the plan.

29 * * *

30 "Creditable nonstate service." Service for which an active

1 member may obtain credit in the system, other than:

2 (1) service as a State employee;

3 (2) service converted to State service pursuant to
4 section 5303.1 (relating to election to convert county
5 service to State service); or

6 (3) school service converted to State service pursuant
7 to section 5303.2 (relating to election to convert school
8 service to State service) [for which an active member may
9 obtain credit].

10 "Credited service." State or creditable nonstate service for
11 which the required contributions have been made to the fund or
12 for which the contributions otherwise required for such service
13 were not made solely by reason of section 5502.1 (relating to
14 waiver of regular member contributions and Social Security
15 integration member contributions) or any provision of this part
16 relating to the limitations under section 401(a)(17) or [415(b)]
17 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
18 U.S.C. § 401(a)(17) or [415(b)],) 415), or limitations on
19 contributions to the system applicable to a Class A-5 member who
20 is making mandatory pickup participant contributions to the
21 trust or for which salary deductions or lump sum payments to the
22 system have been agreed upon in writing.

23 "Date of termination of service." The latest of the
24 following dates:

25 (1) the last day of service for which pickup
26 contributions are made for an active member or for which the
27 contributions otherwise required for such service were not
28 made solely by reason of section 5502.1 (relating to waiver
29 of regular member contributions and social security
30 integration member contributions) or any provision of this

1 part relating to the limitations under section 401(a)(17) or
2 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
3 26 U.S.C. § 401(a)(17) or 415) or limitations on

4 contributions to the system applicable to a Class A-5 member;

5 (2) the last day of service for which mandatory pickup
6 participant contributions are made for an active participant;

7 or

8 (3) in the case of an inactive member on leave without
9 pay or an inactive participant on leave without pay, the date
10 of his resignation or the date his employment is formally
11 discontinued by his employer.

12 * * *

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

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

30 * * *

1 "Employer defined contributions." Contributions that are
2 made by the Commonwealth or other employer to the trust to be
3 credited in an active participant's individual investment
4 account as follows:

5 (1) Except as provided under paragraph (2),
6 contributions equal to 4% of an active participant's
7 compensation.

8 (2) For participants who have less than 25 eligibility
9 points credited as a member of Class A-5 or, if a multiple
10 service member, in Class T-G in the Public School Employees'
11 Retirement System, contributions equal to 0.5% of an active
12 participant's compensation up to the Class A-5 annual
13 compensation limit and for other compensation contributions
14 as set forth in paragraph (1).

15 * * *

16 "Final average salary." [The] As follows:

17 (1) For purposes of calculating all annuities and
18 benefits from the system attributable to a class of service
19 other than Class A-5, the highest average compensation
20 received as a member during any three nonoverlapping periods
21 of four consecutive calendar quarters during which the member
22 was a State employee, excluding compensation received from
23 State service credited as a member of Class A-5, with the
24 compensation for part-time service being annualized on the
25 basis of the fractional portion of the year for which credit
26 is received; except if the employee was not a member in
27 classes of service other than Class A-5 for three
28 nonoverlapping periods of four consecutive calendar quarters,
29 the total compensation received as a member for State service
30 credited other than as a member of Class A-5, annualized in

1 the case of part-time service, divided by the number of
2 nonoverlapping periods of four consecutive calendar quarters
3 of membership in classes of service other than Class A-5; in
4 the case of a member with multiple service, the final average
5 salary for purposes of calculating all annuities and benefits
6 from the system attributable to a class of service other than
7 Class A-5 shall be determined on the basis of the
8 compensation received by him as a [State employee] member of
9 the system or as a school employee, or both[;], excluding
10 compensation received for service performed as a member of
11 Class A-5 or Class T-G in the Public School Employees'
12 Retirement System; and, in the case of a member with Class A-
13 3 or Class A-4 service and service in one or more other
14 classes of service other than Class A-5, the final average
15 salary shall be determined on the basis of the compensation
16 received by him in all classes of State service[; and] other
17 than Class A-5.

18 (2) For purposes of calculating all annuities and
19 benefits from the system attributable to service as a member
20 of Class A-5, the highest average compensation received for
21 service as a member of Class A-5 during any five calendar
22 years; except, if the employee was not a member of Class A-5
23 during five calendar years, the total compensation received
24 as a member of Class A-5, divided by the number of calendar
25 years of membership in Class A-5; in the case of a member
26 with multiple service, the final average salary for purposes
27 of calculating all annuities and benefits from the system
28 attributable to Class A-5 service shall be determined on the
29 basis of the compensation received by him as a State employee
30 for service credited Class A-5 or as a school employee for

1 service credited in Class T-G in the Public School Employees'
2 Retirement System, or both. For the purpose of calculating
3 final average salary under the paragraph, compensation for
4 service as a member of Class A-5 shall be adjusted as set
5 forth in section 5506.2 (relating to application of Class A-5
6 annual compensation limit).

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

20 * * *

21 "Holding vehicle trust." The State Employees' Defined
22 Contribution Holding Vehicle Trust.

23 "Inactive member." A member for whom no pickup contributions
24 are being made to the fund, except in the case of an active
25 member for whom such contributions otherwise required for
26 current State service are not being made solely by reason of
27 section 5502.1 (relating to waiver of regular member
28 contributions and Social Security integration member
29 contributions) or any provision of this part relating to the
30 limitations under section 401(a)(17) or 415(b) of the Internal

1 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17)
2 or 415(b)) or limitations on contributions to the system
3 applicable to a Class A-5 member who is making mandatory pickup
4 participant contributions to the trust, but who has accumulated
5 deductions standing to his credit in the fund and who is not
6 eligible to become or has not elected to become a vestee or has
7 not filed an application for an annuity.

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

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

24 "Intervening military service." Active military service of a
25 member who was a State employee and active member of the system
26 immediately preceding his induction into the armed services or
27 forces of the United States in order to meet a military
28 obligation excluding any voluntary extension of such service and
29 who becomes a State employee within 90 days of the expiration of
30 such service.

1 * * *

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

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

14 * * *

15 "Mandatory pickup participant contributions." Contributions
16 that are made by the Commonwealth or other employer for active
17 participants for State service required to be credited in the
18 plan as follows:

19 (1) Except as provided under paragraph (2),
20 contributions equal to 7% of compensation.

21 (2) For participants who have less than 25 eligibility
22 points credited as a member of Class A-5 or, if a multiple
23 service member, in Class T-G in the Public School Employees'
24 Retirement System, contributions equal to 1% of an active
25 participant's compensation for State service required to be
26 credited in the plan up to the Class A-5 annual compensation
27 limit and for other compensation contributions as set forth
28 in paragraph (1).

29 * * *

30 "Member's annuity." The single life annuity which is

1 actuarially equivalent, at the effective date of retirement and
2 taking into account any delay in the receipt of the portion of
3 the annuity based on Class A-5 service, if the effective date of
4 retirement is under the superannuation age applicable to Class
5 A-5 service, to the sum of the regular accumulated deductions,
6 shared-risk accumulated deductions, the additional accumulated
7 deductions and the social security integration accumulated
8 deductions standing to the member's credit in the members'
9 savings account.

10 * * *

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

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

18 * * *

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

21 "Plan document." The documents created by the board under
22 section 5802 (relating to plan document) that contain the terms
23 and provisions of the plan and trust as established by the board
24 regarding the establishment, administration and investment of
25 the plan and trust.

26 * * *

27 "Reemployed from USERRA leave." Resumption of active
28 membership or active participation as a State employee after a
29 period of USERRA leave, provided, however, that the resumption
30 of active membership or active participation was within the time

1 period and under conditions and circumstances such that the
2 State employee was entitled to reemployment rights under 38
3 U.S.C. Ch. 43 (relating to employment and reemployment rights of
4 members of the uniformed services).

5 * * *

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

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

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

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

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

27 * * *

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

1 compensation of a member up to the Class A-5 annual compensation
2 limit for service credited as Class A-5.

3 * * *

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

15 (1) subsequent to termination of State service as an
16 employee of The Pennsylvania State University, the member has
17 not returned to State service in any other capacity or
18 position as a State employee;

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

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

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

28 "Standard single life annuity." An annuity equal to 2% of
29 the final average salary, multiplied by the total number of
30 years and fractional part of a year of credited service of a

1 member in each class service, limited in the case of Class A-5
2 service to 25 years.

3 "State employee." Any person holding a State office or
4 position under the Commonwealth, employed by the State
5 Government of the Commonwealth, in any capacity whatsoever,
6 except an independent contractor or any person compensated on a
7 fee basis or any person paid directly by an entity other than a
8 State Employees' Retirement System employer, and shall include
9 members of the General Assembly, and any officer or employee of
10 the following:

11 (1) (i) The Department of Education.
12 (ii) State-owned educational institutions.
13 (iii) Community colleges.
14 (iv) The Pennsylvania State University, except an
15 employee in the College of Agriculture who is paid wholly
16 from Federal funds or an employee who is participating in
17 the Federal Civil Service Retirement System. The
18 university shall be totally responsible for all employer
19 contributions under section 5507 (relating to
20 contributions to the system by the Commonwealth and other
21 employers).

22 (2) The Pennsylvania Turnpike Commission, the Delaware
23 River Port Authority, the Port Authority Transit Corporation,
24 the Philadelphia Regional Port Authority, the Delaware River
25 Joint Toll Bridge Commission, the State Public School
26 Building Authority, The General State Authority, the State
27 Highway and Bridge Authority, the Delaware Valley Regional
28 Planning Commission, the Interstate Commission of the
29 Delaware River Basin, and the Susquehanna River Basin
30 Commission any time subsequent to its creation, provided the

1 commission or authority agrees to contribute and does
2 contribute to the fund or trust, from time to time, the
3 moneys required to build up the reserves necessary for the
4 payment of the annuities or other benefits of such officers
5 and employees without any liability on the part of the
6 Commonwealth to make appropriations for such purposes, and
7 provided in the case of employees of the Interstate
8 Commission of the Delaware River Basin, that the employee
9 shall have been a member of the system for at least ten years
10 prior to January 1, 1963.

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

24 * * *

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

29 "Superannuation age." For classes of service in the system
30 other than Class A-3 [and], Class A-4 and Class A-5, any age

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

30 * * *

1 "Superannuation score." The sum of the member's age in whole
2 years on his last birthday and the amount of the member's total
3 eligibility points, other than eligibility points resulting from
4 Class A-5 service credit or, if a multiple service member, in
5 Class T-G on the member's effective date of retirement,
6 expressed in whole years and whole eligibility points and
7 disregarding fractions of a year and fractions of total
8 eligibility points.

9 * * *

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

23 "Trust." The State Employees' Defined Contribution Trust
24 established under Chapter 58 (relating to State Employees'
25 Defined Contribution Plan).

26 * * *

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

30 "Vestee." Any of the following:

1 (1) A member with:
2 (i) five or more eligibility points in a class of
3 service other than Class A-3 [or], Class A-4, Class A-5
4 or Class T-E [or], Class T-F or Class T-G in the Public
5 School Employees' Retirement System[, a member with];
6 (ii) Class G, Class H, Class I, Class J, Class K,
7 Class L, Class M or Class N service with five or more
8 eligibility points in classes of service other than Class
9 A-5 or Class T-G in the Public School Employees'
10 Retirement System[, or a member with]; or
11 (iii) Class A-3 or Class A-4 service with ten or
12 more eligibility points in classes of service other than
13 Class A-5 or Class T-G in the Public School Employees'
14 Retirement System and
15 who has terminated State service and has elected to leave his
16 total accumulated deductions in the fund and to defer receipt
17 of an annuity.

18 (2) A member with Class A-5 service with ten or more
19 eligibility points for service in Class A-5 or, if a multiple
20 service member, in Class T-G in the Public School Employees'
21 Retirement System and either is not eligible to begin
22 receiving an immediate annuity or, if eligible, has elected
23 to defer receipt of an annuity.

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

29 Section 303. Section 5103 of Title 71 is amended to read:
30 § 5103. Notice to members and participants.

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

11 Section 304. Title 71 is amended by adding a section to
12 read:

13 § 5104. Reference to State Employees' Retirement System.

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

22 (b) Agreement.--The agreement of an employer listed in the
23 definition of "State employee" or any other law to make
24 contributions to the fund or to enroll its employees as members
25 in the system shall be deemed to be an agreement to make
26 contributions to the trust or to enroll its employees in the
27 plan.

28 Section 305. Section 5301(a), (b), (c) and (d) of Title 71
29 are amended and the section is amended by adding subsections to
30 read:

1 § 5301. Mandatory and optional membership in the system and
2 participation in the plan.

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

6 (1) Governor.

7 (2) Lieutenant Governor.

8 (3) Members of the General Assembly.

9 (4) Heads or deputy heads of administrative departments.

10 (5) Members of any independent administrative board or
11 commission.

12 (6) Members of any departmental board or commission.

13 (7) Members of any advisory board or commission.

14 (8) Secretary to the Governor.

15 (9) Budget Secretary.

16 (10) Legislative employees.

17 (11) School employees who have elected membership in the
18 Public School Employees' Retirement System.

19 (12) School employees who have elected membership in an
20 independent retirement program approved by the employer,
21 provided that in no case, except as hereinafter provided,
22 shall the employer contribute on account of such elected
23 membership at a rate greater than the employer normal
24 contribution rate as determined in section 5508(b) (relating
25 to actuarial cost method). For the fiscal year 1986-1987 an
26 employer may contribute on account of such elected membership
27 at a rate which is the greater of 7% or the employer normal
28 contribution rate as determined in section 5508(b) and for
29 the fiscal year 1992-1993 and all years after that at a rate
30 of 9.29%.

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

5 (14) Persons who are not members of the system and are
6 employed on a per diem or hourly basis for less than 100 days
7 or 750 hours in a [12-month period] calendar year.

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

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

22 (a.1) Mandatory participation in the plan.--A State employee
23 who is a mandatory member of the system as a member of Class A-5
24 shall be a mandatory participant in the plan as of the effective
25 date of membership in the system.

26 (b) Optional membership in the system--

27 The State employees listed in subsection (a) (1) through
28 [(11)] (10) whose first period of State service begins before
29 January 1, 2016, shall have the right to elect membership in
30 the system[; once such election is] before January 1, 2016,

1 or the termination of State service, whichever occurs first.
2 The State employees listed in subsection (a)(1) through (10)
3 who first become State employees on or after January 1, 2016,
4 shall be members of the system effective as of the date of
5 their employment unless they elect not to be members within
6 45 days after beginning State service. Once such elections
7 are exercised, membership or nonmembership, as the case may
8 be, shall continue until the termination of State service.
9 The State employees listed under subsection (a)(11) shall
10 have the right to elect membership in the system. Once the
11 election is exercised, membership shall continue until the
12 termination of State service.

13 (b.1) Optional participation in the plan.--The State
14 employees who are optional members of the system as a member of
15 Class A-5 also are optional participants in the plan. The State
16 employees who elect membership in the system as members of Class
17 A-5 also automatically elect participation in the plan as of the
18 effective date of membership in the system.

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

22 (c.1) Prohibited participation in the plan.--The State
23 employees who are listed in subsection (a)(11), (12), (13), (14)
24 and (15) or who are not members of Class A-5 shall not be
25 eligible to participate in the plan.

26 (d) Return to service.--

27 (1) An annuitant who returns to service as a State
28 employee before January 1, 2016, shall resume active
29 membership in the system as of the effective date of
30 employment, except as otherwise provided in section 5706(a)

1 (relating to termination of annuities), regardless of the
2 optional membership category of the position.

3 (2) An annuitant, inactive participant or a participant
4 receiving distributions who returns to service as a State
5 employee on or after January 1, 2016, shall resume active
6 membership in the system, if an active member of Class A-5
7 shall, and be an active participant in the plan as of the
8 effective date of employment, except as otherwise provided in
9 section 5706(a), regardless of the optional membership or
10 participation category of the position.

11 * * *

12 Section 306. Section 5302(a), (b), (e) and (f) of Title 71
13 are amended to read:

14 § 5302. Credited State service.

15 (a) Computation of credited service.--In computing credited
16 State service of a member for the determination of benefits, a
17 full-time salaried State employee, including any member of the
18 General Assembly, shall receive credit for service in each
19 period for which contributions as required are made to the fund,

20 or for which contributions otherwise required for such service
21 were not made to the fund solely by reason of section 5502.1

22 (relating to waiver of regular member contributions and Social
23 Security integration member contributions) or any provision of
24 this part relating to the limitations under IRC § 401(a)(17) or
25 415(b) or limitations on contributions applicable to a Class A-5

26 member, but in no case shall he receive more than one year's
27 credit for any 12 consecutive months or 26 consecutive biweekly
28 pay periods. A per diem or hourly State employee shall receive
29 one year of credited service for each nonoverlapping period of
30 12 consecutive months or 26 consecutive biweekly pay periods in

1 which he is employed and for which contributions are made to the
2 fund or would have been made to the fund but for such waiver
3 under section 5502.1 or limitations under the IRC or limitations
4 on contributions applicable to a Class A-5 member for at least
5 220 days or 1,650 hours of employment. If the member was
6 employed and contributions were made to the fund for less than
7 220 days or 1,650 hours, he shall be credited with a fractional
8 portion of a year determined by the ratio of the number of days
9 or hours of service actually rendered to 220 days or 1,650
10 hours, as the case may be. A part-time salaried employee shall
11 be credited with the fractional portion of the year which
12 corresponds to the number of hours or days of service actually
13 rendered and for which contributions are or would have been made
14 to the fund except for the waiver under section 5502.1,
15 limitations under the IRC or limitations on contributions
16 applicable to a Class A-5 member in relation to 1,650 hours or
17 220 days, as the case may be. In no case shall a member who has
18 elected multiple service receive an aggregate in the two systems
19 of more than one year of credited service for any 12 consecutive
20 months.

21 (b) Creditable leaves of absence.--

22 (1) A member on leave without pay who is studying under
23 a Federal grant approved by the head of his department or who
24 is engaged up to a maximum of two years of temporary service
25 with the United States Government, another state or a local
26 government under the Intergovernmental Personnel Act of 1970
27 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
28 be eligible for credit for such service: Provided, That
29 contributions are made in accordance with sections 5501
30 (relating to regular member contributions for current

1 service), 5501.1 (relating to shared-risk member
2 contributions for Class A-3 [and], Class A-4 and Class A-5
3 service), 5505.1 (relating to additional member
4 contributions) and 5507 (relating to contributions to the
5 system by the Commonwealth and other employers), the member
6 returns from leave without pay to active State service as a
7 member of the system for a period of at least one year, and
8 he is not entitled to retirement benefits for such service
9 under a retirement system administered by any other
10 governmental agency.

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

1 Statewide employee organization shall fully reimburse the
2 employer for all expenses and costs of such paid leave,
3 including, but not limited to, contributions and payment in
4 accordance with sections 5501, 5501.1, 5505.1 and 5507, 5804
5 (relating to participant contributions), 5805 (relating to
6 mandatory pickup participant contributions) and 5806
7 (relating to employer defined contributions), if the employee
8 organization either directly pays, or reimburses the
9 Commonwealth or other employer for, contributions made in
10 accordance with [section 5507] sections 5507, 5804, 5805 and
11 5806.

12 * * *

13 (e) Cancellation of credited service.--

14 (1) All credited service in the system shall be
15 cancelled if a member withdraws his total accumulated
16 deductions and Class A-5 accumulated deductions, except that:

17 (i) a member with Class A-3 or Class A-4 service
18 credit and one or more other classes of service credit
19 shall not have his service credit as a member of any
20 classes of service other than as a member of Class A-3 or
21 Class A-4 cancelled when the member receives a lump sum
22 payment of accumulated deductions resulting from Class A-
23 3 or Class A-4 service pursuant to section [5705.1]
24 5705.1(a) (relating to payment of accumulated deductions
25 resulting from [Class A-3 and Class A-4] more than one
26 class of service) [.];

27 (ii) a member with Class A-5 service credit and one
28 or more other classes of service credit shall not have
29 his service credit in the classes of service other than
30 Class A-5 cancelled when the member receives a lump sum

1 payment of Class A-5 accumulated deductions pursuant to
2 section 5705.1(b) (1); and

3 (iii) a member with Class A-5 service credit and one
4 or more other classes of service credit shall not have
5 his service credit as a member of Class A-5 cancelled
6 when the member receives a lump sum payment of total
7 accumulated deductions resulting from the other classes
8 of service pursuant to section 5705.1(b) (2).

9 (2) A partial or total distribution of accumulated total
10 defined contributions to a participant who also is a member
11 shall not cancel service credited in the system.

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

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

26 (1.1) State employees may not receive service credit in
27 the system or exercise the options under 51 Pa.C.S. § 7306
28 (relating to retirement rights) for military leaves that
29 begin on or after the effective date of this subsection,
30 except as otherwise provided by this subsection.

1 (1.2) State employees may not participate in the plan or
2 exercise the options under 51 Pa.C.S. § 7306 for military
3 leaves that begin on or after the effective date of this
4 paragraph, except as otherwise provided by this subsection.

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

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

1 State employee would have held had the State employee not
2 been on USERRA leave and received the compensation on
3 which the member contributions to receive State service
4 credit for the USERRA leave were determined.

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

24 (iii) A State employee who is reemployed from USERRA
25 leave as an active member of the system who does not make
26 the required member contributions or makes only part of
27 the required member contributions within the allowed
28 payment period shall not be granted credited service for
29 the period of USERRA leave for which the required member
30 contributions were not timely made, shall not be eligible

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

5 (2.1) (i) A participant who is reemployed from USERRA
6 leave shall be treated as not having incurred a break in
7 State service by reason of the USERRA leave and shall be
8 granted eligibility points as if the participant had not
9 been on USERRA leave. If a participant who is reemployed
10 from USERRA leave subsequently makes mandatory pickup
11 participant contributions in the amounts and in the time
12 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
13 if the participant had continued in his State office or
14 employment and performed State service and been
15 compensated during the period of USERRA leave, the
16 participant's employer shall make the corresponding
17 employer defined contributions. The employee shall have
18 his contributions, benefits, rights and obligations
19 determined under this part as if he were an active
20 participant who performed State service during the USERRA
21 leave in the job position that he would have held had he
22 not been on USERRA leave and received the compensation on
23 which the mandatory pickup participant contributions to
24 receive State service credit for the USERRA leave were
25 determined.

26 (ii) A participant who is reemployed from USERRA
27 leave who does not make the mandatory pickup participant
28 contributions or makes only part of the mandatory pickup
29 participant contributions within the allowed payment
30 period shall not be eligible to make mandatory pickup

1 participant contributions at a later date for the period
2 of USERRA leave for which the mandatory pickup
3 participant contributions were not timely made.

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

14 (3.1) A State employee who is a participant in the plan
15 and performs USERRA leave from which the employee could have
16 been reemployed from USERRA leave had the employee returned
17 to State service in the time frames required by 38 U.S.C. Ch.
18 43 for reemployment rights, but did not do so, shall not be
19 eligible to make mandatory pickup participant contributions
20 for the period of USERRA leave should the employee later
21 return to State service and be a participant in the plan.

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

1 purchase the service as nonintervening military service.

2 (4.1) An active participant or inactive participant on
3 leave without pay who on or after the effective date of this
4 paragraph is granted a leave of absence under 51 Pa.C.S. §
5 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
6 USERRA leave shall not be able to make mandatory pickup
7 participant contributions during or for the leave of absence
8 or military leave and shall not have employer defined
9 contributions made during such leave, without regard to
10 whether or not the State employee received salary, wages,
11 stipends, differential wage payments or other payments from
12 his employer during the leave, notwithstanding any provision
13 to the contrary under 51 Pa.C.S. § 4102 or Ch. 73.

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

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

28 (6) A State employee who is on a leave of absence from
29 his duties as a State employee for which 51 Pa.C.S. § 4102
30 provides that he is not to suffer a loss of pay, time or

1 efficiency rating shall not be an active member, receive
2 service credit or make member contributions for the leave of
3 absence, except as provided for in this part. Notwithstanding
4 this paragraph, any pay the member receives pursuant to 51
5 Pa.C.S. § 4102 shall be included in the determination of
6 final average salary and other calculations in the system
7 utilizing compensation as if the payments were compensation
8 under this part.

9 Section 307. Section 5303(b) and (d)(1) of Title 71 are
10 amended and the section is amended by adding a subsection to
11 read:

12 § 5303. Retention and reinstatement of service credits.

13 * * *

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

15 (1) [Every] Subject to the limitations in subsection
16 (i), an active member of the system or a multiple service
17 member who is a school employee and a member of the Public
18 School Employees' Retirement System on or after the effective
19 date of this part shall receive eligibility points in
20 accordance with section 5307 for current State service,
21 previous State service, or creditable nonstate service upon
22 compliance with sections 5501 (relating to regular member
23 contributions for current service), 5501.1 (relating to
24 shared-risk contributions for Class A-3 [and], Class A-4 and
25 Class A-5 service), 5504 (relating to member contributions
26 for the purchase of credit for previous State service or to
27 become a full coverage member), 5505 (relating to
28 contributions for the purchase of credit for creditable
29 nonstate service), 5505.1 (relating to additional member
30 contributions) or 5506 (relating to incomplete payments).

1 Subject to the limitations in subsection (i) and sections
2 5306.1 (relating to election to become a Class AA member) and
3 5306.2 (relating to elections by members of the General
4 Assembly), the class or classes of service in which the
5 member may be credited for previous State service prior to
6 the effective date of this part shall be the class or classes
7 in which he was or could have at any time elected to be
8 credited for such service, except that a State employee who
9 first becomes a member of the system on or after January 1,
10 2011, or on or after December 1, 2010, as a member of the
11 General Assembly and:

12 (i) is credited with Class A-3 service for such
13 membership, shall be credited only with Class A-3 service
14 for previous State service performed before January 1,
15 2011, that was not previously credited in the system; or

16 (ii) is credited with Class A-4 service for such
17 membership, shall be credited only with Class A-4 service
18 for previous State service performed before January 1,
19 2011, that was not previously credited in the system.

20 The class of service in which a member shall be credited for
21 service subsequent to the effective date of this part shall
22 be determined in accordance with subsection (i) and section
23 5306 (relating to classes of service).

24 (1.1) Every active member of the system who elects to
25 convert county service to State service pursuant to section
26 5303.1 (relating to election to convert county service to
27 State service) shall receive eligibility points in accordance
28 with section 5307 for converted county service upon
29 compliance with section 5303.1(b). The class or classes of
30 service in which the member may be credited for converted

1 county service shall be determined in accordance with section
2 5306(c).

3 (1.2) Every member of the system who elects to convert
4 school service to State service pursuant to section 5303.2
5 (relating to election to convert school service to State
6 service) shall receive eligibility points in accordance with
7 section 5307 for converted school service. The class or
8 classes of service in which the member may be credited for
9 converted school service shall be determined in accordance
10 with section 5306(d).

11 (1.3) A member of the system who is reemployed from
12 USERRA leave or who dies while performing USERRA leave shall
13 receive eligibility points in accordance with section 5307
14 for the State service that would have been performed had the
15 member not performed USERRA leave.

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

27 (3) A special vestee or person otherwise eligible to be
28 a special vestee who becomes an active member of the Public
29 School Employees' Retirement System and elects multiple
30 service shall receive or retain eligibility points as

1 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
2 (relating to retirement for school employees) but upon
3 subsequent termination of school service shall only be
4 eligible to be an annuitant, vestee or inactive member as
5 otherwise eligible as a multiple service member without
6 regard to previous status as a special vestee and without
7 regard to the provisions of this part providing for special
8 vestees.

9 * * *

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

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

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

1 system actuarial accrued liability for active members. The
2 Public Employee Retirement Study Commission shall determine
3 the appropriate amount of employer contributions to be
4 transferred to the system by the county or other municipal
5 pension plans or retirement systems.

