

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1 Session of 2015

INTRODUCED BY CORMAN, BROWNE, SCARNATI, GORDNER, EICHELBERGER, SMUCKER, FOLMER, SCAVELLO, AUMENT, McGARRIGLE, VULAKOVICH, STEFANO, BARTOLOTTA, HUTCHINSON, ALLOWAY, YAW, MENSCH, BAKER, WHITE, BROOKS, ARGALL, McILHINNEY, VANCE, VOGEL, WAGNER AND WARD, MAY 8, 2015

REFERRED TO FINANCE, MAY 8, 2015

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 Employee's Defined Contribution Plan and
 7 of administration and miscellaneous provisions; for health
 8 insurance for retired school employees, in the area of
 9 preliminary provisions; for military pensions, in the area of
 10 military leave of absence; for boards and offices, in the
 11 area of Independent Fiscal Office; for the State Employees'
 12 Retirement System, in the areas of preliminary provisions, of
 13 membership, credited service, classes of service and
 14 eligibility for benefits, of State Employees' Defined
 15 Contribution Plan, of contributions, of benefits and of
 16 administration, funds, accounts, general provisions; and
 17 providing, as to the revisions, for construction and
 18 administration, for applicability, for funding, for
 19 liability, for State Employee member statements and for State
 20 Employees Retirement Board obligations.

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

ARTICLE I

24 Section 101. (1) It is the intent of the General Assembly
 25 to ensure the financial health of the Commonwealth and its

1 school districts by adopting reforms to provide for the
2 sustainability of our public retirement system.

3 (2) Pennsylvania's retirement systems, SERS for State
4 employees and PSERS for school employees, together have an
5 unfunded liability of \$60,121,184,000. The level of payment
6 by the Commonwealth and school districts required to annually
7 address these amounts is staggering, particularly when other
8 state revenues are reduced due to a struggling economy. The
9 current condition of Pennsylvania's unfunded system combined
10 with the State's structural deficit threaten the financial
11 well-being of current and future public employees.

12 (3) In order to fully fund State pensions systems,
13 economists estimate that contributions will continue to
14 require a significant portion of state revenues. In fiscal
15 year 2015-2016, pension expenditures are expected to exceed
16 \$4,800,000,000 and \$7,300,000,000 by 2025.

17 (4) The tax increases that would be required to address
18 increasing pension obligations would place a heavy burden on
19 the citizens of this Commonwealth and hamper the ability to
20 provide them with services vital to the public's health,
21 safety and welfare. Therefore, it is imperative that the
22 Commonwealth adopt reforms that will maintain the financial
23 health of the Commonwealth and its school districts.

24 (5) Therefore, the reforms contained in this legislation
25 are intended to use resources judiciously and enable the
26 Commonwealth to provide retirement security for Commonwealth
27 and school employees while reducing the burden on taxpayers.

28 (6) The reforms of the retirement benefits of
29 Commonwealth and school district employees contained in this
30 act are prospective and will not impact benefits earned from

1 services rendered prior to the effective date of this act.

2 (7) The General Assembly finds that it is necessary to
3 advance and maintain the long-term stability of public
4 employee pension systems by adopting reform relating to
5 current and to future employees in order to:

6 (i) Ensure that the Commonwealth and its school
7 districts will have adequate funds to continue to be able
8 to provide retirement benefits for their employees.

9 (ii) To ensure that the cost of current and future
10 benefits does not jeopardize the ability and obligation
11 to provide for public education, infrastructure, programs
12 for the elderly and other vulnerable populations and
13 public safety.

14 (8) The General Assembly expressly finds and declares
15 that the situation confronting our pensions systems has
16 reached a critical state and that enactment of this act is
17 reasonable and necessary to achieve and protect the public
18 interests. Further, the General Assembly finds that
19 protecting benefits for services already rendered meets all
20 legal standards relating to changes in benefits.

21 ARTICLE II

22 Section 201. Section 8102 of Title 24 of the Pennsylvania
23 Consolidated Statutes is amended to read:

24 § 8102. Definitions.

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

28 "Accumulated deductions." The total of pickup contributions
29 [and], eligible roll-ins made under section 8507(1) (relating to
30 rights and duties of school employees, members and

1 participants), the contributions paid into the fund by the
2 member on account of current school service, previous school
3 service, or creditable nonschool service, excess interest
4 awarded under section 8523(d) (relating to members' savings
5 account and cash balance account) on member contributions, and
6 the statutory interest credited on all such contributions.

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

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

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

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

29 "Activated military service." Military service by a member
30 of a reserve component of the armed forces, pursuant to an order

1 on or after July 1, 1990, and prior to July 1, 2013, to enter
2 into active military service, other than an order to enter into
3 active duty to meet periodic training requirements, who was an
4 active member of the system immediately preceding the order into
5 active military service and to whom the military leave
6 provisions of 51 Pa.C.S. Ch. 73 (relating to military leave of
7 absence) do not apply.

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

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

23 "Actuarially equivalent." Equal present values, computed on
24 the basis of statutory interest and the mortality tables adopted
25 by the board.

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

- 27 (1) a member of the American Academy of Actuaries;
28 (2) an individual who has demonstrated to the
29 satisfaction of the Insurance Commissioner of Pennsylvania
30 that he has the educational background necessary for the

1 practice of actuarial science and has had at least seven
2 years of actuarial experience; or

3 (3) a firm, partnership, or corporation of which at
4 least one member meets the requirements of paragraph (1) or
5 (2).

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

11 "Alternative investment." An investment in a private equity
12 fund, private debt fund, venture fund, real estate fund, hedge
13 fund or absolute return fund.

14 "Alternative investment vehicle." A limited partnership,
15 limited liability company or any other legal vehicle for
16 authorized investments under section 8521(i) (relating to
17 management of fund and accounts) through which the system makes
18 an alternative investment.

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

21 "Approved domestic relations order." Any domestic relations
22 order which has been determined to be approved in accordance
23 with section 8533.1 (relating to approval of domestic relations
24 orders).

25 "Approved leave of absence." [A] As applied to all classes
26 of membership except Class T-I, a leave of absence for activated
27 military service or which has been approved by the employer for
28 sabbatical leave, service as an exchange teacher, service with a
29 collective bargaining organization or professional study. As
30 applied to Class T-I members, a leave of absence that has been

1 approved as a contributory leave by the employer for sabbatical
2 leave, service as an exchange teacher, service with a collective
3 bargaining organization or professional study.

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 all
10 members on the effective date of this provision whose basic
11 contribution rate is 6.5%, the Class T-G service rate is 9.5%
12 and the Class T-H service rate is 5.25%. For all members on the
13 effective date of this provision whose basic contribution rate
14 is 7.5%, the Class T-G service rate is 10.5% and the Class T-H
15 service rate is 6.25%. For Class T-I service, the rate of 3%.

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

23 "Board." The Public School Employees' Retirement Board or
24 the Public School Employees' Retirement Board.

25 "Cash balance account." The ledger account into which
26 members contribute cash balance member contributions, together
27 with employer contributions, interest and excess interest, as
28 provided in this part.

29 "Cash balance member contributions." For members in a class
30 other than Class T-I, the amount voluntarily contributed by such

1 member and eligible amounts rolled in to the cash balance
2 account, as provided in this part.

3 "Class of service multiplier."

4	Class of service	Multiplier
5	T-A	.714
6	T-B	.625
7	T-C	1.000
8	T-D	1.000
9	T-E	1.000
10	T-F	1.000
11	<u>T-G</u>	<u>1.000</u>
12	<u>T-H</u>	<u>1.000</u>

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

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

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

1 to be for the purpose of enhancing compensation as a factor in
2 the determination of final average salary, and, for
3 participants, excluding payments for military leave and any
4 other payments made by an employer while on USERRA leave, leave
5 of absence granted under 51 Pa.C.S. § 4102 (relating to leaves
6 of absence for certain government employees), military leave of
7 absence granted under 51 Pa.C.S. § 7302 (relating to granting
8 military leaves of absence), leave granted under section 1178 of
9 the act of March 10, 1949 (P.L.30, No.14), known as the Public
10 School Code of 1949, or other types of military leave, including
11 other types of leave payments, stipends, differential wage
12 payments as defined in IRC § 414(u)(12) and any other payments,
13 provided, however, that the limitation under section 401(a)(17)
14 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
15 U.S.C. § 401(a)(17)) taken into account for the purpose of
16 member contributions, including regular or joint coverage member
17 contributions, regardless of class of service, shall apply to
18 each member who first became a member of the Public School
19 Employes' Retirement System on or after July 1, 1996, and who by
20 reason of such fact is a noneligible member subject to the
21 application of the provisions of section 8325.1 (relating to
22 annual compensation limit under IRC § 401(a)(17)) [.] and shall
23 apply to each participant. Notwithstanding the above, for Class
24 T-E and Class T-F service performed on or after July 1, 2016,
25 compensation for each fiscal year, for purposes of determining
26 final average salary and applying the basic contribution rate,
27 shall not exceed the Social Security taxable wage base in effect
28 at the beginning of the fiscal year. The limit shall be applied
29 separately to each employer of a member.

30 "Concurrent service." Simultaneously credited school and

1 State service.

2 "Creditable nonschool service." Service other than service
3 as a school employee for which an active member may obtain
4 credit in the system.

5 "Credited service." School or creditable nonschool service
6 for which the required contributions have been made to the fund,
7 or for which the contributions otherwise required for such
8 service were not made solely by reason of any provision of this
9 part limiting compensation or relating to the limitations under
10 section 401(a) (17) or 415(b) of the Internal Revenue Code of
11 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17) or 415(b)), or
12 for which salary deductions to the system or lump sum payments
13 have been agreed upon in writing.

14 "Date of termination of service." The latest of the
15 following dates:

16 (1) the last [date] day of service for which pickup
17 contributions are made for an active member or[,] for which
18 the contributions otherwise required for such service were
19 not made solely by reason of any provision of this part
20 limiting compensation or relating to the limitations under
21 section 401(a) (17) or 415 of the Internal Revenue Code of
22 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17) or 415;

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

28 (3) in the case of a combined service employee, the
29 latest of the dates in paragraph (1) or (2).

30 "Disability annuitant." A member on or after the effective

1 date of disability until his disability annuity or the portion
2 of his disability annuity payments in excess of any annuity to
3 which he may otherwise be entitled is terminated.

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

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

21 "Effective date of retirement." The first day following the
22 date of termination of service of a member if he has properly
23 filed an application for an annuity within 90 days of such date
24 or:

25 (1) In the case of a member who applies for an annuity
26 subsequent to 90 days after termination of service, the date
27 of filing such application or the date specified on the
28 application, whichever is later.

29 (2) In the case of a vestee who files an application for
30 an annuity within 90 days of his superannuation age, the

1 attainment of such age.

2 (3) In the case of a vestee who defers the filing of an
3 application for an annuity to a date later than 90 days
4 following attainment of superannuation age, the date of
5 filing or the date specified on the application, whichever is
6 later.

7 (4) In the case of a finding of disability, the date
8 certified by the board as the effective date of disability.

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

17 "Eligibility points." Points which are accrued by an active
18 member, a multiple service member who is an active member of the
19 State Employees' Retirement System for credited service or by a
20 member who has been reemployed from USERRA leave or dies while
21 performing USERRA leave and are used in the determination of
22 eligibility for benefits as provided in section 8306 (relating
23 to eligibility points). Class T-I members shall be deemed to
24 accrue one eligibility point for each fiscal year in which
25 contributions have been made to the fund.

26 "Employer." Any governmental entity directly responsible for
27 the employment and payment of the school employee and charged
28 with the responsibility of providing public education within
29 this Commonwealth, including but not limited to: State-owned
30 colleges and universities, the Pennsylvania State University,

1 community colleges, area vocational-technical schools,
2 intermediate units, the State Board of Education, Scotland
3 School for Veterans' Children, Thaddeus Stevens College of
4 Technology, and the Western Pennsylvania School for the Deaf.

5 "Employer defined contributions." Contributions equal to
6 2.59% of an active participant's compensation that are made by
7 an employer for current service to the trust to be credited in
8 the active participant's individual investment account.

9 "Excess interest." The investment earnings of the fund
10 attributable to Class T-I members and members who have elected
11 to contribute to the cash balance account, calculated in
12 accordance with section 8523(d) (relating to members' savings
13 account and cash balance account).

14 "Final average salary." The highest average compensation
15 received as an active member during any three nonoverlapping
16 periods of 12 consecutive months with the compensation for part-
17 time service being annualized on the basis of the fractional
18 portion of the school year for which credit is received; except,
19 if the employee was not a member for three such periods, the
20 total compensation received as an active member annualized in
21 the case of part-time service divided by the number of such
22 periods of membership; in the case of a member with multiple
23 service credit, the final average salary shall be determined by
24 reference to compensation received by him as a school employee
25 or a State employee or both; and, in the case of a noneligible
26 member, subject to the application of the provisions of section
27 8325.1 (relating to annual compensation limit under IRC § 401(a)
28 (17)). Final average salary shall be determined by including in
29 compensation, payments deemed to have been made to a member
30 reemployed from USERRA leave to the extent member contributions

1 have been made as provided in section 8302(d)(2) (relating to
2 credited school service) and payments made to a member on leave
3 of absence under 51 Pa.C.S. § 4102 (relating to leaves of
4 absence for certain government employees) as provided in section
5 8302(d)(6). Notwithstanding the above, for Class T-E and Class
6 T-F service performed on or after July 1, 2016, compensation to
7 be used for final average salary calculation shall not exceed
8 the Social Security taxable wage base in effect at the beginning
9 of the fiscal year.

10 "Full coverage member." Any member for whom regular member
11 pickup contributions are being picked up or who has paid or has
12 agreed to pay to the fund the actuarial equivalent of regular
13 member contributions due on account of service prior to January
14 1, 1983.

15 "Fund." The Public School Employees' Retirement Fund.

16 "Governmental entity." Board of school directors, board of
17 public education, intermediate unit board of directors, area
18 vocational-technical board, any governing board of any agency or
19 authority created by them, and the Commonwealth.

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

1 Retirement System.

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

12 "Individual investment account." The account in the trust to
13 which are credited the amounts of the contributions made by a
14 participant and the participant's employer in accordance with
15 the provisions of this part, together with all investment
16 earnings after deduction for fees, costs and expenses,
17 investment losses and charges for distributions.

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

26 "IRC." The Internal Revenue Code of 1986, as designated and
27 referred to in section 2 of the Tax Reform Act of 1986 (Public
28 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to
29 "IRC § " shall be deemed to refer to the identically numbered
30 section and subsection or other subdivision of such section in

1 26 United States Code (relating to Internal Revenue Code).

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

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

12 "Irrevocable survivor annuitant." The person permanently
13 designated by a member in writing to the board pursuant to an
14 approved domestic relations order to receive an annuity upon the
15 death of such member.

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

19 "Joint coverage member contributions." Regular member
20 contributions reduced for a joint coverage member.

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

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

8 "Mandatory pickup participant contributions." Contributions
9 equal to 3% of compensation that are made by the employer for
10 active participants for current service that are picked up by
11 the employer and credited in the trust.

12 "Maternity leave of absence." An involuntary leave of
13 absence required by the employer because of the pregnancy of the
14 member and commencing prior to May 17, 1975.

15 "Member." Active member, inactive member, annuitant, or
16 vestee.

17 "Member's annuity." The single life annuity which is
18 actuarially equivalent on the effective date of retirement to
19 the sum of the accumulated deductions and the shared-risk member
20 contributions and statutory interest credited on the deductions
21 and contributions standing to the member's credit in the
22 members' savings account.

23 "Military service." All active military service for which a
24 member has received a discharge other than an undesirable, bad
25 conduct, or dishonorable discharge.

26 "Multiple service." Credited service of a member other than
27 a Class T-I member or Class TDB member in the State Employees'
28 Retirement System who has elected to combine his credited
29 service in both the Public School Employees' Retirement System
30 and the State Employees' Retirement System.

1 "Noneligible member." For the purposes of section 8325.1
2 (relating to annual compensation limit under IRC § 401(a)(17)),
3 a member who first became a member on or after July 1, 1996.

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

6 "Participating eligible annuitants." All eligible annuitants
7 who are enrolled or elect to enroll in a health insurance
8 program approved by the Public School Employees' Retirement
9 Board.

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

15 "Pickup contributions." Regular or joint coverage member
16 contributions and shared-risk member contributions and mandatory
17 cash balance account contributions which are made by the
18 employer for active members for current service on and after
19 January 1, 1983.

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

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

27 "Previous school service." Service [rendered] as a school
28 employee including service in any summer school conducted by a
29 school district of the Commonwealth, but excluding service
30 rendered during which the school employee was or could have been

1 a participant in the plan, prior to the member's most recent
2 entrance in the system.

3 "Public school." Any or all classes or schools within this
4 Commonwealth conducted under the order and superintendence of
5 the Department of Education including, but not limited to: all
6 educational classes of any employer charged with the
7 responsibility of public education within this Commonwealth as
8 well as those classes financed wholly or in part by the Federal
9 Government, State-owned colleges and universities, the
10 Pennsylvania State University, community colleges, area
11 vocational-technical schools, intermediate units, the State
12 Board of Education, Scotland School for Veterans' Children,
13 Thaddeus Stevens State School of Technology, and the
14 Pennsylvania State Oral School for the Deaf.

15 "Public School Code." The act of March 10, 1949 (P.L.30,
16 No.14), known as the Public School Code of 1949.

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

25 "Regular member contributions." The product of the basic
26 contribution rate and the compensation of the member.

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

1 "Reserve component of the armed forces." The United States
2 Army Reserve, United States Navy Reserve, United States Marine
3 Corps Reserve, United States Coast Guard Reserve, United States
4 Air Force Reserve, Pennsylvania Army National Guard and
5 Pennsylvania Air National Guard.

6 "Salaried employee." A school employee who is compensated on
7 the basis of an annual salary.

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

14 "School employee." Any person engaged in work relating to a
15 public school for any governmental entity and for which work he
16 is receiving regular remuneration as an officer, administrator
17 or employee excluding, however, any independent contractor or a
18 person compensated on a fee basis.

19 "School entity." A school district of any class,
20 intermediate unit or an area vocational-technical school, as
21 provided for under the act of March 10, 1949 (P.L.30, No.14),
22 known as the Public School Code of 1949.

23 "School service." Service rendered as a school employee.

24 "School year." The 12-month period which the governmental
25 entity uses for purposes of administration regardless of the
26 actual time during which a member renders service.

27 "Severance payments." Any payments for unused vacation or
28 sick leave and any additional compensation contingent upon
29 retirement including payments in excess of the scheduled or
30 customary salaries provided for members within the same

1 governmental entity with the same educational and experience
2 qualifications who are not terminating service.

3 "Shared-risk contribution rate." The [additional]
4 contribution rate that is [added] applied to the basic
5 contribution rate for Class T-E and T-F members, as provided for
6 in section 8321(b) and (c) (relating to regular member
7 contributions for current service)[.], and the contribution rate
8 that is applied to the basic contribution rate for Class T-G
9 members, as provided for in section 8321(d) (relating to regular
10 member contributions and cash balance member contributions for
11 current service).

12 "Standard single life annuity." For Class T-A, T-B [and], T-
13 C and T-H credited service of a member, an annuity equal to 2%
14 of the final average salary, multiplied by the total number of
15 years and fractional part of a year of credited service of a
16 member in that class. For Class T-D and Class T-G credited
17 service of a member, an annuity equal to 2.5% of the final
18 average salary, multiplied by the total number of years and
19 fractional part of a year of credited service in that class. For
20 Class T-E credited service of a member, an annuity equal to 2%
21 of the final average salary, multiplied by the total number of
22 years and fractional part of a year of credited service of a
23 member. For Class T-F credited service of a member, an annuity
24 equal to 2.5% of the final average salary, multiplied by the
25 total number of years and fractional part of a year of credited
26 service of a member. For Class T-I members, and for monies in
27 the cash balance account of members of other classes, an annuity
28 that is actuarially equivalent to the balance of the member's
29 savings account or the cash balance account, as applicable,
30 calculated using 120% of the mid-term Treasury note rate in

1 effect on the effective date of retirement of the member.

2 "State Employees' Defined Contribution Plan." The defined
3 contribution plan for State employees established by 71 Pa.C.S.
4 Pt. XXV (relating to retirement for State employees and
5 officers).

6 "State Employees' Retirement System." The retirement system
7 established by the act of June 27, 1923 (P.L.858, No.331) and
8 codified by the act of June 1, 1959 (P.L.392, No.78) and by Part
9 XXV of Title 71 (relating to retirement for State employees and
10 officers), added March 1, 1974 (P.L.125, No.31).

11 "State service." Service rendered as a State employee and
12 credited as service in the State Employees' Retirement System.

13 "Statutory interest." Interest at 4% per annum, compounded
14 annually.

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

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

21 "Superannuation or normal retirement age."

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

1 T-E and T-F 65 with accrual of at least
2 three eligibility points
3 or a combination of age
4 and eligibility points
5 totaling 92, provided the
6 member has accrued at
7 least 35 eligibility
8 points

9 "Survivor annuitant." The person or persons last designated
10 by a member or participant under a joint and survivor annuity
11 option to receive an annuity upon the death of such member. A
12 combined service employee may designate different persons to be
13 survivor annuitants for the benefits from the system and
14 beneficiaries or successor payees for the benefits from the
15 plan.

16 "System." The Public School Employes' Retirement System of
17 Pennsylvania as established by the act of July 18, 1917
18 (P.L.1043, No.343), and codified by the act of June 1, 1959
19 (P.L.350, No.77).

20 "Total member contribution rate." The sum of the basic
21 contribution rate and the shared-risk contribution rate.

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

25 "USERRA." The Uniformed Services Employment and Reemployment
26 Rights Act, 38 U.S.C. Ch. 43 (relating to employment and
27 reemployment rights of members of the uniformed services).

28 "USERRA leave." Any period of time for service in the
29 uniformed services as defined in 38 U.S.C. Ch. 43 (relating to
30 employment and reemployment rights of members of the uniformed

1 services) by a school employee or former school employee or
2 participant who terminated school service to perform the service
3 in the uniformed services, if the current or former school
4 employee or participant is entitled to reemployment rights under
5 38 U.S.C. Ch. 43 with respect to the uniformed service.

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

9 "Vestee." A member with five or more eligibility points in a
10 class of service other than Class T-E, Class T-F or Class T-I
11 who has terminated school service, has left his accumulated
12 deductions in the fund and is deferring filing of an application
13 for receipt of an annuity. For Class T-E and Class T-F members,
14 a member with ten or more eligibility points who has terminated
15 school service, has left his accumulated deductions in the fund
16 and is deferring filing of an application for receipt of an
17 annuity. For Class T-I members, a member who has terminated
18 school service, has left his accumulated deductions in the fund
19 and is deferring filing of an application for receipt of
20 annuity.

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

29 Section 202. Section 8103 of Title 24 is amended by adding
30 subsections to read:

1 § 8103. Construction of part.

2 * * *

3 (c) Construction regarding inactive member and inactive
4 participant.--As used in this part:

5 (1) The term "inactive member" does not include a
6 combined service employee who is an "inactive participant,"
7 unless the combined service employee is concurrently employed
8 in a position in which such employee is a member of the
9 system.

10 (2) The term "inactive participant" does not include a
11 combined service employee who is an "inactive member," unless
12 the combined service employee is concurrently employed in a
13 position in which such employee is a participant in the plan.

14 (d) Provisions severable.--The provisions of this part are
15 severable and if any of its provisions shall be held to be
16 unconstitutional, the decision of the court shall not affect or
17 impair any of the remaining provisions. It is hereby declared to
18 be the legislative intent that this part would have been adopted
19 had such unconstitutional provisions not been included.

20 (e) References to certain Federal statutes.--References in
21 this part to the IRC or the Uniformed Services Employment and
22 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
23 3149), including administrative regulations promulgated under
24 the IRC or the Uniformed Services Employment and Reemployment
25 Rights Act of 1994, are intended to include laws and regulations
26 in effect on the effective date of this section and amended,
27 supplemented or supplanted on and after the effective date of
28 this section.

29 (f) Construction.--

30 (1) This part may not be construed to mean that the

1 limitations on benefits or other requirements under IRC §
2 401(a) or other applicable provisions of the IRC that are
3 applicable to participants in the plan do not apply to the
4 participants or to the members of the system and the benefits
5 payable under Part IV.

6 (2) This part may not be construed to mean that an
7 interpretation or application of the provisions of Part IV or
8 benefits available to members of the Public School Employees'
9 Retirement System was not in accordance with the provisions
10 of Part IV or other applicable law, including the IRC and the
11 Uniformed Services Employment and Reemployment Rights Act of
12 1994 before the effective date of this section.