6 * * *

7 (i) Ineligibility to purchase previous State service
8 credit.--An active member of Class A-5 or a multiple service
9 member who is an active member of Class T-G in the Public School
10 Employees' Retirement System shall not be eligible to purchase
11 service credit for previous State service, whether or not
12 previously credited in the system, except to reinstate
13 previously credited Class A-5 service credit for which Class A-5
14 accumulated deductions were withdrawn under section 5311 or
15 5701, and except to the extent that any other provision of law
16 requires or allows any period of leave to be credited as State
17 service after the member returns from the leave to State
18 service.

19 Section 308. Sections 5303.2(a) and 5304(a) and (b) of Title
20 71 are amended to read:

21 § 5303.2. Election to convert school service to State service.

22 (a) Eligibility.--An active member or inactive member on
23 leave without pay who was an employee transferred from the
24 Department of Education to the Department of Corrections
25 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
26 No.175), known as The Administrative Code of 1929, and who on
27 the effective date of that transfer did not participate in an
28 independent retirement program approved by the Department of
29 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
30 and optional membership) or section 5301(a)(12) (relating to

1 mandatory and optional membership in the system and
2 participation in the plan), notwithstanding any other provision
3 of law or any collective bargaining agreement, arbitration
4 award, contract or term or conditions of any retirement system
5 or pension plan, may make a one-time election to convert all
6 service credited in the Public School Employees' Retirement
7 System as of June 30, 1999, and transfer to the system all
8 accumulated member contributions and statutory interest credited
9 in the members' savings account in the Public School Employees'
10 Retirement System as of June 30, 1999, plus statutory interest
11 on that amount credited by the Public School Employees'
12 Retirement System from July 1, 1999, to the date of transfer to
13 the system.

14 * * *

15 § 5304. Creditable nonstate service.

16 (a) Eligibility.--

17 (1) An active member who first becomes an active member
18 before January 1, 2011, or before December 1, 2010, as a
19 member of the General Assembly and who is an active member of
20 a class of service other than Class A-5, or a multiple
21 service member who first becomes an active member before
22 January 1, 2011, or before December 1, 2010, as a member of
23 the General Assembly, and who is a school employee and an
24 active member of the Public School Employees' Retirement
25 System in a class of service other than Class T-G shall be
26 eligible for Class A service credit for creditable nonstate
27 service as set forth in subsections (b) and (c) except that
28 intervening military service shall be credited in the class
29 of service for which the member was eligible at the time of
30 entering into military service and for which he makes the

1 required contributions to the fund and except that a multiple
2 service member who is a school employee and an active member
3 of the Public School Employees' Retirement System shall not
4 be eligible to purchase service credit for creditable
5 nonstate service set forth in subsection (c) (5).

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

26 (3) An active member of Class A-5 or a multiple service
27 member who is a school employee and an active member of the
28 Public School Employees' Retirement System as a member of
29 Class T-G shall be eligible for Class A-5 service credit for
30 creditable nonstate service as set forth in subsections (b)

1 and (c) (2) for which the member makes the required
2 contributions to the fund.

3 * * *

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

22 * * *

23 Section 309. Section 5305(b) of Title 71 is amended and the
24 section is amended by adding a subsection to read:

25 § 5305. Social security integration credits.

26 * * *

27 (b) Accrual of subsequent credits.--Any active member who
28 has social security integration accumulated deductions to his
29 credit or is receiving a benefit on account of social security
30 integration credits may accrue one social security integration

1 credit for each year of service as a State employee on or
2 subsequent to March 1, 1974 and a fractional credit for a
3 corresponding fractional year of service provided that
4 contributions are made to the fund, or would have been made to
5 the fund but for section 5502.1 (relating to waiver of regular
6 member contributions and Social Security integration member
7 contributions) or the limitations under IRC § 401(a)(17) or
8 415(b), in accordance with section 5502 (relating to Social
9 Security integration member contributions), and he:

10 (1) continues subsequent to March 1, 1974 as an active
11 member in either the [State or school system;] system in a
12 class of service other than Class A-5 or, if a multiple
13 service member, as an active member in the Public School
14 Employees' Retirement System in a class of service other than
15 Class T-G;

16 (2) terminates such continuous service in the [State or
17 school] system or the Public School Employees' Retirement
18 System and returns to active membership in the [State] system
19 within six months in a class of service other than Class A-5;
20 or

21 (3) terminates his status as a vestee or an annuitant
22 and returns to State service as an active member of the
23 system in a class of service other than Class A-5.

24 * * *

25 (e) Class A-5 service ineligible for credit.--No social
26 security integration credits shall accrue for any service
27 performed or credited as Class A-5 service.

28 Section 310. Section 5305.1 of Title 71 is amended to read:
29 § 5305.1. Eligibility for actuarial increase factor.

30 A person who has credit for a class of service other than

1 Class A-5 and is:

2 (1) an active member;

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

4 (3) a multiple service member who is a school employee
5 and an active member of the Public School Employees'
6 Retirement System;

7 who terminates State service or school service, as the case
8 may be, after attaining age 70 and who applies for a
9 superannuation annuity with an effective date of retirement the
10 day after the date of termination of State service or school
11 service shall have that person's maximum single life annuity
12 calculated pursuant to section 5702(a.1) (relating to maximum
13 single life annuity).

14 Section 311. Section 5306(a), (a.1), (a.2), (a.3) and (b) of
15 Title 71 are amended and the section is amended by adding a
16 subsection to read:

17 § 5306. Classes of service.

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

19 (1) A State employee who is a member of Class A on the
20 effective date of this part or who first becomes a member of
21 the system subsequent to the effective date of this part and
22 before January 1, 2011, or before December 1, 2010, as a
23 member of the General Assembly, shall be classified as a
24 Class A member and receive credit for Class A service upon
25 payment of regular and additional member contributions for
26 Class A service, provided that the State employee does not
27 become a member of Class AA pursuant to subsection (a.1) or a
28 member of Class D-4 pursuant to subsection (a.2) or a member
29 of Class A-5.

30 (2) A State employee who first becomes a member of the

1 system on or after January 1, 2011, or on or after December
2 1, 2010, as a member of the General Assembly, and, unless a
3 State police officer, before January 1, 2016, shall be
4 classified as a Class A-3 member and receive credit for Class
5 A-3 service upon payment of regular member contributions and
6 shared-risk member contributions for Class A-3 service
7 provided that the State employee does not become a member of
8 Class A-4 pursuant to subsection (a.3) or a member of Class
9 A-5, except that a member of the judiciary shall be
10 classified as a member of such other class of service for
11 which the member of the judiciary is eligible[,] and shall
12 elect and make regular member contributions unless the member
13 of the judiciary subsequently becomes a member of Class A-5.

14 (3) A State police officer who is a member of Class A-3
15 shall have all other State service performed concurrently
16 with being a State police officer classed as Class A-3
17 service instead of any other class of service the service
18 might otherwise be credited as. This paragraph shall apply
19 only to service performed concurrently with State police
20 service. Other service performed before or after service as a
21 State police officer shall be credited in the class of
22 service as provided under this part.

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

24 (1) A person who becomes a State employee and an active
25 member of the system after June 30, 2001, and who first
26 became an active member before January 1, 2011, or before
27 December 1, 2010, as a member of the General Assembly, and
28 who is not a State police officer and not employed in a
29 position for which a class of service other than Class A is
30 credited or could be elected shall be classified as a Class

1 AA member and receive credit for Class AA State service upon
2 payment of regular member contributions for Class AA service
3 and, subject to the limitations contained in paragraph (7)
4 and section 5303(i) (relating to retention and reinstatement
5 of service credits), if previously a member of Class A or
6 previously employed in a position for which Class A service
7 could have been earned, shall have all Class A State service
8 (other than State service performed as a State police officer
9 or for which a class of service other than Class A was earned
10 or could have been elected) classified as Class AA service.

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 in the system and participation in the plan) and
16 who first becomes an active member after June 30, 2001, and
17 before January 1, 2011, or before December 1, 2010, as a
18 member of the General Assembly, and who is not a State police
19 officer and not employed in a position for which a class of
20 service other than Class A is credited or could be elected
21 shall be classified as a Class AA member and receive credit
22 for Class AA State service upon payment of regular member
23 contributions for Class AA service and, subject to the
24 limitations contained in paragraph (7) and section 5303(i),
25 if previously a member of Class A or previously employed in a
26 position for which Class A service could have been earned,
27 shall have all Class A State service (other than State
28 service performed as a State Police officer or for which a
29 class of service other than Class A was earned or could have
30 been elected) classified as Class AA service.

1 (3) Provided that an election to become a Class AA
2 member is made pursuant to section 5306.1 (relating to
3 election to become a Class AA member), a State employee,
4 other than a State employee who is a State police officer on
5 or after July 1, 1989, who on June 30, 2001, and July 1,
6 2001, is:

7 (i) a member of Class A, other than a member of
8 Class A who could have elected membership in a Class C,
9 Class D-3, Class E-1 or Class E-2; or

10 (ii) an inactive member on a leave without pay from
11 a position in which the State employee would be a Class A
12 active member if the employee was not on leave without
13 pay, other than a position in which the State employee
14 could elect membership in Class C, Class D-3, Class E-1
15 or Class E-2;

16 shall be classified as a Class AA member and receive
17 credit for Class AA State service performed after June 30,
18 2001, upon payment of regular member contributions for Class
19 AA service and, subject to the limitations contained in
20 paragraph (7) and section 5303(i), shall receive Class AA
21 service credit for all Class A State service, other than
22 State service performed as a State police officer or as a
23 State employee in a position for which the member could have
24 elected membership in Class C, Class D-3, Class E-1 or Class
25 E-2, performed before July 1, 2001.

26 (4) Provided that an election to become a Class AA
27 member is made pursuant to section 5306.1, a former State
28 employee, other than a former State employee who was a State
29 police officer on or after July 1, 1989, who on June 30,
30 2001, and July 1, 2001, is a multiple service member and a

1 school employee and a member of the Public School Employees'
2 Retirement System, subject to the limitations contained in
3 paragraph (7) and section 5303(i), shall receive Class AA
4 service credit for all Class A State service, other than
5 State service performed as a State police officer or as a
6 State employee in a position in which the former State
7 employee could have elected a class of service other than
8 Class A, performed before July 1, 2001.

9 (5) A former State employee who first becomes a member
10 before January 1, 2011, or before December 1, 2010, as a
11 member of the General Assembly, other than a former State
12 employee who was a State police officer on or after July 1,
13 1989, who is a school employee and who on or after July 1,
14 2001, becomes a multiple service member, subject to the
15 limitations contained in paragraph (7) and section 5303(i),
16 shall receive Class AA service credit for all Class A State
17 service other than State service performed as a State
18 employee in a position in which the former State employee
19 could have elected a class of service other than Class A.

20 (6) A State employee who after June 30, 2001, becomes a
21 State police officer or who is employed in a position in
22 which the member could elect membership in the system in a
23 class of service other than Class AA or Class D-4 shall
24 retain any Class AA service credited prior to becoming a
25 State police officer or being so employed but shall be
26 ineligible to receive Class AA credit thereafter and instead
27 shall receive Class A credit for service as a member of the
28 judiciary if the judicial service begins before January 1,
29 2016, and the State employee first becomes a member of the
30 system before January 1, 2016, or if he first became a member

1 before January 1, 2011, or December 1, 2010, as a member of
2 the General Assembly, or Class A-3 credit for service other
3 than as a member of the judiciary and other than service as a
4 State police officer before January 1, 2016, and he first
5 became a member on or after January 1, 2011, or December 1,
6 2010, as a member of the General Assembly, unless a class of
7 membership other than Class A is elected.

8 (7) (i) State service performed as Class A service
9 before July 1, 2001, and State service for which Class A
10 service could have been credited but was not credited
11 because membership in the system was optional or
12 prohibited pursuant to section 5301 shall be credited as
13 Class AA service only upon the completion of all acts
14 necessary for the State service to be credited as Class A
15 service had this subsection not been enacted and upon
16 payment of required Class AA member contributions as
17 provided in section 5504 (relating to member
18 contributions for the purchase of credit for previous
19 State service or to become a full coverage member).

20 (ii) A person who is not a State employee or a
21 school employee on June 30, 2001, and July 1, 2001, and
22 who has previous State service (except a disability
23 annuitant who returns to State service after June 30,
24 2001, upon termination of the disability annuity) shall
25 not receive Class AA service credit for State service
26 performed before July 1, 2001, until such person becomes
27 an active member, or an active member of the Public
28 School Employees' Retirement System and a multiple
29 service member, and earns three eligibility points by
30 performing credited State service in a class of service

1 other than Class A-5 or credited school service in a
2 class of service other than Class T-G after June 30,
3 2001.

4 (iii) Nothing in this paragraph shall be construed
5 to authorize a member of Class A-5 or a multiple service
6 member who is a member of Class T-G in the Public School
7 Employees' Retirement System to reinstate or purchase
8 credit for previously credited or uncredited State
9 service other than as allowed under section 5303(i).

10 (a.2) Class of membership for members of the General
11 Assembly.--

12 (1) A person who:

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

16 (ii) is a member of the General Assembly on July 1,
17 2001, but is not an active member of the system because
18 membership in the system is optional pursuant to section
19 5301 and who becomes an active member after June 30,
20 2001, and before December 1, 2010;

21 and who was not a State police officer on or after July 1,
22 1989, shall be classified as a Class D-4 member and unless he
23 later becomes a member of Class A-5 receive credit as a Class
24 D-4 member for all State service as a member of the system
25 performed as a member of the General Assembly upon payment of
26 regular member contributions for Class D-4 service and,
27 subject to the limitations contained in subsection (a.1)(7)
28 and section 5303(i), if previously a member of Class A or
29 employed in a position for which Class A service could have
30 been earned, shall receive Class AA service credit for all

1 Class A State service, other than State service performed as
2 a State police officer or for which a class of service other
3 than Class A or Class D-4 was or could have been elected or
4 credited.

5 (2) Provided an election to become a Class D-4 member is
6 made pursuant to section 5306.2 (relating to elections by
7 members of the General Assembly), a State employee who was
8 not a State police officer on or after July 1, 1989, who on
9 July 1, 2001, is a member of the General Assembly and an
10 active member of the system and not a member of Class D-3
11 shall be classified as a Class D-4 member and, unless he
12 later becomes a member of Class A-5, receive credit as a
13 Class D-4 member for all State service performed as a member
14 of the General Assembly not credited as another class other
15 than Class A upon payment of regular member contributions for
16 Class D-4 service and, subject to the limitations contained
17 in paragraph (a.1)(7), shall receive Class AA service credit
18 for all Class A State service, other than State service
19 performed as a State police officer or as a State employee in
20 a position in which the member could have elected a class of
21 service other than Class A, performed before July 1, 2001.

22 (3) A member of the General Assembly who after June 30,
23 2001, becomes a State police officer shall retain any Class
24 AA service or Class D-4 service credited prior to becoming a
25 State police officer or being so employed but shall be
26 ineligible to receive Class AA or Class D-4 credit thereafter
27 and instead shall receive Class A credit or Class A-3 credit
28 if he first becomes a member of the system on or after
29 January 1, 2011, and before January 1, 2016, or Class A-5
30 credit if his most recent period of State service begins on

1 or after January 1, 2016.

2 (4) Notwithstanding the provisions of this subsection,
3 no service as a member of the General Assembly performed
4 before December 1, 2010, that is not credited as Class D-4
5 service on November 30, 2010, shall be credited as Class D-4
6 service, unless such service was previously credited in the
7 system as Class D-4 service and the member withdrew his total
8 accumulated deductions as provided in section 5311 (relating
9 to eligibility for refunds) or 5701 (relating to return of
10 [total] accumulated deductions). No service as a member of
11 the General Assembly performed on or after December 1, 2010,
12 shall be credited as Class D-4 service unless the member
13 previously was credited with Class D-4 service credits.

14 (a.3) Class A-4 membership.--Provided that an election to
15 become a Class A-4 member is made pursuant to section 5306.3
16 (relating to election to become a Class A-4 member), a State
17 employee who otherwise would be a member of Class A-3 shall be
18 classified as a Class A-4 member and receive Class A-4 credit
19 for all creditable State service performed after the effective
20 date of membership in the system, except as a member of the
21 judiciary, upon payment of regular member contributions and
22 shared-risk member contributions for Class A-4 service[.],
23 provided that the member does not terminate service and then, on
24 or after January 1, 2016, returns to the State service and
25 elects to be a member of Class A-5 under section 5306.4
26 (relating to election to become a Class A-5 member and
27 participant).

28 (a.4) Class A-5 membership.--

29 (1) A State employee who begins State service or becomes
30 a member of the system on or after January 1, 2016, other

1 than as a State police officer, shall be classified as a
2 Class A-5 member without regard to position or office held or
3 class of service that the employee would have been a member
4 of or benefits that the member would have been eligible to
5 accrue and receive but for this subsection and shall receive
6 credit for Class A-5 service upon payment of regular member
7 contributions for Class A-5 service.

8 (2) The provisions of this part regarding the
9 establishment of and membership in Class A-5 shall apply to
10 all current and former members of the State Employees'
11 Retirement System who have returned to State service on or
12 after January 1, 2016, other than as a State police officer,
13 after a termination of State service and who have elected to
14 be a member of Class A-5 under section 5306.4.

15 (3) A terminated State employee who is a member of Class
16 A-5 or who elects to be a member of Class A-5 under section
17 5306.4 who returns to State service on or after January 1,
18 2016, shall be subject to the provisions of this part
19 regarding membership in Class A-5 that are in effect on the
20 effective date of reemployment, including benefit formulas
21 and accrual rates, eligibility for annuities and
22 distributions, contribution rates, definitions, purchase of
23 creditable school, nonschool, State and nonstate service
24 provisions and actuarial and funding assumptions.

25 (4) An individual who is a State employee on January 1,
26 2016, but is not a member of the system or who first becomes
27 a State employee on or after January 1, 2016, other than as a
28 State police officer, shall be ineligible for active
29 membership in any of the several classes of State service as
30 otherwise provided for under this section other than Class A-

1 5. Any such State employee, if eligible, may be a member of
2 Class A-5 as a result of such State service.

3 (5) Notwithstanding this subsection the following shall
4 apply:

5 (i) A current or former State police officer who has
6 service as a State police officer credited as Class A
7 service shall receive Class A service credit for any
8 State service that otherwise would be credited as Class
9 A-5 and shall not be eligible to be an active participant
10 in the plan for the service.

11 (ii) A current or former State police officer who
12 has service as a State police officer credited as Class
13 A-3 or Class A-4 service before January 1, 2016, shall
14 receive Class A-3 or Class A-4 service credit, as the
15 case may be, for any State service that otherwise would
16 be credited as Class A-5 and shall not be eligible to be
17 an active participant in the plan for the service.

18 (iii) A person who first becomes a State police
19 officer on or after January 1, 2016, shall receive credit
20 for service as a State police officer as a member of
21 Class A-3, unless the member would otherwise be eligible
22 to receive Class A credit for service as a State police
23 officer, upon payment of the required member
24 contributions and shall not be eligible to be an active
25 participant in the plan for such service. All other
26 creditable State service shall be credited as otherwise
27 provided under this part, including as Class A-5 service,
28 except that any State service performed concurrently with
29 service as an active or inactive member on leave without
30 pay as a State police officer shall be credited as Class

1 A-3 service and shall not be eligible for active
2 participation in the plan. Class A-3 service provided for
3 under this subparagraph shall be subject to an election
4 to be credited as Class A-4 service.

5 (b) Other class membership.--

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

12 (2) Notwithstanding any other provision of this section,
13 a State employee [who] whose first period of State service
14 began before January 1, 2016, is appointed [bail
15 commissioner] arraignment court magistrate of the
16 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
17 (relating to jurisdiction and venue) and is eligible to be a
18 member of the system as an arraignment court magistrate may,
19 within 30 days of the effective date of this sentence or
20 within 30 days of his initial appointment as a [bail
21 commissioner] arraignment court magistrate, whichever is
22 later, elect Class E-2 service credit for service performed
23 as [a bail commissioner] an arraignment court magistrate
24 until the termination of State service. This class of service
25 multiplier for E-2 service as a bail commissioner shall be
26 1.5.

27 * * *

28 Section 312. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
29 (d) of Title 71 are amended to read:

30 § 5306.1. Election to become a Class AA member.

1 * * *

2 (c) Effect of election.--An election to become a Class AA
3 member shall become effective the later of July 1, 2001, or the
4 date when the election is filed with the board and shall remain
5 in effect until the termination of employment. Upon termination
6 and a subsequent reemployment that occurs before January 1,
7 2016, the member's class of service shall be credited in the
8 class of service otherwise provided for in this part. If the
9 reemployment occurs on or after January 1, 2016, the State
10 employee's eligibility for membership and class of service in
11 the system or participation in the plan shall be as provided in
12 this part.

13 * * *

14 § 5306.2. Elections by members of the General Assembly.

15 * * *

16 (b) Effect of election.--Membership as a Class D-4 member
17 shall become effective on July 1, 2001, and shall remain in
18 effect until the termination of service as a member of the
19 General Assembly. Upon termination and a subsequent reemployment
20 that occurs before January 1, 2016, the member's class of
21 service shall be credited in the class of service otherwise
22 provided for in this part. If the reemployment occurs on or
23 after January 1, 2016, the State employee's eligibility for
24 membership and class of service in the system or participation
25 in the plan shall be as provided in this part.

26 * * *

27 § 5306.3. Election to become a Class A-4 member.

28 * * *

29 (c) Effect of election.--An election to become a Class A-4
30 member shall be irrevocable and shall become effective on the

1 effective date of membership in the system and shall remain in
2 effect for all future [creditable] State service[.] creditable
3 in the system that otherwise is not credited as Class A-5
4 service, other than service performed as a member of the
5 judiciary, but shall not apply to service performed after a
6 termination of State service and a reemployment when the
7 reemployment occurs on or after January 1, 2016, and the member
8 elects to be a member of Class A-5 under section 5306.4
9 (relating to election to become a Class A-5 member and
10 participant). Payment of regular member contributions for Class
11 A-4 State service performed prior to the election of Class A-4
12 membership shall be made in a form, manner and time determined
13 by the board. Upon termination of State service and a subsequent
14 reemployment, a member who elected Class A-4 membership shall be
15 credited as a Class A-4 member for creditable State service
16 performed after reemployment, except as a member of the
17 judiciary, regardless of termination of employment, termination
18 of membership by withdrawal of accumulated deductions or status
19 as an annuitant, vestee or inactive member after the termination
20 of service; provided that the member does not elect to be a
21 member of Class A-5.

22 (d) Effect of failure to make election.--Failure to elect to
23 become a Class A-4 member within the election period set forth
24 in subsection (b) shall result in all of the member's State
25 service, other than service performed as a member of the
26 judiciary or that would otherwise be credited as Class A-5 after
27 a termination and return to State service, being credited as
28 Class A-3 service and not subject to further election or
29 crediting as Class A-4 service. Upon termination and subsequent
30 employment, a member who failed to elect to become a Class A-4

1 member shall not be eligible to make another election to become
2 a Class A-4 member for either past or future State service.

3 Section 312.1. Title 71 is amended by adding a section to
4 read:

5 § 5306.4. Election to become a Class A-5 member and
6 participant.

7 (a) General rule.--A person who returns to State service on
8 or after January 1, 2016, and becomes a member of a class of
9 service other than Class A-5 who has not previously declined to
10 elect Class A-5 membership under this section may elect to
11 become a member of Class A-5 and a participant in the plan.

12 (b) Time for making election.--The election to become a
13 Class A-5 member and participant must be made by the member
14 filing written notice with the board in a form and manner
15 determined by the board no later than 45 days after notice from
16 the board of the member's eligibility to elect Class A-5
17 membership and participation. A State employee who is eligible
18 to elect to become a Class A-5 member and participant who begins
19 USERRA leave during the election period without having elected
20 Class A-5 membership and participation may make the election
21 within 45 days after being reemployed from USERRA leave.

22 (c) Effect of election.--An election to become a Class A-5
23 member and participant shall be irrevocable and shall become
24 effective on the effective date of active membership in the
25 system resulting from the member's return to service. Payment of
26 regular member contributions and shared-risk member
27 contributions for Class A-5 State service performed prior to the
28 election of Class A-5 membership shall be made in a form, manner
29 and time determined by the board. Payment of employer defined
30 contributions and mandatory participant contributions to the

1 plan for State service performed prior to the election of
2 participation in the plan shall be as established in the plan
3 document. Upon termination and subsequent reemployment, a member
4 who elected Class A-5 membership and participation in the plan
5 shall be credited as a Class A-5 member and participant for
6 creditable State service performed after reemployment,
7 regardless of termination of employment, termination of
8 membership or participation by withdrawal of total accumulated
9 deductions, Class A-5 accumulated deductions or distribution of
10 all or part of accumulated total defined contributions or status
11 as an annuitant, vestee, inactive member, participant receiving
12 distributions or inactive participant after the termination of
13 service.

14 (d) Effect of failure to make election.--Failure to elect to
15 become a Class A-5 member and participant within the election
16 period set forth in subsection (b) shall result in all of the
17 member's State service being credited in the class of membership
18 otherwise provided for under this part and not subject to
19 further election or crediting as Class A-5 service or eligible
20 for participation in the plan. Upon termination and subsequent
21 employment, a member who failed to elect to become a Class A-5
22 member and participant shall not be eligible to make another
23 election to become a Class A-5 member or participant for either
24 past or future State service.

25 Section 312.2. Sections 5307, 5308, 5308.1 introductory
26 paragraph and (1), 5309, 5310, 5311 and 5501 of Title 71 are
27 amended to read:

28 § 5307. Eligibility points.

29 (a) General rule.--An active member of the system shall
30 accrue one eligibility point for each year of credited service

1 as a member of the [State or] system and if a multiple service
2 member as a member of the Public School Employees' Retirement
3 System. A member shall accrue an additional two-thirds of an
4 eligibility point for each year of Class D-3 credited service.
5 In the case of a fractional part of a year of credited service,
6 a member shall accrue the corresponding fractional portion of
7 eligibility points to which the class of service entitles him.

8 (a.1) USERRA leave.--A member of the system or participant
9 in the plan who is reemployed from USERRA leave or who dies
10 while performing USERRA leave shall be granted the eligibility
11 points that he would have accrued had he continued in his State
12 office or employment instead of performing USERRA leave. In the
13 event that a State employee who is reemployed from USERRA leave
14 makes the member contributions or mandatory pickup participant
15 contributions to be granted State service credit for the USERRA
16 leave, no additional eligibility points will be granted.

17 (b) Transitional rule.--

18 (1) In determining whether a member who is not a State
19 employee or school employee on June 30, 2001, and July 1,
20 2001, and who has previous State service (except a disability
21 annuitant who returns to State service after June 30, 2001,
22 upon termination of the disability annuity) has the five
23 eligibility points required by sections 5102 (relating to
24 definitions), 5308(b) (relating to eligibility for
25 annuities), 5309 (relating to eligibility for vesting),
26 5704(b) (relating to disability annuities) and 5705(a)
27 (relating to member's options), only eligibility points
28 earned by performing credited State service[,] or USERRA
29 leave in a class of service other than Class A-5, or credited
30 school service as an active member of the Public School

1 Employees' Retirement System in a class of service other than
2 Class T-G after June 30, 2001, shall be counted until such
3 member earns one such eligibility point by performing
4 credited State service or credited school service after June
5 30, 2001, at which time all eligibility points other than
6 eligibility points in classes of service other than Class A-5
7 or Class T-G as determined pursuant to subsection (a) shall
8 be counted.