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

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

19 (1) The amendment of Part IV regarding the establishment
20 of Class T-G shall apply to current and former members of the
21 system who have returned to school service on or after July
22 1, 2016, after a termination of school service,
23 notwithstanding the following:

24 (i) Whether the termination occurred before or after
25 July 1, 2016.

26 (ii) Whether the school employee was an annuitant,
27 inactive member, vestee or withdrew accumulated
28 deductions during the period of termination.

29 (2) A terminated school employee who returns to school
30 service on or after July 1, 2016, is subject to the

1 provisions of Part IV regarding Class T-G membership in the
2 system that are in effect on the effective date of
3 reemployment, including, but not limited to, benefit formulas
4 and accrual rates, eligibility for annuities and
5 distributions, contribution rates, definitions, purchase of
6 creditable school and nonschool service provisions and
7 actuarial and funding assumptions.

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

10 (i) the record, material or data was created,
11 generated or stored before the effective date of this
12 section;

13 (ii) the record, material or data was previously
14 released or made public; or

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

20 (h) Pension rights.--Notwithstanding any other provision of
21 law, no collective bargaining agreement nor any arbitration
22 award between the school employer and its employees or their
23 collective bargaining representatives shall be construed to
24 change any of the provisions in this part, to require the board
25 to administer pension or retirement benefits not set forth under
26 this part or to require action by any other government body
27 pertaining to pension or retirement benefits or rights of school
28 employees.

29 Section 203. Title 24 is amended by adding sections to read:
30 § 8103.1. Reference to Public School Employees' Retirement

1 System.

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

9 § 8103.2. Notice to members and participants.

10 Notice by publication, including, without being limited to,
11 newsletters, newspapers, forms, first class mail, letters,
12 manuals, and electronic notice, including, but not limited to,
13 e-mail or internet websites distributed or made available to
14 members and participants in a manner reasonably calculated to
15 give actual notice of the provisions of this part that require
16 notice to members and participants shall be deemed sufficient
17 notice for all purposes.

18 Section 204. Sections 8301, 8302, 8303, 8303.1 and 8304(a)
19 of Title 24 are amended to read:

20 § 8301. Mandatory and optional membership.

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

24 (1) Any officer or employee of the [Department of
25 Education] department, State-owned educational institutions,
26 community colleges, area vocational-technical schools,
27 technical institutes, or [the] The Pennsylvania State
28 University and who is a member of the State Employees'
29 Retirement System or a member of another retirement program
30 approved by the employer.

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

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

13 (4) Any part-time school employee, other than a school
14 employee eligible for Class T-I membership, who has an
15 individual retirement account pursuant to the Federal act of
16 September 2, 1974 (Public Law 93-406, 88 Stat. 829), known as
17 the Employee Retirement Income Security Act of 1974.

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

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

27 (d) Mandatory participation in the plan.--A school employee
28 who is a mandatory member of Class T-I shall also be a mandatory
29 participant in the plan as of the effective date of membership
30 in the system.

1 (e) Optional participation in the plan.--Class T-E and Class
2 T-F members may participate in the plan on or after July 1,
3 2016, to the extent that the compensation of the participant
4 exceeds the Social Security taxable wage base in effect at the
5 beginning of the fiscal year, as provided in section 8404(b)
6 (relating to participant contributions).

7 (f) Optional contributions to the cash balance account.--
8 Class T-C, Class T-G and Class T-H members may contribute to the
9 cash balance account up to 3% of compensation, as provided in
10 this part. Class T-E and Class T-F members may contribute to the
11 cash balance account up to 3% of compensation, but limited to
12 the Social Security taxable wage base in effect at the beginning
13 of the fiscal year, as provided in this part. Contributions may
14 be changed as provided in this part or as set forth in board
15 policy.

16 (g) Certain agreements.--The agreement of an employer to
17 make contributions to the fund or to enroll its employees as
18 members in the system shall be deemed to be an agreement to make
19 contributions to the trust or to enroll its employees in the
20 plan.

21 § 8302. Credited school service.

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

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

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

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

1 participant in the plan, whichever is less, to the school
2 district which granted his leave, unless such condition is
3 waived by the employer; and

4 (2) the proper contributions are made by the member and
5 the employer[.] or by the active participant and the
6 employer. In the case of a Class T-I member, the proper
7 contributions must be made during the leave except for USERRA
8 leave.

9 * * *

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

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

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

1 subsection.

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

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

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

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

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

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

27 (B) Eligible to subsequently make contributions.

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

1 were not timely made.

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

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

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

30 (6) A school employee who is on a leave of absence from

1 his duties as a school employee and for which 51 Pa.C.S. §
2 4102 provides that he is not to suffer a loss of pay, time or
3 efficiency shall not be an active member, receive service
4 credit or make member contributions for the leave of absence
5 except as provided for in this part. Notwithstanding this
6 paragraph, any pay the member receives under section 1178 of
7 the Public School Code or 51 Pa.C.S. § 4102 shall be included
8 in the determination of final average salary and other
9 calculations in the system utilizing compensation as if the
10 payments were compensation under this part.

11 (e) Military service by a participant.--A participant who
12 has performed USERRA leave shall be treated and may make
13 contributions as follows:

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

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

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

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

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

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

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

13 § 8303. Eligibility points for retention and reinstatement of
14 service credits.

15 (a) Accrued credited service.--Eligibility points shall be
16 computed in accordance with section 8306 (relating to
17 eligibility points) with respect to all credited service accrued
18 as of the effective date of this part.

19 (b) Future school service.--Every active member of the
20 system other than a Class T-I member shall accrue an eligibility
21 point for each year of school service rendered subsequent to the
22 effective date of this part. Class T-I members shall be deemed
23 to accrue one eligibility point for each fiscal year in which
24 contributions have been made to the fund.

25 (b.1) USERRA leave.--A member who is reemployed from USERRA
26 leave or who dies while performing USERRA leave shall receive
27 eligibility points in accordance with section 8306 for the
28 school service that would have been performed had the member not
29 performed USERRA leave.

30 (c) Purchase of previous creditable service.--Every active

1 member of the system other than a Class T-I member or a multiple
2 service member who is an active member of the State Employees'
3 Retirement System on or after the effective date of this part
4 may purchase credit and receive eligibility points:

5 (1) as a member of Class T-C, Class T-E [or], Class T-F,
6 Class T-G or Class T-H for previous creditable school service
7 or creditable nonschool service; or

8 (2) as a member of Class T-D for previous creditable
9 school service, provided the member elects to become a Class
10 T-D member pursuant to section 8305.1 (relating to election
11 to become a Class T-D member);
12 upon written agreement by the member and the board as to the
13 manner of payment of the amount due for credit for such service;
14 except, that any purchase for reinstatement of service credit
15 shall be for all service previously credited.

16 (d) Purchase of previous noncreditable service.--Class T-C
17 and Class T-D members who are active members on the effective
18 date of this subsection shall have three years from the
19 effective date of this subsection to file a written application
20 with the board to purchase any previous noncreditable school
21 service. Class T-C and Class T-D members who are not active
22 members on the effective date of this subsection but who become
23 active members after the effective date of this subsection and
24 Class T-E and class T-F members shall have 365 days from entry
25 into the system to file a written application with the board to
26 purchase any previous noncreditable school service. Class T-I
27 members shall not be eligible to purchase previous noncreditable
28 school service.

29 (e) Limitations.--Notwithstanding any other provision of
30 this part, a Class T-I member shall be permitted to receive

1 vesting credit or eligibility points, as applicable, for:

2 (1) USERRA leave; and

3 (2) an approved leave of absence, provided such approved
4 leaves of absence leaves are contributory leaves.

5 § 8303.1. Waiver of adjustments.

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

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

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

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

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

26 (b) Time period.--

27 (1) In order to obtain consideration of a waiver under
28 this section, the affected member, participant, beneficiary
29 or survivor annuitant must appeal to the board in writing
30 within 30 days after receipt of notice that benefits have

1 been adjusted or, if no notice was given, within 30 days
2 after the adjustment was known or should have been known to
3 the affected member, participant, beneficiary or survivor
4 annuitant.

5 (2) For any adjustments made prior to the effective date
6 of this subsection for which the member, participant,
7 beneficiary or survivor annuitant appealed to the board and
8 was denied, an appeal under this section must be filed within
9 90 days of the effective date of this subsection.

10 Section 2. Section 8304(a) of Title 24 is amended to read:

11 § 8304. Creditable nonschool service.

12 (a) Eligibility.--An active member, other than a Class T-I
13 member, or a multiple service member who is an active member of
14 the State Employees' Retirement System shall be eligible to
15 receive Class T-C, Class T-E [or], Class T-F, Class T-G or Class
16 T-H service credit for creditable nonschool service and Class T-
17 D, Class T-E [or], Class T-F, Class T-G or Class T-H service for
18 intervening military service, provided the member becomes a
19 Class T-D member pursuant to section 8305.1 (relating to
20 election to become a Class T-D member) or Class T-F member
21 pursuant to section 8305.2 (relating to election to become a
22 Class T-F member) or Class T-H member pursuant to section
23 8305.3 (relating to election to become a Class T-H member) or
24 8305 (relating to classes of service), as set forth in
25 subsection (b) provided that he is not entitled to receive,
26 eligible to receive now or in the future, or is receiving
27 retirement benefits for such service under a retirement system
28 administered and wholly or partially paid for by any other
29 governmental agency or by any private employer, or a retirement
30 program approved by the employer in accordance with section

1 8301(a)(1) (relating to mandatory and optional membership), and
2 further provided that such service is certified by the previous
3 employer and the manner of payment of the amount due is agreed
4 upon by the member, the employer, and the board.

5 * * *

6 Section 205. Section 8305(b) of Title 24 is amended and the
7 section is amended by adding subsections to read:

8 § 8305. Classes of service.

9 * * *

10 (b) Other class membership.--A school employee who is a
11 member of a class of service other than Class T-C on the
12 effective date of this part may elect to become a member of
13 Class T-C or Class T-D or may retain his membership in such
14 other class until the service is discontinued or he elects to
15 become a full coverage member or elects to purchase credit for
16 previous school or creditable nonschool service. Any service
17 [thereafter] as a member of the system shall be credited as
18 Class T-C [or T-D], Class T-D, Class T-G, or Class T-H or Class
19 T-I service as applicable.

20 * * *

21 (f) Class T-G membership.--Notwithstanding any other
22 provision of law, a member who is, becomes, or is eligible to
23 become, a Class T-D member and who performs school service on or
24 after July 1, 2016, shall perform the service as a Class T-G
25 member and shall be classified as a Class T-G member for all
26 school service performed on or after July 1, 2016, upon payment
27 of regular member contributions and the shared risk
28 contributions.

29 (g) Class T-H membership.--A Class T-D member who is
30 eligible to become a Class T-G member shall have the right to

1 elect into Class T-H membership, provided the person elects to
2 become a Class T-H member pursuant to section 8305.3 (relating
3 to election to become a Class T-H member), upon written election
4 filed with the board and payment of regular member
5 contributions.

6 (h) Class T-I membership.--Notwithstanding any other
7 provision, a person who first be-comes a school employee and an
8 active member and active participant, or a person who first
9 becomes a multiple service member or participant who is a State
10 employee and a member of the State Employees' Retirement System,
11 on or after July 1, 2016, shall be classified as a Class T-I
12 member upon payment of regular member contributions and
13 participant contributions, as applicable.

14 Section 206. Section 8305.1(c) of Title 24 is amended to
15 read:

16 § 8305.1. Election to become a Class T-D member.

17 * * *

18 (c) Effect of election.--An election to become a Class T-D
19 member shall remain in effect until the termination of
20 employment except as otherwise provided in this part. Those
21 members who, on the effective date of this section, contribute
22 at the rate of 5 1/4% shall be deemed to have accepted the basic
23 contribution rate of 6 1/2% for all Class T-D service performed
24 on or after January 1, 2002. Those members who, on the effective
25 date of this section, contribute at the rate of 6 1/4% shall be
26 deemed to have accepted the basic contribution rate of 7 1/2%
27 for all Class T-D service performed on or after January 1, 2002.
28 Upon termination and a subsequent reemployment that occurs
29 before July 1, 2016, the class of service of the school employee
30 shall be credited in the class of service otherwise provided for

1 in this part. If the reemployment occurs on or after July 1,
2 2016, the school employee's eligibility for membership in the
3 system or participation in the plan shall be as provided in this
4 part.

5 * * *

6 Section 207. Title 24 is amended by adding a section to
7 read:

8 § 8305.3. Election to become a Class T-H member.

9 (a) General rule.--A person who is:

10 (1) a Class T-D member of the system or a Class T-D
11 multiple service member who is a State employee and a member
12 of the State Employees' Retirement System; and

13 (2) who, on the effective date of this subsection, is
14 eligible for Class T-G membership, may elect to become a
15 member of Class T-H.

16 (b) Time for making election.--The member must elect to
17 become a Class T-H member by filing a written notice with the
18 board before the termination of school service or State service
19 as applicable and:

20 (1) within 180 days after the effective date of this
21 subsection; or

22 (2) June 30, 2016, whichever first occurs. A school
23 employee who is eligible to elect to become a Class T-H
24 member who begins USERRA leave during the election period
25 without having elected Class T-H membership may make the
26 election within 45 days after being reemployed from USERRA
27 leave. A school employee who first becomes eligible to elect
28 to become a Class T-H within 45 days before June 30, 2016
29 shall have 45 days to make the election.

30 (c) Effect of election.--An election to become a Class T-H

1 member shall remain in effect until the termination of service.
2 Those members who, on the effective date of this section, had a
3 basic contribution rate of 6.5% shall be deemed to have accepted
4 the basic contribution rate of 5.25% for all Class T-H service
5 performed on or after July 1, 2016. Those members who, on the
6 effective date of this section, had a basic contribution rate of
7 7.5% shall be deemed to have accepted the basic contribution
8 rate of 6.25% for all Class T-H service performed on or after
9 July 1, 2016.

10 (d) Effect of failure to make election.--If the member fails
11 to timely file an election to become a Class T-H member, then
12 the member shall be enrolled as a member of Class T-G and the
13 member shall never be able to elect Class T-H membership,
14 regardless of whether the member terminates service or has a
15 break in service.

16 (e) Former members.--Class T-D members, or former Class T-D
17 members who, on the effective date of this section, are not
18 eligible for Class T-H membership, or who return to service on
19 or after July 1, 2016 without having made a timely election to
20 Class T-H membership, shall not be eligible to elect Class T-H
21 membership.

22 Section 208. Section 8306 of Title 24 is amended to read:

23 § 8306. Eligibility points.

24 (a) General rule.--An active member of the system other than
25 a Class T-I member shall accrue one eligibility point for each
26 year of credited service as a member of the school or State
27 retirement system. A member shall accrue an additional two-
28 thirds of an eligibility point for each year of Class D-3
29 credited service under the State Employees' Retirement System.
30 In the case of a fractional part of a year of credited service,

1 a member shall accrue the corresponding fractional portion of an
2 eligibility point. Class T-I members shall be deemed to accrue
3 one eligibility point for each fiscal year in which
4 contributions have been made to the fund.

5 (a.1) USERRA leave.--A member or participant who is
6 reemployed from USERRA leave or who dies while performing USERRA
7 leave shall be granted the eligibility points that he would have
8 accrued had he continued in his school office or employment
9 instead of performing USERRA leave. If a school employee who is
10 reemployed from USERRA leave makes the member or mandatory
11 pickup participant contributions to be granted school service
12 credit for the USERRA leave, no additional eligibility points
13 may be granted.

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

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

1 points as determined under subsection (a) shall be counted.

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

7 Section 209. Section 8307 of Title 24 is amended and the
8 section is amended by adding subsections to read:

9 § 8307. Eligibility for annuities.

10 (a) Superannuation annuity.--An active or an inactive
11 member, other than a Class T-I member, who attains
12 superannuation age shall be entitled to receive a superannuation
13 annuity upon termination of service and filing of a proper
14 application. A combined service employee who is an active or
15 inactive participant and attains superannuation age in the
16 system shall be entitled to receive a superannuation annuity
17 upon termination of service and filing of a proper application.

18 (b) Withdrawal annuity.--A vestee in Class T-C or Class T-D
19 or Class T-G or Class T-H with five or more eligibility points
20 or an active or inactive Class T-C or Class T-D or Class T-G or
21 Class T-H member who terminates school service having five or
22 more eligibility points shall, upon filing a proper application,
23 be entitled to receive an early annuity. A vestee in Class T-E
24 or Class T-F with ten or more eligibility points or an active or
25 inactive Class T-E or Class T-F member who terminates school
26 service having ten or more eligibility points shall, upon filing
27 a proper application, be entitled to receive an early annuity.

28 (c) Disability annuity.--An active or inactive member, other
29 than a Class T-I member, who has credit for at least five years
30 of service shall, upon filing of a proper application, be

1 entitled to a disability annuity if he becomes mentally or
2 physically incapable of continuing to perform the duties for
3 which he is employed and qualifies for an annuity in accordance
4 with the provisions of section 8505(c)(1) (relating to duties of
5 board regarding applications and elections of members).

6 (d) Class T-I members.--A Class T-I member who terminates
7 school service shall, upon filing of a proper application, be
8 entitled to receive an annuity.

9 (e) Multiple classes of service.--A member with more than
10 one class of service who vests his retirement benefits in any
11 class of service may not receive distributions from other
12 classes of service until his effective date of retirement,
13 regardless of whether his benefits resulting from such other
14 classes of service are vested or he is eligible to receive an
15 annuity. A member with service credited in more than one class
16 of service may not separately vest those benefits and receive
17 annuities from different classes of service with different
18 effective dates.

19 Section 210. Sections 8308, 8310, 8321, 8322.1(a), 8323(a),
20 (c) and (d), 8324(a), (b), (c) and (d), 8325, 8325.1 and 8326(a)
21 and (c) of Title 24 are amended to read:

22 § 8308. Eligibility for vesting.

23 (a) General rule.--Any Class T-C or Class T-D or Class T-G
24 or Class T-H member who terminates school service, or if a
25 multiple service member and an active member of the State
26 Employees Retirement System, terminates State service, with five
27 or more eligibility points shall be entitled to vest his
28 retirement benefits until attainment of superannuation age. Any
29 Class T-E or Class T-F member who terminates school service, or
30 if a multiple service member and an active member of the State

1 Employees Retirement System, terminates State service, with ten
2 or more eligibility points shall be entitled to vest his
3 retirement benefits until attainment of superannuation age. A
4 Class T-I member who terminates school service shall be entitled
5 to vest his retirement benefits until the member's required
6 beginning date, provided the balance of his members' savings
7 account and cash balance account exceeds the requirements of a
8 de minimis account under section 8349(d) (relating to payment of
9 benefits).

10 (b) Multiple classes of service.--A member with more than
11 one class of service who vests his retirement benefits in any
12 class of service may not receive distributions from other
13 classes of service until his effective date of retirement,
14 regardless of whether his benefits resulting from such other
15 classes of service are vested or he is eligible to receive an
16 annuity. A member with service credited in more than one class
17 of service may not separately vest those benefits and receive
18 annuities from different classes of service with different
19 effective dates.

20 § 8310. Eligibility for refunds.

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

25 § 8321. Regular member contributions and cash balance member
26 contributions for current service.

27 (a) General.--Regular member contributions and cash balance
28 member contributions shall be made to the fund on behalf of each
29 active member for current service except for any period of
30 current service in which the making of such contributions has

1 ceased solely by reason of any provision of this part limiting
2 such contributions, or relating to the limitations under IRC §
3 401(a)(17) or 415(b).

4 (b) Class T-E and Class T-F shared-risk contributions.--

5 (1) Commencing with the annual actuarial valuation
6 performed under section 8502(j) (relating to administrative
7 duties of board), for the period ending June 30, 2014, and
8 every three years thereafter, the board shall compare the
9 actual investment rate of return, net of fees, to the annual
10 interest rate adopted by the board for the calculation of the
11 normal contribution rate, based on the market value of
12 assets, for the prior ten-year period. If the actual
13 investment rate of return, net of fees, is less than the
14 annual interest rate adopted by the board by an amount of 1%
15 or more, the shared-risk contribution rate of Class T-E and
16 T-F members will increase by .5%. If the actual investment
17 rate of return, net of fees, is equal to or exceeds the
18 annual interest rate adopted by the board, the shared-risk
19 contributions rate of Class T-E and T-F members will decrease
20 by .5%[.], provided the total member contribution rate on the
21 date of the actuarial valuation is above the member's total
22 contribution rate in effect on the effective date of this
23 paragraph. If the actual investment rate of return, net of
24 fees, is more than the annual interest rate adopted by the
25 board by an amount of 1% or more, the shared risk
26 contribution rate of Class T-E and T-F members will decrease
27 by .5%. If the actual investment rate of return, net of fees,
28 is equal to or below the annual interest rate adopted by the
29 board, the shared risk contribution rate of Class T-E and T-F
30 members will increase by .5%, provided the total member

1 contribution rate on the date of the actuarial valuation is
2 below the member's total contribution rate in effect on the
3 effective date of this paragraph. Class T-E and T-F members
4 will contribute at the total member contribution rate in
5 effect when they are hired. [The]

6 (2) Notwithstanding paragraph (1), the total member
7 contribution rate for Class T-E members shall not be less
8 than [7.5%] 5.5%, nor more than 9.5%. The total member
9 contribution rate for Class T-F members shall not be less
10 than [10.3%] 8.3%, nor more than 12.3%.

11 (3) Notwithstanding this subsection, if the system's
12 actuarial funded status is 100% or more as of the date used
13 for the comparison required under this subsection, as
14 determined in the current annual actuarial valuation, and the
15 total contribution rate of the member is above the basic
16 contribution rate, the shared-risk contribution rate shall be
17 zero.

18 (4) In the event that the annual interest rate adopted
19 by the board for the calculation of the normal contribution
20 rate is changed during the period used to determine the
21 shared-risk contribution rate, the board, with the advice of
22 the actuary, shall determine the applicable rate during the
23 entire period, expressed as an annual rate.

24 [(1)] (5) Until the system has a ten-year period of
25 investment rate of return experience following the effective
26 date of this subsection, the look-back period shall begin not
27 earlier than the effective date of this subsection.

28 [(2)] (6) For any fiscal year in which the employer
29 contribution rate is lower than the final contribution rate
30 under section 8328(h) (relating to actuarial cost method),

1 the total member contribution rate for Class T-E and T-F
2 members shall be prospectively reset to the basic
3 contribution rate.

4 [(3)] (7) There shall be no increase in the member
5 contribution rate if there has not been an equivalent
6 increase to the employer contribution rate over the previous
7 three-year period.

8 (c) Class T-G shared risk contributions.--Beginning with the
9 annual actuarial valuation performed under section 8502(j)
10 (relating to administrative duties of board), for the period
11 ending June 30, 2020, and every three years thereafter, the
12 board shall compare the actual investment rate of return, net of
13 fees, to the annual interest rate adopted by the board for the
14 calculation of the normal contribution rate, based on the market
15 value of assets, for the prior ten-year period. If the actual
16 investment rate of return, net of fees, is less than the annual
17 interest rate adopted by the board, then for each percentage
18 point that the actual investment rate of return, net of fees, is
19 less than the annual interest rate adopted by the board, the
20 shared risk contribution rate of Class T-G members will increase
21 by .5%. If the actual investment rate of return, net of fees,
22 exceeds the annual interest rate adopted by the board, then for
23 each percentage point that the actual investment rate of return,
24 net of fees, exceeds the annual interest rate adopted by the
25 board, the shared risk contribution rate of Class T-G members
26 will decrease by .5%. Class T-G members shall contribute at the
27 total member contribution rate in effect when they are hired.
28 The total member contribution rate for Class T-G members whose
29 basic contribution rate is 10.5% shall not be less than 4.5%,
30 nor more than 10.5%. The total member contribution rate for

1 Class T-G members whose basic contribution rate is 9.5% shall
2 not be less than 3.5%, nor more than 9.5%. In the event that the
3 annual interest rate adopted by the board for the calculation of
4 the normal contribution rate is changed during the period used
5 to determine the shared risk contribution rate, the board, with
6 the advice of the actuary, shall determine the applicable rate
7 during the entire period, expressed as an annual rate in
8 accordance with the following:

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

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

17 § 8322.1. Pickup contributions.

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

26 * * *

27 § 8323. Member contributions for creditable school service.

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

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

19 * * *

20 (c) Approved leave of absence other than sabbatical leave
21 and activated military service leave.--The contributions to be
22 paid by an active member for credit for an approved leave of
23 absence, other than sabbatical leave and activated military
24 service leave, shall be sufficient to transfer his membership to
25 Class T-C or to Class T-D if the member is a Class T-D member,
26 to Class T-E if the member is a Class T-E member or to Class T-F
27 if the member is a Class T-F member or to Class T-G service if
28 the member is a Class T-G member, or to Class T-H if the member
29 is a Class T-H member and further to provide an annuity as a
30 Class T-C member or Class T-D member if the member is a Class T-

1 D member, to Class T-E if the member is a Class T-E member or to
2 Class T-F if the member is a Class T-F member or to Class T-G
3 service if the member is a Class T-G member, or to Class T-H if
4 the member is a Class T-H member for such additional credited
5 service. Such amount shall be the sum of the amount required in
6 accordance with the provisions of subsection (b) and an amount
7 determined as the sum of the member's basic contribution rate
8 and the normal contribution rate as provided in section 8328
9 (relating to actuarial cost method) during such period
10 multiplied by the compensation which was received or which would
11 have been received during such period and with statutory
12 interest during all periods of subsequent school and State
13 service up to the date of purchase.

14 * * *

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

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

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

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

13 § 8324. Contributions for purchase of credit for creditable
14 nonschool service and noncreditable school service.

15 (a) Source of contributions.--The total contributions to
16 purchase credit as a member of Class T-C, Class T-E or Class T-F
17 or Class T-G or Class T-H for creditable nonschool service of an
18 active member or an eligible State employee shall be paid either
19 by the member, the member's previous employer, the Commonwealth,
20 or a combination thereof, as provided by law.

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

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

1 service, then such service shall be credited as Class T-G
2 service. In the event that a Class T-H member makes a purchase
3 of credit for such military service, then such service shall be
4 credited as Class T-H service.

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

17 (1) Regular monthly payments during active military
18 service.

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

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

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

5 (d) Other creditable nonschool service and noncreditable
6 school service.--

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

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

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

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

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

1 service shall be credited as Class T-G or Class T-H service,
2 as applicable.

3 * * *

4 § 8325. Incomplete payments.

5 (a) Right to pay balance due.--In the event that a member
6 terminates school service or becomes a participant or a multiple
7 service member who is an active member of the State Employees'
8 Retirement System terminates State service before any agreed
9 upon payments, including USERRA leave, or return of benefits on
10 account of returning to school service or entering State service
11 and electing multiple service have been completed, the member or
12 multiple service member who is an active member of the State
13 Employees' Retirement System shall have the right to pay within
14 30 days of termination of school service or State service or
15 becoming a participant the balance due, including interest, in a
16 lump sum, and the annuity shall be calculated including full
17 credit for the previous school service, creditable nonschool
18 service, or full-coverage membership.

19 (b) Effect of failure to pay balance due.--In the event a
20 member does not pay the balance due within 30 days of
21 termination of school service or becoming a participant or in
22 the event a member dies in school service or within 30 days of
23 termination of school service or in the case of a multiple
24 service member who is an active member of the State Employees'
25 Retirement System does not pay the balance due within 30 days of
26 termination of State service or dies in State service or within
27 30 days of termination of State service or becoming a
28 participant and before the agreed upon payments have been
29 completed, the present value of the benefit otherwise payable
30 shall be reduced by the balance due, including interest, and the

1 benefit payable shall be calculated as the actuarial equivalent
2 of such reduced present value.

3 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

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

24 * * *

25 § 8326. Contributions by the Commonwealth.

26 (a) Contributions on behalf of active members and
27 participants.--The Commonwealth shall make contributions into
28 the fund on behalf of all active members and participants,
29 including members and participants on activated military service
30 leave, in an amount equal to one-half the amount certified by

1 the board as necessary to provide, together with the members'
2 contributions, annuity reserves on account of prospective
3 annuities as provided in this part in accordance with section
4 8328 (relating to actuarial cost method). In case a school
5 employee has elected membership in a retirement program approved
6 by the employer, the Commonwealth shall contribute to such
7 program on account of his membership an amount no greater than
8 the amount it would have contributed had the employee been a
9 member of the Public School Employees' Retirement System.

10 * * *

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

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

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

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

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

28 (i) For members and participants who are employees
29 of employers who are school entities, no Commonwealth
30 contributions shall be made.

1 (ii) For members and participants who are employees
2 of employers who are not school entities, the amount
3 computed under subsection (b).

4 * * *

5 Section 211. Section 8327(a), (b) and (c) of Title 24 are
6 amended and the section is amended by adding subsections to
7 read:

8 § 8327. Payments by employers.

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

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

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

23 (b) Deduction from appropriations.--

24 (1) To facilitate the payment of amounts due from any
25 employer 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 the amount of any moneys due
30 to any employer on account of any appropriation for schools

1 or other purposes amounts equal to the employer and pickup
2 contributions which an employer is required to pay to the
3 fund and the trust, as certified by the board, and as remains
4 unpaid on the date such appropriations would otherwise be
5 paid to the employer. Such amount shall be credited to the
6 appropriate accounts in the fund and the trust.

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

28 (c) Payments by employers after June 30, 1995, and before
29 July 1, 2016.--After June 30, 1995, and before July 1, 2016,
30 each employer, including the Commonwealth as employer of

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

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

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

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

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

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

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

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

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

17 (e) Deemed agreed to.--The agreement of an employer listed
18 in the definition of school employee under section 8102
19 (relating to definitions) or any other law to make contributions
20 to the fund or to enroll its employees as members in the system
21 shall be deemed to be an agreement to make contributions to the
22 trust or enroll its employees in the plan.

23 (f) Contributions.--The employer employing a participant
24 shall pick up the required mandatory participant contributions
25 by a reduction in the compensation of the participant.

26 (g) Contributions resulting from members reemployed from
27 USERRA leave.--When a school employee reemployed from USERRA
28 leave makes the member contributions required to be granted
29 school service credit for the USERRA leave after June 30, 2016,
30 either by actual payment or by actuarial debt under section 8325

1 (relating to incomplete payments), the employer that employed
2 the school employee when the member contributions are made or
3 the last employer before termination in the case of payment
4 under section 8325 shall make the employer contributions that
5 would have been made under this section if the employee making
6 the member contributions after he is reemployed from USERRA
7 leave continued to be employed in his school office or position
8 instead of performing USERRA leave.

9 Section 212. Section 8328(a), (b), (c)(4) and (g) are
10 amended and subsections (c) and (g) are amended by adding
11 paragraphs to read:

12 § 8328. Actuarial cost method.

13 (a) Employer contribution rate.--The amount of the total
14 employer contributions shall be computed by the actuary as a
15 percentage of the total compensation of all active members and
16 active participants, as applicable, during the period for which
17 the amount is determined and shall be so certified by the board.
18 The total employer contribution rate shall be the sum of the
19 final contribution rate as computed in subsection (h) plus the
20 premium assistance contribution rate as computed in subsection
21 (f). The actuarially required contribution rate shall consist of
22 the normal contribution rate as defined in subsection (b), the
23 accrued liability contribution rate as defined in subsection (c)
24 and the supplemental annuity contribution rate as defined in
25 subsection (d). Beginning July 1, 2004, the actuarially required
26 contribution rate shall be modified by the experience adjustment
27 factors as calculated in subsection (e).

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

29 (1) For the fiscal year ending on or before June 30,
30 2015, the normal contribution rate shall be determined after

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

14 (2) For fiscal years beginning on or after July 1, 2016,
15 the normal contribution rate shall be determined after each
16 actuarial valuation. Until all accrued liability
17 contributions have been completed, the normal contribution
18 rate shall be determined, on the basis of an annual interest
19 rate and such mortality and other tables as shall be adopted
20 by the board in accordance with generally accepted actuarial
21 principles, as a level percentage of the compensation of all
22 active members, which percentage, if contributed on the basis
23 of the member's prospective compensation through the entire
24 period of active school service, would be sufficient to fund
25 the liability for any prospective benefit payable to him, in
26 excess of that portion funded by his prospective member
27 contributions, excluding the shared-risk contributions.

28 (c) Accrued liability contribution rate.--

29 * * *

30 (4) For the fiscal year beginning July 1, 2011, the

1 accrued liability contribution rate shall be computed as the
2 rate of total compensation of all active members which shall
3 be certified by the actuary as sufficient to fund as a level
4 percentage of compensation over a period of 24 years from
5 July 1, 2011, the present value of the liabilities for all
6 prospective benefits calculated as of June 30, 2010,
7 including the supplemental benefits as provided in sections
8 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
9 8348.7, in excess of the actuarially calculated assets in the
10 fund (calculated recognizing all realized and unrealized
11 investment gains and losses each year in level annual
12 installments over a ten-year period). In the event that the
13 accrued liability is increased by legislation enacted
14 subsequent to June 30, 2010 as a result of an increase in
15 benefits determined on a total plan basis, such additional
16 liability shall be funded as a level percentage of
17 compensation over a period of ten years from the July 1
18 second succeeding the date such legislation is enacted.

19 (5) For the actuarial valuation for the fiscal years
20 ending on or after June 30, 2017, the actuarially calculated
21 assets in the fund determined in accordance with paragraph
22 (4) shall be no less than 70% and no more than 130% of market
23 value.

24 * * *

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

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

1 (2) If, for any of the fiscal years beginning July 1,
2 2011, July 1, 2012, and on or after July 1, 2013, the
3 actuarially required contribution rate, calculated without
4 regard for the costs added by legislation, is more than 3%,
5 3.5% and 4.5%, respectively, of the total compensation of all
6 active members greater than the prior year's final
7 contribution rate, then the collared contribution rate shall
8 be applied and be equal to the prior year's final
9 contribution rate increased by 3%, 3.5% and 4.5%,
10 respectively, of total compensation of all active members.
11 Otherwise, and for all other fiscal years, the collared
12 contribution rate shall not be applicable. In no case shall
13 the collared contribution rate be less than 4% of the total
14 compensation of all active members.

15 (3) For purposes of applying the collared contribution
16 rate, compensation for determining the normal contribution
17 rate and the accrued liability contribution rate shall be
18 defined as the total compensation of all active members and
19 active participants.

20 * * *

21 Section 213. Section 8330 of Title 24 is amended to read:

22 § 8330. Appropriations by the Commonwealth.

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

30 (b) Appropriation and payment.--The General Assembly shall

1 make an appropriation sufficient to provide for the separate
2 obligations of the Commonwealth to the fund and the trust. Such
3 amount shall be paid by the State Treasurer through the
4 Department of Revenue into the fund or the trust, as the case
5 may be, within 30 days of receipt of the requisition presented
6 each quarter by the board.

7 Section 214. Title 24 is amended by adding a section to
8 read:

9 § 8331. Employer funding mandate protection.

10 (a) Limited expansion of contractual right to funding.--
11 Beginning on the July 1 after the actuarial valuation in which
12 the actuary certifies that final contribution rate is the
13 actuarially required contribution, each active member shall have
14 a contractual right to the timely payment of the annual
15 actuarially required contributions pursuant to section 8328
16 (relating to actuarial cost method) and section 8502 (k)
17 (relating to administrative duties of the board) by such
18 member's employer.

19 (1) The failure of a member's employer to make the
20 annually required contribution to the fund will be deemed to
21 be an impairment of the contractual right of such member.

22 (2) Any claim of contract impairment shall be brought
23 against the employer of the member for whom contributions
24 were not paid and neither the board nor the system or their
25 employees or agents shall be a defendant in any such action
26 or liable for any payments or damages arising from such
27 impairment.

28 (b) Jurisdiction of Supreme Court.--Notwithstanding 2
29 Pa.C.S. (relating to administrative law and procedure), 42
30 Pa.C.S. (relating to judiciary and judicial procedure) or any

1 other provision of law, the Pennsylvania Supreme Court shall
2 have exclusive jurisdiction to do as follows:

3 (1) hear any claim of contract impairment for failure to
4 pay certified contributions;

5 (2) render a declaratory judgment or take such other
6 action as it deems appropriate, consistent with the Supreme
7 Court retaining jurisdiction over such matter; and

8 (3) to find facts or to expedite a final judgment in
9 connection with such a challenge or request for declaratory
10 relief.

11 (c) Sovereign immunity waived.--Sovereign immunity is hereby
12 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
13 matters affecting government units) or lack of jurisdiction by
14 the Supreme Court shall not be raised as a defense against a
15 claim brought against an employer under this section.

16 (d) Attorney's fees.--A member who prevails in a claim
17 brought under this part may be awarded reasonable attorney's
18 fees.

19 (e) Limitation of contract right.--Nothing in this section
20 shall be construed to create a contract right or claim of
21 contract impairment in any member as to any benefit formula,
22 benefit payment option, or any other provision of this part
23 other than the funding mandate of the member's employer, or to
24 change the jurisdiction of the board or the courts regarding any
25 claim other than for payment of the annual actuarially required
26 contributions.

27 (f) Employer contributions.--Nothing in this section shall
28 be construed to supersede or conflict with the rights and
29 obligations set forth in section 8330 (relating to
30 appropriations by the Commonwealth).

1 (g) Board action.--The board is authorized but not required
2 to bring an action under this section on behalf of itself or any
3 member; and if the board prevails, it may be awarded reasonable
4 attorney's fees.

5 Section 215. Sections 8341 and 8342 of Title 24 are amended
6 to read:

7 § 8341. Return of accumulated deductions.

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

11 § 8342. Maximum single life annuity.

12 (a) General rule.--Upon termination of service, any full
13 coverage member who is eligible to receive an annuity pursuant
14 to the provisions of section 8307(a) or (b) (relating to
15 eligibility for annuities) and has made an application in
16 accordance with the provisions of section 8507(f) (relating to
17 rights and duties of school employees [and members], members and
18 participants) shall be entitled to receive a maximum single life
19 annuity attributable to his credited service and equal to the
20 sum of the following single life annuities beginning at the
21 effective date of retirement and, in case the member on the
22 effective date of retirement is under superannuation age,
23 multiplied by a reduction factor calculated to provide benefits
24 actuarially equivalent to an annuity starting at superannuation
25 age: Provided however, That on or after July 1, 1976, in the
26 case of any member who has attained age 55 and has 25 or more
27 eligibility points such sum of single life annuities shall be
28 reduced by a percentage determined by multiplying the number of
29 months, including a fraction of a month as a full month, by
30 which the effective date of retirement precedes superannuation

1 age by 1/4%: Further provided, In no event shall a Class T-E or
2 Class T-F member receive an annual benefit, calculated as of the
3 effective date of retirement, greater than the member's final
4 average salary:

5 (1) A [standard single life annuity multiplied by the]
6 single life annuity that is the sum of annuities determined
7 separately for each class of service [multiplier], and
8 calculated on the basis of the number of years of credited
9 school service other than concurrent service.

10 (2) A standard single life annuity multiplied by the
11 class of service multiplier and calculated on the basis of
12 the number of years of concurrent service other than service
13 credited as a member of Class T-I and multiplied by the ratio
14 of total compensation received in the school system other
15 than service credited as a member of Class T-I or State
16 service as a member of Class TBD during the period of
17 concurrent service to the total compensation received during
18 such period.

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

23 (4) A standard single life annuity based on monies
24 credited to a Class T-I member, as provided in this part.

25 (5) If applicable, a standard single life annuity based
26 on monies credited in the member's cash balance account, as
27 provided in this part.

28 (b) Present value of annuity.--The present value of the
29 maximum single life annuity as calculated in accordance with
30 subsection (a) shall be determined, for all classes other than

1 Class T-I, by multiplying the maximum single life annuity by the
2 cost of a dollar annuity on the effective date of retirement.
3 Such present value for all classes shall be decreased only as
4 specifically provided in this part.

5 (c) Limitation regarding annual benefit under IRC §
6 415(b).--Notwithstanding any provision of this part to the
7 contrary, no benefit shall be payable to the extent that such
8 benefit exceeds any limitation under IRC § 415(b) in effect with
9 respect to governmental plans, as such term is defined in IRC §
10 414(d), on the date the benefit payment becomes effective.

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

16 Section 216. Section 8344(a), (b) and (d) of Title 24 are
17 amended and the section is amended by adding a subsection to
18 read:

19 § 8344. Disability annuities.

20 (a) Amount of annuity.--A member other than a member of
21 Class T-I who has made application for a disability annuity as
22 provided in section 8507(k) (relating to rights and duties of
23 school employees [and members], members and participants) and
24 has been found to be eligible in accordance with the provisions
25 of sections 8307(c) (relating to eligibility for annuities) and
26 8505(c)(1) (relating to duties of board regarding applications
27 and elections of members) shall receive a disability annuity
28 payable from the effective date of disability and continued
29 until a subsequent determination by the board that the annuitant
30 is no longer entitled to a disability annuity. The disability

1 annuity shall be a single life annuity that is equal to a sum of
2 the standard single life [annuity] annuities determined
3 separately for each class of service if the total number of
4 years of credited service is greater than 16.667, otherwise
5 [the] each standard single life annuity shall be multiplied by
6 the lesser of the following ratios:

7
$$Y^*/Y \text{ or } 16.667/Y$$

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

18 (b) Reduction on account of earned income.--Payments on
19 account of disability shall be reduced by that amount by which
20 the earned income of the annuitant, as reported in accordance
21 with section 8508(b) (relating to rights and duties of
22 annuitants) for the preceding year together with the disability
23 annuity payments for the year, exceeds the greater of \$5,000 or
24 the last year's salary of the annuitant as a [school employee]
25 member of the system, provided that the annuitant shall not
26 receive less than his member's annuity or the amount to which he
27 may be entitled under section 8342, whichever is greater.

28 * * *

29 (d) Withdrawal of accumulated deductions.--Upon termination
30 of disability annuity payments in excess of an annuity

1 calculated in accordance with section 8342, a disability
2 annuitant who:

3 (1) is a Class T-C [or], Class T-D, Class T-G or Class
4 T-H member; or

5 * * *

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

12 Section 217. Section 8345(a)(4)(iii), 8346(a), (a.1), (b),
13 (b.1), (c) and (d)(1), 8347 and 8349 of Title 24 are amended to
14 read:

15 § 8345. Member's options.

16 (a) General rule.--Any Class T-C [or], Class T-D, Class T-G
17 or Class T-H member who is a vestee with five or more
18 eligibility points, any Class T-E or Class T-F member who is a
19 vestee with ten or more eligibility points, or any [other]
20 eligible member upon termination of school service [who has not
21 withdrawn his accumulated deductions as provided in section 8341
22 (relating to return of accumulated deductions)] who is eligible
23 to receive an annuity, may apply for and elect to receive either
24 a maximum single life annuity, as calculated in accordance with
25 the provisions of section 8342 (relating to maximum single life
26 annuity), or a reduced annuity certified by the actuary to be
27 actuarially equivalent to the maximum single life annuity and in
28 accordance with one of the following options, except that no
29 member shall elect an annuity payable to one or more survivor
30 annuitants other than his spouse or alternate payee of such a

1 magnitude that the present value of the annuity payable to him
2 for life plus any lump sum payment he may have elected to
3 receive is less than 50% of the present value of his maximum
4 single life annuity. In no event shall a Class T-E or Class T-F
5 member receive an annual benefit, calculated as of the effective
6 date of retirement, greater than the member's final average
7 salary.

8 * * *

9 (4) Option 4.--Some other benefit which shall be
10 certified by the actuary to be actuarially equivalent to the
11 maximum single life annuity, subject to the following
12 restrictions:

13 * * *

14 (iii) A portion of the benefit may be payable as a
15 lump sum, except that such lump sum payment shall not
16 exceed an amount equal to the accumulated deductions
17 standing to the credit of the member. The balance of the
18 present value of the maximum single life annuity adjusted
19 in accordance with section 8342(b) shall be paid in the
20 form of an annuity with a guaranteed total payment, a
21 single life annuity, or a joint and survivor annuity or
22 any combination thereof but subject to the restrictions
23 of subparagraphs (i) and (ii) of this paragraph. This
24 subparagraph shall not apply to a Class T-E or Class T-F
25 member. For purposes of this subparagraph, the term
26 "actuarially equivalent," as applied to any lump sum
27 withdrawal attributable to contributions credited to the
28 member's savings account of Class T-C, Class T-G, and
29 Class T-H members on or after July 1, 2016, together with
30 all interest thereon, shall mean equal present values,

1 computed on the basis of the interest rate and such
2 mortality and other tables as adopted by the board
3 pursuant to section 8328(b) (relating to actuarial cost
4 method) in effect on the effective date of retirement of
5 the member. Any partial lump sum withdrawal shall be
6 applied first to contributions and interest credited to
7 the member's savings account before July 1, 2016.

8 * * *

9 § 8346. Termination of annuities.

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

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

5 (a.1) 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 8345 (relating to member's options) on or after the date
9 of his return to school service or entering State 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 90 days or in the case of an active member or a State employee
15 who is an active member of the State Employees' Retirement
16 System may be amortized with statutory interest through salary
17 deductions to the system in amounts agreed upon by the member
18 and the board. The salary deduction amortization plans agreed to
19 by the member and the board may include a deferral of payment
20 amounts and statutory interest until the termination of school
21 service or State service as the board in its sole discretion
22 decides to allow. The board may limit salary deduction
23 amortization plans to such terms as the board in its sole
24 discretion determines. In the case of a State employee who is an
25 active member of the State Employees' Retirement System, the
26 agreed upon salary deductions shall be remitted to the State
27 Employees' Retirement Board, which shall certify and transfer to
28 the board the amounts paid.

29 * * *

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

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

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

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

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

5 * * *

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

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

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

28 (i) is a multiple service member; or

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

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

13 * * *

14 § 8347. Death benefits.

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

24 (b) Members ineligible for annuities.--In the event of the
25 death of any member or former member on USERRA leave, other than
26 an annuitant, who is not entitled to a death benefit from the
27 system as provided in subsection (a), his designated beneficiary
28 shall be paid the full amount of his accumulated deductions.

29 (c) Disability annuitants.--In the event of the death of a
30 disability annuitant who has elected to receive a maximum

1 disability annuity from the system before he has received in
2 annuity payments an amount equal to the present value, on the
3 effective date of disability, of the benefits to which he would
4 have been entitled under subsection (a) had he died while in
5 school service, the balance of such amount shall be paid to his
6 designated beneficiary, except that in the event of the death of
7 a disability annuitant who was not entitled to receive benefits
8 under subsection (a), his beneficiary shall be paid the
9 accumulated deductions standing to his credit on the effective
10 date of disability less the total payments received on account
11 of his member's annuity.

12 (d) Other annuitants.--In the event of the death of an
13 annuitant who has elected to receive the maximum single life
14 annuity from the system before he has received in total annuity
15 payments an amount equal to the full amount of the accumulated
16 deductions standing to his credit on the effective date of
17 retirement, the difference between the total payments made to
18 the date of death and the accumulated deductions shall be paid
19 to his designated beneficiary.

20 § 8349. Payment of benefits from the system.

21 (a) Annuities.--Any annuity granted under the provisions of
22 this part and paid from the fund shall be paid in equal monthly
23 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 (c) Death or absence of beneficiary.--If the beneficiary
7 designated by a member should predecease him or die within 30
8 days of his death, or if a valid nomination of a beneficiary is
9 not in effect at his death, any money payable to a beneficiary
10 shall be paid to the estate of the member.

11 (d) De minimis accounts.--A member with only Class T-I
12 service credit as a member of the system who terminates school
13 service and whose balance in the members' savings account is
14 \$5,000 or less as of the date of termination of service (or such
15 other higher amount as may be permitted under IRC §411(a)(11) or
16 417(e)) shall receive such balance in one lump sum payment as
17 provided in IRC §401(a)(31). This balance shall not be eligible
18 for installment payments under section 8505.1 (relating to
19 installment payments of accumulated deductions), but shall be
20 considered a lump sum payment for purposes of section 8505.1(d).

21 Section 218. 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 8407. Eligibility for benefits.

3 8408. Death benefits.

4 8409. Vesting.

5 8410. Termination of distributions.

6 8411. Agreements with financial institutions and other
7 organizations.

8 8411.1. Relation of administrators of School Employees' Defined
9 Contribution Plan to providers of 403(b) plans.

10 8412. Powers and duties of board.

11 8413. Responsibility for investment loss.

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

14 8415. Expenses.

15 8416. Election by members to be participants.

16 8417. Tax qualification.

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 the IRC for the
14 exclusive benefit of the plan's participants and their
15 beneficiaries until such time as the funds are distributed to
16 the participants or their beneficiaries in accordance with the
17 terms of the plan document. The assets of the plan held in trust
18 for the exclusive benefit of the participants and their
19 beneficiaries may be used for the payment of the fees, costs and
20 expenses related to the administration and investment of the
21 plan and the trust.

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

1 provisions of this part.

2 § 8402. Plan document.

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

15 § 8403. Individual investment accounts.