9 (2) Any member to whom paragraph (1) applies shall be
10 considered to have satisfied any requirement for five
11 eligibility points contained in this part if the member:

12 (i) has ten or more eligibility points of the
13 applicable class of service as determined pursuant to
14 subsection (a); or

15 (ii) has Class G, Class H, Class I, Class J, Class
16 L, Class M or Class N service and has eight or more
17 eligibility points of a class of service other than Class
18 A-5 or Class T-G as determined pursuant to subsection
19 (a).

20 (c) Transitional rule for members with Class A-5 service
21 credit.--

22 (1) Any provision of this part pertaining to eligibility
23 points applicable to the eligibility for or calculation of
24 annuities or benefits attributable to classes of service
25 other than Class A-5 shall not include any eligibility points
26 attributable to service credited in Class A-5 or as a member
27 of Class T-G in the Public School Employees' Retirement
28 System.

29 (2) Any provision of this part pertaining to eligibility
30 points applicable to the eligibility for or calculation of

1 annuities or benefits attributable to service in Class A-5
2 shall include only eligibility points attributable to service
3 credited in Class A-5 or if a multiple service member as a
4 member of Class T-G in the Public School Employees'
5 Retirement System.

6 (3) Only eligibility points earned as a member of Class
7 A-5, or if a multiple service member, as a member of Class T-
8 G in the Public School Employees' Retirement System, shall be
9 applicable to any provision in this part requiring
10 eligibility points for the determination or payment of
11 benefits from the plan.

12 § 5308. Eligibility for annuities.

13 (a) Superannuation annuity.--Attainment of superannuation
14 age by an active member or an inactive member on leave without
15 pay with three or more eligibility points other than eligibility
16 points resulting from nonstate service or nonschool service
17 shall entitle him to receive a superannuation annuity upon
18 termination of State service and compliance with section 5907(f)
19 (relating to rights and duties of State employees [and
20 members).], members and participants); provided that only
21 eligibility points earned in classes of service other than Class
22 A-5 or, if a multiple service member, in Class T-G shall be used
23 to determine if a member has the three eligibility points
24 necessary to be eligible to receive a superannuation annuity
25 attributable to classes of service other than Class A-5; and
26 further provided, that only eligibility points earned in Class
27 A-5 or, if a multiple service member, in Class T-G shall be used
28 to determine if a member has the three eligibility points
29 necessary to be eligible to receive a superannuation annuity
30 attributable to Class A-5 service.

1 (b) Withdrawal annuity.--

2 (1) Any vestee or any active member or inactive member
3 on leave without pay who terminates State service having five
4 or more eligibility points and who does not have Class A-3
5 [or], Class A-4 or Class A-5 service credit or Class T-E
6 [or], Class T-F or Class T-G service credit in the Public
7 School Employees' Retirement System, or who has Class G,
8 Class H, Class I, Class J, Class K, Class L, Class M or Class
9 N service and terminates State service having five or more
10 eligibility points, upon compliance with section 5907(f), (g)
11 or (h) shall be entitled to receive an annuity.

12 (2) Any vestee, active member or inactive member on
13 leave without pay who has Class A-3 or Class A-4 service
14 credit or, if a multiple service member, Class T-E or Class
15 T-F service credit in the Public School Employees' Retirement
16 System who terminates State service having ten or more
17 eligibility points in classes of service other than Class A-5
18 or Class T-G in the Public School Employees' Retirement
19 System, upon compliance with section 5907(f), (g) or (h),
20 shall be entitled to receive an annuity based on service and
21 compensation in classes of service other than Class A-5 or
22 Class T-G.

23 (3) Any vestee, active member or inactive member on
24 leave without pay who has either Class A-3 [or], Class A-4 or
25 Class A-5 service credit or, if a multiple service member,
26 Class T-E [or], Class T-F or Class T-G service credit in the
27 Public School Employees' Retirement System and also has
28 service credited in the system in one or more other classes
29 of service who has five or more, but fewer than ten,
30 eligibility points from classes of service other than Class

1 A-5 or Class T-G, upon compliance with section 5907(f), (g)
2 or (h), shall be eligible to receive an annuity calculated on
3 his service credited in classes of service other than Class
4 A-3 [or], Class A-4 or Class A-5, provided that the member
5 has five or more eligibility points resulting from service in
6 classes other than Class A-3 [or], Class A-4 or Class A-5 or
7 Class T-E [or], Class T-F or Class T-G service in the Public
8 School Employees' Retirement System.

9 (4) In addition to any withdrawal annuity payable under
10 paragraph (2) or (3), any vestee, active member or inactive
11 member on leave without pay who terminates State service
12 having 25 or more eligibility points resulting from Class A-5
13 service credit or, if a multiple service member, Class T-G
14 service credit in the Public School Employees' Retirement
15 System, upon compliance with section 5907 (f), (g) or (h)
16 shall be entitled to receive an annuity based on service and
17 compensation as a member of Class A-5 and Class T-G in
18 addition to any annuity the member is eligible to receive
19 from other classes of service. In the event a member
20 terminates State service having ten or more, but less than 25
21 eligibility points resulting from Class A-5 service credit
22 or, if a multiple service member, Class T-G service credit in
23 the Public School Employees' Retirement System, the member
24 shall be eligible to receive an annuity based on Class A-5
25 service credit upon attainment of superannuation age.

26 (c) Disability annuity.--An active member or inactive member
27 on leave without pay who:

28 (1) has five or more eligibility points other than
29 eligibility points resulting from service as a member of
30 Class A-5 or membership in the Public School Employees'

1 Retirement System [or any active member or inactive member on
2 leave without pay who];

3 (2) is an officer of the Pennsylvania State Police or an
4 enforcement officer; or

5 (3) has five or more eligibility points resulting from
6 service as a member of Class A-5;

7 shall, upon compliance with section 5907(k), be entitled to a
8 disability annuity based on service and compensation in classes
9 other than Class A-5 if he is eligible for a disability annuity
10 on service other than as a member of Class A-5 and a disability
11 annuity based on service and compensation in Class A-5 if he is
12 eligible for a disability annuity based on service and
13 compensation as a member of Class A-5 if he becomes mentally or
14 physically incapable of continuing to perform the duties for
15 which he is employed and qualifies in accordance with the
16 provisions of section 5905(c)(1) (relating to duties of the
17 board regarding applications and elections of members).

18 § 5308.1. Eligibility for special early retirement.

19 Notwithstanding any provisions of this title to the contrary,
20 the following special early retirement provisions shall be
21 applicable to specified eligible members [as follows]:

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

1 the superannuation age.

2 * * *

3 § 5309. Eligibility for vesting.

4 Any member who:

5 (1) Does not have Class A-3 [or], Class A-4 or Class A-5
6 service credit or, if a multiple service member, Class T-E
7 [or], Class T-F or Class T-G service credit in the Public
8 School Employees' Retirement System and terminates State
9 service, or if a multiple service member and an active member
10 of the Public School Employees' Retirement System terminates
11 school service, with five or more eligibility points, or any
12 member with Class G, Class H, Class I, Class J, Class K,
13 Class L, Class M or Class N service with five or more
14 eligibility points, shall be eligible until attainment of
15 superannuation age to vest his retirement benefits.

16 (2) Has only Class A-3 or Class A-4 service credit [or]
17 and, if a multiple service member, only Class T-E or Class T-
18 F service credit in the Public School Employees' Retirement
19 System and terminates State service, or if a multiple service
20 member and an active member of the Public School Employees'
21 Retirement System terminates school service, with ten or more
22 eligibility points shall be eligible until attainment of
23 superannuation age to vest his retirement benefits.

24 (3) Has either Class A-3 or Class A-4 service credit
25 [or] and, if a multiple service member, Class T-E or Class T-
26 F service credit in the Public School Employees' Retirement
27 System, also has service credited in the system in one or
28 more other classes of service other than Class A-5 and has
29 five or more, but fewer than ten, eligibility points
30 resulting from service in classes other than Class A-5 or

1 Class T-G and terminates State service, or if a multiple
2 service member and an active member of the Public School
3 Employees' Retirement System terminates school service,
4 shall be eligible until the attainment of superannuation age
5 to vest his retirement benefits calculated on his service
6 credited in classes of service other than Class A-3 [or],
7 Class A-4 or Class A-5 and to be credited with statutory
8 interest on total accumulated deductions, regardless of
9 whether or not any part of his accumulated deductions are a
10 result of Class A-3 or Class A-4 service credit.

11 (4) Has only Class A-5 service credit and, if a multiple
12 service member, only Class T-G service credit in the Public
13 School Employees' Retirement System and terminates State
14 service, or, if a multiple service member and an active
15 member of the Public School Employees' Retirement System,
16 terminates school service with ten or more and less than 25
17 eligibility points shall be required until attainment of
18 superannuation age to vest his retirement benefits resulting
19 from Class A-5 service.

20 (5) Has only Class A-5 service credit and, if a multiple
21 service member, only Class T-G service credit in the Public
22 School Employees' Retirement System and terminates State
23 service, or, if a multiple service member and an active
24 member of the Public School Employees' Retirement System,
25 terminates school service with 25 or more eligibility points
26 shall be eligible until attainment of superannuation age to
27 vest his retirement benefits resulting from Class A-5
28 service.

29 (6) Has Class A-5 service credit and service credited in
30 one or more other classes of service and terminates State

1 service, or if a multiple service member and an active member
2 of the Public School Employees' Retirement System terminates
3 school service, shall be required or eligible to vest his
4 retirement benefits based on Class A-5 service until the
5 attainment of the applicable superannuation age if he would
6 be required or eligible to vest his retirement benefits based
7 on Class A-5 service under paragraph (4) or (5) disregarding
8 all classes of service other than Class A-5 and Class T-G and
9 shall be eligible to vest his retirement benefits in each
10 other class of service other than Class A-5 in accordance
11 with the requirements of each class of service until the
12 attainment of the applicable superannuation ages for each
13 class of service for which he would be able to vest his
14 retirement benefits under paragraph (1), (2) or (3)
15 disregarding service in Class A-5 and Class T-G.

16 § 5310. Eligibility for death benefits.

17 In the event of the death of a member who is eligible for an
18 annuity in accordance with section 5308(a) or (b) (relating to
19 eligibility for annuities), his beneficiary shall be entitled to
20 a death benefit. For purposes of this section, a member with ten
21 or more but less than 25 eligibility points resulting from Class
22 A-5 service credit or, if a multiple service member, Class T-G
23 service credit in the Public School Employees' Retirement System
24 shall be considered eligible for an annuity based on Class A-5
25 service even if under superannuation age.

26 § 5311. Eligibility for refunds.

27 (a) Total accumulated deductions.--Any active member,
28 regardless of eligibility for benefits, may elect to receive his
29 total accumulated deductions upon termination of service in lieu
30 of any benefit from the system resulting from service in classes

1 other than Class A-5 to which he is entitled.

2 (a.1) Class A-5 accumulated deductions.--An active member
3 who has service credited as a Class A-5 member and is not
4 eligible to receive an immediate annuity or be a vestee as a
5 result of his Class A-5 service may elect to receive his Class
6 A-5 accumulated deductions upon termination of service in lieu
7 of any benefit from the system resulting from service in Class
8 A-5 to which he is entitled.

9 (b) Social security integration accumulated deductions.--Any
10 active member at any time may elect to receive his social
11 security integration accumulated deductions and thereby to have
12 all his social security integration credits and benefits
13 therefor cancelled, and shall not be entitled to accrue any
14 further social security integration credits or benefits; except
15 that a disability annuitant who returns to State service in a
16 class of service other than Class A-5 shall have the right to
17 reinstate his social security integration accumulated deductions
18 and credits therefor.

19 § 5501. Regular member contributions for current service.

20 Regular member contributions shall be made to the fund on
21 behalf of each active member for current service except for any
22 period of current service in which the making of such
23 contributions has ceased solely by reason of section 5502.1
24 (relating to waiver of regular member contributions and Social
25 Security integration member contributions) or any provision of
26 this part relating to the limitations under IRC § 401(a)(17) or
27 [415(b).] 415 or limitations on contributions to the system
28 applicable to a Class A-5 member who is making mandatory pickup
29 participant contributions to the trust.

30 Section 313. Section 5501.1(a) and (b)(1) and (7) of Title

1 71 are amended and the section is amended by adding a subsection
2 to read:

3 § 5501.1. Shared-risk member contributions for Class A-3 [and],
4 Class A-4 and Class A-5 service.

5 (a) General.--Shared-risk member contributions shall be made
6 to the fund on behalf of each member of Class A-3 [or],
7 Class A-4 or Class A-5 for current service credited as Class A-3 [or],
8 Class A-4 or Class A-5 as provided under this section, except
9 for any period of current service in which the making of the
10 contributions has ceased solely by reason of any provision of
11 this part relating to the limitations under IRC § 401(a)(17) or
12 415 or any provision of this part limiting contributions
13 applicable to a Class A-5 member. Shared-risk member

14 contributions shall be credited to the members' savings account.

15 (b) Determination of shared-risk contribution rate[.--] for
16 Class A-3 and Class A-4 service.--The shared-risk contribution
17 for Class A-3 and Class A-4 service shall be determined as
18 follows:

19 (1) For the period from the effective date of this
20 section until June 30, 2014, the shared-risk contribution
21 rate for Class A-3 and Class A-4 service shall be zero.

22 * * *

23 (7) For any fiscal year in which the actual
24 contributions by the Commonwealth or an employer are lower
25 than those required to be made under section 5507(d)
26 (relating to contributions to the system by the Commonwealth
27 and other employers), the prospective shared-risk
28 contribution rate for those employees whose employers are not
29 making the contributions required by section 5507(d) shall be
30 zero and shall not subsequently be increased, except as

1 otherwise provided in this section.

2 * * *

3 (c) Determination of shared-risk contribution rate for Class
4 A-5 service.--The shared risk contribution for Class A-5 service
5 shall be determined as follows:

6 (1) For the period from the effective date of this
7 section until June 30, 2021, the shared-risk contribution
8 rate for Class A-5 service shall be zero.

9 (2) For the period from July 1, 2021, to June 30, 2024,
10 if the annual interest rate adopted by the board for use
11 during the period from January 1, 2018, to December 31, 2020,
12 for the calculation of the normal contribution rate is more
13 than 1% greater than the actual rate of return, net of fees,
14 of the investments of the fund based on market value over the
15 period, the shared-risk contribution rate shall be 0.5%. In
16 all other situations, the shared-risk contribution rate shall
17 be zero.

18 (3) For each subsequent three-year period, the shared-
19 risk contribution rate shall be increased by 0.5% if the
20 annual interest rate adopted by the board for use during the
21 previous ten-year period for the calculation of the normal
22 contribution rate is more than 1% greater than the actual
23 rate of return, net of fees, of the investments of the fund
24 based on market value over the period. The shared-risk
25 contribution rate shall be decreased by 0.5% if the annual
26 interest rate adopted by the board for use during the
27 previous ten-year period for the calculation of the normal
28 contribution rate is equal to or less than the actual rate of
29 return, net of fees, of the investments of the fund based on
30 market value over that period.

1 (4) Notwithstanding paragraphs (2) and (3), the shared-
2 risk contribution rate may not be less than zero and may not
3 be more than the experience adjustment factor resulting from
4 investment gains or losses in effect on the first day when
5 the new rate would be applied, expressed as a percentage of
6 member compensation, provided that in no event may the
7 shared-risk contribution rate be more than 2%. For the
8 determination of the shared-risk contribution rate to be
9 effective July 1, 2024, the determination period shall be
10 January 1, 2018, through December 31, 2023. For the
11 determination of the shared-risk contribution rate to be
12 effective July 1, 2027, the determination period shall be
13 January 1, 2018, through December 31, 2026.

14 (5) The shared-risk contribution rate and the factors
15 entering into its calculation shall be certified by the
16 actuary as part of the annual valuations and the actuarial
17 investigation and evaluation of the system conducted every
18 five years under section 5902(j) (relating to administrative
19 duties of the board).

20 (6) In the event that the annual interest rate adopted
21 by the board for the calculation is changed during the period
22 used to determine the shared-risk contribution rate, the
23 board, with the advice of the actuary, shall determine the
24 applicable rate during the entire period, expressed as an
25 annual rate.

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 to the system by the Commonwealth
30 and other employers), the prospective shared-risk

1 contribution rate for those employees whose employers are not
2 making the contributions required by section 5507(d) shall be
3 zero and shall not subsequently be increased, except as
4 otherwise provided in this section.

5 (8) If the actuary certifies that the accrued liability
6 contributions calculated in accordance with the actuarial
7 cost method provided in section 5508(b), as adjusted by the
8 experience adjustment factor, are zero or less, then the
9 shared-risk contribution rate for the next fiscal year shall
10 be zero and shall not subsequently be increased, except as
11 otherwise provided in this section.

12 Section 314. Sections 5502, 5502.1(b), 5503.1(a), 5504,
13 5505(b) (1), (c), (d) and (i) (4) and 5506(a) of Title 71 are
14 amended to read:

15 § 5502. Social Security integration member contributions.

16 Except for any period of current service in which the making
17 of regular member contributions has ceased 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
21 limitations under IRC § 401(a) (17) or 415(b), contributions
22 shall be made on behalf of [a] an active member of any class
23 other than Class A-5 who prior to March 1, 1974, has elected
24 Social Security integration coverage. The amount of such
25 contributions shall be 6 1/4% of that portion of his
26 compensation as an active member in excess of the maximum wages
27 taxable under the provisions of the Social Security Act (49
28 Stat. 620, 42 U.S.C. § 301 et seq.), in addition to the regular
29 member contributions which, after such election, shall be
30 determined on the basis of the basic contribution rate of 5% and

1 the additional member contribution of 1 1/4%: Provided, That a
2 member may elect to discontinue Social Security integration
3 coverage and shall thereafter be ineligible to accrue any
4 further Social Security integration credits or any additional
5 benefits on account of Social Security integration membership.

6 § 5502.1. Waiver of regular member contributions and Social
7 Security integration member contributions.

8 * * *

9 (b) Applicability.--This section shall not apply to any
10 member who has Class A-3 [or], Class A-4 or Class A-5 service
11 credit.

12 § 5503.1. Pickup contributions.

13 (a) Treatment for purposes of IRC § 414(h).--All
14 contributions to the fund required to be made under sections
15 5501 (relating to regular member contributions for current
16 service), 5501.1 (relating to shared-risk member contributions
17 for Class A-3 [and], Class A-4 and Class A-5 service), 5502
18 (relating to Social Security integration member contributions),
19 5503 (relating to joint coverage member contributions) and
20 [section] 5505.1 (relating to additional member contributions),
21 with respect to current State service rendered by an active
22 member on or after January 1, 1982, shall be picked up by the
23 Commonwealth or other employer and shall be treated as the
24 employer's contribution for purposes of IRC § 414(h).

25 * * *

26 § 5504. Member contributions for the purchase of credit for
27 previous State service or to become a full coverage
28 member.

29 (a) Amount of contributions for service in other than Class
30 G through N.--

1 (1) The contributions to be paid by an active member or
2 eligible school employee for credit [for] in the system for
3 the portion of total previous State service other than
4 service in Class G, Class H, Class I, Class J, Class K, Class
5 L, Class M and Class N that a member is eligible to have
6 credited or to become a full coverage member shall be
7 sufficient to provide an amount equal to the regular and
8 additional accumulated deductions which would have been
9 standing to the credit of the member for such service had
10 regular and additional member contributions been made with
11 full coverage in the class of service and at the rate of
12 contribution applicable during such period of previous
13 service and had his regular and additional accumulated
14 deductions been credited with statutory interest during all
15 periods of subsequent State service as an active member or
16 inactive member on leave without pay and school service as an
17 active member or inactive member of the Public School
18 Employees' Retirement System up to the date of purchase.

19 (2) Notwithstanding paragraph (1), active members [with]
20 who perform State service credited as Class A-3 [State]
21 service shall make contributions and receive credit as if the
22 previous State service was Class A-3 service, and active
23 members [with] who perform State service credited as Class A-
24 4 [State] service shall make contributions and receive credit
25 as if the previous State service was Class A-4 service, even
26 if it would have been credited as a different class of
27 service had the State employee been a member of the system at
28 the time the service was performed unless it was mandatory
29 that the State employee be an active member of the system and
30 the previous State service is being credited as the result of

1 a mandatory active membership requirement.

2 (a.1) Converted county service.--No contributions shall be
3 required to restore credit for previously credited State service
4 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
5 and Class N. Such service shall be restored upon the
6 commencement of payment of the contributions by an active member
7 of a class of service other than Class A-5 required to restore
8 credit in the system for all other previous State service other
9 than Class A-5 service.

10 (b) Certification and method of payment.--The amount payable
11 shall be certified in each case by the board in accordance with
12 methods approved by the actuary and shall be paid in a lump sum
13 within 30 days or in the case of an active member or eligible
14 school employee who is an active member of the Public School
15 Employees' Retirement System may be amortized with statutory
16 interest through salary deductions to the system in amounts
17 agreed upon by the member and the board. The salary deduction
18 amortization plans agreed to by members and the board may
19 include a deferral of payment amounts and statutory interest
20 until the termination of school service or State service as the
21 board in its sole discretion decides to allow. The board may
22 limit the salary deduction amortization plans to such terms as
23 the board in its sole discretion determines. In the case of an
24 eligible school employee who is an active member of the Public
25 School Employees' Retirement System, the agreed upon salary
26 deductions shall be remitted to the Public School Employees'
27 Retirement Board, which shall certify and transfer to the board
28 the amounts paid.

29 § 5505. Contributions for the purchase of credit for creditable
30 nonstate service.

1 * * *

2 (b) Nonintervening military service.--

3 (1) (i) The amount due for the purchase of credit for
4 military service other than intervening military service
5 by a member who is eligible to make the purchase under
6 section 5304(a)(1) or (2) (relating to creditable
7 nonstate service) shall be determined by applying the
8 member's basic contribution rate, the additional
9 contribution rate plus the Commonwealth normal
10 contribution rate for active members at the time of
11 entry, subsequent to such military service, of the member
12 into State service to his average annual rate of
13 compensation, excluding compensation received for Class
14 A-5 service, over the first three years of such
15 subsequent State service and multiplying the result by
16 the number of years and fractional part of a year of
17 creditable nonintervening military service being
18 purchased together with statutory interest during all
19 periods of subsequent State service as an active member
20 or inactive member on leave without pay and school
21 service as an active member or inactive member of the
22 Public School Employees' Retirement System to date of
23 purchase.

24 (ii) The amount due for the purchase of credit for
25 military service other than intervening military service
26 by a member who is eligible to make the purchase under
27 section 5304(a)(3) shall be determined by applying the
28 member's basic contribution rate, plus the Commonwealth
29 normal contribution rate for active members at the time
30 of entry, subsequent to such military service, of the

1 member into Class A-5 State service to his average annual
2 rate of compensation received for Class A-5 service
3 subject to any limit each year by the application of the
4 Class A-5 annual compensation limit, over the first three
5 years of such subsequent Class A-5 State service and
6 multiplying the result by the number of years and
7 fractional part of a year of creditable nonintervening
8 military service being purchased, together with statutory
9 interest during all periods of subsequent State service
10 as an active member or inactive member on leave without
11 pay and school service as an active member or inactive
12 member of the Public School Employees' Retirement System
13 to date of purchase.

14 (iii) Upon application for credit for such service,
15 payment shall be made in a lump sum within 30 days or in
16 the case of an active member or eligible school employee
17 who is an active member of the Public School Employees'
18 Retirement System it may be amortized with statutory
19 interest through salary deductions in amounts agreed upon
20 by the member and the board. The salary deduction
21 amortization plans agreed to by members and the board may
22 include a deferral of payment amounts and statutory
23 interest until the termination of school service or State
24 service as the board in its sole discretion decides to
25 allow. The board may limit salary deduction amortization
26 plans to such terms as the board in its sole discretion
27 determines. In the case of an eligible school employee
28 who is an active member of the Public School Employees'
29 Retirement System, the agreed upon salary deductions
30 shall be remitted to the Public School Employees'

1 Retirement Board, which shall certify and transfer to the
2 board the amounts paid. Application may be filed for all
3 such military service credit upon completion of three
4 years of subsequent State service and shall be credited
5 as Class A service.

6 * * *

7 (c) Intervening military service.--Contributions on account
8 of credit for intervening military service shall be determined
9 by the member's regular contribution rate, shared-risk
10 contribution rate, Social Security integration contribution
11 rate, the additional contribution rate which shall be applied
12 only to those members who began service on or after the
13 effective date of this amendatory act and compensation at the
14 time of entry of the member into active military service,
15 together with statutory interest during all periods of
16 subsequent State service as an active member or inactive member
17 on leave without pay and school service as an active member or
18 inactive member of the Public School Employees' Retirement
19 System to date of purchase. Upon application for such credit the
20 amount due shall be certified in the case of each member by the
21 board in accordance with methods approved by the actuary, and
22 contributions may be made by:

23 (1) regular monthly payments during active military
24 service; or

25 (2) a lump sum payment within 30 days of certification;
26 or

27 (3) salary deductions to the system in amounts agreed
28 upon by the member or eligible school employee who is an
29 active member of the Public School Employees' Retirement
30 System and the board.

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

12 (d) Nonmilitary and nonmagisterial service.--Contributions
13 on account of credit for creditable nonstate service other than
14 military and magisterial service by State employees who first
15 become members of the system before January 1, 2011, or before
16 December 1, 2010, as a member of the General Assembly shall be
17 determined by applying the member's basic contribution rate, the
18 additional contribution rate plus the Commonwealth normal
19 contribution rate for active members at the time of entry
20 subsequent to such creditable nonstate service of the member
21 into State service to his compensation at the time of entry into
22 State service as a member of the system and multiplying the
23 result by the number of years and fractional part of a year of
24 creditable nonstate service being purchased together with
25 statutory interest during all periods of subsequent State
26 service as an active member or inactive member on leave without
27 pay and school service as an active member or inactive member of
28 the Public School Employees' Retirement System to the date of
29 purchase. Upon application for credit for such service payment
30 shall be made in a lump sum within 30 days or in the case of an

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

16 * * *

17 (i) Purchases of nonstate service credit by State employees
18 who first became members of the system on or after December 1,
19 2010.--

20 * * *

21 (4) The payment for credit purchased under this
22 subsection shall be certified in each case by the board in
23 accordance with methods approved by the actuary and shall be
24 paid in a lump sum within 30 days or in the case of an active
25 member or eligible school employee who is an active member of
26 the Public School Employees' Retirement System may be
27 amortized with statutory interest through salary deductions
28 to the system in amounts agreed upon by the member and the
29 board. The salary deduction amortization plans agreed to by
30 members and the board may include a deferral of payment

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

11 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

1 determination period and the denominator of which is 12.

2 * * *

3 Section 315. Title 71 is amended by adding a section to
4 read:

5 § 5506.2. Application of Class A-5 annual compensation limit.

6 (a) General rule.--The Class A-5 annual compensation limit
7 shall be applied to the total compensation received each
8 calendar year for service as a member of Class A-5 and, if a
9 multiple service member, for service in Class T-G in the Public
10 School Employees' Retirement System.

11 (b) Adjustment required.--For purposes of calculating final
12 average salary for the determination of standard single life
13 annuities and other benefits resulting from Class A-5 service,
14 compensation received each calendar year for Class A-5 service
15 and, if a multiple service member, as a school employee for
16 service as a Class T-G member of the Public School Employees'
17 Retirement System shall be adjusted by first limiting the
18 compensation to the Class A-5 annual compensation limit for that
19 year. The limited Class A-5 service compensation shall then be
20 annualized for any part-time service on the basis of the
21 fractional portion of the year for which credit is received.

22 Section 316. Section 5507(a), (b), (d) and (e) of Title 71
23 are amended and the section is amended by adding a subsection to
24 read:

25 § 5507. Contributions to the system by the Commonwealth and
26 other employers.

27 (a) Contributions on behalf of active members.--The
28 Commonwealth and other employers whose employees are members of
29 the system or participants in the plan shall make contributions
30 to the fund on behalf of all active members in such amounts as

1 shall be certified by the board as necessary to provide,
2 together with the members' total accumulated deductions and
3 Class A-5 accumulated deductions, annuity reserves on account of
4 prospective annuities other than those provided in sections 5708
5 (relating to supplemental annuities), 5708.1 (relating to
6 additional supplemental annuities), 5708.2 (relating to further
7 additional supplemental annuities), 5708.3 (relating to
8 supplemental annuities commencing 1994), 5708.4 (relating to
9 special supplemental postretirement adjustment), 5708.5
10 (relating to supplemental annuities commencing 1998), 5708.6
11 (relating to supplemental annuities commencing 2002), 5708.7
12 (relating to supplemental annuities commencing 2003) and 5708.8
13 (relating to special supplemental postretirement adjustment of
14 2002), in accordance with the actuarial cost method provided in
15 section 5508(a), (b), (c), (d) and (f) (relating to actuarial
16 cost method).

17 (b) Contributions on behalf of annuitants.--The Commonwealth
18 and other employers whose employees are members of the system or
19 participants in the plan shall make contributions on behalf of
20 annuitants in such amounts as shall be certified by the board as
21 necessary to fund the liabilities for supplemental annuities in
22 accordance with the actuarial cost method provided in section
23 5508(e) [(relating to actuarial cost method)].

24 (b.1) Payment of employer contributions to the system.--

25 (1) Payment of employer normal contributions shall be as
26 a percentage of:

27 (i) the compensation of active members in classes of
28 service other than Class A-5; and

29 (ii) the compensation of active members of Class A-5
30 who have 25 or fewer eligibility points resulting from

1 Class A-5 service or, if a multiple service member, Class
2 T-G service up to each employee's Class A-5 annual
3 compensation limit.

4 (2) Payment of accrued liability contributions as
5 modified by the experience adjustment factor shall be as a
6 percentage of compensation of active members and active
7 participants.

8 * * *

9 (d) Payment of final contribution rate.--Notwithstanding the
10 calculation of the actuarially required contribution rate and
11 the provisions of subsections (a) and (b), the Commonwealth and
12 other employers whose employees are members of the system or
13 participants in the plan shall make contributions to the fund on
14 behalf of all active members and annuitants in such amounts as
15 shall be certified by the board in accordance with section
16 5508(i).

17 (e) Benefits completion plan contributions.--In addition to
18 all other contributions required under this section and section
19 5508, the Commonwealth and other employers whose employees are
20 members of the system shall make contributions as certified by
21 the board pursuant to section 5941 (relating to benefits
22 completion plan). Payment of contributions under this subsection
23 shall be as a percentage of the compensation of active members
24 in classes of service other than Class A-5 and the compensation
25 of active members of Class A-5 who have 25 or fewer eligibility
26 points resulting from Class A-5 service or, if a multiple
27 service member, Class T-G up to each employee's Class A-5 annual
28 compensation limit.

29 * * *

30 Section 317. Section 5508(a), (b), (c)(1) and (3), (e)(2),

1 (f) and (h) of Title 71 are amended and subsection (c) is
2 amended by adding a paragraph to read:

3 § 5508. Actuarial cost method.

4 (a) Employer contribution rate on behalf of active
5 members.--The amount of the Commonwealth and other employer
6 contributions on behalf of all active members shall be computed
7 by the actuary as a percentage of the total compensation of all
8 active members and participants, subject to the limitations in
9 section 5507(b.1) (relating to contributions to the system by
10 the Commonwealth and other employees), during the period for
11 which the amount is determined and shall be so certified by the
12 board. The actuarially required contribution rate on behalf of
13 all active members shall consist of the employer normal
14 contribution rate, as defined in subsection (b), and the accrued
15 liability contribution rate as defined in subsection (c). The
16 actuarially required contribution rate on behalf of all active
17 members shall be modified by the experience adjustment factor as
18 calculated in subsection (f).

19 (b) Employer normal contribution rate.--The employer normal
20 contribution rate shall be determined after each actuarial
21 valuation on the basis of an annual interest rate and such
22 mortality and other tables as shall be adopted by the board in
23 accordance with generally accepted actuarial principles. The
24 employer normal contribution rate shall be determined as a level
25 percentage of the compensation of the average new active member
26 on which employer normal contributions are made under section
27 5507(b.1), which percentage, if contributed on the basis of his
28 prospective compensation on which employer normal contributions
29 are made under section 5507(b.1) through his entire period of
30 active State service, would be sufficient to fund the liability

1 for any prospective benefit payable to him in excess of that
2 portion funded by his prospective member contributions,
3 excluding shared-risk member contributions. In no case shall the
4 employer normal contribution rate be less than zero.

5 (c) Accrued liability contribution rate.--

6 (1) For the fiscal years beginning July 1, 2002, and
7 July 1, 2003, the accrued liability contribution rate shall
8 be computed as the rate of total compensation of all active
9 members which shall be certified by the actuary as sufficient
10 to fund over a period of ten years from July 1, 2002, the
11 present value of the liabilities for all prospective
12 benefits, except for the supplemental benefits as provided in
13 sections 5708 (relating to supplemental annuities), 5708.1
14 (relating to additional supplemental annuities), 5708.2
15 (relating to further additional supplemental annuities),
16 5708.3 (relating to supplemental annuities commencing 1994),
17 5708.4 (relating to special supplemental postretirement
18 adjustment), 5708.5 (relating to supplemental annuities
19 commencing 1998), 5708.6 (relating to supplemental annuities
20 commencing 2002), 5708.7 (relating to supplemental annuities
21 commencing 2003) and 5708.8 (relating to special supplemental
22 postretirement adjustment of 2002), in excess of the total
23 assets in the fund (calculated recognizing all investment
24 gains and losses over a five-year period), excluding the
25 balance in the supplemental annuity account, and the present
26 value of employer normal contributions and of member
27 contributions payable with respect to all active members on
28 December 31, 2001, and excluding contributions to be
29 transferred by county retirement systems or pension plans
30 pursuant to section 5507(c) (relating to contributions to the

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

13 * * *

14 (3) For the fiscal year beginning July 1, 2010, the
15 accrued liability contribution rate shall be computed as the
16 rate of total compensation of all active members which shall
17 be certified by the actuary as sufficient to fund in equal
18 dollar installments over a period of 30 years from July 1,
19 2010, the present value of the liabilities for all
20 prospective benefits calculated as of the immediately prior
21 valuation date, including the supplemental benefits as
22 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
23 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
24 payable from the retirement benefit plan established pursuant
25 to section 5941 (relating to benefits completion plan), in
26 excess of the actuarially calculated assets in the fund
27 (calculated recognizing all realized and unrealized
28 investment gains and losses each year in level annual
29 installments over five years), including the balance in the
30 supplemental annuity account, and the present value of

1 employer normal contributions and of member contributions
2 payable with respect to all active members, inactive members
3 on leave without pay, vestees and special vestees on December
4 31, 2009. If the accrued liability is changed by legislation
5 enacted subsequent to December 31, 2009, and before January
6 1, 2014, such change in liability shall be funded in equal
7 dollar installments over a period of ten years from the first
8 day of July following the valuation date coincident with or
9 next following the date such legislation is enacted.

10 (4) For fiscal years beginning on or after July 1, 2015,
11 the accrued liability contribution rate shall be computed as
12 provided for under paragraph (3), except that the rate shall
13 be computed as a rate of total compensation of all active
14 members and active participants. In addition to any employer
15 defined contributions made to the trust, the Commonwealth and
16 other employers of participants shall make the accrued
17 liability contributions to the fund certified by the board.
18 If the accrued liability is changed by legislation enacted
19 subsequent to December 31, 2014, the change in liability
20 shall be funded in equal dollar installments as a percentage
21 of compensation of all active members and active participants
22 over a period of ten years from the first day of July
23 following the valuation date coincident with or next
24 following the date such legislation is enacted. The accrued
25 liability contribution rate shall be determined after each
26 actuarial valuation on the basis of an annual interest rate
27 and the mortality and other tables adopted by the board in
28 accordance with generally accepted actuarial principles.

29 * * *

30 (e) Supplemental annuity contribution rate.--

1 * * *

2 (2) For fiscal years beginning on or after July 1, 2010,
3 contributions from the Commonwealth and other employers whose
4 employees are members of the system required to provide for
5 the payment of supplemental annuities as provided in sections
6 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
7 and 5708.8 shall be paid as part of the accrued liability
8 contribution rate as provided for in subsection (c)(3), and
9 there shall not be a separate supplemental annuity
10 contribution rate attributable to those supplemental
11 annuities. In the event that supplemental annuities are
12 increased by legislation enacted subsequent to December 31,
13 2009, the additional liability for the increase in benefits
14 shall be funded in equal dollar installments as a percentage
15 of compensation of all active members and active participants
16 over a period of ten years from the first day of July
17 following the valuation date coincident with or next
18 following the date such legislation is enacted.

19 (f) Experience adjustment factor.--

20 (1) For each year after the establishment of the accrued
21 liability contribution rate and the supplemental annuity
22 contribution rate for the fiscal year beginning July 1, 2010,
23 any increase or decrease in the unfunded accrued liability
24 and any increase or decrease in the liabilities and funding
25 for supplemental annuities, due to actual experience
26 differing from assumed experience (recognizing all realized
27 and unrealized investment gains and losses over a five-year
28 period), changes in contributions caused by the final
29 contribution rate being different from the actuarially
30 required contribution rate, State employees making shared-

1 risk member contributions, changes in actuarial assumptions
2 or changes in the terms and conditions of the benefits
3 provided by the system by judicial, administrative or other
4 processes other than legislation, including, but not limited
5 to, reinterpretation of the provisions of this part, shall be
6 amortized in equal dollar annual contributions as a
7 percentage of compensation of all active members and active
8 participants over a period of 30 years beginning with the
9 July 1 succeeding the actuarial valuation determining said
10 increases or decreases.

11 (2) The actuarially required contribution rate shall be
12 the sum of the normal contribution rate, the accrued
13 liability contribution rate and the supplemental annuity
14 contribution rate, modified by the experience adjustment
15 factor as calculated in paragraph (1).

16 * * *

17 (h) Temporary application of collared contribution rate.--
18 The collared contribution rate for each fiscal year shall be
19 determined by comparing the actuarially required contribution
20 rate calculated without regard for costs added by legislation to
21 the prior year's final contribution rate. If, for any of the
22 fiscal years beginning July 1, 2011, July 1, 2012, and on or
23 after July 1, 2013, the actuarially required contribution rate
24 calculated without regard for costs added by legislation is more
25 than 3%, 3.5% and 4.5%, respectively, of the total compensation
26 of all active members greater than the prior year's final
27 contribution rate, then the collared contribution rate shall be
28 applied and be equal to the prior year's final contribution rate
29 increased by the respective percentage above of total
30 compensation of all active members. Otherwise, and for all

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

5 * * *

6 Section 318. Sections 5509, 5701 and 5701.1 of Title 71 are
7 amended to read:

8 § 5509. Appropriations and assessments by the Commonwealth.

9 (a) Annual submission of budget.--The board shall prepare
10 and submit annually an itemized budget consisting of the amounts
11 necessary to be appropriated by the Commonwealth out of the
12 General Fund and special operating funds and the amounts to be
13 assessed the other employers required to meet the separate
14 obligations to the fund and the trust accruing during the fiscal
15 period beginning the first day of July of the following year.

16 (b) Appropriation and payment.--The General Assembly shall
17 make an appropriation sufficient to provide for the separate
18 obligations of the Commonwealth to the fund and the trust. Such
19 amount shall be paid by the State Treasurer through the
20 Department of Revenue into the fund or trust, as the case may
21 be, in accordance with requisitions presented by the board. The
22 contributions to the system by the Commonwealth on behalf of
23 active members who are officers of the Pennsylvania State Police
24 shall be charged to the General Fund and to the Motor License
25 Fund in the same ratios as used to apportion the appropriations
26 for salaries of members of the Pennsylvania State Police. The
27 contributions to the system by the Commonwealth on behalf of
28 active members who are enforcement officers and investigators of
29 the Pennsylvania Liquor Control Board shall be charged to the
30 General Fund and to the State Stores Fund.

1 (c) Contributions from funds other than General Fund.--The
2 amounts assessed other employers who are required to make the
3 necessary separate contributions to the fund and the trust out
4 of funds other than the General Fund shall be paid by such
5 employers into the fund or trust, as the case may be, in
6 accordance with requisitions presented by the board. The General
7 Fund of the Commonwealth shall not be held liable to appropriate
8 the moneys required to build up the reserves in the fund
9 necessary for the payment of benefits from the system to
10 employees or to make the employer defined contributions for
11 employees of such other employers. In case any such other
12 employer shall fail to provide to the fund the moneys necessary
13 for such purpose, then the service of such members of the system
14 for such period for which money is not so provided shall be
15 credited and pickup contributions with respect to such members
16 shall continue to be credited to the members' savings account.
17 The annuity to which such member is entitled shall be determined
18 as actuarially equivalent to the present value of the maximum
19 single life annuity of each such member reduced by the amount of
20 employer contributions to the system payable on account and
21 attributable to his compensation during such service, except
22 that no reduction shall be made as a result of the failure of an
23 employer to make contributions required for a period of USERRA
24 leave.

25 § 5701. Return of [total] accumulated deductions.

26 Any member upon termination of service may, in lieu of all
27 benefits payable from the system and attributable to service in
28 classes other than Class A-5 under this chapter to which he may
29 be entitled, elect to receive his total accumulated deductions.
30 A member who has service credited as a Class A-5 member and is

1 not eligible to receive an immediate annuity or be a vestee as a
2 result of his Class A-5 service, upon termination of service,
3 may, in lieu of all benefits payable from the system
4 attributable to service in Class A-5 under this chapter to which
5 he may be entitled, elect to receive his Class A-5 accumulated
6 deductions.

7 § 5701.1. Transfer of accumulated deductions.

8 When an employee of the Juvenile Court Judges' Commission
9 elects membership in an independent retirement program pursuant
10 to section 5301(f) (relating to mandatory and optional
11 membership in the system and participation in the plan), the
12 board shall transfer directly to the trustee or administrator of
13 the independent retirement program all accumulated deductions
14 resulting from service credited while an employee of the
15 Juvenile Court Judges' Commission.

16 Section 319. Section 5702(a), (a.1), (b) and (c) and
17 5704(a), (c), (e) and (f) of Title 71 are amended and the
18 sections are amended by adding subsections to read:

19 § 5702. Maximum single life annuity.

20 (a) General rule.--Any full coverage member who is eligible
21 to receive an annuity pursuant to the provisions of section
22 5308(a) or (b) (relating to eligibility for annuities) who
23 terminates State service, or if a multiple service member who is
24 a school employee who is an active member of the Public School
25 Employees' Retirement System who terminates school service,
26 before attaining age 70 shall be entitled to receive a maximum
27 single life annuity attributable to his credited service and
28 equal to the sum of the following single life annuities
29 beginning at the effective date of retirement:

30 (1) A single life annuity that is the sum of the

1 standard single life [annuity multiplied by the sum of the
2 products,] annuities determined separately for each class of
3 service[, obtained by multiplying] multiplied by the
4 appropriate class of service multiplier [by the ratio of
5 years of service credited in that class to the total credited
6 service] applicable to each standard single life annuity. In
7 case the member on the effective date of retirement is under
8 superannuation age for any service, a reduction factor
9 calculated to provide benefits actuarially equivalent to an
10 annuity starting at superannuation age shall be applied to
11 the product determined for that service. The class of service
12 multiplier for any period of concurrent service shall be
13 multiplied by the proportion of total State and school
14 compensation during such period attributable to State service
15 as a member of the system. In the event a member has two
16 multipliers for one class of service [the class of service
17 multiplier to be used for calculating benefits for that class
18 shall be the average of the two multipliers weighted by the
19 proportion of compensation attributable to each multiplier
20 during the three years of highest annual compensation in that
21 class of service: Provided, That in the case of a member of
22 Class E-1, a portion but not all of whose three years of
23 highest annual judicial compensation is prior to January 1,
24 1973, two class of service multipliers shall be calculated on
25 the basis of his entire judicial service, the one applying
26 the judicial class of service multipliers effective prior to
27 January 1, 1973 and the second applying the class of service
28 multipliers effective subsequent to January 1, 1973. The
29 average class of service multiplier to be used for
30 calculating benefits for his judicial service shall be the

1 average of the two calculated multipliers weighted by the
2 proportion of compensation attributable to each of the
3 calculated multipliers during the three years of highest
4 annual compensation in that class of service.] separate
5 standard single life annuities shall be calculated for the
6 portion of service in such class applicable to each class of
7 service multiplier. In the case of a member with Class A-5
8 service credit and credit in one or more other classes of
9 service who has not attained the superannuation age
10 applicable to Class A-5 service and is not eligible for a
11 withdrawal annuity, but is eligible to be a vestee based on
12 the Class A-5 service credit and who commences receipt of a
13 superannuation or withdrawal annuity, no standard single life
14 annuity based on the member's Class A-5 service credit shall
15 be paid until the attainment of the superannuation age
16 applicable to Class A-5 service.

17 (2) If eligible, a single life annuity of 2% of his
18 average noncovered salary for each year of social security
19 integration credit as provided for in section 5305 (relating
20 to social security integration credits) multiplied, if on the
21 effective date of retirement the member is under
22 superannuation age for any service, by the actuarially
23 determined reduction factor for that service.

24 (3) If eligible, a single life annuity which is
25 actuarially equivalent to the regular and additional
26 accumulated deductions attributable to contributions as a
27 member of Class C, but not less than such annuity determined
28 as if the member were age 60 on the effective date of
29 retirement, actuarially reduced in the event the member is
30 under superannuation age on the effective date of retirement.

1 (4) If eligible, a single life annuity which is
2 actuarially equivalent to the amount by which his regular and
3 additional accumulated deductions attributable to any
4 credited service other than as a member of Class A-3, Class
5 A-4, Class A-5 and Class C are greater than one-half of the
6 actuarially equivalent value on the effective date of
7 retirement of the annuity as provided in paragraph (1)
8 attributable to service other than Class A-3, Class A-4,
9 Class A-5 and Class C for which regular or joint coverage
10 member contributions were made. [This paragraph shall not
11 apply to any member with State service credited as Class A-3
12 or Class A-4.]

13 (5) If eligible, a single life annuity which is
14 actuarially equivalent to the amount by which his social
15 security integration accumulated deductions are greater than
16 one-half of the actuarially equivalent value on the effective
17 date of retirement of the annuity provided for under
18 paragraph (2).

19 (6) If eligible, a single life annuity sufficient
20 together with the annuity provided for in paragraph (1) as a
21 Class A, Class AA, Class A-3 and Class A-4 member and the
22 highest annuity provided for in paragraph (2) to which he is
23 entitled, or at his option could have been entitled, to
24 produce that percentage of [a] the sums of the standard
25 single life [annuity] annuities adjusted by the application
26 of the class of service multiplier for Class A, Class AA,
27 Class A-3 or Class A-4 as set forth in paragraph (1) in the
28 case where any service is credited as a member of Class A,
29 Class AA, Class A-3 or Class A-4 on the effective date of
30 retirement as determined by his total years of credited

1 service as a member of Class A, Class AA, Class A-3 and Class
2 A-4 and by the following table:

3 Total Years of	Percentage of <u>Sums of</u>
4 Credited Service	Standard
5 as a Member of	Single Life
6 Class A,	[Annuity] <u>Annuities</u> Adjusted for
7 Class AA, Class A-3	Class A, Class AA,
8 and Class A-4	Class A-3 and Class A-4
	Class of
	Service Multipliers

12 35-40	100%
13 41	102%
14 42	104%
15 43	106%
16 44	108%
17 45 or more	110%

18 (a.1) Rule for terminations after attaining age 70.--

19 (1) Any full coverage member who is eligible to receive
20 an annuity pursuant to the provisions of section 5308(a) who
21 terminates State service, or if a multiple service member who
22 is a school employee and an active member of the Public
23 School Employees' Retirement System who terminates school
24 service, on or after attaining age 70 and who applies for a
25 superannuation annuity to be effective the day after the
26 termination of State service or school service, as the case
27 may be, shall be entitled to receive a maximum single life
28 annuity as of a determination date that is equal to the
29 greater of subparagraph (i) or (ii), plus any annuity he may
30 be eligible to receive attributable to Class A-5 service

1 credit:

2 (i) the sum of the annuities provided in subsection
3 (a)(1) through (6) calculated without including any
4 annuity attributable to Class A-5 service credit as of
5 the determination date; and

6 (ii) the greater of clause (A) or (B):

7 (A) the sum of the annuities provided in
8 subsection (a)(1), (3), (4) and (6) as of the
9 preceding determination date without including any
10 annuity attributable to Class A-5 service credit
11 adjusted by the actuarial increase factor, plus the
12 annuities provided in subsection (a)(2) and (5) as of
13 the determination date; and

14 (B) the maximum single life annuity calculated
15 without including any annuity attributable to Class
16 A-5 service credit as of the preceding determination
17 date adjusted by the actuarial increase factor.

18 The maximum single life annuity calculated without
19 including any annuity attributable to Class A-5 service
20 credit shall be calculated for each determination date.

21 (2) For purposes of this subsection, the determination
22 date shall be:

23 (i) the member's birthday, provided that as of such
24 date the member qualifies for a maximum single life
25 annuity under this subsection, determined excluding
26 eligibility for any annuity attributable to Class A-5
27 service credit; or

28 (ii) if the member's maximum single life annuity is
29 being determined as of the member's effective date of
30 retirement, then the determination date shall be the

1 member's effective date of retirement.

2 (3) In the event an active member, an inactive member on
3 leave without pay or a multiple service member who is a
4 school employee and an active member of the Public School
5 Employees' Retirement System has attained age 70 before the
6 effective date of this subsection, or enters State service or
7 school service, as the case may be, after attaining age 70,
8 then section 5305.1 (relating to eligibility for actuarial
9 increase factor) and subsections (a) and (a.1) shall be
10 effective prospectively with respect to such member at the
11 member's next birthday after the effective date of this
12 subsection, entry into State service, or school service.
13 Nothing in this subsection shall be construed to provide an
14 actuarial increase factor for any period of service prior to the
15 effective date of this subsection.

16 (b) Present value of annuity.--The present value of the
17 maximum single life annuity as calculated in accordance with
18 subsection (a) of this section shall be determined by
19 multiplying the maximum single life annuity by the cost of a
20 dollar annuity on the effective date of retirement, which shall
21 take into account any delay in the receipt of the portion of the
22 annuity based on Class A-5 if the effective date of retirement
23 is under the superannuation age applicable to Class A-5 service.
24 Such present value shall be decreased only as required under the
25 provisions of section 5506 (relating to incomplete payments),
26 5509(c) (relating to appropriations and assessments by the
27 Commonwealth) or 5703 (relating to reduction of annuities on
28 account of social security old-age insurance benefits).

29 (c) Limitation on amount of annuity.--The annuity paid to a
30 member under subsection (a) attributable to any credited service

1 other than as a member of Class A-5 and reduced in accordance
2 with the option elected under section 5705 (relating to member's
3 options) shall not exceed the highest compensation received for
4 any credited service other than service credited as Class A-5
5 during any period of twelve consecutive months of credited
6 service. No limit on the total annuity paid to a member with
7 Class D-3 service shall be applied in the case of a member who
8 served as a constitutional officer of the General Assembly.

9 * * *

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

15 § 5704. Disability annuities.

16 (a) Amount of annuity.--A member who has made application
17 for a disability annuity and has been found to be eligible in
18 accordance with the provisions of section 5905(c)(1) (relating
19 to duties of the board regarding applications and elections of
20 members) shall receive a disability annuity payable from the
21 effective date of disability as determined by the board and
22 continued until a subsequent determination by the board that the
23 annuitant is no longer entitled to a disability annuity. [The]
24 If the sum of the products of the number of years and fractional
25 part of a year of credited service in each class and the
26 appropriate class of service multiplier is greater than 16.667,
27 then the disability annuity shall be a single life annuity that
28 is equal to [a] the sum of the standard single life [annuity]
29 annuities determined separately for each class of service
30 multiplied by the appropriate class of service multiplier

1 [applicable to the class of service at the time of disability if
2 the product of such class of service multiplier and the total
3 number of years of credited service is greater than 16.667,
4 otherwise the], otherwise each standard single life annuity
5 shall be multiplied by the lesser of the following ratios:

$$6 \qquad \qquad \qquad MY^*/Y \text{ or } 16.667/Y$$

7 where Y = total number of years of credited service, Y* = total
8 years of credited service if the member were to continue as a
9 State employee until attaining superannuation age as applicable
10 to that class of service at the time of disability, or if the
11 member has attained superannuation age, as applicable to that
12 class of service at the time of disability, then the number of
13 years of credited service and M = the class of service
14 multiplier as applicable to that class of service at the
15 effective date of disability. A member of Class C shall receive,
16 in addition, any annuity to which he may be eligible under
17 section 5702(a)(3) (relating to maximum single life annuity).
18 The member shall be entitled to the election of a joint and
19 survivor annuity on that portion of the disability annuity to
20 which he is entitled under section 5702.

21 * * *

22 (c) Reduction on account of earned income.--Subsequent to
23 January 1, 1972, payments on account of disability shall be
24 reduced by that amount by which the earned income of the
25 annuitant, as reported in accordance with section 5908(b)
26 (relating to rights and duties of annuitants), for the preceding
27 calendar year together with the disability annuity payments
28 provided in this section other than subsection (b), for the
29 year, exceeds the product of:

30 [(i)] (1) the last year's salary of the annuitant as a

1 [State employee] member of the system; and

2 [(ii)] (2) the ratio of the current monthly payment to
3 the monthly payment at the effective date of disability;

4 Provided, That the annuitant shall not receive less than his
5 member's annuity or the amount to which he may be entitled under
6 section 5702 whichever is greater.

7 * * *

8 (e) Termination of State service.--Upon termination of
9 disability annuity payments in excess of an annuity calculated
10 in accordance with section 5702, a disability annuitant who:

11 (1) does not have Class A-3 [or], Class A-4 or Class A-5
12 service credit; or

13 (2) has Class A-3 [or], Class A-4 or Class A-5 service
14 credit and fewer than ten eligibility points;

15 and who does not return to State service may file an application
16 with the board for an amount equal to the excess, if any, of the
17 sum of the shared-risk accumulated deductions plus the regular
18 and additional accumulated deductions standing to his credit at
19 the effective date of disability over one-third of the total
20 disability annuity payments received. If the annuitant on the
21 date of termination of service was eligible for an annuity as
22 provided in section 5308(a) or (b) (relating to eligibility for
23 annuities), he may file an application with the board for an
24 election of an optional modification of his annuity.

25 (f) Supplement for service connected disability.--

26 (1) If a member has been found to be eligible for a
27 disability annuity and if the disability has been found to be
28 a service connected disability and if the member is receiving
29 workers' compensation payments for other than medical
30 benefits, such member shall receive a supplement equal to

1 [70% of his final average salary] the amount determined under
2 paragraph (2) less the sum of the annuity as determined under
3 subsection (a) and any payments paid or payable on account of
4 such disability under the act of June 2, 1915 (P.L.736,
5 No.338), known as the Workers' Compensation Act, the act of
6 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
7 Occupational Disease Act, and the Social Security Act (49
8 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
9 continue as long as he is determined to be disabled and is
10 receiving workers' compensation payments for other than
11 medical benefits on account of his service connected
12 disability in accordance with the Workers' Compensation Act
13 or The Pennsylvania Occupational Disease Act. If the member
14 has received a lump sum workers' compensation payment in lieu
15 of future weekly compensation payments, the length in weeks
16 and calculation of the service connected disability
17 supplement shall be determined by dividing the lump sum
18 payment by the average weekly wage as determined by the
19 Workers' Compensation Board.