16 The board:

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

30 (2) shall separately track participant contributions,

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

6 (3) may contract with financial institutions, insurance
7 companies or other types of third-party providers and other
8 vendors to allow participants to deposit participant
9 contributions into the individual investment accounts in a
10 form and manner as provided by the contract.

11 § 8404. Participant contributions.

12 (a) Mandatory contributions.--A participant shall make
13 mandatory pickup participant contributions through payroll
14 deductions to the participant's individual investment account
15 equal to 3% of compensation for current school service. The
16 employer shall cause such contributions for current service to
17 be made and deducted from each payroll or on such schedule as
18 established by the board.

19 (b) Voluntary contributions.--

20 (i) A participant may make voluntary contributions
21 up to an additional amount equal to 3% of compensation
22 for current school service.

23 (ii) Class T-E and Class T-F members may make
24 voluntary contributions to the plan in an amount of not
25 less than 3% nor more than 6% of compensation that
26 exceeds the limit of compensation for such members, as
27 set forth in section 8102 (relating to definitions).

28 (iii) The employer shall cause the contributions
29 made under this section to be made and deducted from each
30 payroll or on such schedule as established by the board.

1 (iv) Voluntary contributions made under this section
2 shall not be picked up.

3 (c) Prohibition 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 participant contributions
8 in excess of the limitations and investment earnings on those
9 contributions shall be refunded to the participant by the board.
10 § 8405. Mandatory pickup participant contributions.

11 (a) Treatment for purposes of IRC § 414(h).--The
12 contributions to the trust required to be made under section
13 8404(a) (relating to participant contributions) with respect to
14 current school service rendered by an active participant shall
15 be picked up by the employer and shall be treated as the
16 employer's contribution for purposes of IRC § 414(h). An
17 employer employing a participant in the plan shall pick up the
18 required mandatory participant contributions by a reduction in
19 the compensation of the participant.

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

26 § 8406. Employer defined contributions.

27 (a) Contributions for current service.--The employer of a
28 participant shall make employer defined contributions for
29 current service of an active participant that shall be credited
30 to the active participant's individual investment account.

1 Employer defined contributions shall be recorded and accounted
2 for separately from participant contributions.

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

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

24 (a) Termination of service.--A participant who terminates
25 school service shall be eligible to withdraw the vested
26 accumulated total defined contributions standing to the
27 participant's credit in the participant's individual investment
28 account or a lesser amount as the participant may request.
29 Payment shall be made in a lump sum unless the board has
30 established other forms of distribution in the plan document,

1 subject to the provisions of subsection (f). A participant who
2 withdraws the vested accumulated total defined contributions
3 shall no longer be a participant in the plan, notwithstanding
4 that the participant may continue to be a member of the system,
5 or contract to receive an annuity or other form of payment from
6 a provider retained by the board for such purposes.

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

13 (c) Combined service employee.--A participant who is a
14 combined service employee must be terminated from all positions
15 that result in either membership in the system or participation
16 in the plan to be eligible to receive a distribution.

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

21 (e) Small individual investment accounts.--

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

28 (2) The board may also provide in the plan document
29 that, notwithstanding subsection (f), a participant whose
30 vested accumulated employer defined contributions are below

1 the thresholds established by the board may receive the
2 distributions of vested accumulated employer defined
3 contributions without the obligation to purchase an annuity.
4 The threshold may be established as a dollar amount, an
5 annuity amount, in some other form individually or in
6 combination as the board determines.

7 (f) Requirement to purchase annuity.--Except as prohibited
8 by the IRC or as otherwise provided in this part, a participant
9 who is eligible and elects to receive a distribution of vested
10 accumulated employer defined contributions shall be required to
11 purchase an annuity with the distribution under such conditions
12 as provided in the plan document. The conditions may include
13 that the board is authorized to make the distribution directly
14 to the annuity provider.

15 § 8408. Death benefits.

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

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

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

6 § 8409. Vesting.

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

16 (b) Employer defined contributions.--

17 (1) Subject to the forfeiture and attachment provisions
18 of section 8533 or otherwise as provided by law, a
19 participant shall be vested with respect to employer defined
20 contributions paid to the participant's individual investment
21 account plus interest and investment earnings by or on behalf
22 of the participant to the trust according to the following
23 schedule:

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

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

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

30 (iv) At and after the fourth year of school service

1 as a participant in the plan, 100%.

2 (2) For purposes of this section, a participant shall
3 accrue one year of school service for each fiscal year in
4 which the participant makes contributions to the plan.

5 (3) The board shall establish in the plan document other
6 terms and conditions for the implementation and
7 administration of this section.

8 (4) Accumulated employer defined contributions that are
9 not vested as of the participant's date of termination of
10 service shall be credited against the next contribution due
11 from the participant's employer for the remaining or future
12 participants of the employer.

13 (c) USERRA leave and vesting credit.--A participant in the
14 plan who is reemployed from USERRA leave or who dies while
15 performing USERRA leave shall receive vesting credit under this
16 section for the school service that would have been performed
17 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 and 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 may 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 relevant criteria.

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

6 § 8411.1. Relation of administrators of School Employees'
7 Defined Contribution Plan to providers of 403(b)
8 plans.

9 (a) General rule.--A financial institution or pension
10 management organization entering into a written agreement
11 pursuant to section 8411 (relating to agreements with financial
12 institutions and other organizations) may offer or provide
13 services to any plan established or maintained by a school
14 district under IRC § 403(b) or 457 if the written agreement for
15 the administration of the School Employees' Defined Contribution
16 Plan is not combined with any other written agreement for the
17 administration of a school district's 403(b) plan or 457 plan.
18 Each school district that provides a 403(b) plan shall make
19 available, in the manner provided by subsection (c), to
20 participants, multiple financial institutions or pension
21 management organizations that have not entered into a written
22 agreement pursuant to section 8411 and which provide services to
23 the school district's 403(b) plan or 457 plan.

24 (b) Plan transparency and administration.--A financial
25 institution or pension management organization providing
26 services for any plan established or maintained by a school
27 district under IRC § 403(b) or 457 shall:

28 (1) enter into an agreement with the school district or
29 the school district's independent compliance administrator
30 that shall require the financial institution or pension

1 management organization to provide in an electronic format
2 all data necessary for the administration of the 403(b) plan
3 or 457 plan as determined by the school district or the
4 school district's compliance administrator; and

5 (2) provide all data required by the school district or
6 a school district's compliance administrator to facilitate
7 disclosure of all fees, charges, expenses, commissions,
8 compensation and payments to third parties related to
9 investments offered under the 403(b) plan or 457 plan.

10 (c) Provider selection.--A school district that establishes
11 or maintains a plan under IRC § 403(b) or 457 shall select a
12 minimum of four financial institutions or pension management
13 organizations, in addition to the financial institution or
14 pension management organization that entered into an agreement
15 pursuant to section 8411, to provide services to the 403(b) plan
16 or 457 plan. If fewer than four such additional financial
17 institutions or pension management organizations are determined
18 to be available or able to meet the requirements established in
19 this section, then the school district shall select the number
20 of available providers able to meet the school district's
21 requirements. A financial institution or pension management
22 organization shall be designated a 403(b) plan or 457 plan
23 provider if the financial institution or pension management
24 organization enters into an agreement in accordance with
25 subsection (b).

26 § 8412. Powers and duties of board.

27 The board shall have the following powers and duties to
28 establish the plan and trust and to administer the provisions of
29 this part:

30 (1) The board may commingle or pool assets with the

1 assets of other persons or entities.

2 (2) The board shall pay all administrative fees, costs
3 and expenses of managing, investing and administering the
4 plan, the trust and the individual investment accounts from
5 the balance of such individual investment accounts, except as
6 the General Assembly otherwise provides through
7 appropriations from the General Fund.

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

11 (4) The board may change the terms of the plan as may be
12 necessary to maintain the tax-qualified status of the plan.

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

16 (6) The board may perform an annual or more frequent
17 review of any qualified fund manager for the purpose of
18 assuring it continues to meet all standards and criteria
19 established.

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

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

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

30 (10) The board may establish procedures to provide for

1 the lawful payment of benefits.

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

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

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

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

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

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

21 (iv) Standards and criteria for providing not less
22 than ten options in accordance with three or more
23 providers of investment options to eligible individuals
24 regarding investment of amounts deferred under the plan.
25 The standards and criteria shall provide for a variety of
26 investment options and shall be reviewed in accordance
27 with criteria established by the board. One of the
28 available options shall serve as the default option for
29 participants who do not make a timely election and, to
30 the extent commercially available, one option shall have

1 an annuity.

2 (v) Standards and criteria for disclosing to the
3 participants the anticipated and actual income
4 attributable to amounts invested, property rights and all
5 fees, costs and expenses to be made against amounts
6 deferred to cover the costs and expenses of administering
7 and managing the plan or trust.

8 (vi) Procedures, standards and criteria for the
9 making of distributions from the plan upon termination
10 from employment or death or in other circumstances
11 consistent with the purpose of the plan.

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

16 (15) The board may contract any services and duties in
17 lieu of staff except final adjudications and as prohibited by
18 law. Any duties or responsibilities of the board not required
19 by law to be performed by the board may be delegated to a
20 third-party provider subject to appeal to the board.

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

24 (17) The provisions and restrictions of the act of July
25 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's
26 Investments Act, shall not apply to the plan or trust or the
27 investments thereof, but the board may offer to the plan
28 participants investment vehicles that would be allowed under
29 the Protecting Pennsylvania's Investments Act.

30 (18) The board shall ensure that participants are

1 provided with educational materials about investment options
2 and choices.

3 § 8413. Responsibility for investment loss.

4 The Commonwealth, the board, an employer or a school entity
5 or other political subdivision shall not be responsible for any
6 investment loss incurred under the plan or for the failure of
7 any investment to earn any specific or expected return or to
8 earn as much as any other investment opportunity, whether or not
9 such other opportunity was offered to participants in the plan.

10 § 8414. Investments based on participant investment allocation
11 choices.

12 (a) Investment by participant.--All contributions, interest
13 and investment earnings shall be invested based on a
14 participant's investment allocation choices. All investment
15 allocation choices shall be credited proportionately between
16 contributions from the participant and employer defined
17 contributions. Each participant shall be credited individually
18 with the amount of contributions, interest and investment
19 earnings.

20 (b) Investment of contributions made by entities other than
21 Commonwealth.--Investment of contributions by any corporation,
22 institution, insurance company or custodial bank or other entity
23 that the board has approved shall not be unreasonably delayed
24 and in no case shall the investment of contributions be delayed
25 more than 30 days from the date of payroll deduction or
26 voluntary contributions are made to the date that funds are
27 invested. Any interest earned on the funds pending investment
28 shall be allocated to the employers and credited to the
29 individual investment accounts of participants who are then
30 participating in the plan, unless the interest is used to defray

1 administrative costs and fees that would otherwise be required
2 to be borne by participants who are then participating in the
3 plan.

4 § 8415. Expenses.

5 All expenses, fees and costs of administering the plan and
6 the trust and investing the assets of the trust shall be borne
7 by the participants and paid from assessments against the
8 balances of the individual investment accounts as established by
9 the board, except that for fiscal years ending before July 1,
10 2016, the expenses, fees and costs of establishing and
11 administering the plan and trust shall be paid by the
12 Commonwealth through annual appropriations from the General
13 Fund, made on the basis of estimates from the board.

14 § 8416. Election by Class T-E and Class T-F members to be
15 participants.

16 (a) General rule.--Any Class T-E or Class T-F member who is
17 an active member or inactive member on or after July 1, 2016,
18 who is employed in a position that would otherwise be eligible
19 for participation in the plan may elect to become a participant
20 in the plan to the extent that such member's compensation
21 exceeds the Social Security taxable wage base in effect at the
22 beginning of the fiscal year.

23 (b) Time for making election.--An eligible Class T-E or
24 Class T-F member may elect to become a participant and a
25 combined service employee at any time before termination of
26 school service by filing a written election with the board, as
27 provided in the plan document.

28 (c) Effect of election.--The following apply:

29 (1) An election to become a participant shall continue
30 until the termination of service. Contributions from

1 compensation that exceeds the Social Security taxable wage
2 base in effect at the beginning of the fiscal year shall be
3 deducted as soon as administratively feasible after receipt
4 of a properly filed election and shall be deducted thereafter
5 in accordance with section 8412 (relating to powers and
6 duties of board) and 8506 (relating to duties of employers).

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

11 (3) A participant shall not be entitled to purchase any
12 previous school service or creditable nonschool service.

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

16 § 8417. Tax qualification.

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

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

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

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

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

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

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

17 Section 219. Sections 8501(a), (c), (d) and (e) of Title 24
18 are amended and the section is amended by adding a subsection to
19 read:

20 § 8501. Public School Employees' Retirement Board.

21 (a) Status and membership.--The board shall be an
22 independent administrative board and shall consist of [15] 16
23 members: the Secretary of Education, ex officio; the State
24 Treasurer, ex officio; the Secretary of Banking and Securities,
25 ex officio; two Senators; two members of the House of
26 Representatives; the executive secretary of the Pennsylvania
27 School Boards Association, ex officio; two to be appointed by
28 the Governor, at least one of whom shall not be a school
29 employee or an officer or employee of the State; three to be
30 elected by the active professional members of the system and

1 active professional participants of the plan from among their
2 number; one to be elected by annuitants or participants of the
3 plan who have terminated school service and are receiving or are
4 eligible to receive distributions from among their number; one
5 to be elected by the active nonprofessional members of the
6 system or active nonprofessional participants of the plan from
7 among their number; and one to be elected by members of
8 Pennsylvania public school boards from among their number. The
9 appointments made by the Governor shall be confirmed by the
10 Senate and each election shall be conducted in a manner approved
11 by the board. The terms of the appointed and nonlegislative
12 elected members shall be three years. The members from the
13 Senate shall be appointed by the President pro tempore of the
14 Senate and shall consist of one member from the majority and one
15 member from the minority. The members from the House of
16 Representatives shall be appointed by the Speaker of the House
17 of Representatives and shall consist of one member from the
18 majority and one member from the minority. The legislative
19 members shall serve on the board for the duration of their
20 legislative terms and shall continue to serve until 30 days
21 after the convening of the next regular session of the General
22 Assembly after the expiration of their respective legislative
23 terms or until a successor is appointed for the new term,
24 whichever occurs first. The chairman of the board shall be
25 elected by the board members. No member of the board who
26 represents active members or annuitants or is a current member
27 of the General Assembly can serve as chairman. Each ex officio
28 member of the board and each legislative member of the board may
29 appoint a duly authorized designee to act in his stead. In the
30 event that a board member, who is designated as an active

1 participant or as the participant in the plan who is receiving
2 or is eligible to receive distributions, receives a total
3 distribution of the board member's interest in the plan, that
4 board member may continue to serve on the board for the
5 remainder of his term.

6 * * *

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

16 (d) Compensation and expenses.--The members of the board who
17 are members of the system or participants in the plan shall
18 serve without compensation. Members of the board who are members
19 of the system or participants in the plan and who are employed
20 by a governmental entity shall not suffer loss of salary or
21 wages through serving on the board. The board, on request of the
22 employer of any member of the board who is an active
23 professional or nonprofessional member of the system or active
24 professional or nonprofessional participant in the plan, may
25 reimburse such employer for the salary or wages of the member or
26 participant, or for the cost of employing a substitute for such
27 member or participant, while the member or participant is
28 necessarily absent from employment to execute the duties of the
29 board. The members of the board who are not members of either
30 the school system or the State Employees' Retirement System may

1 be paid \$100 per day when attending meetings and all board
2 members shall be reimbursed for any necessary expenses. However,
3 when the duties of the board as mandated are not executed, no
4 compensation or reimbursement for expenses of board members
5 shall be paid or payable during the period in which such duties
6 are not executed.

7 (e) Corporate power and legal advisor.--For the purposes of
8 this part, the board shall possess the power and privileges of a
9 corporation. [The Attorney General of the Commonwealth shall be
10 the legal advisor of the board.] Legal counsel to the board
11 shall serve independently from the Governor's Office of Chief
12 Counsel, the General Assembly and the Attorney General.

13 (f) Board training.-- Each member of the board will be
14 required to obtain eight hours of mandatory training in
15 investment strategies, actuarial cost analysis and retirement
16 portfolio management on an annual basis.

17 Section 220. Section 8502(a), (b), (c), (e), (h), (i), (j),
18 (k), (m), (n) and (o) are amended and the section is amended by
19 adding subsections to read:

20 § 8502. Administrative duties of board.

21 (a) Employees.--

22 (1) Effective 30 days after the effective date of this
23 paragraph, the positions of secretary, assistant secretary
24 and investment professional shall be placed under the
25 unclassified service provisions of the act of August 5, 1941
26 (P.L.752, No.286), known as the Civil Service Act, as those
27 positions are vacated. All other positions of the board shall
28 be placed in either the classified or unclassified service
29 according to the definition of the terms under the Civil
30 Service Act.

1 (2) Notwithstanding any other provision of law, the
2 compensation of investment professionals shall be established
3 by the board. The compensation of all other officers and
4 employees of the board who are not covered by a collective
5 bargaining agreement shall be established by the board
6 consistent with the standards of compensation established by
7 the Executive Board of the Commonwealth.

8 (3) The board may utilize the staff of employees
9 provided for under this subsection for both the system and
10 the plan, but shall allocate the fees, costs and expenses
11 incurred under this subsection between the system and the
12 plan as appropriate.

13 (b) Professional personnel.--

14 (1) The board shall contract for the services of a chief
15 medical examiner, an actuary, investment advisors,
16 counselors, an investment coordinator, and such other
17 professional personnel as it deems advisable.

18 (2) The board may utilize the same individuals and firms
19 contracted under this subsection for both the system and the
20 plan, but shall allocate the fees, costs and expenses
21 incurred under this subsection between the system and the
22 plan as appropriate.

23 (c) Expenses.--

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

30 (2) Such expenses of the system as approved by the

1 General Assembly in an appropriation bill shall be paid from
2 investment earnings of the fund.

3 (3) For fiscal years ending on or before June 30, 2017,
4 such expenses of the plan as approved by the General Assembly
5 through an appropriation shall be paid from the General Fund.
6 For fiscal years beginning on or after July 1, 2017, such
7 expenses of the plan as approved by the General Assembly
8 shall be paid from interest, under section 8414(b) (relating
9 to investments based on participant investment allocation
10 choices) or assessments on the balances of the participants'
11 individual investment accounts.

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

22 * * *

23 (e) Records.--

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

28 (2) Any record, material or data received, prepared,
29 used or retained by the board or its employees, investment
30 professionals or agents relating to an investment shall not

1 constitute a public record subject to public [inspection]
2 access under the act of [June 21, 1957 (P.L.390, No.212),
3 referred to] February 14, 2008 (P.L.6, No.3), known as the
4 Right-to-Know Law, if, in the reasonable judgment of the
5 board, the [inspection] access would:

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

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

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

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

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

1 record subject to public [inspection] access under the
2 Right-to-Know Law once:

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

6 (B) the entity in which the investment was made
7 is liquidated;
8 whichever is later.

9 (iii) The sensitive investment or financial
10 information excluded from [inspection] access under
11 paragraph (2)(iii), 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:

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

20 (B) the entity in which the investment was made
21 is liquidated;
22 whichever is later.

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

29 (5) Notwithstanding the provisions of this subsection,
30 the following information regarding an alternative investment

1 vehicle shall be subject to public [inspection] access under
2 the Right-to-Know Law:

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

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

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

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

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

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

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

1 reveal the values of specifically identifiable remaining
2 portfolio assets to the detriment of the alternative
3 investment.

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

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

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

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

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

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

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

26 (7) The following shall apply:

27 (i) Nothing in this part shall be construed to mean
28 that the release or publicizing of a record, material, or
29 data that would not constitute a public record under this
30 subsection shall be a violation of the board's fiduciary

1 duties.

2 (ii) This subsection shall apply to a record,
3 material or data under this subsection notwithstanding
4 whether:

5 (A) the record, material or data was created,
6 generated or stored before the effective date of this
7 paragraph;

8 (B) the record, material or data was previously
9 released or made public; or

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

16 * * *

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

1 regulation or computational procedure and utilized as a basis
2 for determining any benefit shall be applied in a uniform
3 manner.

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

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

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

8 (k) Certification of employer contributions to the fund.--

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

1 be regarded as final and not subject to modification by the
2 Secretary of the Budget.

3 * * *

4 (m) Member contributions and interest.--The board shall
5 cause each member's contributions, including payroll deductions,
6 pickup contributions, shared-risk contributions and all other
7 payments, including, but not limited to, amounts collected by
8 the State Employees' Retirement System for the reinstatement of
9 previous school service or creditable nonschool service and
10 amounts paid to return benefits paid after the date of return to
11 school service or entering State service representing lump sum
12 payments made pursuant to section 8345(a)(4)(iii) (relating to
13 member's options) and member's annuity payments, but not
14 including other benefits returned pursuant to section 8346(a.1)
15 and (a.2) (relating to termination of annuities), to be credited
16 to the account of such member and shall pay all such amounts
17 into the fund. Such contributions shall be credited with
18 statutory interest until date of termination of service, except
19 in the case of a vestee, who shall have such interest credited
20 until the effective date of retirement or until the return of
21 his accumulated deductions, if he so elects; and in the case of
22 a multiple service member who shall have such interest credited
23 until termination of service in both the school and the State
24 systems.

25 (m.1) Amounts credited to the members' savings account and
26 cash balance account.--Subject to the forfeiture and attachment
27 provisions of section 8533 (relating to taxation, attachment,
28 and assignment of funds), members shall be fully vested with
29 respect to all employee contributions. Such monies in the
30 accounts shall be credited with interest at the long term

1 treasury rate, or its equivalent, in effect on the July 1 of the
2 fiscal year in which the member earns compensation, not to
3 exceed 4%. Such monies shall also be credited with excess
4 interest, if such excess interest is awarded.

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

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

24 * * *

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

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

7 (r) Excess interest.--

8 (1) The board may allow excess interest to be credited
9 to the members' savings account for active Class T-I members,
10 and to the cash balance account for members in other classes
11 of service, as provided under section 8523(d) (relating to
12 members' savings account and cash balance account).

13 (2) The crediting of excess interest shall be made with
14 the advice of the actuary employing actuarial assumptions
15 that reflect the nature of the liability.

16 Section 221. Section 8502.2(a) of Title 24 is amended to
17 read:

18 § 8502.2. Health insurance.

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

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

28 (2) Determination of the benefits structure.

29 (3) Determination of enrollment procedures.

30 (4) Establishment of premium rates sufficient to fully

1 fund the program, including administrative expenses.

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

5 * * *

6 Section 222. Section 8503 heading, (a) and (b) of Title 24
7 are amended and the section is amended by adding subsections to
8 read:

9 § 8503. Duties of board to advise and report to employers

10 [and], members and participants.

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

25 (b) Member status statements.--The board shall furnish
26 annually on or before December 31, a statement to each member
27 showing the accumulated deductions standing to the credit of the
28 member and the number of years and fractional part of a year of
29 service credited in each class of service, as applicable, as of
30 June 30 of that year. Each member's statement shall [be mailed

1 to his home address and shall] include a request that the member
2 make any necessary corrections or revisions regarding his
3 designated beneficiary, whose name at the request of the member
4 shall remain confidential and not appear on this statement.

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

15 (b.2) Cash balance status statements.--The board shall have
16 furnished annually on or before December 31, a statement to each
17 member showing the accumulated total amount in the cash balance
18 account standing to the credit of the member. Each member's
19 statement shall include a request that the member make any
20 necessary corrections or revisions regarding his designated
21 beneficiary.

22 * * *

23 Section 223. Section 8504(c) of Title 24 is amended to read:

24 § 8504. Duties of board to report to State Employees'

25 Retirement Board.

26 * * *

27 (c) Applications for benefits for State employees.--Upon
28 receipt of notification and the required data from the State
29 Employees' Retirement Board that a former school employee who
30 elected multiple service has applied for a State employee's

1 retirement benefit or, in the event of his death, his legally
2 constituted representative has applied for such benefit, the
3 board shall:

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

5 (i) The salary history as a member of the Public
6 School Employees' Retirement System and the final average
7 salary as calculated on the basis of the compensation
8 received as a State and school employee.

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

12 (2) Transfer to the State Employees' Retirement Fund the
13 accumulated deductions standing to such member's credit and
14 the actuarial reserve required on account of the member's
15 years of credited service in the school system and his final
16 average salary determined on the basis of his compensation as
17 a member in both systems.

18 Section 224. Sections 8505(a), (b), (e), (f), (g), (h) and
19 (i), 8506(a), (d), (e), (g), (h), (i) and (k) and 8507(a), (e),
20 (f) and (i) of Title 24 are amended and the sections are amended
21 by adding subsections to read:

22 § 8505. Duties of board regarding applications and elections of
23 members and participants.