20 (2) For a member who does not have Class A-5 service or
21 has only Class A-5 service, the amount to be used to
22 determine eligibility for the supplement under paragraph (1)
23 shall be 70% of his final average salary. For a member who
24 has Class A-5 service and other classes of service, the
25 amount to be used to determine eligibility for the supplement
26 under paragraph (1) shall be determined using the following
27 formula:

$$28 \quad \underline{A = 0.7 [(FAS^{A-5} \text{ multiplied by } Y^{A-5}/Y^T) +}$$
$$29 \quad \underline{(FAS^W \text{ multiplied by } Y^W/Y^T)]}.$$

30 (3) The following apply to the formula in paragraph (2):

- 1 (i) A equals the amount used to determine the
2 supplement;
3 (ii) Y^T equals total years of credited service;
4 (iii) Y^W equals years of service credited in classes
5 of service other than Class A-5;
6 (iv) FAS^W equals final average salary calculated for
7 classes of service other than Class A-5;
8 (v) Y^{A-5} equals years of service credited in Class A-
9 5; and
10 (vi) FAS^{A-5} equals final average salary calculated
11 for service credited in Class A-5.

12 * * *

13 (h) Coordination of benefits.--The determination and payment
14 of a disability annuity under this section is in addition to any
15 payments a member may be entitled to receive, has received or is
16 receiving as a result of being a participant in the plan.

17 Section 320. Sections 5705(a), 5705.1, 5706(a), (a.1),
18 (a.2), (b) and (c)(1) and 5707(a), (b), (e) and (f) of Title 71
19 are amended to read:

20 § 5705. Member's options.

21 (a) General rule.--Any special vestee [who has attained
22 superannuation age, any vestee who does not have Class A-3 or
23 Class A-4 service credit having five or more eligibility points
24 for service other than Class T-E or Class T-F service in the
25 Public School Employees' Retirement System, or vestee who has
26 Class A-3 or Class A-4 service credit having ten or more
27 eligibility points, any member with Class G, Class H, Class I,
28 Class J, Class K, Class L, Class M or Class N service having
29 five or more eligibility points or any other eligible member
30 upon termination of State service who has not withdrawn his

1 total accumulated deductions as provided in section 5701
2 (relating to return of total accumulated deductions)] , vestee
3 or any other member upon termination of State service who is
4 eligible to receive an annuity as provided in section 5308(a) or
5 (b) (relating to eligibility for annuities) may apply for and
6 elect to receive either a maximum single life annuity, as
7 calculated in accordance with the provisions of section 5702
8 (relating to maximum single life annuity), or a reduced annuity
9 certified by the actuary to be actuarially equivalent to the
10 maximum single life annuity and in accordance with one of the
11 following options; except that no member shall elect an annuity
12 payable to one or more survivor annuitants other than his spouse
13 or alternate payee of such a magnitude that the present value of
14 the annuity payable to him for life plus any lump sum payment he
15 may have elected to receive is less than 50% of the present
16 value of his maximum single life annuity:

- 17 (1) Option 1.--A life annuity to the member with:
- 18 (i) a guaranteed total payment attributable to all
19 classes of service other than Class A-5 equal to the
20 present value of the maximum single life annuity
21 attributable to all classes of service other than Class
22 A-5 on the effective date of retirement with the
23 provision that, if, at his death, he has received less
24 than such present value, the unpaid balance shall be
25 payable to his beneficiary[.]; and
- 26 (ii) a guaranteed total payment attributable to
27 Class A-5 service equal to the present value of the
28 maximum single life annuity attributable to Class A-5
29 service on the effective date of retirement with the
30 provision that, if, at his death, he has received less

1 than such present value, the unpaid balance shall be
2 payable to his beneficiary.

3 (2) Option 2.--A joint and survivor annuity payable
4 during the lifetime of the member with the full amount of
5 such annuity payable thereafter to his survivor annuitant, if
6 living at his death.

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

11 (4) Option 4.--Some other benefit which shall be
12 certified by the actuary to be actuarially equivalent to the
13 maximum single life annuity, subject to the following
14 restrictions:

15 (i) any annuity shall be payable without reduction
16 during the lifetime of the member;

17 (ii) the sum of all annuities payable to the
18 designated survivor annuitants shall not be greater than
19 one and one-half times the annuity payable to the member;
20 and

21 (iii) a portion of the benefit may be payable as a
22 lump sum, except that such lump sum payment shall not
23 exceed an amount equal to the total accumulated
24 deductions standing to the credit of the member that are
25 not the result of contributions and statutory interest
26 made or credited as a result of Class A-3 or Class A-4
27 service. The balance of the present value of the maximum
28 single life annuity adjusted in accordance with section
29 5702(b) shall be paid in the form of an annuity with a
30 guaranteed total payment, a single life annuity, or a

1 joint and survivor annuity or any combination thereof but
2 subject to the restrictions of subparagraphs (i) and (ii)
3 under this option.

4 * * *

5 § 5705.1. Payment of accumulated deductions resulting from
6 [Class A-3 and Class A-4] more than one class of
7 service.

8 (a) Payment of accumulated deduction resulting from Class A-
9 3 and Class A-4 service.--Any superannuation or withdrawal
10 annuitant who:

11 (1) has Class A-3 or Class A-4 service credit;

12 (2) has service credited in one or more classes of
13 service; [and]

14 (3) because he has five or more, but fewer than ten,
15 eligibility points is not eligible to receive an annuity on
16 his Class A-3 or Class A-4 service; and

17 (4) does not have any service credited as Class A-5
18 shall receive in a lump sum at the time of his retirement, in
19 addition to any other annuity or lump sum payment which he may
20 elect, his accumulated deductions resulting from his Class A-3
21 or Class A-4 service credit. Payment of these accumulated
22 deductions resulting from Class A-3 or Class A-4 service credit
23 shall not be eligible for installment payments pursuant to
24 section 5905.1 (relating to installment payments of accumulated
25 deductions) but shall be considered a lump sum payment for
26 purposes of section 5905.1(d).

27 (b) Payment of Class A-5 accumulated deductions.--Any
28 annuitant who:

29 (1) Is eligible to receive or is receiving an annuity as
30 a result of credited service other than service as a member

1 of Class A-5 who has not accrued enough eligibility points to
2 receive an annuity or become a vestee for benefit
3 attributable to his Class A-5 service on the effective date
4 of retirement and has Class A-5 accumulated deductions
5 standing to his credit shall receive in a lump sum upon
6 termination but not later than his retirement, in addition to
7 any other annuity or lump sum payment which he may be
8 eligible to receive or elect to receive, his Class A-5
9 accumulated deductions. Payment of these Class A-5
10 accumulated deductions resulting from Class A-5 service
11 credit shall not be eligible for installment payments under
12 section 5905.1, but shall be considered a lump sum payment
13 for purposes of section 5905.1(d).

14 (2) Is a member with Class A-5 service credit and one or
15 more other classes of service credit who is receiving or who
16 has terminated State service and is eligible to receive now
17 or in the future an annuity based on his Class A-5 service
18 and is not eligible to receive an annuity based on his
19 service credited in one or more of his other classes of
20 service shall receive in a lump sum upon termination but
21 later than his retirement, in addition to any other annuity
22 which he may be eligible to receive or elect to receive for
23 his Class A-5 service, his accumulated deductions resulting
24 from his service credit in classes of service other than
25 Class A-5 for which he is not eligible to receive an annuity;
26 provided that if he has more than one class of service other
27 than Class A-5, he may not elect to receive his accumulated
28 deductions for any other class of service unless he either
29 receives an annuity in all other classes other than Class A-5
30 that he is eligible to receive or he elects to withdraw his

1 total accumulated deductions under sections 5311 (relating to
2 eligibility for refund) and 5701 (relating to return of total
3 accumulated deductions). Payment of these accumulated
4 deductions resulting from service in classes other than Class
5 A-5 shall not be eligible for installment payments under
6 section 5905.1, but shall be considered a lump sum payment
7 for purposes of section 5905.1(d).

8 § 5706. Termination of annuities.

9 (a) General rule.--If the annuitant returns to State service
10 or enters or has entered school service and elects multiple
11 service membership, any annuity payable to him under this part
12 shall cease effective upon the date of his return to State
13 service or entering school service without regard to whether he
14 is a mandatory, optional or prohibited member of the system or
15 participant in the plan or, if a multiple service member,
16 whether he is a mandatory, optional or prohibited member or
17 participant of the Public School Employees' Retirement System or
18 School Employees' Defined Contribution Plan and in the case of
19 an annuity other than a disability annuity the present value of
20 such annuity, adjusted for full coverage in the case of a joint
21 coverage member who makes the appropriate back contributions for
22 full coverage, shall be frozen as of the date such annuity
23 ceases. An annuitant who is credited with an additional 10% of
24 Class A and Class C service as provided in section 5302(c)
25 (relating to credited State service) and who returns to State
26 service shall forfeit such credited service and shall have his
27 frozen present value adjusted as if his 10% retirement incentive
28 had not been applied to his account. In the event that the cost-
29 of-living increase enacted December 18, 1979 occurred during the
30 period of such State or school employment, the frozen present

1 value shall be increased, on or after the member attains
2 superannuation age, by the percent applicable had he not
3 returned to service. This subsection shall not apply in the case
4 of any annuitant who may render services to the Commonwealth in
5 the capacity of an independent contractor or as a member of an
6 independent board or commission or as a member of a departmental
7 administrative or advisory board or commission when such members
8 of independent or departmental boards or commissions are
9 compensated on a per diem basis for not more than 150 days per
10 calendar year or as a member of an independent board or
11 commission requiring appointment by the Governor, with advice
12 and consent of the Senate, where the annual salary payable to
13 the member does not exceed \$35,000 and where the member has been
14 an annuitant for at least six months immediately preceding the
15 appointment. Such service shall not be subject to member
16 contributions or be eligible for qualification as creditable
17 State service[.] or for participation in the plan, mandatory
18 pickup participant contributions or employer defined
19 contributions.

20 (a.1) Return to State service during emergency.--When, in
21 the judgment of the employer, an emergency creates an increase
22 in the work load such that there is serious impairment of
23 service to the public, an annuitant may be returned to State
24 service for a period not to exceed 95 days in any calendar year
25 without loss of his annuity. In computing the number of days an
26 annuitant has returned to State service, any amount of time less
27 than one-half of a day shall be counted as one-half of a day.
28 For agencies, boards and commissions under the Governor's
29 jurisdiction, the approval of the Governor that an emergency
30 exists shall be required before an annuitant may be returned to

1 State service. This service shall not be subject to member
2 contributions or be eligible for qualification as creditable
3 State service or for participation in the plan, mandatory pickup
4 participant contributions or employer defined contributions.

5 (a.2) Return of benefits.--In the event an annuitant whose
6 annuity from the system ceases pursuant to this section receives
7 any annuity payment, including a lump sum payment pursuant to
8 section 5705 (relating to member's options) on or after the date
9 of his return to State service or entering school service, the
10 annuitant shall return to the board the amount so received from
11 the system plus statutory interest. The amount payable shall be
12 certified in each case by the board in accordance with methods
13 approved by the actuary and shall be paid in a lump sum within
14 30 days or in the case of an active member or school employee
15 who is an active member of the Public School Employees'
16 Retirement System may be amortized with statutory interest
17 through salary deductions to the system in amounts agreed upon
18 by the member and the board. The salary deduction amortization
19 plans agreed to by the member and the board may include a
20 deferral of payment amounts and statutory interest until the
21 termination of school service or State service as the board in
22 its sole discretion decides to allow. The board may limit salary
23 deduction amortization plans to such terms as the board in its
24 sole discretion determines. In the case of a school employee who
25 is an active member of the Public School Employees' Retirement
26 System, the agreed upon salary deductions shall be remitted to
27 the Public School Employees' Retirement Board, which shall
28 certify and transfer to the board the amounts paid.

29 * * *

30 (b) Subsequent discontinuance of service.--Upon subsequent

1 discontinuance of service, such member other than a former
2 annuitant who had the effect of his frozen present value
3 eliminated in accordance with subsection (c) or a former
4 disability annuitant shall be entitled to an annuity which is
5 actuarially equivalent to the sum of:

6 (1) the present value as determined under subsection (a)
7 [and];

8 (2) the present value of a maximum single life annuity
9 based on years of service credited in classes of service
10 other than Class A-5 subsequent to reentry in the system and
11 his final average salary computed by reference to his
12 compensation for service credited in classes of service other
13 than Class A-5 and Class T-G during his entire period of
14 State and school service[.]; and

15 (3) if eligible, the present value of a maximum single
16 life annuity based on years of service credited in Class A-5
17 subsequent to reentry in the system and his final average
18 salary computed by reference to his compensation for service
19 credited in Class A-5 and Class T-G during his entire period
20 of State and school service.

21 (c) Elimination of the effect of frozen present value.--

22 (1) An annuitant who returns to State service as an
23 active member of the system and earns three eligibility
24 points by performing credited State service in a class of
25 service other than Class A-5 following the most recent period
26 of receipt of an annuity under this part, or an annuitant who
27 enters school service 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 State

1 service or credited school service in classes of service
2 other than Class A-5 or Class T-G following the most recent
3 period of receipt of an annuity under this part, and who had
4 the 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 of
7 retirement eliminated, provided that all payments under
8 Option 4 and annuity payments payable during previous periods
9 of retirement plus interest as set forth in paragraph (3)
10 shall be returned to the fund in the form of an actuarial
11 adjustment to his subsequent benefits or in such form as the
12 board may otherwise direct.

13 * * *

14 § 5707. Death benefits.

15 (a) Members eligible for annuities.--Any active member,
16 inactive member on leave without pay, vestee or current or
17 former State employee performing USERRA leave who dies and was
18 eligible for an annuity in accordance with section 5308(a) or
19 (b) (relating to eligibility for annuities) or special vestee
20 who has attained superannuation age and dies before applying for
21 a superannuation annuity shall be considered as having applied
22 for an annuity to become effective the day before his death and
23 in the event he has not elected an option or such election has
24 not been approved prior to his death, it shall be assumed that
25 he elected Option 1. For purposes of this subsection, a member
26 with ten or more, but less than 25 eligibility points resulting
27 from Class A-5 service credit or, if a multiple service member,
28 Class T-G service credit in the Public School Employees'
29 Retirement System shall be considered eligible for an annuity
30 based on Class A-5 service even if under superannuation age.

1 (b) Members ineligible for annuities.--In the event of the
2 death of a special vestee, an active member, an inactive member
3 on leave without pay or a current or former State employee
4 performing USERRA leave who is not entitled to a death benefit
5 as provided in subsection (a), his designated beneficiary shall
6 be paid the full amount of his total accumulated deductions and
7 Class A-5 accumulated deductions.

8 (b.1) Members eligible for annuities in some classes of
9 service and ineligible in other classes of service.--In the
10 event of the death of a member who is eligible for an annuity
11 based on service credited in some classes of service and
12 ineligible for an annuity for service credited in other classes
13 of service, a benefit shall be paid under subsection (a) based
14 on the service for which an annuity is deemed payable in
15 addition to payment under subsection (b) of the accumulated
16 deductions attributable to service for which the member was not
17 eligible for an annuity.

18 * * *

19 (e) Annuitants electing maximum single life annuity.--

20 (1) In the event of the death of an annuitant who has
21 elected to receive the maximum single life annuity before he
22 has received in annuity payments based on his service
23 credited in classes other than Class A-5 the full amount of
24 the total accumulated deductions standing to his credit on
25 the effective date of retirement, the balance shall be paid
26 to his designated beneficiary.

27 (2) In the event of the death of an annuitant who has
28 elected to receive the maximum single life annuity before he
29 has received in annuity payments based on his service
30 credited in Class A-5 the full amount of the Class A-5

1 accumulated deductions standing to his credit on the
2 effective date of retirement, the balance shall be paid to
3 his designated beneficiary.

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 Section 321. Section 5709(a) and (b) of Title 71 are amended
17 and the section is amended by adding a subsection to read:

18 § 5709. Payment of benefits from the system.

19 (a) Annuities.--[Any] Except as provided in subsection (d),
20 any annuity granted under the provisions of this part and paid
21 from the fund shall be paid in equal monthly installments.

22 (b) Death benefits.--If the amount of a death benefit
23 payable from the fund to a beneficiary of a member under section
24 5707 (relating to death benefits) or under the provisions of
25 Option 1 of section 5705(a)(1) (relating to member's options) is
26 \$10,000 or more, such beneficiary may elect to receive payment
27 according to one of the following options:

28 (1) a lump sum payment;

29 (2) an annuity actuarially equivalent to the amount
30 payable; or

1 (3) a lump sum payment and an annuity such that the
2 annuity is actuarially equivalent to the amount payable less
3 the lump sum payment specified by the beneficiary.

4 * * *

5 (d) Members with Class A-5 service and service in one or
6 more other classes of service.--An annuitant whose receipt of
7 the portion of his annuity attributable to Class A-5 service has
8 been delayed to the attainment of Class A-5 superannuation age
9 shall have his annuity increased upon attainment of the
10 applicable superannuation age under the terms and conditions of
11 the annuity payment option selected at the time of retirement or
12 if applicable under section 5907(j) (relating to rights and
13 duties of State employees and members). In the event such a
14 member selected a joint and survivor annuity and died prior to
15 attaining the applicable superannuation age, the annuity of his
16 survivor annuitant, if surviving, will be increased at the time
17 the member would have attained Class A-5 superannuation age.

18 Section 322. Title 71 is amended by adding a chapter to
19 read:

20 CHAPTER 58

21 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

22 Sec.

23 5801. Establishment.

24 5802. Plan document.

25 5803. Individual investment accounts.

26 5804. Participant contributions.

27 5805. Mandatory pickup participant contributions.

28 5806. Employer defined contributions.

29 5806.1. Use of plan savings.

30 5807. Eligibility for benefits.

1 5808. Death benefits.
2 5809. Vesting.
3 5810. Termination of distributions.
4 5811. Agreements with financial institutions and other
5 organizations.
6 5812. Powers and duties of board.
7 5813. Responsibility for investment loss.
8 5814. Investments based on participants' investment allocation
9 choices.
10 5815. Expenses.
11 5816. (Reserved).
12 5817. Tax qualification.
13 5818. State Employees' Defined Contribution Holding Vehicle
14 Trust.
15 § 5801. Establishment.

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

25 (b) State Employees' Defined Contribution Trust.--The State
26 Employees' Defined Contribution Trust is established as part of
27 the plan. The trust shall be comprised of the individual
28 investment accounts and all assets and moneys in those accounts.
29 The members of the board shall be the trustees of the trust,
30 which shall be administered exclusively for the benefit of those

1 State employees who participate in the plan and their
2 beneficiaries within the meaning of and in conformity with IRC §
3 401(a). The board shall determine the terms and provisions of
4 the trust not inconsistent with this part, IRC or other
5 applicable law and shall provide for the investment and
6 administration of the trust.

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

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

29 § 5802. Plan document.

30 The board shall set forth the terms and provisions of the

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

12 § 5803. Individual investment accounts.

13 The board shall establish in the trust an individual
14 investment account for each participant in the plan. All
15 contributions by a participant or an employer for or on behalf
16 of a participant shall be credited to the participant's
17 individual investment account, together with all interest and
18 investment earnings and losses. Investment and administrative
19 fees, costs and expenses shall be charged to the participants'
20 individual investment accounts. Employer defined contributions
21 shall be recorded and accounted for separately from participant
22 contributions, but all interest, investment earnings and losses,
23 and investment and administrative fees, costs and expenses shall
24 be allocated proportionately.

25 § 5804. Participant contributions.

26 (a) Mandatory contributions.--A participant shall make
27 mandatory pickup participant contributions through payroll
28 deductions to the participant's individual investment account
29 for State service required to be credited in the plan. The
30 employer shall cause those contributions for service required to

1 be credited in the plan to be made and deducted from each
2 payroll or on such schedule as established by the board.

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

11 (c) Prohibited contributions.--No contributions may be
12 allowed that would cause a violation of the limitations related
13 to contributions applicable to governmental plans contained in
14 IRC § 415 or in other provisions of law. In the event that any
15 disallowed contributions are made, any participant contributions
16 in excess of the limitations and investment earnings on those
17 contributions shall be refunded to the participant by the board.
18 § 5805. Mandatory pickup participant contributions.

19 (a) Treatment for purposes of IRC § 414(h).--The
20 contributions to the trust required to be made under section
21 5804(a) (relating to participant contributions) with respect to
22 State service rendered by an active participant shall be picked
23 up by the Commonwealth or other employer and shall be treated as
24 the employer's contribution for purposes of IRC § 414(h). After
25 the effective date of this section, an employer employing a
26 participant in the plan shall pick up the required mandatory
27 participant contributions by a reduction in the compensation of
28 the participant.

29 (b) Treatment for other purposes.--For all purposes other
30 than the IRC, the mandatory pickup participant contributions

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

4 § 5806. Employer defined contributions.

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

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

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

1 by the board.

2 § 5806.1. Use of plan savings.

3 (a) Determination.--The system shall determine the
4 difference between:

5 (1) The current aggregate employer contributions and the
6 aggregate employer contributions that would have been
7 required by Act 120 of 2010.

8 (2) The current plan expenditures and the plan
9 expenditures that would have been required by Act 120 of
10 2010.

11 (b) Utilization.--Any savings realized based on the
12 implementation of the plan, as determined under subsection (a),
13 shall be utilized to pay down the accrued unfunded liability.

14 (c) Intent.--It is the intent of the General Assembly to
15 make an annual appropriation from the General Fund to the system
16 in the amount determined under subsection (a)(1).

17 (d) Definition.--As used in this section, the term "Act 120
18 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
19 No.120), entitled, "An act amending Titles 24 (Education) and 71
20 (State Government) of the Pennsylvania Consolidated Statutes, in
21 Title 24, further providing for definitions, for mandatory and
22 optional membership, for contributions by the Commonwealth, for
23 payments by employers, for actuarial cost method, for additional
24 supplemental annuities, for further additional supplemental
25 annuities, for supplemental annuities commencing 1994, for
26 supplemental annuities commencing 1998, for supplemental
27 annuities commencing 2002, for supplemental annuities commencing
28 2003, for administrative duties of board, for payments to school
29 entities by Commonwealth, for eligibility points for retention
30 and reinstatement of service credits and for creditable

1 nonschool service; providing for election to become a Class T-F
2 member; further providing for classes of service, for
3 eligibility for annuities, for eligibility for vesting, for
4 regular member contributions, for member contributions for
5 creditable school service, for contributions for purchase of
6 credit for creditable nonschool service, for maximum single life
7 annuity, for disability annuities, for member's options, for
8 duties of board regarding applications and elections of members
9 and for rights and duties of school employees and members;
10 providing for Independent Fiscal Office study; in Title 71,
11 establishing an independent fiscal office and making a related
12 repeal; further providing for definitions, for credited State
13 service, for retention and reinstatement of service credits, for
14 creditable nonstate service and for classes of service;
15 providing for election to become a Class A-4 member; further
16 providing for eligibility for annuities and for eligibility for
17 vesting; providing for shared-risk member contributions for
18 Class A-3 and Class A-4 service; further providing for waiver of
19 regular member contributions and Social Security integration
20 member contributions, for member contributions for purchase of
21 credit for previous State service or to become a full coverage
22 member, for contributions for the purchase of credit for
23 creditable nonstate service, for contributions by the
24 Commonwealth and other employers, for actuarial cost method, for
25 maximum single life annuity, for disability annuities and for
26 member's options; providing for payment of accumulated
27 deductions resulting from Class A-3 service; further providing
28 for additional supplemental annuities, for further additional
29 supplemental annuities, for supplemental annuities commencing
30 1994, for supplemental annuities commencing 1998, for

1 supplemental annuities commencing 2002, for supplemental
2 annuities commencing 2003, for special supplemental
3 postretirement adjustment of 2002, for administrative duties of
4 the board, for duties of board to advise and report to heads of
5 departments and members, for duties of board regarding
6 applications and elections of members, for installment payments
7 of accumulated deductions, for rights and duties of State
8 employees and members, for members' savings account, for State
9 accumulation account, for State Police Benefit Account, for
10 Enforcement Officers' Benefit Account, for supplemental annuity
11 account and for construction of part; and providing for
12 Independent Fiscal Office study, for retirement eligibility of
13 Pennsylvania State Police officers or members, for a prohibition
14 on the issuance of pension obligation bonds, for holding certain
15 public officials harmless, for construction of calculation or
16 actuarial method, for applicability and for certain operational
17 provisions."

18 § 5807. Eligibility for benefits.

19 (a) Termination of service.--A participant who terminates
20 State service shall be eligible to withdraw the vested
21 accumulated total defined contributions standing to the
22 participant's credit in the participant's individual investment
23 account or a lesser amount as the participant may request.
24 Payment shall be made in a lump sum unless the board has
25 established other forms of distribution in the plan document. A
26 participant who withdraws his vested accumulated total defined
27 contributions shall no longer be a participant in the plan,
28 notwithstanding that the former State employee may continue to
29 be a member of the system with Class A-5 service credit or may
30 have contracted to receive an annuity or other form of payment

1 from a provider retained by the board for such purposes.

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

8 (c) (Reserved).

9 (d) Prohibited distributions.--A participant who also is a
10 member of the system must be terminated from all positions that
11 result in either membership in the system or participation in
12 the plan to be eligible to receive a distribution.

13 (e) Loans.--Loans or other distributions, including hardship
14 or unforeseeable emergency distributions, from the plan to State
15 employees who have not terminated State service are not
16 permitted, except as required by law.

17 (f) Small individual investment accounts.--A participant who
18 terminates State service and whose vested accumulated total
19 defined contributions are below the threshold established by law
20 as of the date of termination of service may be paid the vested
21 accumulated total defined contributions in a lump sum as
22 provided in IRC § 401(a)(31).

23 § 5808. Death benefits.

24 (a) General rule.--In the event of the death of an active
25 participant or inactive participant, the board shall pay to the
26 participant's beneficiary the vested balance in the
27 participant's individual investment account in a lump sum or in
28 such other manner as the board may establish in the plan
29 document.

30 (b) Death of participant receiving distributions.--In the

1 event of the death of a participant receiving distributions, the
2 board shall pay to the participant's beneficiary the vested
3 balance in the participant's individual investment account in a
4 lump sum or in such other manner as the board may establish in
5 the plan document or, if the board has established alternative
6 methods of distribution in the plan document under which the
7 participant was receiving distributions, to the participant's
8 beneficiary or successor payee, as the case may be, as provided
9 in the plan document.

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

15 § 5809. Vesting.

16 (a) Participant and voluntary contributions.--Subject to the
17 forfeiture and attachment provisions of section 5953 (relating
18 to taxation, attachment and assignment of funds) or otherwise as
19 provided by law, a participant shall be vested with respect to
20 all mandatory pickup participant contributions and voluntary
21 contributions paid by or on behalf of the participant to the
22 trust in addition to interest and investment gains or losses on
23 the participant contributions but not including investment fees
24 and administrative charges.

25 (b) Employer defined contributions.--

26 (1) Subject to the forfeiture and attachment provisions
27 of section 5953 or otherwise as provided by law, a
28 participant with three eligibility points as provided under
29 section 5307(c)(3) (relating to eligibility points) shall be
30 vested with respect to all employer defined contributions

1 paid to the participant's individual investment account in
2 the trust in addition to interest and investment gains and
3 losses on the employer defined contributions but not
4 including investment fees and administrative charges.

5 (2) Nonvested employer defined contributions and the
6 interest and investment gains and losses on the nonvested
7 employer defined contributions that are forfeited when a
8 participant terminates State service before accruing three
9 eligibility points as provided under section 5307(c)(3) are
10 credited to the participant's most recent employer's future
11 obligation assessed under section 5509 (relating to
12 appropriations and assessments by the Commonwealth).

13 (c) USERRA leave and eligibility points.--A participant in
14 the plan who is reemployed from USERRA leave or who dies while
15 performing USERRA leave shall receive eligibility points under
16 this section for the State service that would have been
17 performed had the member not performed USERRA leave.

18 § 5810. Termination of distributions.

19 (a) Return to State service.--

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

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

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

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

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

18 § 5811. Agreements with financial institutions and other
19 organizations.

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

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

28 (2) The board shall publish the solicitation in the
29 Pennsylvania Bulletin.

30 (3) Proposals received shall be evaluated based on

1 specific criteria adopted by the board. The criteria shall
2 include experience, customer service history and other
3 criteria.

4 (b) Rebid.--A contract to administer the plan under
5 subsection (a) shall be rebid at least once every ten years.
6 § 5812. Powers and duties of board.

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

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

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

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

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

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

27 (6) The board may perform an annual or more frequent
28 review of any qualified fund manager for the purpose of
29 assuring that the fund manager continues to meet all
30 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 or ensure the
9 administration of the plan in compliance with the
10 qualifications and other rules of the IRC.

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

13 (11) The board shall determine what constitutes a
14 termination of State service.

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

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

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

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

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

1 part of the plan.

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

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

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

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

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

1 to a third-party provider subject to appeal to the board.

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

5 (17) The provisions and restrictions of the act of July
6 2, 2010 (P.L.266, No.44), known as the Protecting
7 Pennsylvania's Investments Act, shall not apply to the plan
8 or trust or the investments of the plan or trust, but the
9 board may offer to the plan participants investment vehicles
10 that would be allowed under the Protecting Pennsylvania's
11 Investments Act.

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

15 § 5813. Responsibility for investment loss.

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

22 § 5814. Investments based on participants' investment
23 allocation choices.

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

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

15 § 5815. Expenses.

16 All fees, costs and expenses of administering the plan and
17 the trust and investing the assets of the trust shall be borne
18 by the participants and paid from assessments against the
19 balances of the individual investment accounts as established by
20 the board, except that for fiscal years ending before July 1,
21 2016, the fees, costs and expenses of establishing and
22 administering the plan and the trust shall be paid by the
23 Commonwealth through annual appropriations from the General
24 Fund, made on the basis of estimates from the board.

25 § 5816. (Reserved).

26 § 5817. Tax qualification.

27 (a) Required distributions.--All payments pursuant to this
28 chapter shall start and be made in compliance with the minimum
29 distribution requirements and incidental death benefit rules of
30 IRC § 401(a).

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

2 (1) (i) Except as provided under subparagraph (ii) and
3 notwithstanding a provision of this part, a contribution
4 or benefit related to the plan may not exceed any
5 limitation under IRC § 415 with respect to governmental
6 plans which is in effect on the date the contribution or
7 benefit payment takes effect.

8 (ii) An increase in a limitation under IRC § 415
9 shall apply to all participants on and after the
10 effective date of this section.

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

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

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

27 § 5818. State Employees' Defined Contribution Holding Vehicle
28 Trust.

29 (a) Establishment.--The State Employees' Defined
30 Contribution Holding Vehicle Trust is established as part of the

1 plan. The holding vehicle trust shall be comprised of the
2 individual investment accounts and all assets and moneys in
3 those accounts from January 1, 2016, until the earlier of the
4 date the board certifies that the State Employees' Defined
5 Contribution Trust is operational and able to accept participant
6 and employer contributions or December 31, 2016. The members of
7 the board shall be the trustees of the holding vehicle trust,
8 which shall be held in a separate account, established by the
9 Treasury Department and shall not be inconsistent with this
10 part, the IRC or other applicable law. The holding vehicle trust
11 shall be administered exclusively for the benefit of those State
12 employees who participate in the plan and their beneficiaries
13 within the meaning of and in conformity with IRC § 401(a)
14 subject to the requirements of Chapter 59 (relating to
15 administration, funds, accounts, general provisions).

16 (b) Assets held in trust.--All assets and income in the
17 holding vehicle trust that are withheld or contributed by the
18 participants, the Commonwealth and other employers in accordance
19 with this part shall be held in trust as permitted by the
20 applicable provisions of the IRC for the exclusive benefit of
21 the participants and their beneficiaries until such time as the
22 funds are transferred to the State Employees' Defined
23 Contribution Trust in accordance with the terms of the plan
24 document. The assets of the holding vehicle trust may be used
25 for the payment of the fees, costs and expenses related to the
26 administration and investment of the holding vehicle trust and
27 transfer of assets to the State Employees' Defined Contribution
28 Trust.

29 (c) Mandatory pickup participant contributions.--All
30 mandatory pickup participant contributions and employer defined

1 contributions that are required under sections 5804 (relating to
2 participant contributions), 5805 (relating to mandatory pickup
3 participant contributions) and 5806 (relating to employer
4 defined contributions) to be made to the State Employees'
5 Defined Contribution Trust upon certification of such trust
6 shall be made to the holding vehicle trust prior to the date the
7 board certifies the State Employees' Defined Contribution Trust.
8 The employer shall cause those contributions for service
9 required to be credited in the plan to be made and deducted from
10 each payroll or on such schedule as established by the board and
11 such participant contributions shall be picked up by the
12 Commonwealth or other employer and shall be treated as the
13 employer's contribution for purposes of IRC § 414(h). On and
14 after the effective date of this section, an employer employing
15 a participant in the plan shall pick up the required mandatory
16 participant contributions by a reduction in the compensation of
17 the participant. No participant is permitted to make voluntary
18 contributions to the holding vehicle trust.

19 (d) Treatment for other purposes.--For all purposes other
20 than the IRC, the mandatory pickup participant contributions
21 shall be treated as contributions made by a participant in the
22 same manner and to the same extent as if the contributions were
23 made directly by the participant and not picked up.

24 (e) Limitations on contributions.--No contributions may be
25 allowed that would cause a violation of the limitations related
26 to contributions applicable to governmental plans contained in
27 IRC § 415 or in other provisions of law. In the event that any
28 disallowed contributions are made, any employer defined
29 contributions in excess of the limitations and investment
30 earnings on the contributions shall be refunded to the employer

1 by the board.

2 (f) Death benefits.--In the event of the death of an active
3 participant or inactive participant, the board shall pay to the
4 participant's beneficiary the vested balance in the
5 participant's individual investment account in a lump sum.

6 (g) Interest.--Upon the disbursement of a return of Class A-
7 5 accumulated deductions to a participant who has terminated
8 State service or of a death benefit to a participant's
9 designated beneficiaries or upon the transfer of all assets in
10 the holding vehicle trust to the State Employees' Defined
11 Contribution Trust or December 31, 2016, whichever occurs first,
12 the Commonwealth shall make an interest payment to the holding
13 vehicle trust. The interest payment shall be equal to 4% annual
14 rate of return on the mandatory pickup participant contributions
15 and employer defined contributions made for the participant,
16 increased or decreased for any investment losses or earnings
17 while in the holding vehicle trust, but in no case shall the
18 interest payment be less than zero.

19 (h) Responsibility for loss of investment opportunity.--The
20 board, the Commonwealth, an employer or other political
21 subdivision shall not be responsible for the failure of any
22 investment in the holding vehicle trust to earn any specific or
23 expected return greater than the 4% interest rate paid under
24 subsection (g) or to earn as much as any other investment
25 opportunity, whether or not the other opportunity was offered to
26 participants in the holding vehicle trust.

27 (i) Termination of holding vehicle trust.--After the
28 disbursement or transfer of all assets in the holding vehicle
29 trust and the certification by the board that no further
30 liabilities from the holding vehicle trust exist, the holding

1 vehicle trust shall be closed, and this section, except for
2 subsection (h), shall become inoperative.

3 Section 323. Section 5901(a), (c) and (d) of Title 71 are
4 amended to read:

5 § 5901. The State Employees' Retirement Board.

6 (a) Status and membership.--The board shall be an
7 independent administrative board and consist of 11 members: the
8 State Treasurer, ex officio, two Senators, two members of the
9 House of Representatives and six members appointed by the
10 Governor, one of whom shall be an annuitant of the system or a
11 participant in the plan who has terminated State service and is
12 receiving or is eligible to receive distributions, for terms of
13 four years, subject to confirmation by the Senate. At least five
14 board members shall be active members of the system or active
15 participants in the plan, and at least two shall have ten or
16 more years of credited State service or shall have been active
17 participants in the plan for ten calendar years. The chairman of
18 the board shall be designated by the Governor from among the
19 members of the board. Each member of the board who is a member
20 of the General Assembly may appoint a duly authorized designee
21 to act in his stead. In the event that a board member, who is
22 designated as an active participant or as a participant in the
23 plan who is receiving or is eligible to receive distributions,
24 receives a total distribution of his interest in the plan, that
25 board member may continue to serve on the board for the
26 remainder of his term.

27 * * *

28 (c) Oath of office.--Each member of the board shall take an
29 oath of office that he will, so far as it devolves upon him,
30 diligently and honestly, administer the affairs of said board,

1 the system and the plan and that he will not knowingly violate
2 or willfully permit to be violated any of the provisions of law
3 applicable to this part. Such oath shall be subscribed by the
4 member taking it and certified by the officer before whom it is
5 taken and shall be immediately filed in the Office of the
6 Secretary of the Commonwealth.

7 (d) Compensation and expenses.--The members of the board who
8 are members of the system or participants in the plan shall
9 serve without compensation but shall not suffer loss of salary
10 or wages through serving on the board. The members of the board
11 who are not members of the system or participants in the plan
12 shall receive \$100 per day when attending meetings and all board
13 members shall be reimbursed for any necessary expenses. However,
14 when the duties of the board as mandated are not executed, no
15 compensation or reimbursement for expenses of board members
16 shall be paid or payable during the period in which such duties
17 are not executed.

18 * * *

19 Section 324. Sections 5902(a.1), (b), (c), (e), (h), (i),
20 (j), (k), (m) and (n) and 5903(a) and (b) of Title 71 are
21 amended and the sections are amended by adding subsections to
22 read:

23 § 5902. Administrative duties of the board.

24 * * *

25 (a.1) Secretary.--The secretary shall act as chief
26 administrative officer for the board with respect to both the
27 system and the plan. In addition to other powers and duties
28 conferred upon and delegated to the secretary by the board, the
29 secretary shall:

30 (1) Serve as the administrative agent of the board.

1 (2) Serve as liaison between the board and applicable
2 legislative committees, the Treasury Department, the
3 Department of the Auditor General, and between the board and
4 the investment counsel and the mortgage supervisor in
5 arranging for investments to secure maximum returns to the
6 fund.

7 (3) Review and analyze proposed legislation and
8 legislative developments affecting the system or the plan and
9 present findings to the board, legislative committees, and
10 other interested groups or individuals.

11 (4) Direct the maintenance of files and records and
12 preparation of periodic reports required for actuarial
13 evaluation studies.

14 (5) Receive inquiries and requests for information
15 concerning the system or the plan from the press,
16 Commonwealth officials, State employees, the general public,
17 research organizations, and officials and organizations from
18 other states, and provide information as authorized by the
19 board.

20 (6) (i) Supervise a staff of administrative, technical,
21 and clerical employees engaged in record-keeping and
22 clerical processing activities for both the system and
23 the plan in maintaining files of members and
24 participants, accounting for contributions, processing
25 payments to annuitants and terminated participants,
26 preparing required reports, and retirement counseling.

27 (ii) The board may utilize the staff of employees
28 provided for under this paragraph for both the system and
29 the plan but shall allocate the fees, costs and expenses
30 incurred under this paragraph between the system and the

1 plan as appropriate.

2 (b) Professional personnel.--

3 (1) The board shall contract for the services of a chief
4 medical examiner, an actuary, investment advisors and
5 counselors, and such other professional personnel as it deems
6 advisable. The board may, with the approval of the Attorney
7 General, contract for legal services.

8 (2) The board may utilize the same individuals and firms
9 contracted under this subsection for both the system and the
10 plan but shall allocate the fees, costs and expenses incurred
11 under this subsection between the system and the plan as
12 appropriate.

13 (c) Expenses.--

14 (1) The board shall, through the Governor, submit to the
15 General Assembly annually a budget covering the
16 administrative expenses of [this part] the system and a
17 separate budget covering the administrative expenses of the
18 plan which budgets shall include those expenses necessary to
19 establish the plan and trust.

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

23 (3) For fiscal years ending on or before June 30, 2017,
24 such expenses of the plan as approved by the General Assembly
25 in an appropriation bill shall be paid from the General Fund.
26 For fiscal years beginning on or after July 1, 2017, such
27 expenses of the plan as approved by the General Assembly
28 shall be paid from interest, pursuant to section 5814(b)
29 (relating to investments based on participants' investment
30 allocation choices), or assessments on the balances of the

1 participants' individual investment accounts.

2 (4) Concurrently with its administrative budget, the
3 board shall also submit to the General Assembly annually a
4 list of proposed expenditures which the board intends to pay
5 through the use of directed commissions, together with a list
6 of the actual expenditures from the past year actually paid
7 by the board through the use of directed commissions. All
8 such directed commission expenditures shall be made by the
9 board for the exclusive benefit of the system and its
10 members.

11 * * *

12 (e) Records.--

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

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

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

1 (ii) cause substantial competitive harm to the
2 person from whom sensitive investment or financial
3 information relating to the investment was received; or

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

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

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

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

25 (B) the entity in which the investment was made
26 is liquidated;
27 whichever is later.

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

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

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

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

11 whichever is later.

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

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

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

28 (ii) The investment options selections of any
29 participant.

30 (iii) The balance of a participant's individual

1 investment account, including the amount distributed to
2 the participant, investment gains or losses or rates of
3 return.

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

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

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

13 (7) The following shall apply:

14 (i) Nothing in this part shall be construed to mean
15 that the release or publicizing of a record, material or
16 data which would not constitute a public record under
17 this subsection shall be a violation of the board's
18 fiduciary duties.

19 (ii) This paragraph shall apply to a record,
20 material or data under this subsection, notwithstanding
21 any of the following:

22 (A) Whether the record, material or data was
23 created, generated or stored before the effective
24 date of this paragraph.

25 (B) Whether the record, material or data was
26 previously released or made public.

27 (C) Whether a request for the record, material
28 or data was made or is pending final response under
29 the Right-to-Know Law.

30 * * *

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

17 (i) Data.--The board shall keep in convenient form such data
18 as are stipulated by the actuary in order that an annual
19 actuarial valuation of the various accounts of the fund can be
20 completed within six months of the close of each calendar year.

21 (j) Actuarial investigation and valuation.--The board shall
22 have the actuary make an annual valuation of the various
23 accounts of the fund within six months of the close of each
24 calendar year. In the year 1975 and in every fifth year
25 thereafter the board shall have the actuary conduct an actuarial
26 investigation and evaluation of the system based on data
27 including the mortality, service, and compensation experience
28 provided by the board annually during the preceding five years
29 concerning the members and beneficiaries of the system. The
30 board shall by resolution adopt such tables as are necessary for

1 the actuarial valuation of the fund and calculation of
2 contributions, annuities and other benefits based on the reports
3 and recommendations of the actuary. Within 30 days of their
4 adoption, the secretary of the board shall cause those tables
5 which relate to the calculation of annuities and other benefits
6 to be published in the Pennsylvania Bulletin in accordance with
7 the provisions of 45 Pa.C.S. § 725(a) (relating to additional
8 contents of Pennsylvania Bulletin) and, unless the board
9 specifies therein a later effective date, such tables shall
10 become effective on such publication. The board shall include a
11 report on the significant facts, recommendations and data
12 developed in each five-year actuarial investigation and
13 evaluation of the system in the annual financial statement
14 published pursuant to the requirements of subsection (m) for the
15 fiscal year in which such investigation and evaluation were
16 concluded.

17 (k) Certification of employer contributions to fund.--The
18 board shall, each year in addition to the itemized budget
19 required under section 5509 (relating to appropriations and
20 assessments by the Commonwealth), certify, as a percentage of
21 the members' payroll, the shared-risk contribution rate, the
22 employers' contributions as determined pursuant to section 5508
23 (relating to actuarial cost method) necessary for the funding of
24 prospective annuities for active members and the annuities of
25 annuitants and certify the rates and amounts of the employers'
26 normal contributions as determined pursuant to section 5508(b),
27 accrued liability contributions as determined pursuant to
28 section 5508(c), supplemental annuities contribution rate as
29 determined pursuant to section 5508(e), the experience
30 adjustment factor as determined pursuant to section 5508(f), the

1 collared contribution rate pursuant to section 5508(h) and the
2 final contribution rate pursuant to section 5508(i), which shall
3 be paid to the fund and credited to the appropriate accounts.
4 The board may allocate the final contribution rate and certify
5 various employer contribution rates and amounts based upon the
6 different benefit eligibility, class of service multiplier,
7 superannuation age, final average salary calculation,
8 compensation limits and other benefit differences resulting from
9 State service credited for individual members even though such
10 allocated employer contribution rate on behalf of any given
11 member may be more or less than 5% of the member's compensation
12 for the period from July 1, 2010, to June 30, 2011, or may
13 differ from the prior year's contribution for that member by
14 more or less than the percentages used to calculate the collared
15 contribution rate for that year and may be below any minimum
16 contribution rate established for the collared contribution rate
17 or final contribution rate. These certifications shall be
18 regarded as final and not subject to modification by the
19 Secretary of the Budget.

20 * * *

21 (m) Annual financial statement.--The board shall prepare and
22 have published, on or before July 1 of each year, [a financial
23 statement] financial statements as of the calendar year ending
24 December 31 of the previous year showing the condition of the
25 fund, the trust and the various accounts, including, but not
26 limited to, the board's accrual and expenditure of directed
27 commissions, and setting forth such other facts,
28 recommendations, and data as may be of use in the advancement of
29 knowledge concerning annuities and other benefits provided by
30 this part. The board shall submit said financial [statement]

1 statements to the Governor and shall file copies with the head
2 of each department for the use of the State employees and the
3 public.

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

11 * * *

12 (p) Participant and employer contributions to trust.--The
13 board shall, each year in addition to any fees and itemized
14 budget required under section 5509 (relating to appropriations
15 and assessments by the Commonwealth), certify, as a percentage
16 of each participant's compensation, the employer defined
17 contributions, which shall be paid to the trust and credited to
18 each participant's individual investment account. These
19 certifications shall be regarded as final and not subject to
20 modification by the Secretary of the Budget. The board shall
21 cause all mandatory pickup participant contributions made on
22 behalf of a participant and all voluntary contributions made by
23 a participant to be credited to the participant's individual
24 investment account.

25 § 5903. Duties of the board to advise and report to heads of
26 departments [and], members and participants.

27 (a) Manual of regulations.--The board shall, with the advice
28 of the Attorney General and the actuary, prepare and provide,
29 within 90 days of the effective date of this part, a manual
30 incorporating rules and regulations consistent with the

1 provisions of this part to the heads of departments who shall
2 make the information contained therein available to the general
3 membership. The board shall thereafter advise the heads of
4 departments within 90 days of any changes in such rules and
5 regulations due to changes in the law or due to changes in
6 administrative policies. As soon as practicable after the
7 commissioner's announcement with respect thereto, the board
8 shall also advise the heads of departments as to any cost-of-
9 living adjustment for the succeeding calendar year in the amount
10 of the limitation under IRC § 401(a)(17) and the dollar amounts
11 of the limitations under IRC § [415(b)] 415. As soon as
12 practicable after January 1 of each year, the board shall also
13 advise the heads of departments of the employees for whom,
14 pursuant to section 5502.1 (relating to waiver of regular member
15 contributions and Social Security integration member
16 contributions), pickup contributions are not to be made.

17 (b) Member status statements and certifications.--The board
18 shall furnish annually to the head of each department on or
19 before April 1, a statement for each member employed in such
20 department showing the total accumulated deductions and Class A-
21 5 accumulated deductions standing to his credit as of December
22 31 of the previous year and requesting the member to make any
23 necessary corrections or revisions regarding his designated
24 beneficiary. In addition, for each member employed in any
25 department and for whom the department has furnished the
26 necessary information, the board shall certify the number of
27 years and fractional part of a year of credited service
28 attributable to each class of service, the number of years and
29 fractional part of a year attributable to social security
30 integration credits in each class of service and, in the case of

1 a member eligible to receive an annuity, the benefit to which he
2 is entitled upon the attainment of superannuation age.

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

12 * * *

13 Section 325. Section 5904(c) of Title 71 is amended to read:
14 § 5904. Duties of the board to report to the Public School
15 Employees' Retirement Board.

16 * * *

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

24 (1) certify to the Public School Employees' Retirement
25 Board;

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

30 (ii) the annuity or benefit to which the member or

1 his beneficiary is entitled as modified according to the
2 option selected; and

3 (2) transfer to the Public School Employees' Retirement
4 Fund the total accumulated deductions or Class A-5
5 accumulated deductions standing to such member's credit and
6 the actuarial reserve required on account of years of
7 credited service in the State system, final average salary
8 determined on the basis of his compensation in both systems
9 and the average noncovered salary to be charged to the State
10 accumulation account, the State Police benefit account or the
11 enforcement officers' benefit account, as each case may
12 require.

13 * * *

14 Section 326. Section 5905(b), (c.1), (f) and (g) of Title 71
15 are amended and the section is amended by adding subsections to
16 read:

17 § 5905. Duties of the board regarding applications and
18 elections of members and participants.

19 * * *

20 (b) School employees electing multiple service status.--Upon
21 receipt of notification from the Public School Employees'
22 Retirement Board that a former State employee has become an
23 active member in the Public School Employees' Retirement System
24 and has elected to become a member with multiple service status
25 the board shall:

26 (1) in case of a member receiving an annuity from the
27 system:

28 (i) discontinue payments, transfer the present value
29 of the member's annuity at the time of entering school
30 service, plus the amount withdrawn in a lump sum payment,

1 on or after the date of entering school service, pursuant
2 to section 5705 (relating to member's options), with
3 statutory interest to date of transfer, minus the amount
4 to be returned to the board on account of return to
5 service, that the board has determined is to be credited
6 in the members' savings account, from the annuity reserve
7 account to the members' savings account and resume
8 crediting of statutory interest on the amount restored to
9 his credit;

10 (ii) transfer the balance of the present value of
11 the total annuity, minus the amount to be returned to the
12 board on account of return to service that the board has
13 determined is to be credited in the State accumulation
14 account, from the annuity reserve account to the State
15 accumulation account; and

16 (iii) certify to the member the amount of lump sum
17 and annuity payments with statutory interest the member
18 is to return to the board and, of those amounts, which
19 amount shall be credited to the members' savings account
20 and credited with statutory interest as such payments are
21 returned and which amount shall be credited to the State
22 accumulation account; or

23 (2) in case of a member who is not receiving an annuity
24 and has not withdrawn his total accumulated deductions or
25 Class A-5 accumulated deductions, continue or resume the
26 crediting of statutory interest on his total accumulated
27 deductions and Class A-5 accumulated deductions during the
28 period his total accumulated deductions and Class A-5
29 accumulated deductions remain in the fund; or

30 (3) in case of a former State employee who is not

1 receiving an annuity from the system and his total
2 accumulated deductions or Class A-5 accumulated deductions
3 were withdrawn, certify to the former State employee the
4 accumulated deductions as they would have been at the time of
5 his separation had he been a full coverage member together
6 with statutory interest for all periods of subsequent State
7 and school service to the date of repayment and the amount of
8 such total accumulated deductions or Class A-5 accumulated
9 deduction he is eligible to restore. Such amount shall be
10 restored by him and shall be credited with statutory interest
11 as such payments are restored.

12 * * *

13 (c.1) Termination of service by members.--In the case of any
14 member terminating State service who is entitled to an annuity
15 and who is not then a disability annuitant, the board shall
16 advise such member in writing of any benefits from the system to
17 which he may be entitled under the provisions of this part and
18 shall have the member prepare, on or before the date of
19 termination of State service, one or more of the following three
20 forms, a copy of which shall be given to the member and the
21 original of which shall be filed with the board:

22 (1) an application for the return of total accumulated
23 deductions and if eligible, for the return of Class A-5
24 accumulated deductions;

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

30 (3) if eligible, an application for an immediate annuity

1 and, if he desires:

2 (i) an election to convert his medical, major
3 medical and hospitalization insurance coverage to the
4 plan for State annuitants; and

5 (ii) if he is a joint coverage member, an election
6 to become a full coverage member and an agreement to pay
7 within 30 days of date of termination of service the lump
8 sum required.

9 (c.2) Termination of service by participants.--In the case
10 of a participant terminating State service, the board shall
11 advise the participant in writing of the vested accumulated
12 total defined contributions credited to the participant's
13 individual investment account as of the date stated in the
14 writing, any notices regarding rollover or other matters
15 required by IRC or other law, the obligation of the participant
16 to commence distributions from the plan by the participant's
17 required beginning date and the ability to receive all or part
18 of the vested balance in the participant's individual investment
19 account in a lump sum or in such other form as the board may
20 authorize or as required by law.

21 * * *

22 (e.2) Notification to inactive participants approaching
23 required beginning date.--The board shall notify in writing each
24 inactive participant who has terminated State service and has
25 not commenced distribution by 90 days before the participant's
26 required beginning date that the inactive participant has an
27 obligation to commence distributions by the required beginning
28 date in a form and manner required by IRC § 401(a)(9) and other
29 applicable provisions of the IRC.

30 (f) Initial annuity payment and certification.--The board

1 shall make the first monthly payment to a member who is eligible
2 for an annuity within 60 days of the filing of his application
3 for an annuity or, in the case of a vestee or special vestee who
4 has deferred the filing of his application to a date later than
5 90 days following attainment of superannuation age, within 60
6 days of the effective date of retirement, and receipt of the
7 required data from the head of the department and, if the member
8 has Class G, Class H, Class I, Class J, Class K, Class L, Class
9 M or Class N service, any data required from the county
10 retirement system or pension plan to which the member was a
11 contributor before being a State employee. Concurrently, the
12 board shall certify to such member:

13 (1) the total accumulated deductions and Class A-5
14 accumulated deductions standing to his credit showing
15 separately the amount contributed by the member, the pickup
16 contribution and the interest credited to the date of
17 termination of service;

18 (2) the number of years and fractional part of a year
19 credited in each class of service;

20 (3) the final average salary on which his annuity is
21 based as well as any applicable reduction factors due to age
22 and/or election of an option; and

23 (4) the total annuity payable under the option elected
24 and the amount and effective date of any future reduction
25 under section 5703 (relating to reduction of annuities on
26 account of social security old-age insurance benefits).

27 (f.1) Initial payment to participants.--The board shall make
28 the initial payment to a participant who has applied for a
29 distribution within 60 days of the filing of the application.

30 (g) Death benefits.--Upon receipt of notification from the

1 head of a department of the death of an active member, a member
2 performing USERRA leave [or], a member on leave without pay, an
3 active participant, an inactive participant on leave without pay
4 or a former participant performing USERRA leave, the board shall
5 advise the designated beneficiary of the benefits to which he is
6 entitled, and shall make the first payment to the beneficiary
7 within 60 days of receipt of certification of death and other
8 necessary data. If no beneficiary designation is in effect at
9 the date of the member's death or no notice has been filed with
10 the board to pay the amount of the benefits to the member's
11 estate, the board is authorized to pay the benefits to the
12 executor, administrator, surviving spouse or next of kin of the
13 deceased member, and payment pursuant [hereto] to this
14 subsection shall fully discharge the fund from any further
15 liability to make payment of such benefits to any other person.
16 If the surviving spouse or next of kin of the deceased member
17 cannot be found for the purpose of paying the benefits for a
18 period of seven years from the date of death of the member, then
19 the benefits shall be escheated to the Commonwealth for the
20 benefit of the fund. If no beneficiary designation is in effect
21 at the date of a participant's death or no notice has been filed
22 with the board to pay the amount of the benefits to the
23 participant's estate, the board may pay the benefits to the
24 surviving spouse, executor, administrator or next of kin of the
25 deceased participant, and payment pursuant to this subsection
26 shall fully discharge the fund from any further liability to
27 make payment of such benefits to any other person.