24 (a) Statement to new members.--As soon as practicable after
25 each member shall have joined the system, the board shall issue
26 to him a statement as to the aggregate length of total previous
27 school service and creditable nonschool service, as applicable,
28 for which he may receive credit.

29 (b) State employees electing multiple service status.--Upon
30 receipt of notification from the State Employees' Retirement

1 Board that a former school employee has become an active member
2 in the State Employees' Retirement System and has elected to
3 become a member with multiple service status, the board shall:

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

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

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

24 (iii) Certify to the member the amount of lump sum
25 and annuity payments with statutory interest the member
26 is to return to the board and, of those amounts, which
27 amount shall be credited to the members' savings account
28 and credited with statutory interest as such payments are
29 returned and which amount shall be credited to the State
30 accumulation account.

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

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

16 * * *

17 (e) Certification to vestees terminating service.--The board
18 shall certify to a vestee within one year of termination of
19 service of such member:

20 (1) The accumulated deductions standing to his credit at
21 the date of termination of service.

22 (2) The number of years and fractional part of a year of
23 credit in each class of service, as applicable.

24 (3) The maximum single life annuity to which the vestee
25 shall become entitled upon the attainment of superannuation
26 age, if applicable, and the filing of an application for such
27 annuity.

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

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

10 (f) Notification to vestees approaching superannuation
11 age.--The board shall notify each vestee in writing 90 days
12 prior to his attainment of superannuation age that he shall
13 apply for his annuity within 90 days of attainment of
14 superannuation age; that, if he does so apply, his effective
15 date of retirement will be the date of attainment of
16 superannuation age; that, if he does not so apply but defers his
17 application to a later date, his effective date of retirement
18 will be the date of filing the application or the date specified
19 on the application, whichever is later; and that, if he does not
20 file an application within seven years after attaining
21 superannuation age, he shall be deemed to have elected to
22 receive his accumulated deductions upon attainment of
23 superannuation age.

24 (f.1) Notification to inactive participants approaching
25 required beginning date.--The board shall notify in writing each
26 inactive participant who has terminated school service and for
27 whom distribution has not commenced by 90 days before the
28 participant's required beginning date, that the participant has
29 an obligation to commence distributions by the required
30 beginning date in a form and manner required by IRC §401(a)(9)

1 and other applicable provisions of the IRC.

2 (g) Initial annuity payment and certification.--The board
3 shall make the first monthly payment to a member who is eligible
4 for an annuity within 60 days of the filing of his application
5 for an annuity or, in the case of a vestee who has deferred the
6 filing of his application to a date later than 90 days following
7 attainment of superannuation age, within 60 days of his
8 effective date of retirement, and receipt of the required data
9 from the employer of the member. Concurrently the board shall
10 certify to such member:

11 (1) The accumulated deductions standing to his credit
12 showing separately the amount contributed by the member, the
13 pickup contribution, the shared-risk contributions and the
14 interest credited to the date of termination of service.

15 (2) The number of years and fractional part of a year
16 credited in each class of service, as applicable.

17 (3) The final average salary on which his annuity is
18 based, if applicable, as well as any applicable reduction
19 factors due to age or election of an option or both.

20 (4) The total annuity payable under the option elected
21 and the amount and effective date of any future reduction on
22 account of social security old-age insurance benefits.

23 (g.1) Initial payment to a participant.--The board shall
24 make the initial payment to a participant who has applied for a
25 distribution within 60 days of the filing of the application and
26 receipt of the required data from the employer of the
27 participant and other necessary data.

28 (h) Death benefits.--Upon receipt of notification of the
29 death of a member, an active participant, an inactive
30 participant or former member or participant on USERRA leave, the

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

27 (i) Medical insurance coverage.--Upon receipt of
28 notification from an insurance carrier offering a health
29 insurance program approved by the board that an annuitant of the
30 system or participant in the plan who has attained age 65 has

1 elected medical, major medical, and hospitalization insurance
2 coverage or notification that annuitants of the system or
3 participants in the plan with less than 24 1/2 eligibility
4 points (other than disability annuitants of the system), spouses
5 of annuitants and participants in the plan and survivor
6 annuitants eligible to elect to enroll in the approved health
7 insurance program have elected participation in such health
8 insurance program, the board may deduct from the annuity
9 payments, from payments to a participant receiving
10 distributions, or from a successor payee the appropriate annual
11 charges in equal monthly installments. Such deductions shall be
12 transmitted to the insurance carrier.

13 * * *

14 § 8506. Duties of employers.

15 (a) Status of members and participants.--The employer shall,
16 each month, notify the board in a manner prescribed by the board
17 of the salary changes effective during the past month, the date
18 of all removals from the payroll, and the type of leave of any
19 member or participant who has been removed from the payroll for
20 any time during that month, and:

21 (1) if the removal is due to leave without pay, the
22 employer shall furnish the board with the date of beginning
23 leave, the date of return to service, and the reason for
24 leave;

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

29 (3) if the removal is due to termination of school
30 service, the employer shall furnish the board with a complete

1 school service record including credited or creditable
2 nonschool service and in the case of death of the member or
3 participant the employer shall so notify the board.

4 * * *

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

23 (d) New employees subject to mandatory membership or
24 participation.--Upon the assumption of duties of each new school
25 employee whose membership in the system or plan is mandatory,
26 the employer shall no later than 30 days thereafter cause an
27 application for membership or participation, which application
28 shall include the employee's home address, birthdate certified
29 by the employer, previous school or State service and any other
30 information requested by the board, and a nomination of

1 beneficiary to be made by such employee and filed with the board
2 and shall make pickup contributions or mandatory pickup
3 participant contributions from the effective date of school
4 employment.

5 (d.1) Cash balance account contributions.--The employer
6 shall cause the voluntary contributions to the cash balance
7 account on behalf of a Class T-C, Class T-E, Class T-F, Class T-
8 G, or Class T-H member to be made and deducted as authorized by
9 the member. The employer shall certify to the board the amounts
10 deducted and the employer contributions being made and shall
11 send the total amount deducted and contributed together with a
12 duplicate of such voucher to the secretary of the board every
13 pay period or on such schedule as established by the board.

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

28 * * *

29 (g) Former State employee contributors.--

30 (1) The employer shall, upon the employment of a former

1 member of the State Employees' Retirement System who is not
2 an annuitant of the State Employees' Retirement System,
3 advise such employee of his right to elect multiple service
4 membership within 365 days of entry into the system and, in
5 the case any such employee who so elects has withdrawn his
6 accumulated deductions, require him to restore his
7 accumulated deductions as they would have been at the time of
8 his separation had he been a full coverage member, together
9 with statutory interest for all periods of subsequent State
10 and school service to date of repayment. The employer shall
11 advise the board of such election.

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

16 (h) Former State employee annuitants.--

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

29 (2) Paragraph (1) shall not apply to a school employee
30 who is employed in a position where the school employee is or

1 could be a participant in the plan other than a member who
2 elects to become a participant in the plan.

3 (i) Termination of service by members.--The employer shall,
4 in the case of any member terminating school service, advise
5 such member in writing of any benefits from the system to which
6 he may be entitled under the provisions of this part and shall
7 have the member prepare, on or before the date of termination of
8 school service, one or more of the following three forms, a copy
9 of which shall be given to the member and the original of which
10 shall be filed with the board:

11 (1) An application for the return of accumulated
12 deductions.

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

18 (3) An application for an immediate annuity, if
19 eligible, and, if he is a joint coverage member and so
20 desires, an election to become a full coverage member and an
21 agreement to pay within 30 days of date of termination of
22 service the lump sum required.

23 * * *

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

27 (1) Any school employee who:

28 (i) ceases to be an active member or active
29 participant to perform USERRA service; or

30 (ii) is granted a leave of absence under 51 Pa.C.S.

1 § 4102 (relating to leaves of absence for certain
2 government employees) or a military leave of absence
3 under 51 Pa.C.S. § 7302 (relating to granting military
4 leaves of absence).

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

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

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

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

20 § 8507. Rights and duties of school employees [and], members
21 and participants.

22 (a) Information on new employees.--Upon his assumption of
23 duties, each new school employee shall furnish his employer with
24 a complete record of his previous school or State service, or
25 creditable nonschool service, proof of his date of birth, his
26 home address, his current status in the system and the plan and
27 in the State Employees' Retirement System and the State
28 Employees' Defined Contribution Plan and such other information
29 as the board may require. Willful failure to provide the
30 information required by this subsection to the extent available

1 or the provision of erroneous information upon entrance into the
2 system shall result in the forfeiture of the right of the member
3 to subsequently assert any right to benefits based on erroneous
4 information or on any of the required information which he
5 failed to provide. In any case in which the board finds that a
6 member is receiving an annuity based on false information, the
7 additional amounts received predicated on such false information
8 together with statutory interest doubled and compounded shall be
9 deducted from the present value of any remaining benefits to
10 which the member is legally entitled and such remaining benefits
11 shall be correspondingly decreased.

12 * * *

13 (b.1) Application for participation.--On or after July 1,
14 2016, in the case of a new employee who is not currently a
15 participant in the plan and whose participation is mandatory, or
16 in the case of a new employee whose participation is not
17 mandatory but is permitted and who desires to become a
18 participant in the plan, the new employee shall execute an
19 application for participation and a nomination of a beneficiary.

20 * * *

21 (d.2) Contributions for USERRA leave.--Any active participant
22 or inactive participant or former participant who was reemployed
23 from USERRA leave and who desires to make mandatory pickup
24 participant contributions and voluntary contributions for his
25 USERRA leave shall so notify the board within the time period
26 required under 38 U.S.C. Ch. 43 (relating to employment and
27 reemployment rights of members of the uniformed services) and
28 IRC § 414(u) of his desire to make such contributions. Upon
29 making the permitted mandatory pickup participant contributions
30 within the allowed time period, the employer shall make the

1 corresponding employer defined contributions at the same time.

2 (d.3) Voluntary contributions by a participant.--Any
3 participant who desires to make voluntary contributions to be
4 credited to his individual investment account shall notify the
5 board and, upon compliance with the requirements, procedures and
6 limitations established by the board in the plan document, may
7 do so subject to the limitations under IRC §§ 401(a) and 415 and
8 as otherwise provided in this part.

9 (d.4) Voluntary contributions to cash balance account by
10 member.--Any member who desires to make voluntary contributions
11 to be credited to his cash balance account shall notify the
12 board and, upon compliance with the requirements, procedures and
13 limitations established by the board, may do so subject to the
14 limitations under IRC §§ 401(a) and 415 and as otherwise
15 provided in this part.

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

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

1 to death benefits). Such nomination may be changed at any time
2 by the participant by written designation filed with the board.

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

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

13 (1) Withdraw his accumulated deductions.

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

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

22 * * *

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

1 (g.2) Deferral of distribution of cash balance account by
2 member.--If a member terminates school service and does not
3 commence receiving a distribution of monies in the cash balance
4 account, he shall nominate a beneficiary by written designation
5 filed with the board, and he may anytime thereafter, but no
6 later than his required beginning date, withdraw the vested
7 accumulated contributions standing to his credit or apply for
8 another form of distribution required by law or authorized by
9 the board.

10 * * *

11 (i) Failure to apply for annuity.--If a member is eligible
12 to receive an annuity from the system and does not file a proper
13 application within 90 days of termination of service, he shall
14 be deemed to have elected to vest, and his annuity will become
15 effective as of the date an application is filed with the board
16 or the date designated on the application whichever is later.

17 * * *

18 (l) Eligible roll-in.--An active Class T-I member may
19 transfer money received in an eligible rollover distribution to
20 the members' savings account to purchase USERRA leave, to the
21 extent allowed by IRC §402. Such rollover shall be made in a
22 form and manner as determined by the board, shall be credited to
23 the Class T-I member's accumulated deductions, and shall be
24 separately accounted for by the board.

25 Section 225. Sections 8521(b), 8522, 8523, 8524, 8525 and
26 8531 of Title 24 are amended to read:

27 § 8521. Management of fund and accounts.

28 * * *

29 (b) Crediting of interest.--The board annually shall allow
30 statutory interest, excluding the individual investment

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

16 * * *

17 § 8522. Public School Employees' Retirement Fund.

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

1 health insurance account).

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

10 § 8523. Members' savings account and cash balance account.

11 (a) Credits to members' savings account.--The members'
12 savings account shall be the ledger account to which shall be
13 credited the amounts of the pickup contributions made by the
14 employer and contributions or lump sum payments made by active
15 members in accordance with the provisions of Chapter 83
16 (relating to membership, contributions and benefits).

17 (a.1) Credits to cash balance account.--The cash balance
18 account shall be the ledger account to which shall be credited
19 the amounts of cash balance member contributions made by active
20 members, amounts credited by the employer, and contributions or
21 lump sum payments made by active members, together with interest
22 and excess interest, as applicable, in accordance with the
23 provisions of Chapter 83 (relating to membership, contributions
24 and benefits).

25 (b) Interest and transfers from account.--The individual
26 member accounts to which interest is payable shall be credited
27 with statutory interest. The accumulated deductions credited to
28 the account of a member who dies in service or whose application
29 for an annuity has been approved shall be transferred from the
30 members' savings account or from the cash balance account, as

1 applicable, to the annuity reserve account provided for in
2 section 8525 (relating to annuity reserve account).

3 (c) Charges to account.--Upon the election of a member to
4 withdraw his accumulated deductions, the payment of such amount
5 shall be charged to the members' savings account.

6 (d) Excess Interest.--

7 (1) As part of the annual actuarial valuation performed
8 under subsection 8502(j) (relating to administrative duties
9 of board) for fiscal year 2017, and for each subsequent
10 fiscal year, the board shall determine the amount potentially
11 available from that year for distribution as excess interest.
12 That amount shall be one half of the investment gains and
13 losses, net of investment and administrative fees and costs,
14 above or below the actuarially assumed investment return of
15 the total assets in the fund multiplied by the ratio of the
16 total amount credited in the members' savings account of
17 Class T-I members and the cash balance savings account of
18 members who have elected to contribute to the cash balance
19 account, to the sum of the total amount credited in the
20 members' savings account plus the accrued actuarial liability
21 of all benefits derived from all the service of all members
22 in all classes of service other than Class T-I. This product
23 shall be available in equal annual installments over five
24 years.

25 (2) After the actuarial valuation made for fiscal year
26 2019 and after the actuarial valuations for each subsequent
27 fiscal year, the board shall determine if excess interest is
28 to be awarded to those members who have Class T-I service
29 credit, or those members who have contributions in the cash
30 balance savings account, on the date of the applicable

1 actuarial valuation.

2 (3) For each determination period, excess interest shall
3 be granted if the sum of the amounts determined under
4 paragraph (1) for all the years of the determination period
5 is positive. If so, then the percentage rate of excess
6 interest shall be determined by dividing this sum by the
7 total amount credited in the members savings account
8 attributable to Class T-I service credit and those members
9 who have contributions in the cash balance savings account,
10 on the last day of the determination period. Each Class T-I
11 member who has monies in the members' savings account, and
12 each member who has monies in the cash balance savings
13 account, on the last day of the determination period and who
14 has monies in such accounts on the next following June 30,
15 shall have excess interest at this rate credited to his total
16 members' savings account balance cash balance savings
17 account, as applicable.

18 (4) The determination period for the period ending with
19 the actuarial valuation for fiscal year 2019 shall be fiscal
20 years 2016, 2017 and 2018. The determination period for the
21 period ending with the actuarial valuation for fiscal year
22 2020 shall be fiscal years 2016, 2017, 2018, and 2019. The
23 determination period for the periods ending with fiscal year
24 2021 and subsequent years shall be the ending fiscal year and
25 the four immediately previous fiscal years.

26 § 8524. State accumulation account.

27 The State accumulation account shall be the ledger account to
28 which shall be credited all contributions of the Commonwealth
29 and other employers as well as the earnings of the fund, except
30 the premium assistance contributions and earnings thereon in the

1 health insurance account. Valuation interest shall be allowed on
2 the total amount of such account less any earnings of the fund
3 credited during the year. The reserves necessary for the payment
4 of annuities and death benefits resulting from membership in the
5 system as approved by the board and as provided in Chapter 83
6 (relating to membership, contributions and benefits) shall be
7 transferred from the State accumulation account to the annuity
8 reserve account. At the end of each year the required interest
9 shall be transferred from the State accumulation account to the
10 credit of the members' savings account and the annuity reserve
11 account. The administrative expenses of the board shall be
12 charged to the State accumulation account. Employer defined
13 contributions, mandatory pickup contributions and a
14 participant's voluntary contributions, together with any income
15 or interest earned thereon, may be temporarily placed into the
16 State accumulation account pending allocation or distribution to
17 the participant's individual investment account.

18 § 8525. Annuity reserve account.

19 (a) Credits and charges to account.--The annuity reserve
20 account shall be the ledger account to which shall be credited
21 the reserves held for the payment of annuities and death
22 benefits resulting from membership in the system on account of
23 all annuitants and the contributions from the Commonwealth and
24 other employers as determined in accordance with section 8328
25 (relating to actuarial cost method) for the payment of the
26 supplemental annuities provided in sections 8348 (relating to
27 supplemental annuities), 8348.1 (relating to additional
28 supplemental annuities), 8348.2 (relating to further additional
29 supplemental annuities), 8348.3 (relating to supplemental
30 annuities commencing 1994), 8348.4 (relating to special

1 supplemental postretirement adjustment), 8348.5 (relating to
2 supplemental annuities commencing 1998), 8348.6 (relating to
3 supplemental annuities commencing 2002) and 8348.7 (relating to
4 supplemental annuities commencing 2003). The annuity reserve
5 account shall be credited with valuation interest. After the
6 transfers provided in sections 8523 (relating to members'
7 savings account) and 8524 (relating to State accumulation
8 account), all annuity and death benefit payments shall be
9 charged to the annuity reserve account and paid from the fund.

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

20 § 8531. State guarantee regarding the system.

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

30 Section 226. Section 8533(a), (b) and (d) of Title 24 are

1 amended to read:

2 § 8533. Taxation, attachment and assignment of funds.

3 (a) General rule.--Except as provided in subsections (b),
4 (c) and (d), the right of a person to a member's annuity, a
5 State annuity, or retirement allowance, to the return of
6 contributions, any benefit or right accrued or accruing to any
7 person under the provisions of this part, and the moneys in the
8 fund and the trust are hereby exempt from any State or municipal
9 tax, and exempt from levy and sale, garnishment, attachment, the
10 provisions of Article XIII.1 of the act of April 9, 1929
11 (P.L.343, No.176), known as The Fiscal Code, or any other
12 process whatsoever, and shall be unassignable.

13 (a.1) Individual investment accounts and distributions.--No
14 participant or beneficiary, successor payee, spouse or alternate
15 payee of a participant shall have the ability to commute, sell,
16 assign, alienate, anticipate, mortgage, pledge, hypothecate,
17 commutate or otherwise transfer or convey any benefit or
18 interest in an individual investment account or rights to
19 receive or direct distributions under this part or under
20 agreements entered into under this part except as otherwise
21 provided in this part and in the case of either a member or a
22 participant.

23 (b) Forfeiture.--

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

30 (2) In accordance with section 16(b) of Article V of the

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

22 * * *

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

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

18 Section 227. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)
19 of Title 24 are amended to read:

20 § 8533.1. Approval of domestic relations orders.

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

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

29 (2) Requires the system to provide no more than the
30 total amount of benefits than the member would otherwise

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

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

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

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

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

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

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

30 (1) Does not require the plan to provide any type or

1 form of benefit or any option applicable to members of the
2 system or participants in the plan.

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

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

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

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

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

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

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

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

6 (9) Requires the participant to execute an authorization
7 allowing each alternate payee to monitor the participant's
8 compliance with the terms of the domestic relations order
9 through access to information concerning the participant
10 maintained by the plan. Any authorization granted under this
11 section shall be construed only as an authorization for the
12 alternate payee to receive information concerning the
13 participant which relates to the administration, calculation
14 and payment of the alternate payee's share of the
15 participant's account and not as an authorization to exercise
16 the rights afforded to participants or obtain information
17 that is not related to the administration, calculation and
18 payment of the alternate payee's share of the participant's
19 individual investment account, notwithstanding any other
20 provision of this part or the plan that would require a
21 distribution of accumulated employer defined contributions in
22 the form of an annuity or to require the purchase of an
23 annuity.

24 (10) In the case of participants who have 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, notwithstanding any
3 other provision of this part or the plan that would otherwise
4 require a distribution of accumulated employer defined
5 contributions in the form of an annuity or to require the
6 purchase of an annuity.

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

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

1 from government agencies).

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

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

30 § 8533.2. Irrevocable beneficiary.

1 Notwithstanding any other provision of this part, a domestic
2 relations order may provide for an irrevocable beneficiary. A
3 domestic relations order requiring the nomination of an
4 irrevocable beneficiary shall be deemed to be one that requires
5 a member or participant to nominate an alternate payee as a
6 beneficiary and that prohibits the removal or change of that
7 beneficiary without approval of a court of competent
8 jurisdiction, except by operation of law. Such a domestic
9 relations order may be certified as an approved domestic
10 relations order by the secretary of the board, or his designated
11 representative, after the member or participant makes such
12 nomination, in which case the irrevocable beneficiary so ordered
13 by the court cannot be changed by the member or participant
14 without approval by the court.

15 § 8533.3. Irrevocable survivor annuitant.

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

1 § 8533.4. Amendment of approved domestic relations orders.

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

8 * * *

9 Section 228. Title 24 is amended by adding a section to
10 read:

11 § 8533.5. Irrevocable successor payee.

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

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

24 (c) Certification.--A domestic relations order under
25 subsection (b) may be certified as an approved domestic
26 relations order by the secretary of the board, or his designated
27 representative, in which case the irrevocable successor payee so
28 ordered by the court cannot be changed by the participant
29 without approval by the court.

30 (d) Ineligibility.--A person ineligible to be designated as

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

6 Section 229. Sections 8534 and 8535 of Title 24 are amended
7 to read:

8 § 8534. Fraud and adjustment of errors.

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

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

28 § 8535. Payments to school entities by Commonwealth.

29 For each school year beginning with the 1995-1996 school year
30 and ending with the 2015-2016 school year, each school entity

1 shall be paid by the Commonwealth for contributions based upon
2 school service of active members of the system after June 30,
3 1995, as follows:

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

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

1 provided in this part in accordance with section 8328.

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

12 Section 230. Title 24 is amended by adding sections to read:

13 § 8535.1. Payments to school entities by Commonwealth
14 commencing with the 2016-2017 school year.

15 (a) General rule.--For each school year, beginning with the
16 2016-2017 school year, each school entity shall be paid by the
17 Commonwealth for contributions based upon school service of
18 active members of the system and active participants of the plan
19 after June 30, 2016, as follows:

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

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

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

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

28 (4) Employers whose payments to the Public School
29 Employees' Retirement Fund are delinquent shall be charged
30 interest by the Public School Employees' Retirement Fund at

1 the annual interest rate adopted by the board pursuant to
2 section 8328 (relating to actuarial cost method) in effect in
3 the fiscal year in which the payments are required to be
4 paid.

5 § 8537. Public Pension Management and Asset Investment Review
6 Commission.

7 (a) Establishment.--A Public Pension Management and Asset
8 Investment Review Commission shall be established, which shall
9 be composed of three appointees of each of the following:

- 10 (1) Speaker of the House;
11 (2) President Pro tempore of the Senate; and
12 (3) Governor.

13 The appointees shall be investment professionals and
14 retirement advisors and shall be appointed within 90 days of
15 the effective date of this section.

16 (b) Duties.--The duties of the Public Pension Management and
17 Asset Investment Review Commission are as follows:

18 (1) Study the performance of current investment
19 strategies and procedures of the Public School Employees'
20 Retirement System, comparing realized rates of return to
21 established benchmarks and considering associated fees paid
22 for active and passive management.

23 (2) Study the costs and benefits of both active and
24 passive investment strategies in relation to future
25 investment activities of the Public School Employees'
26 Retirement System.

27 (3) Study alternative future investment strategies with
28 available assets of the Public School Employees' Retirement
29 System that will maximize future rates of return net of fees.

30 (4) Publish extensive and detailed findings on-line,

1 including findings about:

2 (i) assets;

3 (ii) returns;

4 (iii) financial managers;

5 (iv) consultants;

6 (v) requests for Proposals; and

7 (vi) investment performance measured against
8 benchmarks.

9 (5) Report its findings and recommendations to the
10 Governor and the General Assembly within 6 months of its
11 first organizational meeting.

12 (c) Quorum.--A majority of appointed members shall
13 constitute a quorum for the purpose of conducting business. The
14 members shall select one of their number to be chairperson and
15 another to be the vice-chairperson.

16 (d) Transparency and ethics.--The Public Pension Management
17 and Asset Investment Review Commission shall be subject to the
18 following laws:

19 (1) The act of February 14, 2008 (P.L.6, No.3), known as
20 the Right-to-Know Law.

21 (2) The act of July 3, 1986 (P.L.388, No.84), known as
22 the Sunshine Act.

23 (3) The act of October 4, 1978 (P.L.883, No.170), known
24 as the Public Official and Employee Ethics Act.

25 (4) The act of July 19, 1957 (P.L.1017, No.451), known
26 as the State Adverse Interest Act.

27 (e) Information gathering.--The Public Pension Management
28 and Asset Investment Review Commission may conduct hearings and
29 otherwise gather pertinent information and analysis that it
30 considers appropriate and necessary to fulfill its duties.

1 (f) Transparency and ethics.--The Public Pension Management
2 and Asset Investment Review Commission may conduct hearings and
3 otherwise gather pertinent information and analysis that it
4 considers appropriate.

5 (g) Logistical and other support.--The Public Pension
6 Management and Asset Investment Review Commission shall receive
7 logistical and other support from the Joint State Government
8 Commission and may employ additional temporary staff as needed.

9 (h) Reimbursement.--The members of the Public Pension
10 Management and Asset Investment Review Commission shall be
11 reimbursed for reasonable expenses.

12 (i) Expiration.--The Public Pension Management and Asset
13 Investment Review Commission shall expire 60 days after delivery
14 of its report in accordance with subsection (b) (5). Any unspent
15 appropriation shall lapse back to the General Fund.

16 Section 231. The definition of "eligible person" in section
17 8702(a) of Title 24 is amended to read:

18 § 8702. Definitions.

19 (a) General rule.--Subject to additional definitions
20 contained in subsequent provisions of this part which are
21 applicable to specific provisions of this part, the following
22 words and phrases when used in this part shall have the meanings
23 given to them in this section unless the context clearly
24 indicates otherwise:

25 "Eligible person." An individual who is:

26 (1) an annuitant or survivor annuitant or the spouse or
27 dependent of an annuitant or survivor annuitant[.]; or

28 (2) a participant receiving distributions or a successor
29 payee, or the spouse or dependent of a participant receiving
30 distributions or successor payee.

1 * * *

2 ARTICLE III

3 Section 301. Section 7306(a) introductory paragraph of Title
4 51 is amended and the section is amended by adding a subsection
5 to read:

6 § 7306. Retirement rights.

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

18 * * *

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

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

27 (2) An employee who is an active participant or inactive
28 participant on leave without pay of the State Employees'
29 Defined Contribution Plan at the time he is granted a
30 military leave of absence shall be entitled to make

1 contributions to the State Employees' Defined Contribution
2 Trust for the leave as provided in 71 Pa.C.S. Pt. XXV
3 (relating to retirement for State employees and officers).

4 ARTICLE IV

5 Section 401. Sections 4104(a)(7), 5102 and 5103 of Title 71
6 are amended to read:

7 § 4104. Duties of office.

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

9 * * *

10 (7) Study and analyze the impact of shared-risk
11 contributions under 24 Pa.C.S. § 8321(b) (relating to regular
12 member contributions for current service) and section 5501.1
13 (relating to shared-risk member contributions and shared-gain
14 adjustments for regular member contributions for Class A-3
15 and Class A-4 service).

16 * * *

17 § 5102. Definitions.

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

21 "Academic administrator." A management employee in the field
22 of public education whose work is directly related to academic
23 instruction, excluding any employee in a position that is
24 nonacademic in nature, such as, without limitation, a position
25 that relates to admissions, financial aid, counseling,
26 secretarial and clerical services, records management, housing,
27 food service, maintenance and security.

28 "Accumulated employer defined contributions." The total of
29 the employer defined contributions paid into the trust on
30 account of a participant's State service together with any

1 investment earnings and losses and adjustment for fees, costs
2 and expenses credited or charged thereon.

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

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

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

20 "Active member." A State employee, or a member on leave
21 without pay, for whom pickup contributions or cash balance
22 member contributions are being made to the fund or for whom such
23 contributions otherwise required for current State service are
24 not being made solely by reason of section 5502.1 (relating to
25 waiver of regular member contributions and Social Security
26 integration member contributions) or any provision of this part
27 relating to the limitations under section 401(a)(17) or section
28 [415(b)] 415 of the Internal Revenue Code of 1986 (Public Law
29 99-514, 26 U.S.C. § 401(a)(17) or [415(b)].] 415 or limitations
30 on contributions to the system applicable to a Class A-3 member

1 or Class A-4 member who has exceeded the Class A-3 and Class A-4
2 compensation limit.

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

10 "Actuarial increase factor." A factor calculated at the
11 member's birthday by dividing the cost of a dollar annuity based
12 on the age of the member on the member's immediately previous
13 birthday by the cost of a one-year deferred dollar annuity
14 calculated at that same age. Unless the member terminates State
15 or school service on the member's birthday, the actuarial
16 increase factor for the year of termination shall be adjusted
17 by:

- 18 (1) subtracting one from the calculated factor; then
- 19 (2) dividing the difference by twelve; then
- 20 (3) multiplying the resulting quotient by the number of
21 whole months between the member's immediately previous
22 birthday and the date of termination of service; then
- 23 (4) adding one to the resulting product.

24 "Actuarially equivalent." [Equal] Except when determining
25 benefits and present values related to Class CB service, cash
26 balance member accumulated deductions or total cash balance
27 accumulated deductions, equal present values, computed on the
28 basis of statutory interest and the mortality tables adopted by
29 the board. When determining benefits and present values related
30 to Class CB service, cash balance member accumulated deductions

1 or total cash balance accumulated deductions, equal present
2 values, computed on the basis of the applicable Federal rate on
3 the effective date of the determination and the mortality tables
4 adopted by the board.

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

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

7 (2) an individual who has demonstrated to the

8 satisfaction of the Insurance Commissioner of Pennsylvania

9 that he has the educational background necessary for the

10 practice of actuarial science and has had at least seven

11 years of actuarial experience; or

12 (3) a firm, partnership, or corporation of which at

13 least one member meets the requirements of (1) or (2).

14 "Additional accumulated deductions." The total of the
15 additional member contributions paid into the fund on account of
16 current service or previous State or creditable nonstate
17 service, together with the statutory interest credited thereon
18 until the date of termination of service. In the case of a
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 "Alternative investment." An investment in a private equity
24 fund, private debt fund, venture fund, real estate fund, hedge
25 fund or absolute return fund.

26 "Alternative investment vehicle." A limited partnership,
27 limited liability company or any other legal vehicle for
28 authorized investments under section 5931(i) (relating to
29 management of fund and accounts) through which the system makes
30 an alternative investment.

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

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

8 "Applicable Federal rate." Interest at a rate equal to the
9 applicable Federal rate prescribed by the Internal Revenue
10 Service and published by revenue ruling under IRC § 7520 and
11 that is in effect on the operative date of the calculation for
12 which such rate is being used, compounded annually.

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

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

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

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 "Board." The State Employees' Retirement Board or the State
8 Employees' Retirement Board.

9 "Cash balance member accumulated deductions." The total of
10 the cash balance member contributions paid into the fund on
11 account of a member's service as a member of Class CB together
12 with treasury bond interest and excess interest thereon until
13 the date of termination of service. In the case of a vestee,
14 treasury bond interest and excess interest shall be credited
15 until the effective date of retirement.

16 "Cash balance member contributions." The product of the
17 basic contribution rate, the class of service multiplier and the
18 compensation of the member for service credited as Class CB.

19 "Class A-3 and Class A-4 compensation limit." For a Class A-
20 3 or Class A-4 member for each calendar year starting on or
21 after January 1, 2016, the amount of compensation as an active
22 member which would not have been subject to Social Security
23 integration member contributions under section 5502 had the
24 member been eligible to elect to earn Social Security
25 integration credits under section 5305 and did so, without
26 regard to the calendar year starting after March 1, 1974.

27 "Class of service multiplier."

28 Class of Service	Multiplier
29 A	1
30 AA	for all purposes

1 prior to January
2 1, 2016, except
3 calculating
4 regular member
5 contributions on
6 compensation
7 paid prior to
8 January 1, 2002 1.25
9 AA for purposes of
10 calculating
11 regular member
12 contributions
13 on compensation
14 paid prior to
15 January 1, 2002 1
16 AA for all purposes
17 after December as provided in
18 31, 2015 section 5501.4
19 A-3 for all purposes
20 except the
21 calculation of
22 regular member
23 contributions
24 and
25 contributions
26 for creditable
27 nonstate service 1
28 A-3 for purposes of
29 calculating
30 regular member

1		contributions	
2		and	
3		contributions	
4		for creditable	
5		nonstate service	1.25
6	A-4	for all purposes	
7		except the	
8		calculation of	
9		regular member	
10		contributions	1.25
11	A-4	for purposes of	
12		calculating	
13		regular member	
14		contributions	1.86
15	B		.625
16	C		1
17	<u>CB</u>	<u>for all purposes</u>	
18		<u>except</u>	
19		<u>calculating cash</u>	
20		<u>balance member</u>	
21		<u>contributions</u>	<u>1</u>
22	<u>CB</u>		<u>0.6 unless a</u>
23		<u>for purposes of</u>	<u>lower</u>
24		<u>calculating cash</u>	<u>multiplier is</u>
25		<u>balance member</u>	<u>elected under</u>
26		<u>contributions</u>	<u>section 5306.5</u>
27	D		1.25
28	D-1	prior to January	
29		1, 1973	1.875
30	D-1	on and	

1		subsequent to		
2		January 1, 1973	1.731	
3	D-2	prior to January		
4		1, 1973	2.5	
5	D-2	on and		
6		subsequent to		
7		January 1, 1973	1.731	
8	D-3	prior to January		
9		1, 1973	3.75	
10	D-3	on and		
11		subsequent to		
12		January 1, 1973	1.731	except prior
13				to December 1,
14				1974
15				as applied to
16				any additional
17				legislative
18				compensation
19				as an officer
20				of the General
21				Assembly
22			3.75	
23	D-4	for all purposes		
24		<u>prior to January</u>		
25		<u>1, 2016,</u> 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	<u>D-4</u>	<u>for all purposes</u>		
10		<u>after December</u>		<u>as provided in</u>
11		<u>31, 2015</u>		<u>section 5501.4</u>
12	E, E-1	prior to January		
13		1, 1973	2	for each of
14				the first ten
15				years of
16				judicial
17				service, and
18			1.5	for each
19				subsequent
20				year of
21				judicial
22				service
23	E, E-1	on and		
24		subsequent to		
25		January 1, 1973	1.50	for each of
26				the first ten
27				years of
28				judicial
29				service and
30			1.125	for each

1			subsequent
2			year of
3			judicial
4			service
5	E-2	prior to	
6		September 1,	
7		1973	1.5
8	E-2	on and	
9		subsequent to	
10		September 1,	
11		1973	1.125
12	G		0.417
13	H		0.500
14	I		0.625
15	J		0.714
16	K		0.834
17	L		1.000
18	M		1.100
19	N		1.250
20	T-C (Public School		1
21	Employees'		
22	Retirement Code)		
23	T-E (Public School		1
24	Employees'		
25	Retirement Code)		
26	T-F (Public School		1
27	Employees'		
28	Retirement Code)		
29	<u>T-G (Public School</u>		<u>1</u>
30	<u>Employees'</u>		

1 Retirement Code)

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

5 "Commissioner." The Commissioner of the Internal Revenue
6 Service.

7 "Compensation." Pickup contributions plus remuneration
8 actually received as a State employee excluding refunds for
9 expenses, contingency and accountable expense allowances;
10 excluding any severance payments or payments for unused vacation
11 or sick leave; and excluding payments for military leave and any
12 other payments made by an employer while on USERRA leave, leave
13 of absence granted under 51 Pa.C.S. § 4102 (relating to leaves
14 of absence for certain government employees), military leave of
15 absence granted under 51 Pa.C.S. § 7302 (relating to granting
16 military leaves of absence) or other types of military leave,
17 including other types of leave payments, stipends, differential
18 wage payments as defined in IRC § 414(u) (12) and any other
19 payments: Provided, however, That compensation received prior to
20 January 1, 1973, shall be subject to the limitations for
21 retirement purposes in effect December 31, 1972, if any:

22 Provided further, That the limitation under section 401(a) (17)
23 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
24 U.S.C. § 401(a) (17)) taken into account for the purpose of
25 member contributions, including any additional member
26 contributions in addition to regular or joint coverage member
27 contributions and Social Security integration contributions,
28 regardless of class of service, shall apply to each member who
29 first became a member of the State Employees' Retirement System
30 on or after January 1, 1996, and who by reason of such fact is a

1 noneligible member subject to the application of the provisions
2 of section 5506.1(a) (relating to annual compensation limit
3 under IRC § 401(a)(17)) and shall apply to each participant.

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

6 "Correction officer." Any full-time employee assigned to the
7 Department of Corrections or the Department of Public Welfare
8 whose principal duty is the care, custody and control of inmates
9 or direct therapeutic treatment, care, custody and control of
10 inmates of a penal or correctional institution, community
11 treatment center, forensic unit in a State hospital or secure
12 unit of a youth development center operated by the Department of
13 Corrections or by the Department of Public Welfare.

14 "County service." Service credited in a retirement system or
15 pension plan established or maintained by a county to provide
16 retirement benefits for its employees to the account of county
17 employees who are transferred to State employment and become
18 State employees pursuant to 42 Pa.C.S. § 1905 (relating to
19 county-level court administrators) regardless of whether the
20 service was performed for the county or another employer or
21 allowed to be purchased in the county retirement system or
22 pension plan.

23 "Creditable nonstate service." Service for which an active
24 member may obtain credit in the system, other than:

- 25 (1) service as a State employee;
- 26 (2) service converted to State service pursuant to
27 section 5303.1 (relating to election to convert county
28 service to State service); or
- 29 (3) school service converted to State service pursuant
30 to section 5303.2 (relating to election to convert school

1 service to State service) [for which an active member may
2 obtain credit].

3 "Credited service." State or creditable nonstate service for
4 which the required contributions have been made to the fund or
5 for which the contributions otherwise required for such service
6 were not made solely by reason of section 5502.1 (relating to
7 waiver of regular member contributions and Social Security
8 integration member contributions) or any provision of this part
9 relating to the limitations under section 401(a)(17) or [415(b)]
10 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
11 U.S.C. § 401(a)(17) or [415(b)],] 415), or limitations on
12 contributions to the system applicable to a Class A-3 member or
13 Class A-4 member or for which salary deductions or lump sum
14 payments to the system have been agreed upon in writing.

15 "Date of termination of service." The latest of the
16 following dates:

17 (1) the last day of service for which pickup
18 contributions are made for an active member or for which the
19 contributions otherwise required for such service were not
20 made solely by reason of section 5502.1 (relating to waiver
21 of regular member contributions and social security
22 integration member contributions) or any provision of this
23 part relating to the limitations under section 401(a)(17) or
24 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
25 26 U.S.C. § 401(a)(17) or 415) or limitations on
26 contributions to the system applicable to a Class A-3 member
27 or Class A-4 member;

28 (2) the last day of service for which mandatory
29 participant contributions are made for an active participant;

30 (3) in the case of an inactive member on leave without

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

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

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

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

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

27 "Effective date of retirement." The first day following the
28 date of termination of service of a member if he has properly
29 filed an application for an annuity within 90 days of such date;
30 in the case of a vestee or a member who does not apply for an

1 annuity within 90 days after termination of service, the date of
2 filing an application for an annuity or the date specified on
3 the application, whichever is later. In the case of a finding of
4 disability, the date certified by the board as the effective
5 date of disability.

6 "Elected officer." An individual who is elected, reelected
7 or retained in a retention election to a term of office that
8 begins after December 31, 2015, as a member of the General
9 Assembly.

10 "Eligibility points." Points which are accrued by an active
11 member or a multiple service member who is an active member in
12 the Public School Employees' Retirement System for credited
13 service or a member who has been reemployed from USERRA leave or
14 a member who dies while performing USERRA leave and are used in
15 the determination of eligibility for benefits.

16 "Employer defined contributions."

17 (1) Unless paragraph (2) applies, contributions equal to
18 4% of an active participant's compensation which are made by
19 the Commonwealth or other employer for current service to the
20 trust to be credited in the active participant's individual
21 investment account.

22 (2) (i) For an enforcement officer, psychiatric
23 security aide, Delaware River Port Authority policeman,
24 park ranger or Capitol Police officer, contributions
25 equal to 5.5% of an active participant's compensation
26 which are made by the Commonwealth or other employer for
27 current service to the trust to be credited in the active
28 participant's individual investment account.

29 (ii) For a sworn police officer, contributions equal
30 to 12.2% of an active participant's compensation which

1 are made by the Commonwealth for current service to the
2 trust to be credited in the participant's individual
3 investment account.

4 "Enforcement officer."

5 (1) Any enforcement officer or investigator of the
6 Pennsylvania Liquor Control Board who is a peace officer
7 vested with police power and authority throughout the
8 Commonwealth and any administrative or supervisory employee
9 of the Pennsylvania Liquor Control Board vested with police
10 power who is charged with the administration or enforcement
11 of the liquor laws of the Commonwealth.

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

20 (3) Parole agents, classified as such by the Executive
21 Board and employed by the Pennsylvania Board of Probation and
22 Parole.

23 (4) Waterways conservation officers and other
24 commissioned law enforcement personnel employed by the
25 Pennsylvania Fish and Boat Commission who have and exercise
26 the same law enforcement powers as waterways conservation
27 officers. This paragraph shall not apply to deputy waterways
28 conservation officers.

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

30 (1) For members with an effective date of retirement

1 before January 1, 2016, and for purposes of calculating
2 standard single life annuities resulting from credited
3 service other than post-January 2016 service regardless of
4 the effective date of retirement, the highest average
5 compensation received as a member during any three
6 nonoverlapping periods of four consecutive calendar quarters
7 during which the member was a State employee, with the
8 compensation for part-time service being annualized on the
9 basis of the fractional portion of the year for which credit
10 is received; except if the employee was not a member for
11 three nonoverlapping periods of four consecutive calendar
12 quarters, the total compensation received as a member,
13 annualized in the case of part-time service, divided by the
14 number of nonoverlapping periods of four consecutive calendar
15 quarters of membership[;].

16 (2) For members with an effective date of retirement on
17 or after January 1, 2016, for purposes of calculating
18 standard single life annuities resulting from post-January
19 2016 service, the larger of:

20 (i) the highest average total compensation received
21 as a member of any class of service during any five
22 calendar years during which the member was a state
23 employee, with the compensation for part-time service or
24 for any partial year of credit annualized on the basis of
25 the fractional portion of the year for which credit is
26 received, and subject to any limitation as applied under
27 section 5506.2 (relating to application of Class A-3 and
28 Class A-4 compensation limit) if the member has Class A-3
29 service credit or class A-4 service credit, except if the
30 employee was not an active member during five calendar

1 years, the average of the number of calendar years during
2 which the employee was an active member; or

3 (ii) the highest average compensation received as a
4 member of any class of service during any three calendar
5 years during which the member was a state employee
6 excluding remuneration received after December 31, 2015,
7 for any overtime service as a member of the system, with
8 the compensation of part-time service or for any partial
9 year of credit annualized on the basis of the fractional
10 portion of the year for which credit is received, and
11 subject to any limitation as applied under section 5506.2
12 if the member has Class A-3 service credit or class A-4
13 service credit, except if the employee was not an active
14 member during three calendar years, the average of the
15 number of calendar years during which the employee was an
16 active member.

17 (3) For all members and for the calculation of all
18 standard single life annuities without regard to class of
19 membership and credited service, in the case of a member with
20 multiple service, the final average salary shall be
21 determined on the basis of the compensation received by him
22 as a [State employee] member of the system or as a school
23 employee, other than as a participant in the School
24 Employees' Defined Contribution Plan, or both; in the case of
25 a member with Class A-3 or Class A-4 service and service in
26 one or more other classes of service, the final average
27 salary shall be determined on the basis of the compensation
28 received by him in all classes of State service credited in
29 the system other than as a member of Class CB; and, in the
30 case of a member who first became a member on or after

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

13 "Full coverage member." Any member for whom member pickup
14 contributions are being picked up or who has paid or has agreed
15 to pay to the fund the actuarial equivalent of regular member
16 contributions due on account of service prior to January 1,
17 1982.

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

19 "Head of department." The chief administrative officer of
20 the department, the chairman or executive director of the
21 agency, authority, or independent board or commission, the Court
22 Administrator of Pennsylvania, and the Chief Clerk of the
23 Senate, or the Chief Clerk of the House of Representatives.

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

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

9 "Inactive member on leave without pay." The term does not
10 include a combined service employee who is an inactive
11 participant on leave without pay unless the combined service
12 employee concurrently is employed in an office or position in
13 which the combined service employee is a member of the system.

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

24 "Inactive participant on leave without pay." The term does
25 not include a combined service employee who is an inactive
26 member on leave without pay unless the combined service employee
27 concurrently is employed in an office or position in which the
28 combined service employee is a participant in the plan.

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

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

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

12 "IRC." The Internal Revenue Code of 1986, as designated and
13 referred to in section 2 of the Tax Reform Act of 1986 (Public
14 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to
15 "IRC § " shall be deemed to refer to the identically numbered
16 section and subsection or other subdivision of such section in
17 26 United States Code (relating to Internal Revenue Code).

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

25 "Irrevocable successor payee." The person permanently
26 designated by a participant receiving distributions in writing
27 to the board pursuant to an approved domestic relations order to
28 receive one or more distributions from the plan upon the death
29 of such participant.

30 "Irrevocable survivor annuitant." The person permanently

1 designated by a member in writing to the State Employees'
2 Retirement Board pursuant to an approved domestic relations
3 order to receive an annuity upon the death of such member.

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

7 "Joint coverage member contributions." Regular member
8 contributions reduced for a joint coverage member.

9 "Mandatory participant contributions." Contributions equal
10 to 3% of compensation that are made by active participants for
11 current service.

12 "Member." Active member, inactive member, annuitant, vestee
13 or special vestee.

14 "Member of the judiciary." Any justice of the Supreme Court,
15 any judge of the Superior Court, the Commonwealth Court, any
16 court of common pleas, the Municipal Court and the Traffic Court
17 of Philadelphia, or any community court.

18 "Member's annuity." The single life annuity which is
19 actuarially equivalent, at the effective date of retirement, to
20 the sum of the regular accumulated deductions, shared-risk
21 accumulated deductions, the additional accumulated deductions,
22 cash balance member accumulated deductions and the social
23 security integration accumulated deductions standing to the
24 member's credit in the members' savings account.

25 "Military service." All active military service for which a
26 member has received a discharge other than an undesirable, bad
27 conduct, or dishonorable discharge.

28 "Multiple service." Credited service of a member who has
29 elected to combine his credited service in both the State
30 Employees' Retirement System and the Public School Employees'

1 Retirement System.

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

5 "Nonstudent service." Employment in an educational
6 institution that is not contingent on the employee's enrollment
7 as a student or maintenance of student status at such
8 institution and for which only monetary compensation is
9 received, excluding tuition waivers or reimbursement, academic
10 credit, housing, meals and other in-kind compensation.

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 "Pickup contributions." Regular or joint coverage member
19 contributions, shared risk member contributions, social security
20 integration contributions and additional member contributions
21 which are made by the Commonwealth or other employer for active
22 members for current service on and after January 1, 1982.

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

25 "Plan document." The documents created by the board under
26 section 5402 (relating to plan document) that contain the terms
27 and provisions of the plan and trust as established by the board
28 regarding the establishment, administration and investment of
29 the plan and trust.

30 "Post-January 2016 service." All previously uncredited state

1 service and creditable nonstate service that is first credited
2 on or after January 1, 2016, and all State service performed on
3 or after January 1, 2016, except that any State service credited
4 by a member who is reemployed from USERRA leave who has made the
5 member contributions under section 5302(f) (relating to credited
6 State service) to receive State service credit shall not be
7 post-January 2016 service if credited for a period of USERRA
8 leave performed before January 1, 2016.

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

17 "Psychiatric security aide." Any employee whose principal
18 duty is the care, custody and control of the criminally insane
19 inmates of a maximum security institution for the criminally
20 insane or detention facility operated by the Department of
21 Public Welfare.

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

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

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

4 "Regular accumulated deductions." The total of the regular
5 or joint coverage member contributions paid into the fund on
6 account of current service or previous State or creditable
7 nonstate service, together with the statutory interest credited
8 thereon until the date of termination of service. In the case of
9 a vestee or a special vestee, statutory interest shall be
10 credited until the effective date of retirement. A member's
11 account shall not be credited with statutory interest for more
12 than two years during a leave without pay.