28 * * *

29 Section 327. Section 5905.1(a), (b) and (d) of Title 71 are
30 amended to read:

1 § 5905.1. Installment payments of accumulated deductions.

2 (a) General rule.--Notwithstanding any other provision of
3 this part, whenever a member elects to withdraw his total
4 accumulated deductions or Class A-5 accumulated deductions
5 pursuant to section 5311(a) (relating to eligibility for
6 refunds) or 5701 (relating to return of [total] accumulated
7 deductions) or elects to receive a portion of his benefit
8 payable as a lump sum pursuant to section 5705(a)(4)(iii)
9 (relating to member's options), the member may elect to receive
10 the amount in not more than four installments.

11 (b) Payment of first installment.--The payment of the first
12 installment shall be made in the amount and within seven days of
13 the date specified by the member, except as follows:

14 (1) Upon receipt of a member's application to withdraw
15 his total accumulated deductions or Class A-5 accumulated
16 deductions as provided in section 5311(a) or 5701 and upon
17 receipt of all required data from the head of the department
18 and, if the member has Class G, Class H, Class I, Class J,
19 Class K, Class L, Class M or Class N service, any data
20 required from the county retirement system or pension plan to
21 which the member was a contributor before being transferred
22 to State employment, the board shall not be required to pay
23 the first installment prior to 45 days after the filing of
24 the application and the receipt of the data or the date of
25 termination of service, whichever is later.

26 (2) In the case of an election as provided in section
27 5705(a)(4)(iii) by a member terminating service within 60
28 days prior to the end of a calendar year and upon receipt of
29 all required data from the head of the department and, if the
30 member has Class G, Class H, Class I, Class J, Class K, Class

1 L, Class M or Class N service, any data required from the
2 county retirement system or pension plan to which the member
3 was a contributor before being transferred to State
4 employment, the board shall not be required to pay the first
5 installment prior to 21 days after the later of the filing of
6 the application and the receipt of the data or the date of
7 termination of service, but, unless otherwise directed by the
8 member, the payment shall be made no later than 45 days after
9 the filing of the application and the receipt of the data or
10 the date of termination of service, whichever is later.

11 (3) In the case of an election as provided in section
12 5705(a)(4)(iii) by a member who is not terminating service
13 within 60 days prior to the end of a calendar year and upon
14 receipt of all required data from the head of the department
15 and, if the member has Class G, Class H, Class I, Class J,
16 Class K, Class L, Class M or Class N service, any data
17 required from the county retirement system or pension plan to
18 which the member was a contributor before being transferred
19 to State employment, the board shall not be required to pay
20 the first installment prior to 45 days after the filing of
21 the application and the receipt of the data or the date of
22 termination of service, whichever is later.

23 * * *

24 (d) Statutory interest.--Any lump sum, including a lump sum
25 payable pursuant to section 5705.1 (relating to payment of
26 accumulated deductions resulting from [Class A-3 and Class A-4]
27 more than one class of service), or installment payable shall
28 include statutory interest credited to the date of payment,
29 except in the case of a member, other than a vestee or special
30 vestee, who has not filed his application prior to 90 days

1 following his termination of service.

2 Section 328. Sections 5906(a), (b), (d), (e), (g), (h), (i),
3 (j) and (l) and 5907(a), (c), (d), (e) and (f) of Title 71 are
4 amended and the sections are amended by adding subsections to
5 read:

6 § 5906. Duties of heads of departments.

7 (a) Status of members and participants.--The head of
8 department shall, at the end of each pay period, notify the
9 board in a manner prescribed by the board of salary changes
10 effective during that period for any members and participants of
11 the department, the date of all removals from the payroll, and
12 the type of leave of any members and participants of the
13 department who have been removed from the payroll for any time
14 during that period, and:

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

18 (2) if the removal is due to a transfer to another
19 department, he shall furnish such department and the board
20 with a complete State service record, including past State
21 service in other departments or agencies, or creditable
22 nonstate service; or

23 (3) if the removal is due to termination of State
24 service, he shall furnish the board with a complete State
25 service record, including service in other departments or
26 agencies, or creditable nonstate service and;

27 (i) in the case of death of the member or
28 participant, the head of the department shall so notify
29 the board;

30 (ii) in the case of a service connected disability

1 of a member, the head of department shall, to the best of
2 his ability, investigate the circumstances surrounding
3 the disablement of the member and submit in writing to
4 the board information which shall include but not
5 necessarily be limited to the following: date, place and
6 time of disablement to the extent ascertainable; nature
7 of duties being performed at such time; and whether or
8 not the duties being performed were authorized and
9 included among the member's regular duties. In addition,
10 the head of department shall furnish in writing to the
11 board all such other information as may be related to the
12 member's disablement;

13 (iii) in the case of a member terminating from The
14 Pennsylvania State University who is a member of the
15 system with five or more but less than ten eligibility
16 points and who has terminated State service on June 30,
17 1997, because of the transfer of his job position or
18 duties to a controlled organization of the Penn State
19 Geisinger Health System or because of the elimination of
20 his job position or duties due to the transfer of other
21 job positions or duties to a controlled organization of
22 the Penn State Geisinger Health System, the head of the
23 department shall so certify to the board.

24 (b) Records and information.--At any time at the request of
25 the board and at termination of service of a member or a
26 participant, the head of department shall furnish service and
27 compensation records and such other information as the board may
28 require and shall maintain and preserve such records as the
29 board may direct for the expeditious discharge of its duties.

30 * * *

1 (c.1) Participant and employer defined contributions.--The
2 head of department shall:

3 (1) Cause the mandatory pickup participant contributions
4 on behalf of a participant to be made.

5 (2) Cause the employer defined contributions on behalf
6 of a participant to be made.

7 (3) Notify the board at times and in a manner prescribed
8 by the board of the compensation of any participant to whom
9 the limitation under IRC § 401(a)(17) either applies or is
10 expected to apply and cause the participant's contributions
11 to be deducted from payroll to cease at the limitation under
12 IRC § 401(a)(17) on the payroll date if and when such limit
13 shall be reached.

14 (4) Certify to the State Treasurer the amounts picked up
15 and deducted and the employer defined contributions being
16 made and send the total amount picked up, deducted and
17 contributed together with a duplicate of the voucher to the
18 secretary of the board every pay period or on such schedule
19 as established by the board.

20 (d) New employees subject to mandatory membership or
21 participation.--Upon the assumption of duties of each new State
22 employee whose membership in the system or plan is mandatory,
23 the head of department shall cause an application for membership
24 or participation and a nomination of beneficiary to be made by
25 such employee and filed with the board and shall make pickup
26 contributions or mandatory pickup participant contributions from
27 the effective date of State employment.

28 (e) New employees subject to optional membership or
29 participation.--The head of department shall, upon the
30 employment or entering into office of any State employee whose

1 membership in the system or participation in the plan is not
2 mandatory, inform such employee of his opportunity to become a
3 member of the system or participant in the plan. If such
4 employee so elects, the head of department shall cause an
5 application for membership or participation and a nomination of
6 beneficiary to be made by him and filed with the board and shall
7 cause proper contributions to be made from the effective date of
8 membership or participation.

9 * * *

10 (g) Former school employee contributors.--The head of
11 department shall, upon the employment of a former contributor to
12 the Public School Employees' Retirement System who is not an
13 annuitant of the Public School Employees' Retirement System,
14 advise such employee [of his] if he has a right to elect within
15 365 days of entry into the system or, for a member of Class A-5,
16 if he has a right to elect within 45 days of entry into the
17 system, to become a multiple service member, and in the case of
18 any such employee who so elects and has withdrawn his
19 accumulated deductions, require him to reinstate his credit in
20 the Public School Employees' Retirement System. The head of the
21 department shall advise the board of such election.

22 (h) Former school employee annuitants.--The head of
23 department shall, upon the employment of an annuitant of the
24 Public School Employees' Retirement System who applies for
25 membership in the system, advise such employee [that] if he may
26 elect multiple service membership within 365 days of entry into
27 the system or, for a member of Class A-5, if he has a right to
28 elect multiple service within 45 days of entry into the system,
29 and if he so elects his public school employee's annuity will be
30 discontinued effective upon the date of his return to State

1 service and, upon termination of State service and application
2 for an annuity, the annuity will be adjusted in accordance with
3 section 5706 (relating to termination of annuities). The head of
4 department shall advise the board of such election.

5 (i) Annual statement to members.--Annually, upon receipt
6 from the board, the head of department shall furnish to each
7 member the statement specified in section 5903(b) (relating to
8 duties of the board to advise and report to heads of departments
9 [and], members and participants).

10 (j) Termination of service.--The head of department shall,
11 in the case of any member terminating State service who is
12 ineligible for an annuity before attainment of superannuation
13 age, advise such member in writing of any benefits to which he
14 may be entitled under the provisions of this part and shall have
15 the member prepare, on or before the date of termination of
16 State service, an application for the return of total
17 accumulated deductions and Class A-5 accumulated deductions or,
18 on or before September 30, 1997, an application to be vested as
19 a special vestee, if eligible.

20 * * *

21 (l) State employees performing USERRA or military-related
22 leave of absence.--The head of department shall report to the
23 board any State employee who ceases to be an active member or
24 active participant to perform USERRA service, or who is granted
25 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
26 of absence for certain government employees) or a military leave
27 of absence under 51 Pa.C.S. § 7302 (relating to granting
28 military leaves of absence), the date on which the USERRA
29 service, leave of absence or military leave of absence began,
30 the date on which the State employee is reemployed from USERRA

1 leave or returns after the leave of absence or military leave of
2 absence, if the event occurs, and any other information the
3 board may require or direct.

4 * * *

5 § 5907. Rights and duties of State employees [and], members and
6 participants.

7 (a) Information on new employees.--Upon his assumption of
8 duties each new State employee shall furnish the head of
9 department with a complete record of his previous State service,
10 his school service or creditable nonstate service, and proof of
11 his date of birth and current status in the system and the plan
12 and in the Public School Employees' Retirement System and the
13 School Employees' Defined Contribution Plan. Willful failure to
14 provide the information required by this subsection to the
15 extent available upon entrance into the system shall result in
16 the forfeiture of the right of the member to subsequently assert
17 any right to benefits based on any of the required information
18 which he failed to provide. In any case in which the board finds
19 that a member is receiving an annuity based on false
20 information, the total amount received predicated on such false
21 information together with statutory interest doubled and
22 compounded shall be deducted from the present value of any
23 remaining benefits to which the member is legally entitled.

24 * * *

25 (b.1) Application for participation.--On or after January 1,
26 2016, in the case of an employee who is not currently a
27 participant in the plan and whose participation is mandatory, or
28 in the case of an employee whose participation is not mandatory
29 but is permitted and who desires to become a participant in the
30 plan, the new employee shall execute an application for

1 participation and a nomination of a beneficiary.

2 (c) Multiple service membership.--Any [active member] State
3 employee who is an active member in a class of service other
4 than Class A-5 who was formerly an active member in the Public
5 School Employees' Retirement System in a class of service other
6 than Class T-G may elect to become a multiple service member.
7 Such election shall occur no later than 365 days after becoming
8 an active member in a class of service other than Class A-5 in
9 this system. Any State employee who is an active member of Class
10 A-5 who was formerly an active member in Public School
11 Employees' Retirement System in Class T-G may elect to become a
12 multiple service member. Such election shall occur no later than
13 45 days after becoming an active member of Class A-5. A State
14 employee who is eligible to elect to become a multiple service
15 member who begins USERRA leave during the election period
16 without having elected multiple service membership may make the
17 election within 365 days, or 45 days if a member of Class A-5,
18 after being reemployed from USERRA leave.

19 (d) Credit for previous service or change in membership
20 status.--Any active member or eligible school employee who
21 desires to receive credit for the portion of his total previous
22 State service or creditable nonstate service to which he is
23 entitled, or a joint coverage member who desires to become a
24 full coverage member, shall so notify the board and upon written
25 agreement by the member and the board as to the manner of
26 payment of the amount due, the member shall receive credit for
27 such service as of the date of such agreement.

28 * * *

29 (d.2) Contributions for USERRA leave.--Any active
30 participant or inactive participant on leave without pay or

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

11 (d.3) Voluntary contributions by a participant.--Any
12 participant who desires to make voluntary contributions to be
13 credited to his individual investment account shall notify the
14 board and, upon compliance with the requirements, procedures and
15 limitations established by the board in the plan document, may
16 do so subject to the limitations under IRC §§ 401(a) and 415 and
17 other applicable law.

18 (e) Beneficiary for death benefits from system.--Every
19 member shall nominate a beneficiary by written designation filed
20 with the board as provided in section 5906(d) or (e) (relating
21 to duties of heads of departments) to receive the death benefit
22 payable under section 5707 (relating to death benefits) or the
23 benefit payable under the provisions of Option 1 of section
24 5705(a)(1) (relating to member's options). Such nomination may
25 be changed at any time by the member by written designation
26 filed with the board. A member may also nominate a contingent
27 beneficiary or beneficiaries to receive the death benefit
28 provided under section 5707 or the benefit payable under the
29 provisions of Option 1 of section 5705(a)(1).

30 (e.1) Beneficiary for death benefits from the plan.--Every

1 participant shall nominate a beneficiary by written designation
2 filed with the board as provided in section 5906(d) or (e) to
3 receive the death benefit payable under section 5808 (relating
4 to death benefits). A participant may also nominate a contingent
5 beneficiary or beneficiaries to receive the death benefit
6 provided under section 5808. Such nomination may be changed at
7 any time by the participant by written designation filed with
8 the board.

9 (e.2) Beneficiaries for employees who are members and
10 participants.--A State employee who is both a member of the
11 system and a participant in the plan may designate or nominate
12 different persons to be beneficiaries, survivor annuitants and
13 successor payees for his benefits from the system and the plan.

14 (f) Termination of service by members.--Each member who
15 terminates State service and who is not then a disability
16 annuitant shall execute on or before the date of termination of
17 service one or more of the appropriate [application]
18 applications, duly attested by the member or his legally
19 constituted representative, electing to:

20 (1) withdraw his total accumulated deductions and if
21 eligible withdraw his Class A-5 accumulated deductions; or

22 (2) if eligible, vest his retirement rights; and if he
23 is a joint coverage member, and so desires, elect to become a
24 full coverage member and agree to pay within 30 days of the
25 date of termination of service the lump sum required; or

26 (3) if eligible, receive an immediate annuity and may,

27 (i) if eligible, elect to convert his medical, major
28 medical, and hospitalization coverage to the plan for
29 State annuitants; and

30 (ii) if he is a joint coverage member, elect to

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

4 * * *

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

12 * * *

13 Section 329. Sections 5931(b), 5932, 5933, 5934, 5935, 5936,
14 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
15 5953.4(a) of Title 71 are amended to read:

16 § 5931. Management of fund and accounts.

17 * * *

18 (b) Crediting of interest.--The board, annually, shall allow
19 the required interest on the mean amount for the preceding year
20 to the credit of each of the accounts other than the individual
21 investment accounts. The amount so allowed shall be credited
22 thereto by the board and transferred from the interest reserve
23 account.

24 * * *

25 § 5932. State Employees' Retirement Fund.

26 (a) General rule.--The fund shall consist of all balances in
27 the several separate accounts set apart to be used under the
28 direction of the board for the benefit of members of the system;
29 and the Treasury Department shall credit to the fund all moneys
30 received from the Department of Revenue arising from the

1 contributions relating to or on behalf of members of the system
2 required under the provisions of Chapter 55 (relating to
3 contributions), and any income earned by the investments or
4 moneys of said fund. There shall be established and maintained
5 by the board the several ledger accounts specified in sections
6 5933 (relating to members' savings account), 5934 (relating to
7 State accumulation account), 5935 (relating to annuity reserve
8 account), 5936 (relating to State Police benefit account), 5937
9 (relating to enforcement officers' benefit account), 5938
10 (relating to supplemental annuity account) and 5939 (relating to
11 interest reserve account).

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

20 § 5933. Members' savings account.

21 (a) Credits to account.--The members' savings account shall
22 be the ledger account to which shall be credited the amounts of
23 the pickup contributions made by the Commonwealth or other
24 employer and contributions or lump sum payments made by active
25 members in accordance with the provisions of sections 5501
26 (relating to regular member contributions for current service),
27 5501.1 (relating to shared-risk member contributions for Class
28 A-3 [and], Class A-4 and Class A-5 service), 5502 (relating to
29 social security integration member contributions), 5503
30 (relating to joint coverage member contributions), 5504

1 (relating to member contributions for the purchase of credit for
2 previous State service or to become a full coverage member),
3 5505.1 (relating to additional member contributions) and 5505
4 (relating to contributions for the purchase of credit for
5 creditable nonstate service) and transferred from the members'
6 savings account of the Public School Employees' Retirement
7 System in accordance with the provisions of section 5303.2
8 (relating to election to convert school service to State
9 service).

10 (b) Interest and transfers from account.--The members'
11 savings account in total and the individual member accounts
12 shall be credited with statutory interest. The total accumulated
13 deductions and Class A-5 accumulated deductions credited to a
14 member whose application for an annuity has been approved shall
15 be transferred from the members' savings account to the annuity
16 reserve account provided for in section 5935 (relating to
17 annuity reserve account), except in the case of a member who is
18 an officer of the Pennsylvania State Police or an enforcement
19 officer the total accumulated deductions and Class A-5
20 accumulated deductions to his credit shall be transferred from
21 the members' savings account to the State Police benefit account
22 provided for in section 5936 (relating to State Police benefit
23 account) or to the enforcement officers benefit account provided
24 for in section 5937 (relating to enforcement officers' benefit
25 account), as the case may be.

26 (c) Charges to account.--Upon the election of a member to
27 withdraw his total accumulated deductions or Class A-5
28 accumulated deductions or upon the transfer of accumulated
29 deductions pursuant to section 5701.1 (relating to transfer of
30 accumulated deductions), the payment of such amount shall be

1 charged to the members' savings account.

2 § 5934. State accumulation account.

3 The State accumulation account shall be the ledger account to
4 which shall be credited all contributions of the Commonwealth or
5 other employers whose employees are members of the system and
6 made in accordance with the provisions of section 5507(a) or (d)
7 (relating to contributions to the system by the Commonwealth and
8 other employers) except that the amounts received under the
9 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
10 amounts received under the provisions of the Liquor Code, act of
11 April 12, 1951 (P.L.90, No.21), shall be credited to the State
12 Police benefit account or the enforcement officers' benefit
13 account as the case may be. All amounts transferred to the fund
14 by county retirement systems or pension plans in accordance with
15 the provisions of section 5507(c) also shall be credited to the
16 State accumulation account. All amounts transferred to the fund
17 by the Public School Employees' Retirement System in accordance
18 with section 5303.2(e) (relating to election to convert school
19 service to State service), except amounts credited to the
20 members' savings account, and all amounts paid by the Department
21 of Corrections in accordance with section 5303.2(f) also shall
22 be credited to the State accumulation account. The State
23 accumulation account shall be credited with valuation interest.
24 The reserves necessary for the payment of annuities and death
25 benefits resulting from membership in the system as approved by
26 the board and as provided in Chapter 57 (relating to benefits)
27 shall be transferred from the State accumulation account to the
28 annuity reserve account provided for in section 5935 (relating
29 to annuity reserve account), except that the reserves necessary
30 on account of a member who is an officer of the Pennsylvania

1 State Police or an enforcement officer shall be transferred from
2 the State accumulation account to the State Police benefit
3 account provided for in section 5936 (relating to State Police
4 benefit account) or to the enforcement officers' benefit account
5 as provided for in section 5937 (relating to enforcement
6 officers' benefit account) as the case may be. The reserves
7 necessary for the payment of supplemental annuities in excess of
8 those reserves credited to the supplemental annuity account on
9 June 30, 2010, shall be transferred from the State accumulation
10 account to the supplemental annuity account. In the event that
11 supplemental annuities are increased by legislation enacted
12 after December 31, 2009, the necessary reserves shall be
13 transferred from the State accumulation account to the
14 supplemental annuity account.

15 § 5935. Annuity reserve account.

16 (a) Credits and charges to account.--The annuity reserve
17 account shall be the ledger account to which shall be credited
18 the reserves held for payment of annuities and death benefits on
19 account of all annuitants except in the case of members who are
20 officers of the Pennsylvania State Police or enforcement
21 officers. The annuity reserve account shall be credited with
22 valuation interest. After the transfers provided in sections
23 5933 (relating to members' savings account), 5934 (relating to
24 State accumulation account) and 5938 (relating to supplemental
25 annuity account), all annuity and death benefit payments
26 resulting from membership in the system except those payable to
27 any member who retires as an officer of the Pennsylvania State
28 Police or an enforcement officer shall be charged to the annuity
29 reserve account and paid from the fund.

30 (b) Transfers from account.--Should an annuitant other than

1 a member who was retired as an officer of the Pennsylvania State
2 Police or an enforcement officer be subsequently restored to
3 active service as a member of the system or as a participant in
4 the plan, the present value of his member's annuity at the time
5 of reentry into State service shall be transferred from the
6 annuity reserve account and placed to his individual credit in
7 the members' savings account. In addition, the actuarial reserve
8 for his annuity less the amount transferred to the members'
9 savings account shall be transferred from the annuity reserve
10 account to the State accumulation account.

11 § 5936. State Police benefit account.

12 (a) Credits and charges to account.--The State Police
13 benefit account shall be the ledger account to which shall be
14 credited all contributions received under the provisions of the
15 act of May 12, 1943 (P.L.259, No.120), and any additional
16 Commonwealth or other employer contributions provided for in
17 section 5507 (relating to contributions to the system by the
18 Commonwealth and other employers) which are creditable to the
19 State Police benefit account. The State Police benefit account
20 shall be credited with the required interest. In addition, upon
21 the filing of an application for an annuity by a member who is
22 an officer of the Pennsylvania State Police, the total
23 accumulated deductions and Class A-5 accumulated deductions
24 standing to the credit of the member in the members' savings
25 account and the necessary reserves from the State accumulation
26 account shall be transferred to the State Police benefit
27 account. Thereafter, the total annuity of such annuitant shall
28 be charged to the State Police benefit account and paid from the
29 fund.

30 (b) Transfers from account.--Should the said annuitant be

1 subsequently restored to active service as a member of the
2 system or as a participant in the plan, the present value of the
3 member's annuity at the time of reentry into State service shall
4 be transferred from the State Police benefit account and placed
5 to his individual credit in the members' savings account. In
6 addition, the actuarial reserve for his annuity calculated as if
7 he had been a member of Class A if he has Class A or Class C
8 service credited; as if he had been a member of Class A-3 if the
9 annuitant has Class A-3 State service credited; or as if he had
10 been a member of Class A-4 if the annuitant has Class A-4
11 service credited, less the amount transferred to the members'
12 savings account shall be transferred from the State Police
13 benefit account to the State accumulation account. Upon
14 subsequent retirement other than as an officer of the
15 Pennsylvania State Police the actuarial reserve remaining in the
16 State Police benefit account shall be transferred to the
17 appropriate reserve account.

18 § 5937. Enforcement officers' benefit account.

19 (a) Credits and charges to account.--The enforcement
20 officers' benefit account shall be the ledger account to which
21 shall be credited moneys transferred from the enforcement
22 officers' retirement account in the State Stores Fund according
23 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
24 known as the Liquor Code, and any additional Commonwealth or
25 other employer contributions provided for in section 5507
26 (relating to contributions to the system by the Commonwealth and
27 other employers) which are creditable to the enforcement
28 officers' benefit account. The enforcement officers' benefit
29 account shall be credited with the required interest. In
30 addition, upon the filing of an application for an annuity by a

1 member who is an enforcement officer of the Pennsylvania Liquor
2 Control Board, the total accumulated deductions and Class A-5
3 accumulated deductions standing to the credit of the member in
4 the members' savings account and the necessary reserves from the
5 State accumulation account shall be transferred to the
6 enforcement officers' benefit account. Thereafter, the total
7 annuity of such annuitant shall be charged to the enforcement
8 officers' benefit account and paid from the fund.

9 (b) Transfers from account.--Should the said annuitant be
10 subsequently restored to active service as a member of the
11 system or as a participant in the plan, the present value of the
12 member's annuity at the time of reentry into State service shall
13 be transferred from the enforcement officers' benefit account
14 and placed to his individual credit in the members' savings
15 account. In addition, the actuarial reserve for his annuity
16 calculated as if he had been a member of Class A if the
17 annuitant does not have any Class AA, Class A-3 or Class A-4
18 service credited; as if he had been a member of Class AA if the
19 annuitant does have Class AA service credited; as if he had been
20 a member of Class A-3 if the annuitant has Class A-3 State
21 service credited; or as if he had been a member of Class A-4 if
22 the annuitant has Class A-4 service credited, less the amount
23 transferred to the members' savings account shall be transferred
24 from the enforcement officers' benefit account to the State
25 accumulation account. Upon subsequent retirement other than as
26 an enforcement officer the actuarial reserve remaining in the
27 enforcement officers' benefit account shall be transferred to
28 the appropriate reserve account.

29 § 5938. Supplemental annuity account.

30 The supplemental annuity account shall be the ledger account

1 to which shall be credited all contributions from the
2 Commonwealth and other employers in accordance with section
3 5507(b) (relating to contributions to the system by the
4 Commonwealth and other employers) for the payment of the
5 supplemental annuities provided in sections 5708 (relating to
6 supplemental annuities), 5708.1 (relating to additional
7 supplemental annuities), 5708.2 (relating to further additional
8 supplemental annuities), 5708.3 (relating to supplemental
9 annuities commencing 1994), 5708.4 (relating to special
10 supplemental postretirement adjustment), 5708.5 (relating to
11 supplemental annuities commencing 1998), 5708.6 (relating to
12 supplemental annuities commencing 2002), 5708.7 (relating to
13 supplemental annuities commencing 2003) and 5708.8 (relating to
14 special supplemental postretirement adjustment of 2002) made
15 before July 1, 2010, the amount transferred from the State
16 accumulation account to provide all additional reserves
17 necessary as of June 30, 2010, to pay such supplemental
18 annuities and adjustments, and the amounts transferred from the
19 State accumulation account to provide all additional reserves
20 necessary as a result of supplemental annuities enacted after
21 December 31, 2009. The supplemental annuity account shall be
22 credited with valuation interest. The reserves necessary for the
23 payment of such supplemental annuities shall be transferred from
24 the supplemental annuity account to the annuity reserve account
25 as provided in section 5935 (relating to annuity reserve
26 account).

27 § 5939. Interest reserve account.

28 The interest reserve account shall be the ledger account to
29 which shall be credited all income earned by the fund and to
30 which shall be charged all administrative and investment

1 expenses incurred by the fund. At the end of each year the
2 required interest shall be transferred from the interest reserve
3 account to the credit of each of the accounts of the fund in
4 accordance with the provisions of this subchapter. In addition,
5 at the end of each accounting period, the interest reserve
6 account shall be credited or charged with all recognized changes
7 in the market valuation of the investments of the fund. The
8 administrative and investment expenses of the board relating to
9 the administration of the system and investments of the fund
10 shall be paid from the fund out of earnings. Any surplus or
11 deficit in the interest reserve account at the end of each year
12 shall be transferred to the State accumulation account.

13 § 5951. State guarantee regarding the system.

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

24 § 5953. Taxation, attachment and assignment of funds.