13 "Regular member contributions." The product of the basic
14 contribution rate, the class of service multiplier if greater
15 than one and the compensation of the member[.] for service in a
16 class other than Class CB, subject to any adjustment under
17 section 5501.1(c) (relating to shared risk member contributions
18 and shared-gain adjustments to regular member contributions for
19 Class A-3 and Class A-4 service) or 5501.3 (relating to
20 contribution savings program for members of Class AA and Class
21 D-4 who have not made the election under section 5306.4).

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

27 "Retirement counselor." The State Employees' Retirement
28 [System] Board employee whose duty it shall be to advise each
29 employee of his rights and duties as a member of the system or
30 as a participant of the plan.

1 "Salary deductions." The amounts certified by the board,
2 deducted from the compensation of an active member or active
3 participant, or the school service compensation of a multiple
4 service member who is an active member of the Public School
5 Employees' Retirement System, and paid into the fund.

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

9 "School service." Service rendered as a public school
10 employee and credited as service in the Public School Employees'
11 Retirement System.

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

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

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 up to

1 the Class A-3 and Class A-4 compensation limit.

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

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

22 (1) subsequent to termination of State service as an
23 employee of The Pennsylvania State University, the member has
24 not returned to State service in any other capacity or
25 position as a State employee;

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

28 (3) the member files an application to vest the member's
29 retirement rights pursuant to section 5907(f) (relating to
30 rights and duties of State employees [and], members and

1 participants) on or before September 30, 1997; and

2 (4) the member elects to leave the member's total
3 accumulated deductions in the fund and to defer receipt of an
4 annuity until attainment of superannuation age or the
5 member's required beginning date.

6 "Standard single life annuity." An annuity equal to 2% of
7 the final average salary, multiplied by the total number of
8 years and fractional part of a year of credited service of a
9 member in each class of service other than service credited as a
10 member of Class CB.

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

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

20 (ii) State-owned educational institutions.

21 (iii) Community colleges.

22 (iv) The Pennsylvania State University, except an
23 employee in the College of Agriculture who is paid wholly
24 from Federal funds or an employee who is participating in
25 the Federal Civil Service Retirement System. The
26 university shall be totally responsible for all employer
27 contributions under section 5507 (relating to
28 contributions by the Commonwealth and other employers).

29 (2) The Pennsylvania Turnpike Commission, the Delaware
30 River Port Authority, the Port Authority Transit Corporation,

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

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

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

8 "State service." Service converted from county service
9 pursuant to section 5303.1 (relating to election to convert
10 county service to State service), converted from school service
11 pursuant to section 5303.2 (relating to election to convert
12 school service to State service) or rendered as a State
13 employee.

14 "Statutory interest." Interest at 4% per annum, compounded
15 annually.

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

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

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

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

15 "Superannuation score." The sum of the member's age in whole
16 years on his last birthday and the amount of the member's total
17 eligibility points on the member's effective date of retirement,
18 expressed in whole years and whole eligibility points and
19 disregarding fractions of a year and fractions of total
20 eligibility points.

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

24 "Sworn police officer." A State police officer who is
25 employed and serving as an officer of the Pennsylvania State
26 Police.

27 "System." The State Employees' Retirement System of
28 Pennsylvania as established by the act of June 27, 1923
29 (P.L.858, No.331), and codified by the act of June 1, 1959
30 (P.L.392, No.78) and the provisions of this part.

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

14 "Total cash balance accumulated deductions." The sum of the
15 cash balance member accumulated deductions and amounts credited
16 by the board as provided by section 5902(p) (relating to
17 administrative duties of the board) together with all treasury
18 bond interest and excess interest thereon credited to a member's
19 cash balance savings account until the date of termination of
20 service. In the case of a vestee, treasury bond interest and
21 excess interest shall be credited until the effective date of
22 retirement.

23 "Treasury bond interest." For each calendar year, interest
24 at the Constant Maturity Treasury rate of the 30-year Treasury
25 Bond in effect on the immediately prior December 31 as published
26 by the United States Department of Treasury, provided however,
27 that such rate shall not be greater than 4%, compounded
28 annually. If no such rate was in effect as of the immediately
29 prior December 31, then the board shall establish an alternate
30 rate based upon the Constant Maturity Treasury rate of the

1 closest maturing bond issued by the United States Treasury as of
2 that date as published by the United States Department of
3 Treasury, provided however, that such rate shall not be greater
4 than 4%, compounded annually.

5 "Trust." The State Employees' Defined Contribution Trust
6 established under Chapter 54 (relating to State Employees'
7 Defined Contribution Plan).

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

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

20 "Vestee." A member with five or more eligibility points in a
21 class of service other than Class A-3 or Class A-4 or Class T-E
22 or Class T-F in the Public School Employees' Retirement System,
23 a member with Class G, Class H, Class I, Class J, Class K, Class
24 L, Class M or Class N service with five or more eligibility
25 points, or a member with Class A-3 or Class A-4 service with ten
26 or more eligibility points, or a member with Class CB service,
27 who has terminated State service and has elected to leave his
28 total accumulated deductions and cash balance member accumulated
29 deductions in the fund and to defer receipt of an annuity.

30 "Voluntary contributions." Contributions made by a

1 participant to the trust and credited to his individual
2 investment account in excess of his mandatory participant
3 contributions, either by salary deductions paid through the
4 Commonwealth or other employer, or by an eligible rollover or
5 direct trustee-to-trustee transfer.

6 § 5103. Notice to members and participants.

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

17 Section 402. Title 71 is amended by adding a section to
18 read:

19 § 5104. Reference to State Employees' Retirement System.

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

28 (b) Agreement.--The agreement of an employer listed in the
29 definition of "State employee" or any other law to make
30 contributions to the fund or to enroll its employees as members

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

4 Section 403. Section 5301(a), (b), (c) and (d) of Title 71
5 are amended and the section is amended by adding subsections to
6 read:

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

9 (a) Mandatory membership.--Membership in the system for all
10 classes of service other than Class CB shall be mandatory as of
11 the effective date of employment for all State employees except
12 the following and shall be determined without regard to current
13 or former membership in Class CB:

- 14 (1) Governor.
- 15 (2) Lieutenant Governor.
- 16 (3) Members of the General Assembly.
- 17 (4) Heads or deputy heads of administrative departments.
- 18 (5) Members of any independent administrative board or
19 commission.
- 20 (6) Members of any departmental board or commission.
- 21 (7) Members of any advisory board or commission.
- 22 (8) Secretary to the Governor.
- 23 (9) Budget Secretary.
- 24 (10) Legislative employees.
- 25 (11) School employees who have elected membership in the
26 Public School Employees' Retirement System.
- 27 (12) School employees who have elected membership in an
28 independent retirement program approved by the employer,
29 provided that in no case, except as hereinafter provided,
30 shall the employer contribute on account of such elected

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

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

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

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

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

30 (17) State employees who were not previously a member of

1 the system and whose most recent period of State service
2 starts on or after January 1, 2016.

3 (18) Elected officers.

4 (a.1) Mandatory participation in the plan.--

5 (1) State employees listed in subsection (a)(17) who are
6 not listed in subsection (a)(1) through (13) shall be
7 mandatory participants as of the most recent effective date
8 of State service.

9 (2) (Reserved).

10 (3) An elected officer who is a member of the system or
11 a participant in the plan, shall be a mandatory participant
12 for his or her service as an elected officer as of the start
13 of the first term of office beginning after December 31,
14 2015, notwithstanding that either immediately or at any time
15 prior to the start of that term he or she was an active
16 member of the system or an inactive member on leave without
17 pay.

18 (4) A State employee who is a mandatory participant in
19 the plan shall be a participant for all State service until
20 the termination of State service.

21 (b) Optional membership in the system.--

22 (1) The State employees listed in subsection (a)(1)
23 through [(11)] (10) shall have the right to elect membership
24 in the system before January 1, 2016; once such election is
25 exercised, membership shall be effective from the effective
26 date of employment and shall continue until the termination
27 of State service[.] or the State employee is required to be a
28 participant in the plan as an elected officer.

29 (2) The State employees listed under subsection (a)(11)
30 shall have the right to elect membership in the system

1 instead of membership in the Public School Employees'
2 Retirement System. Once the election to be in the system is
3 exercised, membership shall continue until the termination of
4 State service.

5 (3) This subsection shall be applied without regard to
6 current or former membership in Class CB or eligibility for
7 future active membership in Class CB and shall not authorize
8 an election of membership in only Class CB.

9 (b.1) Optional participation in the plan.--

10 (1) Individuals who become elected officers who are not
11 mandatory participants in the plan, State employees listed in
12 subsection (b) (1) who do not elect membership in the system
13 before January 1, 2016, and State employees listed in
14 subsection (a) (17) who also are listed in subsection (a) (1)
15 through (10) or who also are employees of the Pennsylvania
16 State University, the State system of Higher Education,
17 State-owned educational institutions or community collects
18 and who are not members of the system in a class of service
19 other than Class CB or participants in the plan shall have
20 the right to elect participation in the plan; once such
21 election is exercised, participation shall be effective as of
22 the date of election for all State service and shall continue
23 until the termination of State service.

24 (2) Active members of Class A-3 or Class A-4 whose
25 compensation in a calendar year exceeds Class A-3 and Class
26 A-4 compensation limits may be active participants in the
27 plan as provided in section 5416 (relating to participation
28 in the plan by members of Class A-3 or Class A-4).

29 (c) Prohibited membership in the system.--The State
30 employees listed in subsection (a) (12), (13), (14) [and] (15),

1 (17) and (18) shall not have the right to elect membership in
2 the system. Elected officers who are members of the system prior
3 to January 1, 2016, shall have any active membership in the
4 system other than membership in Class CB terminated and shall
5 not be eligible for active membership in a class of service
6 other than Class CB after December 31, 2016, for service as an
7 elected officer. Upon cessation of service as an elected
8 officer, an individual who remains or becomes a State employee
9 shall be a mandatory, optional or prohibited member of the
10 system and participant in the plan as provided in this part.

11 (c.1) Prohibited participation in the plan.--The State
12 employees listed in subsection (a) (17) who also are listed in
13 subsection (a) (13) and (15) shall not be eligible to participate
14 in the plan. An active member of the system in a class of
15 service other than Class CB, and other than an active member of
16 Class A-3 or Class A-4 who has exceeded the Class A-3 and Class
17 A-4 compensation limit, shall not be eligible to be an active
18 participant in the plan.

19 (c.2) Class CB membership.--

20 (1) An active participant in the plan shall also be an
21 active member of Class CB, effective with the effective date
22 of active participation.

23 (2) An active member of the system in a class of service
24 other than Class CB may elect to be an active member of Class
25 CB as provided in section 5306.5 (relating to election to
26 become a member of Class CB).

27 (3) A State employee cannot be an active member of Class
28 CB without also concurrently being an active member of a
29 Class of service other than Class CB or an active participant
30 in the plan.

1 (d) Return to service.--

2 (1) An annuitant who first became a member of the system
3 in a class of service before January 1, 2016, returns to
4 service as a State employee other than as an elected officer,
5 shall resume active membership in the system as of the
6 effective date of employment, except as otherwise provided in
7 section 5706(a) (relating to termination of annuities),
8 regardless of the optional membership category of the
9 position.

10 (2) An annuitant who never had service other than Class
11 CB credited in the system, an inactive participant or a
12 participant receiving distributions who returns to service as
13 a State employee on or after January 1, 2016, shall be an
14 active participant in the plan as of the effective date of
15 employment, except as otherwise provided in section 5706(a),
16 regardless of the optional participation category of the
17 position.

18 * * *

19 Section 404. Section 5302(a), (b), (e) and (f) of Title 71
20 are amended to read:

21 § 5302. Credited State service.

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

1 this part relating to the limitations under IRC § 401(a)(17) or
2 415(b), or limitations on contributions applicable to a Class A-
3 3 member or Class A-4 member but in no case shall he receive
4 more than one year's credit for any 12 consecutive months or 26
5 consecutive biweekly pay periods. A per diem or hourly State
6 employee shall receive one year of credited service for each
7 nonoverlapping period of 12 consecutive months or 26 consecutive
8 biweekly pay periods in which he is employed and for which
9 contributions are made to the fund or would have been made to
10 the fund but for such waiver under section 5502.1 or limitations
11 under the IRC or limitations on contributions applicable to a
12 Class A-3 member or Class A-4 member for at least 220 days or
13 1,650 hours of employment. If the member was employed and
14 contributions were made to the fund for less than 220 days or
15 1,650 hours, he shall be credited with a fractional portion of a
16 year determined by the ratio of the number of days or hours of
17 service actually rendered to 220 days or 1,650 hours, as the
18 case may be. A part-time salaried employee shall be credited
19 with the fractional portion of the year which corresponds to the
20 number of hours or days of service actually rendered and for
21 which contributions are or would have been made to the fund
22 except for the waiver under section 5502.1 or limitations under
23 the IRC or limitations on contributions applicable to a Class A-
24 3 member or Class A-4 member in relation to 1,650 hours or 220
25 days, as the case may be. In no case shall a member who has
26 elected multiple service receive an aggregate in the two systems
27 of more than one year of credited service for any 12 consecutive
28 months.

29 (b) Creditable leaves of absence.--

30 (1) A member on leave without pay who is studying under

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

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

1 more than three consecutive terms of the same office and for
2 up to 14 full-time business agents appointed by an employee
3 organization that represents correction officers employed at
4 State correctional institutions no more than three
5 consecutive terms of the same office; that the employer shall
6 fully compensate the member or active participant, including,
7 but not limited to, salary, wages, pension and retirement
8 contributions and benefits, other benefits and seniority, as
9 if he were in full-time active service; and that the
10 Statewide employee organization shall fully reimburse the
11 employer for all expenses and costs of such paid leave,
12 including, but not limited to, contributions and payment in
13 accordance with sections 5404 (relating to participant
14 contributions), 5501, 5501.1, 5505.1 and 5507, if the
15 employee organization either directly pays, or reimburses the
16 Commonwealth or other employer for, contributions made in
17 accordance with [section] sections 5404, 5406 and 5507.

18 * * *

19 (e) Cancellation of credited service.--

20 (1) All credited service in the system shall be
21 cancelled if a member withdraws his total accumulated
22 deductions and cash balance member accumulated deductions,
23 except that:

24 (i) a member with Class A-3 or Class A-4 service
25 credit and one or more other classes of service credit
26 shall not have his service credit as a member of any
27 classes of service other than as a member of Class A-3 or
28 Class A-4 cancelled when the member receives a lump sum
29 payment of accumulated deductions resulting from Class A-
30 3 or Class A-4 service pursuant to section [5705.1]

1 5705.1(a) (relating to payment of accumulated deductions
2 resulting from [Class A-3 and Class A-4] more than one
3 class of service) [.] ;

4 (ii) a member with Class CB service credit and one
5 or more other classes of service credit shall not have
6 his service credit as a member of Class CB canceled when
7 the member receives a lump sum payment of total
8 accumulated deductions resulting from the other classes
9 of service pursuant to section 5705.1(b) (relating to
10 payment of accumulated deductions resulting from more
11 than one class of service).

12 (2) A partial or total distribution of accumulated total
13 defined contributions to a participant who is a combined
14 service member shall not cancel service credited in the
15 system.

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

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

30 (1.1) State employees may not receive service credit in

1 the system or exercise the options under 51 Pa.C.S. § 7306
2 (relating to retirement rights) for military leaves that
3 begin on or after the effective date of this subsection,
4 except as otherwise provided by this subsection.

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

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

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

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

10 (ii) For purposes of determining whether a State
11 employee has made the required employee contributions for
12 State service credit for USERRA leave, if an employee who
13 is reemployed from USERRA leave as an active member of
14 the system terminates State service or dies in State
15 service before the expiration of the allowed payment
16 period, then State service credit for the USERRA leave
17 will be granted as if the required member contributions
18 were paid the day before termination or death. The amount
19 of the required member contributions will be treated as
20 an incomplete payment subject to the provisions of
21 section 5506 (relating to incomplete payments). Upon a
22 subsequent return to State service or to school service
23 as a multiple service member, the required member
24 contributions treated as incomplete payments shall be
25 treated as member contributions that were either
26 withdrawn in a lump sum at termination or paid as a lump
27 sum pursuant to section 5705(a)(4) or (a.1) (relating to
28 member's options), as the case may be.

29 (iii) A State employee who is reemployed from USERRA
30 leave as an active member of the system who does not make

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

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

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

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

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

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

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

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

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

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

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

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

16 Section 405. Section 5303(b), (d) and (e) of Title 71 is
17 amended and the section is amended by adding a subsection to
18 read:

19 § 5303. Retention and reinstatement of service credits.

20 * * *

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

22 (1) [Every] Subject to the limitations in subsection
23 (i), an active member of the system or a multiple service
24 member who is a school employee and a member of the Public
25 School Employees' Retirement System on or after the effective
26 date of this part shall receive eligibility points in
27 accordance with section 5307 for current State service,
28 previous State service, or creditable nonstate service upon
29 compliance with sections 5501 (relating to regular member
30 contributions and cash balance member contributions for

1 current service), 5501.1 (relating to shared-risk
2 contributions [for Class A-3 and Class A-4] and shared-gain
3 adjustments to regular member contributions for Class A-3 and
4 Class A-4 service), 5504 (relating to member contributions
5 for the purchase of credit for previous State service or to
6 become a full coverage member), 5505 (relating to
7 contributions for the purchase of credit for creditable
8 nonstate service), 5505.1 (relating to additional member
9 contributions) or 5506 (relating to incomplete payments).
10 Subject to the limitations in subsection (i) and sections
11 5306.1 (relating to election to become a Class AA member) and
12 5306.2 (relating to elections by members of the General
13 Assembly), the class or classes of service in which the
14 member may be credited for previous State service prior to
15 the effective date of this part shall be the class or classes
16 in which he was or could have at any time elected to be
17 credited for such service, except that a State employee who
18 first becomes a member of the system on or after January 1,
19 2011, or on or after December 1, 2010, as a member of the
20 General Assembly and:

21 (i) is credited with Class A-3 service for such
22 membership, shall be credited only with Class A-3 service
23 for previous State service performed before January 1,
24 2011, that was not previously credited in the system; or

25 (ii) is credited with Class A-4 service for such
26 membership, shall be credited only with Class A-4 service
27 for previous State service performed before January 1,
28 2011, that was not previously credited in the system.

29 The class of service in which a member shall be credited for
30 service subsequent to the effective date of this part shall

1 be determined in accordance with subsection (i) and section
2 5306 (relating to classes of service).

3 (1.1) Every active member of the system who elects to
4 convert county service to State service pursuant to section
5 5303.1 (relating to election to convert county service to
6 State service) shall receive eligibility points in accordance
7 with section 5307 for converted county service upon
8 compliance with section 5303.1(b). The class or classes of
9 service in which the member may be credited for converted
10 county service shall be determined in accordance with section
11 5306(c).

12 (1.2) Every member of the system who elects to convert
13 school service to State service pursuant to section 5303.2
14 (relating to election to convert school service to State
15 service) shall receive eligibility points in accordance with
16 section 5307 for converted school service. The class or
17 classes of service in which the member may be credited for
18 converted school service shall be determined in accordance
19 with section 5306(d).

20 (1.3) A member of the system who is reemployed from
21 USERRA leave or who dies while performing USERRA leave shall
22 receive eligibility points in accordance with section 5307
23 for the State service that would have been performed had the
24 member not performed USERRA leave.

25 (2) A special vestee or person otherwise eligible to be
26 a special vestee who returns to State service or withdraws
27 his accumulated deductions pursuant to section 5311 (relating
28 to eligibility for refunds) or 5701 (relating to return of
29 total accumulated deductions and cash balance member
30 accumulated deductions) shall receive or retain eligibility

1 points in accordance with paragraph (1) but upon subsequent
2 termination of State service shall only be eligible to be an
3 annuitant vestee or inactive member without regard to
4 previous status as a special vestee and without regard to the
5 provisions of this part providing for special vestees.

6 (3) A special vestee or person otherwise eligible to be
7 a special vestee who becomes an active member of the Public
8 School Employees' Retirement System and elects multiple
9 service shall receive or retain eligibility points as
10 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
11 (relating to retirement for school employees) but upon
12 subsequent termination of school service shall only be
13 eligible to be an annuitant, vestee or inactive member as
14 otherwise eligible as a multiple service member without
15 regard to previous status as a special vestee and without
16 regard to the provisions of this part providing for special
17 vestees.

18 * * *

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

20 (1) Any person who was an employee of any county in this
21 Commonwealth on the personal staff of an appellate court
22 judge prior to September 9, 1985, and who had that employment
23 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
24 (relating to local chamber facilities) shall be a member of
25 the system for all service rendered as an employee of the
26 Commonwealth on the personal staff of an appellate court
27 judge subsequent to the date of the transfer unless
28 specifically prohibited pursuant to section 5301(c) (relating
29 to mandatory and optional membership in the system and
30 participation in the plan). The employee shall be entitled to

1 have any prior service credit in that county or other
2 municipal pension plan or retirement system transferred to
3 the system and deemed to be State service for all purposes
4 under this part. However, for those employees who were in
5 continuous county employment which commenced prior to July
6 22, 1983, section 5505.1 shall not apply. The transfer of
7 prior service credit to the system shall occur upon the
8 transfer, by the member, county or other municipal pension
9 plan or retirement system, to the system of the amount of
10 accumulated member contributions, pick-up contributions and
11 credited interest standing in the employee's county or
12 municipal pension plan or retirement system account as of the
13 date that these funds are transferred to the system. In the
14 event that these funds have been refunded to the member, the
15 transfer of service credit shall occur when the member
16 transfers an amount equal to either the refund which the
17 member received from the county or municipal pension plan or
18 retirement system or the amount due under section 5504, if
19 less. In the case of a transfer by the member, the transfer
20 shall occur by December 31, 1987, in order for the member to
21 receive credit for the prior service. In the case of a
22 transfer by the county or other municipal pension plan or
23 retirement system, the transfer shall also occur by December
24 31, 1987. If the amount transferred to the system by the
25 member of a county or municipal pension plan or retirement
26 system is greater than the amount that would have accumulated
27 in the member's account if the employee had been a member of
28 the system, all excess funds shall be returned to the
29 employee within 90 days of the date on which such funds are
30 credited to the member's account in the system. Within 60

1 days of receipt of written notice that an employee has
2 elected to transfer credits under the provisions of this
3 subsection, the county or other municipal pension plans or
4 retirement systems shall be required to transfer to the
5 system an amount, excluding contributions due under section
6 5504(a), equal to the liability of the prior service in
7 accordance with county or other municipal pension plan or
8 retirement system benefit provisions, multiplied by the ratio
9 of system actuarial value of assets for active members to the
10 system actuarial accrued liability for active members. The
11 Public Employee Retirement Study Commission shall determine
12 the appropriate amount of employer contributions to be
13 transferred to the system by the county or other municipal
14 pension plans or retirement systems.

15 (2) If the member died prior to the effective date of
16 this subsection, the personal representative for the estate
17 of the member may make any transfer or request that the
18 county or other municipal pension or retirement system make
19 any transfer necessary to receive credit for the prior
20 service authorized in paragraph (1). In order to receive
21 credit for the prior service, the transfer must be made by
22 December 31, 1987. If the member dies on or after the
23 effective date of this subsection and before January 1, 1988,
24 without making the transfer or requesting the transfer
25 necessary to receive credit for the prior service authorized
26 in paragraph (1), the personal representative for the estate
27 of the member may make any transfer or request that the
28 county or other municipal pension or retirement system make
29 any transfer necessary to receive credit for the prior
30 service. In order to receive credit for the prior service,

1 the transfer must be made by March 31, 1988. If the member
2 dies after December 31, 1987, without making the transfer or
3 requesting the transfer necessary to receive credit for the
4 prior service authorized in paragraph (1), neither the member
5 or his estate shall receive credit for the prior service.

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

8 (1) Any employee of the Philadelphia Regional Port
9 Authority who becomes a State employee, as defined in section
10 5102 (relating to definitions), and an active member of the
11 system in a class of service other than Class CB shall be
12 eligible to obtain retirement credit for prior uncredited
13 service with the Philadelphia Port Corporation, a
14 Pennsylvania not-for-profit corporation ("predecessor
15 corporation"), provided that the Commonwealth does not incur
16 any liability for the funding of the annuities attributable
17 to the prior, uncredited "predecessor corporation" service,
18 the cost of which shall be determined according to paragraph
19 (2).