25 (a) General rule.--

26 (1) Except as provided in paragraphs (2), (3) and (4),
27 the right of a person to any benefit or right accrued or
28 accruing under the provisions of this part and the moneys in
29 the fund and the trust are hereby exempt from any State or
30 municipal tax, levy and sale, garnishment, attachment,

1 spouse's election, or any other process whatsoever and the
2 provisions of Article XIII.1 of the act of April 9, 1929
3 (P.L.343, No.176), known as The Fiscal Code, and no
4 participant or beneficiary, successor payee, or alternate
5 payee of a participant shall have the ability to commute,
6 sell, assign, alienate, anticipate, mortgage, pledge,
7 hypothecate, commutate or otherwise transfer or convey any
8 benefit or interest in an individual investment account or
9 rights to receive or direct distributions under this part or
10 under agreements entered into under this part except as
11 otherwise provided in this part and in the case of either a
12 member or a participant except for a set-off by the
13 Commonwealth in the case provided in subparagraph (i), and
14 shall be unassignable except:

15 (i) To the Commonwealth in the case of a member or
16 participant who is terminating State service and has been
17 determined to be obligated to the Commonwealth for the
18 repayment of money owed on account of his employment or
19 to the fund on account of a loan from a credit union to a
20 member which has been satisfied by the board from the
21 fund.

22 (ii) To a credit union as security for a loan to a
23 member not to exceed \$750 and interest not to exceed 6%
24 per annum discounted and/or fines thereon if the credit
25 union is now or hereafter organized and incorporated
26 under the laws of this Commonwealth and the membership of
27 such credit union is limited solely to officials and
28 employees of the Commonwealth and if such credit union
29 has paid to the fund \$3 for each such assignment.

30 (2) (i) Rights under this part shall be subject to

1 forfeiture as provided by the act of July 8, 1978
2 (P.L.752, No.140), known as the Public Employee Pension
3 Forfeiture Act, and by or pursuant to section 16(b) of
4 Article V of the Constitution of Pennsylvania.

5 Forfeitures under this subsection or under any other
6 provision of law may not be applied to increase the
7 benefits that any member would otherwise receive under
8 this part.

9 (ii) Notwithstanding this paragraph and the
10 provisions of section 16(b) of Article V of the
11 Constitution of Pennsylvania, the act of July 8, 1978
12 (P.L.752, No.140), known as the Public Employee Pension
13 Forfeiture Act, or 42 Pa.C.S. § 3352 (relating to pension
14 rights), the accumulated mandatory participant
15 contributions and accumulated voluntary contributions
16 standing to the credit of a participant shall not be
17 forfeited but shall be available for payment of fines and
18 restitution as provided by law. Amounts in the trust that
19 have been ordered to be distributed to an alternate payee
20 as the result of an equitable distribution of marital
21 property as part of an approved domestic relations order
22 entered before the date of the order or action in a court
23 or other tribunal resulting in a forfeiture of a
24 participant's interest in the trust shall not be subject
25 to the provisions of section 16(b) of Article V of the
26 Constitution of Pennsylvania, the Public Employee Pension
27 Forfeiture Act, or 42 Pa.C.S. § 3352. Any accumulated
28 employer defined contributions forfeited as a result of
29 this paragraph or other law shall be retained by the
30 board and notwithstanding sections 5812(2) (relating to

1 powers and duties of board), 5815 (relating to expenses)
2 and 5902(c) (relating to administrative duties of the
3 board) used for the payment of expenses of the plan.

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

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

1 retirement annuity" as those terms are defined in IRC §
2 408(a) and (b).

3 (b) Authorized payments from fund.--The board shall be
4 authorized to pay from the fund:

5 (1) In the case of a member or participant who is
6 terminating service, the amount determined after
7 certification by the head of the department that the member
8 or participant is so obligated, and after review and approval
9 by the department or agency's legal representative or upon
10 receipt of an assignment from the member or participant in
11 the amount so certified[.], except that no payment shall be
12 made from the individual investment account of a participant
13 until the participant otherwise applies for and receives a
14 distribution and shall not exceed the amount of the
15 distribution.

16 (2) In the case of a loan to a member the amount of the
17 loan and any fine or interest due thereon to the credit union
18 except 5% of the total amount due which is to be retained in
19 the fund as a collection fee:

20 (i) if the member obtaining the loan shall have been
21 in default in required payments for a period of not less
22 than two years; or

23 (ii) at such time as the Department of Banking shall
24 require the credit union to charge the amount of the loan
25 against the reserve fund of such credit union.

26 Any member who shall have pledged such rights as security for
27 a loan from a credit union and, on whose behalf the board shall
28 have made any payment by reason of that member's default, may
29 not thereafter pledge or assign such rights to a credit union.

30 (3) In the case of a participant whose former spouse is

1 an alternate payee of an equitable distribution of marital
2 assets under an approved domestic relations order, a lump sum
3 of the alternate payee's interest in the participant's
4 accumulated total defined contributions. This paragraph shall
5 apply without regard to whether the participant has not
6 terminated, is terminating or has terminated State service.

7 § 5953.1. Approval of domestic relations orders.

8 (a) Certification regarding members.--A domestic relations
9 order pertaining to a member of the system shall be certified as
10 an approved domestic relations order by the secretary of the
11 board, or his designated representative, only if that order
12 meets all of the following:

13 (1) Requires the system to provide any type or form of
14 benefit or any option applicable to members already provided
15 under this part.

16 (2) Requires the system to provide no more than the
17 total amount of benefits than the member would otherwise
18 receive (determined on the basis of actuarial value) unless
19 increased benefits are paid to the member or alternate payee
20 based upon cost-of-living increases or increases based on
21 other than actuarial value.

22 (3) Specifies the amount or percentage of the member's
23 benefits to be paid by the system to each such alternate
24 payee or the manner in which such amount or percentage is to
25 be determined.

26 (4) Specifies the retirement option to be selected by
27 the member upon retirement or states that the member may
28 select any retirement option offered by this part upon
29 retirement.

30 (5) Specifies the name and last known mailing address,

1 if any, of the member and the name and last known mailing
2 address of each alternate payee covered by the order and
3 states that it is the responsibility of each alternate payee
4 to keep a current mailing address on file with the system.

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

7 (7) Requires the member to execute an authorization
8 allowing each alternate payee to monitor the member's
9 compliance with the terms of the domestic relations order
10 through access to information concerning the member
11 maintained by the system.

12 (a.1) Certification regarding participants.--A domestic
13 relations order pertaining to a participant shall be certified
14 as an approved domestic relations order by the secretary of the
15 board, or his designated representative, only if the order meets
16 all of the following:

17 (1) Does not require the segregation of the alternate
18 payee's share of the participant's individual investment
19 account into a subaccount or newly established individual
20 account titled in the name of the alternate payee.

21 (2) Does not require the plan to recover or distribute
22 any funds which were distributed to the participant or at the
23 participant's direction prior to the approval of the domestic
24 relations order by the secretary of the board or his
25 designated representative.

26 (3) Requires the plan to pay to the alternate payee no
27 more than the lesser of the vested amount of the
28 participant's individual investment account specified by the
29 domestic relations order or the vested amount of the
30 participant's individual investment account as of the date of

1 the transfer of the alternate payee's share to the alternate
2 payee.

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

8 (5) Specifies the amount or percentage of the
9 participant's individual investment account to be paid to the
10 alternate payee and the date upon which the valuation is
11 based.

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

18 (7) Does not grant an alternate payee the rights,
19 privileges or options available to a participant.

20 (8) Includes provisions for the deferred distribution of
21 the equitable distribution share of benefits payable from any
22 defined benefit pension program administered by the system in
23 which the participant may have an interest as a member of the
24 system or states that the alternate payee may not receive any
25 portion or any benefits payable to the participant as a
26 result of his membership in the system.

27 (9) Requires the immediate distribution of the alternate
28 payee's share of the participant's individual investment
29 account, which may be made by direct payment, eligible
30 rollover or trustee-to-trustee transfer to another eligible

1 plan or qualified account owned by the alternate payee.

2 (10) In the case of a participant who is currently
3 receiving distributions from the plan as of the date the
4 domestic relations order is approved by the secretary of the
5 board or his designated representative, may not order the
6 board to pay the alternate payee more than the balance
7 available in the participant's individual investment account
8 as of the date the order is approved.

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

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

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

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

20 § 5953.2. Irrevocable beneficiary.

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

1 representative, after the member or participant makes such
2 nomination, in which case the irrevocable beneficiary so ordered
3 by the court cannot be changed by the member or participant
4 without approval by the court.

5 § 5953.3. Irrevocable survivor annuitant.

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

21 § 5953.4. Amendment of approved domestic relations orders.

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

28 * * *

29 Section 330. Title 71 is amended by adding a section to
30 read:

1 § 5953.6. Irrevocable successor payee.

2 (a) Condition.--Notwithstanding any other provision of this
3 part, a domestic relations order pertaining to a participant may
4 provide for an irrevocable successor payee if the participant is
5 receiving a payment pursuant to a payment option provided by the
6 board that allows for a successor payee.

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

14 (c) Certification.--A domestic relations order under
15 subsection (b) may be certified as an approved domestic
16 relations order by the secretary of the board or his designated
17 representative. If a domestic relations order is certified under
18 this subsection, the irrevocable successor payee ordered by the
19 court shall not be changed by the participant without approval
20 by the court.

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

27 Section 331. Sections 5954, 5955 and 5957 of Title 71 are
28 amended to read:

29 § 5954. Fraud and adjustment of errors.

30 (a) Penalty for fraud.--Any person who shall knowingly make

1 any false statement or shall falsify or permit to be falsified
2 any record or records of this system or plan in any attempt to
3 defraud the system or plan as a result of such act shall be
4 guilty of a misdemeanor of the second degree.

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

19 § 5955. Construction of part.

20 (a) Exclusive source of rights and benefits.--Regardless of
21 any other provision of law, pension and benefit rights of State
22 employees shall be determined solely by this part or any
23 amendment thereto or the plan document established by the board,
24 and no collective bargaining agreement nor any arbitration award
25 between the Commonwealth and [its] other employers and the
26 Commonwealth's and other employers' employees or their
27 collective bargaining representatives shall be construed to
28 change any of the provisions herein, to require the board to
29 administer pension or retirement benefits not set forth in this
30 part or not established by the board in the plan document, to

1 require the board to modify, amend or change any of the terms
2 and provisions of the plan document, or otherwise require action
3 by any other government body pertaining to pension or retirement
4 benefits or rights of State employees. Notwithstanding the
5 foregoing, any pension or retirement benefits or rights
6 previously so established by or as a result of an arbitration
7 award shall remain in effect after the expiration of the current
8 collective bargaining agreement between the State employees so
9 affected and the Commonwealth until the expiration of each of
10 the collective bargaining agreements in effect on January 1,
11 2011, at which time the classes of membership and resulting
12 member contribution rates and contributions for creditable
13 nonstate service, eligibility for vesting, withdrawal and
14 superannuation annuities, optional modification of annuities and
15 other terms and conditions related to class of membership shall
16 be as determined by this part for employees covered by those and
17 successor collective bargaining agreements. For purposes of
18 administering this part, for those State employees who are
19 members of each such collective bargaining unit, the date
20 January 1, 2011, contained in this part, except in this section,
21 shall be replaced with the date of the day immediately following
22 the expiration of each such collective bargaining agreement. The
23 provisions of this part insofar as they are the same as those of
24 existing law are intended as a continuation of such laws and not
25 as new enactments. The provisions of this part shall not affect
26 any act done, liability incurred, right accrued or vested, or
27 any suit or prosecution pending or to be instituted to enforce
28 any right or penalty or to punish any offense under the
29 authority of any repealed laws.

30 (b) References.--References in this part to the Internal

1 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.)
2 or the Uniformed Services Employment and Reemployment Rights Act
3 of 1994 (Public Law 103-353, 108 Stat. 3149), including
4 administrative regulations promulgated under the Internal
5 Revenue Code of 1986 or the Uniformed Services Employment and
6 Reemployment Rights Act of 1994, are intended to include laws
7 and regulations:

8 (1) In effect on the effective date of this subsection.

9 (2) Amended, supplemented or supplanted on and after the
10 effective date of this subsection.

11 (c) Officer or member of the Pennsylvania State Police.--

12 (1) Notwithstanding a provision of subsection (a) or
13 section 12.1 of the act of November 23, 2010 (P.L.1269,
14 No.120), regarding the continued effectiveness of pension or
15 retirement benefits or rights previously established by or as
16 a result of a binding arbitration award issued before July 1,
17 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
18 referred to as the Policemen and Firemen Collective
19 Bargaining Act, and implemented by the board, the pension or
20 retirement benefits or rights of a State employee who is a
21 current or former State police officer or who becomes a State
22 police officer after the effective date of this subsection
23 shall be as provided in this part as if the binding
24 arbitration award was not issued, except as provided under
25 this subsection.

26 (2) A State employee who is a current or former State
27 police officer or who becomes a State police officer after
28 the effective date of this subsection who:

29 (i) terminates State service before January 1, 2016;

30 or

1 (ii) terminates State service on or after January 1,
2 2015 and, does not have service credited in Class A-5
3 shall be eligible to receive the maximum single life annuity,
4 before optional modification under section 5705 (relating to
5 member's options), that the State employee would have been
6 eligible to receive if this subsection had not been enacted.

7 (3) A State employee who is a current or former State
8 police officer or who becomes a State police officer after
9 the effective date of this subsection who has service
10 credited in Class A-5 and who terminates State service on or
11 after January 1, 2016, shall be eligible to receive a maximum
12 single life annuity before optional modification under
13 section 5705 equal to the sum of:

14 (i) if eligible, the maximum single life annuity
15 that the State employee would have been eligible to
16 receive without regard to any eligibility points, service
17 credit, compensation or contributions attributable to
18 Class A-5 service if this subsection had not been enacted
19 except that service credit and eligibility points for
20 service other than as a member of Class A-5 shall be
21 adjusted for any concurrent service as a member of Class
22 A-5; and

23 (ii) if eligible, the maximum single life annuity
24 that the State employee is eligible to receive under this
25 part attributable to Class A-5 service and, if a multiple
26 service member, Class T-G service.

27 (4) (Reserved).

28 (5) As used in this subsection, "binding arbitration
29 award" means a binding arbitration award issued before July
30 1, 1989, pursuant to the act of June 24, 1968 (P.L.237,

1 No.111), referred to as the Policemen and Firemen Collective
2 Bargaining Act, and implemented by the board.

3 (d) Application to members of certain collective bargaining
4 units.--As applied to members of the collective bargaining units
5 represented by the Fraternal Order of Police, Lodge #85 and the
6 Pennsylvania State Rangers Association who become State
7 employees as a result of entering into State service on or after
8 January 1, 2016, and before July 1, 2016, any references in the
9 provisions of this part pertaining to membership in Class A-5
10 and eligibility or ineligibility for membership in other classes
11 of service and participation in the plan to December 31, 2015,
12 or January 1, 2016, shall be read as June 30, 2016, and July 1,
13 2016, respectively.

14 (e) Adverse inference.--Nothing in this part shall be
15 construed to mean that the limitations on benefits or other
16 requirements under IRC § 401(a) or other applicable provisions
17 of the IRC which are applicable to participants in the plan do
18 not apply to the participants or to members of the system and
19 the benefits payable under this part.

20 (f) Applicability.--A terminated State employee who has
21 Class A-5 service credit and who returns to State service on or
22 after January 1, 2016, shall be subject to the provisions of
23 this part regarding participation in the plan or membership in
24 the system that are in effect on the effective date of
25 reemployment, including, but not limited to, benefit formulas
26 and accrual rates, eligibility for annuities and distributions,
27 contribution rates, definitions, purchase of creditable school,
28 nonschool, State and nonstate service provisions and actuarial
29 and funding assumptions.

30 (g) Furloughs.--For purposes of sections 5302 (relating to

1 credited State service), 5306 (relating to classes of service)
2 and this section, a State employee who is furloughed under
3 section 802 of the act of August 5, 1941 (P.L. 752, No. 286),
4 known as the Civil Service Act, and reemployed pursuant to the
5 Civil Service Act in any class of service or civil service
6 status which was previously held, shall not be treated as having
7 been terminated from State service and beginning a new period of
8 State service.

9 § 5957. Independent Fiscal Office study.

10 The Independent Fiscal Office shall study and analyze the
11 implementation of shared-risk contributions under section 5501.1
12 (relating to shared-risk member contributions for Class A-3
13 [and], Class A-4 and Class A-5 service) and its impact on the
14 system. The study shall be completed by December 31, 2015, and
15 shall be transmitted to the Appropriations Committee and the
16 Finance Committee of the Senate, the Appropriations Committee
17 and the Finance Committee of the House of Representatives and to
18 the Governor.

19 ARTICLE IV

20 Section 401. The following words and phrases when used in
21 this article shall have the meanings given to them in this
22 section unless the context clearly indicates otherwise:

23 "School Retirement Board." The Public School Employees'
24 Retirement Board.

25 "School System." The Public School Employees' Retirement
26 System.

27 "State Retirement Board." The State Employees' Retirement
28 Board.

29 "State System." The State Employees' Retirement System.

30 Section 402. The following apply to reservation of

1 legislative authority:

2 (1) In regard to the School System:

3 (i) The following provisions shall not create an
4 express or implied contractual right in a member of the
5 School System, a participant in the School Employees'
6 Defined Contribution Plan or another person claiming an
7 interest in the account of a member or participant:

8 (A) A provision of this act which amends 24
9 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77, in relation to
10 requirements for any of the following:

11 (I) Qualification of the School Employees'
12 Defined Contribution Plan as a qualified pension
13 plan under sections 401(a) and 415(b) of the
14 Internal Revenue Code of 1986 (Public Law 99-514,
15 26 U.S.C. §§ 401(a) and 415(b)).

16 (II) Compliance with the Uniformed Services
17 Employment and Reemployment Rights Act of 1994
18 (Public Law 103-353, 108 Stat. 3149).

19 (III) Contribution to, participation in or
20 benefit from the School Employees' Defined
21 Contribution Plan or School Employees' Defined
22 Contribution Trust.

23 (IV) Contribution to, membership in or
24 benefit attributable from Class T-G service in
25 the School System or, if a multiple service
26 member, from Class A-5 service in the State
27 System.

28 (V) A domestic relations order regarding an
29 alternate payee of a participant in the School
30 Employees' Defined Contribution Plan.

1 (B) A construction of 24 Pa.C.S. Pt. IV or 51
2 Pa.C.S. Ch. 77, a regulation promulgated under 24
3 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77 or a term or
4 provision of the School Employees' Defined
5 Contribution Plan or School Employees' Defined
6 Contribution Trust established by statute or in the
7 plan document or trust declaration.

8 (ii) The provisions of 24 Pa.C.S. Pt. IV shall
9 remain subject to the Internal Revenue Code of 1986 and
10 the Uniformed Services Employment and Reemployment Rights
11 Act of 1994 and regulations promulgated under those
12 statutes.

13 (iii) The General Assembly reserves to itself the
14 further exercise of its legislative power to amend or
15 supplement the provisions of 24 Pa.C.S. Pt. IV in order
16 to maintain the qualification of the system as a
17 qualified pension plan under section 401(a) of the
18 Internal Revenue Code of 1986 (26 U.S.C. § 401(a)) and
19 other applicable provisions of the Internal Revenue Code
20 of 1986 and the Uniformed Services Employment and
21 Reemployment Rights Act of 1994.

22 (2) In regard to the State System:

23 (i) The following provisions shall not create an
24 express or implied contractual right in a member of the
25 State System, a participant in the State Employees'
26 Defined Contribution Plan or another person claiming an
27 interest in the account of a member or participant:

28 (A) A provision of this act which amends 51
29 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, in relation to
30 requirements for any of the following:

1 (I) Qualification of the State Employees'
2 Defined Contribution Plan as a qualified pension
3 plan under sections 401(a) and 415(b) of the
4 Internal Revenue Code of 1986 (26 U.S.C. §§
5 401(a) and 415(b)).

6 (II) Compliance with the Uniformed Services
7 Employment and Reemployment Rights Act of 1994.

8 (III) Contribution to, participation in or
9 benefit from the State Employees' Defined
10 Contribution Plan or State Employees' Defined
11 Contribution Trust.

12 (IV) Contribution to, membership in or
13 benefit attributable from Class A-5 service in
14 the State System or, if a multiple service
15 member, from Class T-G service in the School
16 System.

17 (V) A domestic relations order regarding an
18 alternate payee of a participant in the State
19 Employees' Defined Contribution Plan.

20 (B) A construction of 51 Pa.C.S. Ch. 77 or 71
21 Pa.C.S. Pt. XXV, a regulation promulgated under 51
22 Pa.C.S. Ch. 77 or 71 Pa.C.S. Pt. XXV or a term or
23 provision of the State Employees' Defined
24 Contribution Plan or State Employees' Defined
25 Contribution Trust established by statute or in the
26 plan document or trust declaration.

27 (ii) The provisions of 71 Pa.C.S. Pt. XXV shall
28 remain subject to the Internal Revenue Code of 1986 and
29 the Uniformed Services Employment and Reemployment Rights
30 Act of 1994 and regulations promulgated under those

1 statutes.

2 (iii) The General Assembly reserves to itself the
3 further exercise of its legislative power to amend or
4 supplement the provisions of 71 Pa.C.S. Pt. XXV:

5 (A) in order to maintain the qualification of
6 the State System as a qualified pension plan under
7 section 401(a) of the Internal Revenue Code of 1986
8 (26 U.S.C. § 401) and other applicable provisions of
9 the Internal Revenue Code of 1986 and the Uniformed
10 Services Employment and Reemployment Rights Act of
11 1994; and

12 (B) as a matter of fiscal or public policy.

13 Section 403. Nothing in this act shall be construed to mean
14 that:

15 (1) a calculation or actuarial method used by the School
16 Retirement Board, its actuaries or the School System was not
17 in accordance with the provisions of 24 Pa.C.S. Pt. IV or
18 other applicable law prior to the effective date of this
19 paragraph; or

20 (2) a calculation or actuarial method used by the State
21 Retirement Board, its actuaries or the State System was not
22 in accordance with the provisions of 71 Pa.C.S. Pt. XXV or
23 other applicable law prior to the effective date of this
24 paragraph.

25 Section 404. The following apply to accrued liability:

26 (1) In regard to the School System:

27 (i) (Reserved).

28 (ii) Payments required to fund a change in accrued
29 liability resulting from this act shall be subject to
30 limits imposed under this act on employer contributions

1 to the School System.

2 (iii) For purposes of 24 Pa.C.S. §§ 8326, 8327 and
3 8328, changes under this paragraph shall not be
4 considered to be costs added by legislation.

5 (2) In regard to the State System:

6 (i) Notwithstanding any other provision of law, a
7 change in accrued liability of the State System created
8 under this act as a result of changes in benefits shall
9 be funded in equal dollar installments over a period of
10 20 years beginning July 1, 2015.

11 (ii) (Reserved).

12 (iii) Payments required to fund a change in accrued
13 liability resulting from this act shall be subject to
14 limits imposed under this act on employer contributions
15 to the State System.

16 (iv) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and
17 5508, changes under this paragraph shall not be
18 considered to be costs added by legislation.

19 Section 405. The following shall apply to construction
20 related to Federal law:

21 (1) In regard to the School System:

22 (i) This act shall be construed and administered in
23 such a manner that the School System and the School
24 Employees' Defined Contribution Plan satisfy the
25 requirements necessary to qualify as a qualified pension
26 plan under section 401(a) of the Internal Revenue Code of
27 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
28 applicable provisions of the Internal Revenue Code of
29 1986 and the Uniformed Services Employment and
30 Reemployment Rights Act of 1994 (Public Law 103-353, 108

1 Stat. 3149). Regulations promulgated by the School
2 Retirement Board and terms and conditions of the plan
3 document and trust declaration adopted by the School
4 Retirement Board may include provisions necessary to
5 accomplish the purpose of this subparagraph.

6 (ii) Nothing in this act shall be construed to
7 require a member of Class T-G to make contributions to
8 the School System in excess of the limits established by
9 section 415(n) (3) (A) (iii) of the Internal Revenue Code of
10 1986 (26 U.S.C. § 415(n) (3) (A) (iii)). A contribution made
11 by a member of Class T-G which is determined to be in
12 excess of the limits shall be refunded to the member in a
13 lump sum subject to withholding for all applicable taxes
14 and penalties as soon as administratively possible after
15 the determination is made. A refund under this
16 subparagraph shall not affect the benefit payable to the
17 member and shall not be treated as or deemed to be a
18 withdrawal of the member's accumulated deductions.

19 (2) As to the State System:

20 (i) This act shall be construed and administered in
21 a manner that the State System and the State Employees'
22 Defined Contribution Plan shall satisfy the requirements
23 necessary to qualify as a qualified pension plan under
24 section 401(a) of the Internal Revenue Code of 1986 (26
25 U.S.C. § 401(a)), other applicable provisions of the
26 Internal Revenue Code of 1986 and the Uniformed Services
27 Employment and Reemployment Rights Act of 1994. The
28 regulations promulgated by the State Retirement Board and
29 the terms and conditions of the plan document and trust
30 declaration adopted by the State Retirement Board may

1 include provisions necessary to accomplish the purpose of
2 this subparagraph.

3 (ii) Nothing in this act shall be construed or
4 deemed to imply that any member of Class A-5 shall be
5 required to make contributions to the State System in
6 excess of the limits established by section 415(n) (3) (A)
7 (iii) of the Internal Revenue Code of 1986 (26 U.S.C. §
8 415(n) (3) (A) (iii)). A contribution made by a member of
9 Class A-5 which is determined to be in excess of the
10 limits shall be refunded to the member in a lump sum
11 subject to withholding for all applicable taxes and
12 penalties as soon as administratively possible after the
13 determination is made. A refund under this subparagraph
14 shall not affect the benefit payable to the member and
15 shall not be treated as or deemed to be a withdrawal of
16 the member's accumulated deductions.

17 (iii) Nothing in this act shall be construed to mean
18 that an interpretation or application of 71 Pa.C.S. Pt.
19 XXV or benefits available to members of the State System
20 was not in accordance with 71 Pa.C.S. Pt. XXV or other
21 applicable law, including the Internal Revenue Code of
22 1986 and the Uniformed Services Employment and
23 Reemployment Rights Act of 1994, before the effective
24 date of this subparagraph.

25 Section 406. The following shall apply to immunity from
26 personal liability:

27 (1) Notwithstanding any other provision of law,
28 fiduciary requirement, actuarial standard of practice or
29 other requirement, no member of the School Retirement Board
30 nor an actuary, employee or official of the School System

1 shall be held liable or in breach or violation of a law or
2 standard, as an individual, in an official capacity or as a
3 governmental or corporate entity, for an action or
4 calculation related to calculating and certifying a final
5 contribution rate as provided under this act that is
6 different from the actuarially required contribution rate as
7 appropriately calculated under 24 Pa.C.S. Pt. IV.

8 (2) Notwithstanding any other provision of law,
9 fiduciary requirement, actuarial standard of practice or
10 other requirement, no member of the State Retirement Board
11 nor an actuary employee or official of the State System shall
12 be held liable or in breach or violation of a law or
13 standard, as an individual, in an official capacity or as a
14 governmental or corporate entity, for an action or
15 calculation related to calculating and certifying a final
16 contribution rate as provided under this act that is
17 different from the actuarially required contribution rate as
18 appropriately calculated under 71 Pa.C.S. Pt. XXV.

19 Section 407. Nothing in this act shall be deemed to permit
20 the restoration of service credit or a retirement benefit which:

21 (1) was or is subject to section 16 of Article V of the
22 Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

23 (2) the subject of an order of forfeiture under the act
24 of July 8, 1978 (P.L.752, No.140), known as the Public
25 Employee Pension Forfeiture Act.

26 Section 408. If a provision of this act or its application
27 to any person or circumstance is held invalid, the invalidity
28 shall not affect other provisions or applications of this act
29 that can be given effect without the invalid provision or
30 application.

1 Section 409. This act shall take effect immediately.