20 (2) The employee shall be entitled to have any prior
21 service in the "predecessor corporation" transferred to the
22 system and deemed to be State service for all purposes under
23 this part. However, for those employees who were in
24 continuous employment which commenced prior to July 22, 1983,
25 the provisions of section 5505.1 shall not apply. The
26 transfer of prior service credit to the system shall occur
27 upon the transfer by the member or the "predecessor
28 corporation" to the system of the amount of accumulated
29 member contributions, pick-up contributions and credited
30 interest standing in the employee's pension plan or

1 retirement system account as of the date that these funds are
2 transferred to the system. In the event that these funds have
3 been refunded to the member, the transfer of service credit
4 shall occur when the member transfers an amount equal to
5 either the refund which the member received from the member's
6 pension plan or retirement system or the amount due under
7 section 5504, if less. In the case of a transfer by the
8 member, the transfer shall occur by June 30, 1992, in order
9 for the member to receive credit for the prior service. In
10 the case of a transfer by the "predecessor corporation"
11 pension plan or retirement system, the transfer shall also
12 occur by June 30, 1992. Notwithstanding the provisions of
13 section 5504, the Philadelphia Regional Port Authority shall
14 pay as pick-up contributions the difference between the
15 amount credited to the member's account and the amount
16 otherwise due under section 5504. Such additional
17 contributions paid by the Philadelphia Regional Port
18 Authority shall not be considered compensation for the
19 purposes of this part. If the amount transferred to the
20 system by the member is greater than the amount that would
21 have accumulated in the member's account if the employee had
22 been a member of the system, all excess funds shall be
23 returned to the employee within 90 days of the date on which
24 such funds are credited to the member's account in the
25 system. Within 60 days of receipt of written notice that an
26 employee has elected to transfer credits under the provisions
27 of this subsection, the pension plan or retirement system in
28 which the employee was enrolled prior to the creation of the
29 Philadelphia Regional Port Authority shall be required to
30 transfer to the system an amount, excluding contributions due

1 under section 5504(a), equal to the liability of the prior
2 service multiplied by the ratio of system actuarial value of
3 assets for active members to the system actuarial accrued
4 liability for active members so long as the amount to be
5 transferred is equal to or less than the total employer
6 contributions made on behalf of the employee. In the event
7 that the amount required to be transferred is greater than
8 the total employer contributions made on behalf of the
9 employee, the total employer contributions made on behalf of
10 the employee shall be transferred to the system, and the
11 Philadelphia Regional Port Authority shall be required to
12 transfer to the system the additional funds needed to satisfy
13 the requirements of the calculation in this paragraph. If the
14 amount required to be transferred is less than the total
15 employer contributions made on behalf of the employee, the
16 pension plan or retirement system in which the employee was
17 enrolled prior to the creation of the Philadelphia Regional
18 Port Authority may retain the amount not needed for transfer.

19 (3) If the member dies on or after the effective date of
20 this subsection and before July 1, 1992, without making the
21 transfer or requesting the transfer necessary to receive
22 credit for the prior service authorized in paragraph (2), the
23 personal representative for the estate of the member may make
24 any transfer or may request that the Philadelphia Regional
25 Port Authority make any transfer necessary to receive credit
26 for the prior service. In order to receive credit for the
27 prior service, the transfer must be made by September 30,
28 1992. If the member dies after June 30, 1992, without making
29 the transfer or without requesting the transfer necessary to
30 receive credit for the prior service authorized in paragraph

1 (2), neither the member nor his estate shall receive credit
2 for the prior service.

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

12 * * *

13 (i) Ineligibility to purchase previous State service
14 credit.--A State employee who is active member only of Class CB
15 or a multiple service member who is an active member only of
16 Class T-I in the Public School Employees' Retirement System
17 shall not be eligible to purchase service credit for previous
18 State service, except to the extent that any other provision of
19 law requires or allows the crediting of any period of leave to
20 be purchased as State service after the member returns from the
21 leave to State service as an active member, and shall not be
22 eligible to purchase creditable nonstate service. An active
23 member of Class CB who concurrently is performing service in a
24 class of service other than Class CB may purchase State service
25 previously credited in a class of service other than Class CB,
26 previously uncredited State service if it is eligible to be
27 credited in a class of service other than Class CB and
28 creditable nonstate service as otherwise provided in this part.

29 Section 406. Sections 5303.2(a) and 5304(a) and (b) of Title
30 71 are amended to read:

1 § 5303.2. Election to convert school service to State service.

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

24 * * *

25 § 5304. Creditable nonstate service.

26 (a) Eligibility.--

27 (1) An active member who first becomes an active member
28 before January 1, 2011, or before December 1, 2010, as a
29 member of the General Assembly and who is an active member of
30 a class of service other than Class CB, or a multiple service

1 member who first becomes an active member before January 1,
2 2011, or before December 1, 2010, as a member of the General
3 Assembly, and who is a school employee and an active member
4 of the Public School Employees' Retirement System in a class
5 of service other than Class T-I shall be eligible for Class A
6 service credit for creditable nonstate service as set forth
7 in subsections (b) and (c) except that intervening military
8 service shall be credited in the class of service for which
9 the member was eligible at the time of entering into military
10 service and for which he makes the required contributions to
11 the fund and except that a multiple service member who is a
12 school employee and an active member of the Public School
13 Employees' Retirement System shall not be eligible to
14 purchase service credit for creditable nonstate service set
15 forth in subsection (c) (5).

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

1 the required contributions and except that a multiple service
2 member who is a school employee and an active member of the
3 Public School Employees' Retirement System shall not be
4 eligible to purchase service credit for creditable nonstate
5 service set forth in subsection (c) (5).

6 (3) Notwithstanding paragraph (2) and subsection (b), an
7 active member of a class of service other than Class CB who
8 has service credited in Class CB, shall be eligible for
9 credit for nonstate service as provided in this part to the
10 extent that the member would be otherwise eligible based
11 solely on the member's service in classes other than Class
12 CB.

13 * * *

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

1 the previous employer and contributions are agreed upon and made
2 in accordance with section 5505 (relating to contributions for
3 the purchase of credit for creditable nonstate service).

4 * * *

5 Section 407. Section 5305(b) of Title 71 is amended and the
6 section is amended by adding a subsection to read:

7 § 5305. Social security integration credits.

8 * * *

9 (b) Accrual of subsequent credits.--Any active member who
10 has social security integration accumulated deductions to his
11 credit or is receiving a benefit on account of social security
12 integration credits may accrue one social security integration
13 credit for each year of service as a State employee on or
14 subsequent to March 1, 1974 and a fractional credit for a
15 corresponding fractional year of service provided that
16 contributions are made to the fund, or would have been made to
17 the fund but for section 5502.1 (relating to waiver of regular
18 member contributions and Social Security integration member
19 contributions) or the limitations under IRC § 401(a)(17) or
20 415(b) or limitations on contributions to the system applicable
21 to a Class A-3 member or Class A-4 member, in accordance with
22 section 5502 (relating to Social Security integration member
23 contributions), and he:

24 (1) continues subsequent to March 1, 1974 as an active
25 member in either the [State or school system;] system in a
26 class of service other than Class CB or, if a multiple
27 service member, as an active member in the Public School
28 Employees' Retirement System in a class of service other than
29 Class T-I;

30 (2) terminates such continuous service in the [State or

1 school] system or the Public School Employees' Retirement
2 System and returns to active membership in the [State] system
3 in a class of service other than Class CB within six months;

4 or

5 (3) terminates his status as a vestee or an annuitant
6 and returns to State service as an active member of the
7 system in a class of service other than Class CB.

8 * * *

9 (e) Class CB service ineligible for credit.--No social
10 security integration credits shall accrue for any service
11 performed or credited in the system solely as Class CB service.

12 Section 408. Section 5305.1 of Title 71 is amended to read:
13 § 5305.1. Eligibility for actuarial increase factor.

14 A person who has credit for a class of service other than
15 Class CB and is:

16 (1) an active member;

17 (2) an inactive member on leave without pay; [or]

18 (3) a multiple service member who is a school employee
19 and an active member of the Public School Employees'
20 Retirement System; or

21 (4) a combined service employee who is an active
22 participant or inactive participant on leave without pay;

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

30 Section 409. Section 5306(a), (a.1), (a.2), (a.3) and (b) of

1 Title 71 are amended and the section is amended by adding
2 subsections to read:

3 § 5306. Classes of service.

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

5 (1) A State employee who is a member of Class A on the
6 effective date of this part or who first becomes a member of
7 the system subsequent to the effective date of this part and
8 before January 1, 2011, or before December 1, 2010, as a
9 member of the General Assembly, shall be classified as a
10 Class A member and receive credit for Class A service upon
11 payment of regular and additional member contributions for
12 Class A service, provided that the State employee does not
13 become a member of Class AA pursuant to subsection (a.1) or a
14 member of Class D-4 pursuant to subsection (a.2)[.] or a
15 participant in the plan. A State employee who is a member of
16 Class A on December 31, 2015, shall not be eligible to later
17 become a member of Class AA or Class D-4.

18 (2) A State employee who first becomes a member of the
19 system other than as a member of Class CB on or after January
20 1, 2011, or on or after December 1, 2010, as a member of the
21 General Assembly, and before January 1, 2016, shall be
22 classified as a Class A-3 member and receive credit for Class
23 A-3 service upon payment of regular member contributions and
24 shared-risk member contributions for Class A-3 service
25 provided that the State employee does not become a member of
26 Class A-4 pursuant to subsection (a.3), except that a member
27 of the judiciary shall be classified as a member of such
28 other class of service for which the member of the judiciary
29 is eligible, shall elect and make regular member
30 contributions[.] and further provided that the State employee

1 does not become a participant in the plan or is not eligible
2 to be an optional participant of the plan under section 5301
3 (relating to mandatory and optional membership in the system
4 and participation in the plan).

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

6 (1) A person who becomes a State employee and an active
7 member of the system after June 30, 2001, and who first
8 became an active member before January 1, 2011, or before
9 December 1, 2010, as a member of the General Assembly, and
10 who is not a State police officer and not employed in a
11 position for which a class of service other than Class A or
12 Class CB is credited or could be elected shall be classified
13 as a Class AA member and receive credit for Class AA State
14 service upon payment of regular member contributions for
15 Class AA service and, subject to the limitations contained in
16 paragraph (7) and section 5303(i) (relating to retention and
17 reinstatement of service credits), if previously a member of
18 Class A or previously employed in a position for which Class
19 A service could have been earned, shall have all Class A
20 State service (other than State service performed as a State
21 police officer or for which a class of service other than
22 Class A was earned or could have been elected) classified as
23 Class AA service.

24 (2) A person who is a State employee on June 30, 2001,
25 and July 1, 2001, but is not an active member of the system
26 because membership in the system is optional or prohibited
27 pursuant to section 5301 (relating to mandatory and optional
28 membership in the system and participation in the plan) and
29 who first becomes an active member after June 30, 2001, and
30 before January 1, 2011, or before December 1, 2010, as a

1 member of the General Assembly, and who is not a State police
2 officer and not employed in a position for which a class of
3 service other than Class A or Class CB is credited or could
4 be elected shall be classified as a Class AA member and
5 receive credit for Class AA State service upon payment of
6 regular member contributions for Class AA service and,
7 subject to the limitations contained in paragraph (7) and
8 section 5303(i), if previously a member of Class A or
9 previously employed in a position for which Class A service
10 could have been earned, shall have all Class A State service
11 (other than State service performed as a State Police officer
12 or for which a class of service other than Class A was earned
13 or could have been elected) classified as Class AA service.

14 (3) Provided that an election to become a Class AA
15 member is made pursuant to section 5306.1 (relating to
16 election to become a Class AA member), a State employee,
17 other than a State employee who is a State police officer on
18 or after July 1, 1989, who on June 30, 2001, and July 1,
19 2001, is:

20 (i) a member of Class A, other than a member of
21 Class A who could have elected membership in a Class C,
22 Class D-3, Class E-1 or Class E-2; or

23 (ii) an inactive member on a leave without pay from
24 a position in which the State employee would be a Class A
25 active member if the employee was not on leave without
26 pay, other than a position in which the State employee
27 could elect membership in Class C, Class D-3, Class E-1
28 or Class E-2;

29 shall be classified as a Class AA member and receive credit
30 for Class AA State service performed after June 30, 2001,

1 upon payment of regular member contributions for Class AA
2 service and, 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 for which the member could have
7 elected membership in Class C, Class D-3, Class E-1 or Class
8 E-2, performed before July 1, 2001.

9 (4) Provided that an election to become a Class AA
10 member is made pursuant to section 5306.1, a former State
11 employee, other than a former State employee who was a State
12 police officer on or after July 1, 1989, who on June 30,
13 2001, and July 1, 2001, is a multiple service member and a
14 school employee and a member of the Public School Employees'
15 Retirement System, subject to the limitations contained in
16 paragraph (7) and section 5303(i), shall receive Class AA
17 service credit for all Class A State service, other than
18 State service performed as a State police officer or as a
19 State employee in a position in which the former State
20 employee could have elected a class of service other than
21 Class A, performed before July 1, 2001.

22 (5) A former State employee who first becomes a member
23 before January 1, 2011, or before December 1, 2010, as a
24 member of the General Assembly, other than a former State
25 employee who was a State police officer on or after July 1,
26 1989, who is a school employee and who on or after July 1,
27 2001, becomes a multiple service member, subject to the
28 limitations contained in paragraph (7) and section 5303(i),
29 shall receive Class AA service credit for all Class A State
30 service other than State service performed as a State

1 employee in a position in which the former State employee
2 could have elected a class of service other than Class A.

3 (6) A State employee who after June 30, 2001, becomes a
4 State police officer or who is employed in a position in
5 which the member could elect membership in the system in a
6 class of service other than Class CB, Class AA or Class D-4
7 shall retain any Class AA service credited prior to becoming
8 a State police officer or being so employed but shall be
9 ineligible to receive Class AA credit thereafter and instead
10 shall receive Class A credit for service as a member of the
11 judiciary if such judicial service begins before January 1,
12 2016, or if he first became a member before January 1, 2011,
13 or December 1, 2010, as a member of the General Assembly, or
14 Class A-3 credit for service other than as a member of the
15 judiciary if the nonjudicial service begins before January 1,
16 2016, and is not service as an elected officer, and he first
17 became a member on or after January 1, 2011, or December 1,
18 2010, as a member of the General Assembly, unless a class of
19 membership other than Class A is elected.

20 (7) (i) State service performed as Class A service
21 before July 1, 2001, and State service for which Class A
22 service could have been credited but was not credited
23 because membership in the system was optional or
24 prohibited pursuant to section 5301 shall be credited as
25 Class AA service only upon the completion of all acts
26 necessary for the State service to be credited as Class A
27 service had this subsection not been enacted and upon
28 payment of required Class AA member contributions as
29 provided in section 5504 (relating to member
30 contributions for the purchase of credit for previous

1 State service or to become a full coverage member).

2 (ii) A person who is not a State employee or a
3 school employee on June 30, 2001, and July 1, 2001, and
4 who has previous State service (except a disability
5 annuitant who returns to State service after June 30,
6 2001, upon termination of the disability annuity) shall
7 not receive Class AA service credit for State service
8 performed before July 1, 2001, until and unless such
9 person becomes an active member, or an active member of
10 the Public School Employees' Retirement System and a
11 multiple service member, before January 1, 2016, and
12 earns three eligibility points by performing credited
13 State service in a class of service other than Class CB
14 or credited school service in a class of service other
15 than Class T-I after June 30, 2001.

16 (iii) Nothing in this paragraph shall be construed
17 to authorize a member of Class CB or a multiple service
18 member who is a member of Class T-I in the Public School
19 Employees' Retirement System to reinstate or purchase
20 credit for previously credited or uncredited State
21 service other than as allowed under section 5303(i).

22 (a.2) Class of membership for members of the General
23 Assembly.--

24 (1) A person who:

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

28 (ii) is a member of the General Assembly on July 1,
29 2001, but is not an active member of the system because
30 membership in the system is optional pursuant to section

1 5301 and who becomes an active member after June 30,
2 2001, and before December 1, 2010;
3 and who was not a State police officer on or after July 1,
4 1989, shall be classified as a Class D-4 member and unless he
5 later becomes a participant in the plan and a member of Class
6 CB receive credit as a Class D-4 member for all State service
7 as a member of the system performed as a member of the
8 General Assembly upon payment of regular member contributions
9 for Class D-4 service and, subject to the limitations
10 contained in subsection (a.1)(7) and section 5303(i), if
11 previously a member of Class A or employed in a position for
12 which Class A service could have been earned, shall receive
13 Class AA service credit for all Class A State service, other
14 than State service performed as a State police officer or for
15 which a class of service other than Class A or Class D-4 was
16 or could have been elected or credited.

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

1 all Class A State service, other than State service performed
2 as a State police officer or as a State employee in a
3 position in which the member could have elected a class of
4 service other than Class A, performed before July 1, 2001.

5 (3) A member of the General Assembly who after June 30,
6 2001, becomes a State police officer shall retain any Class
7 AA service or Class D-4 service credited prior to becoming a
8 State police officer or being so employed but shall be
9 ineligible to receive Class AA or Class D-4 credit thereafter
10 and instead shall receive Class A credit or Class A-3 credit
11 if he first becomes a member of the system on or after
12 January 1, 2011, and before January 1, 2016.

13 (4) Notwithstanding the provisions of this subsection,
14 no service as a member of the General Assembly performed
15 before December 1, 2010, that is not credited as Class D-4
16 service on November 30, 2010, shall be credited as Class D-4
17 service, unless such service was previously credited in the
18 system as Class D-4 service and the member withdrew his total
19 accumulated deductions as provided in section 5311 (relating
20 to eligibility for refunds) or 5701 (relating to return of
21 total accumulated deductions and cash balance member
22 accumulated deductions). No service as a member of the
23 General Assembly performed on or after December 1, 2010,
24 shall be credited as Class D-4 service unless the member
25 previously was credited with Class D-4 service credits.

26 (a.3) Class A-4 membership.--Provided that an election to
27 become a Class A-4 member is made pursuant to section 5306.3
28 (relating to election to become a Class A-4 member), a State
29 employee who first becomes a member before January 1, 2016, who
30 otherwise would be a member of Class A-3 shall be classified as

1 a Class A-4 member and unless he later becomes a participant in
2 the plan and a member of Class CB receive Class A-4 credit for
3 all creditable State service performed as a member of the system
4 after the effective date of membership in the system, except as
5 a member of the judiciary, upon payment of regular member
6 contributions and shared-risk member contributions for Class A-4
7 service.

8 (a.4) Class CB membership.--

9 (1) A State employee who is an active participant in the
10 plan shall be an active member of Class CB concurrently and
11 shall receive credit for Class CB service upon payment of
12 cash balance member contributions for Class CB service.

13 (2) A State employee who is an active member of a class
14 of service other than Class CB who elects under section
15 5306.5 to be an active member of Class CB concurrently shall
16 receive credit for Class CB service upon payment of cash
17 balance member contributions concurrently with service in
18 other classes other than service as a member of Class A-3 or
19 Class A-4 where Class A-3 or Class A-4 contributions are not
20 being made due to or any provision of this part relating to
21 the limitations on contributions to the system applicable to
22 a Class A-3 member or Class A-4 member who have exceeded the
23 Class A-3 and Class A-4 compensation limit.

24 (b) Other class membership.--

25 (1) A State employee who is a member of a class of
26 service other than Class A on the effective date of this part
27 shall retain his membership in that class until such service
28 is discontinued or until the member becomes a participant in
29 the plan; any service as a member of the system thereafter
30 shall be credited as Class A service, Class AA service [or],

1 Class D-4 service or Class CB service as provided for in this
2 section.

3 (2) Notwithstanding any other provision of this section,
4 a State employee who is appointed [bail commissioner]
5 arraignment court magistrate of the Philadelphia Municipal
6 Court under 42 Pa.C.S. § 1123(a)(5) (relating to jurisdiction
7 and venue) before January 1, 2016, may, within 30 days of the
8 effective date of this sentence or within 30 days of his
9 initial appointment as [a bail commissioner] an arraignment
10 court magistrate, whichever is later, elect Class E-2 service
11 credit for service performed as [a bail commissioner] an
12 arraignment court magistrate. This class of service
13 multiplier for E-2 service as [a bail commissioner] an
14 arraignment court magistrate shall be 1.5.

15 * * *

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

26 Section 410. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
27 (d) of Title 71 are amended to read:

28 § 5306.1. Election to become a Class AA member.

29 * * *

30 (c) Effect of election.--An election to become a Class AA

1 member shall become effective the later of July 1, 2001, or the
2 date when the election is filed with the board and shall remain
3 in effect until the termination of employment or becoming a
4 participant in the plan. Upon termination and a subsequent
5 reemployment that occurs before January 1, 2016, the member's
6 class of service shall be credited in the class of service
7 otherwise provided for in this part. If the reemployment occurs
8 on or after January 1, 2016, the State employee's eligibility
9 for membership in the system or participation in the plan shall
10 be as provided in this part.

11 * * *

12 § 5306.2. Elections by members of the General Assembly.

13 * * *

14 (b) Effect of election.--Membership as a Class D-4 member
15 shall become effective on July 1, 2001, and shall remain in
16 effect until the termination of service as a member of the
17 General Assembly or becoming a participant in the plan. Upon
18 termination and a subsequent reemployment that occurs before
19 January 1, 2016, the member's class of service shall be credited
20 in the class of service otherwise provided for in this part. If
21 the reemployment occurs on or after January 1, 2016, the State
22 employee's eligibility for membership in the system or
23 participation in the plan shall be as provided in this part.

24 * * *

25 § 5306.3. Election to become a Class A-4 member.

26 * * *

27 (c) Effect of election.--An election to become a Class A-4
28 member shall be irrevocable and shall become effective on the
29 effective date of membership in the system and shall remain in
30 effect for all future [creditable] State service creditable in

1 the system, other than service performed as a member of the
2 judiciary, but shall not apply to service performed after
3 December 31, 2015, as an elected officer. Payment of regular
4 member contributions for Class A-4 State service performed prior
5 to the election of Class A-4 membership shall be made in a form,
6 manner and time determined by the board. Upon termination of
7 State service and a subsequent reemployment, a member who
8 elected Class A-4 membership shall be credited as a Class A-4
9 member for creditable State service performed after reemployment
10 unless the reemployment is as an elected officer and, except as
11 a member of the judiciary, regardless of termination of
12 employment, termination of membership by withdrawal of
13 accumulated deductions or status as an annuitant, vestee or
14 inactive member after the termination of service.

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

26 Section 411. Title 71 is amended by adding sections to read:
27 § 5306.4. Election of an alternate class of service multiplier.

28 (a) General rule.--An active member or a member on leave
29 without pay of Class AA or Class D-4 on the effective date of
30 this section may elect an alternate class of service multiplier.

1 (b) Time for making election.--The election of an alternate
2 class of service multiplier must be made by the member filing
3 written notice with the board in a form and manner determined by
4 the board no later than 180 days after the effective date of
5 this section. A State employee who is eligible to make an
6 election who is on or begins USERRA leave during the election
7 period without having made the election may make the election
8 within 180 days after being reemployed from USERRA leave.

9 (c) Effect of election.--An election under this section
10 shall be a one-time election, shall be irrevocable and shall be
11 effective for all post-January 2016 service as a member of Class
12 AA or Class D-4. The election shall remain in effect until the
13 termination of State service. Upon termination and subsequent
14 reemployment as a State employee, a member who made an election
15 under this section shall have creditable State service first
16 credited after reemployment credited with the class of service
17 multiplier then in effect as if the election had not been made.

18 (d) Effect of ineligibility or failure to make election.--
19 Ineligibility to make an election under this section or failure
20 to make an election within the election period set forth in
21 subsection (b) shall result in all of the member's post-January
22 2016 service as a member of Class AA or Class D-4 being credited
23 at the standard class of service multiplier for Class AA or
24 Class D-4, as the case may be. Upon termination and subsequent
25 reemployment as a State employee, a member who failed to make an
26 election under this section shall not be eligible to make
27 another election under this section.

28 (e) Construction.--For purposes of section 5501.3 (relating
29 to contribution savings program for members of Class AA and
30 Class D-4 who have not made the election under section 5706.4),

1 a member who has not made the election under this section shall
2 include a member who made the election and then terminated State
3 service and has subsequent reemployment for periods after his
4 reemployment where his class of service multiple is in effect as
5 if the election had not been made. For purposes of sections
6 5504(a)(3) (relating to member contributions for the purchase of
7 credit for previous State service or to become a full coverage
8 member) and 5505(j) (relating to contributions for the purchase
9 of credit for creditable nonstate service), a member who has
10 made the election under this section shall not include a member
11 who made the election and then terminated State service and has
12 subsequent reemployment for periods after his reemployment where
13 his class of service multiple is in effect as if the election
14 had not been made.

15 § 5306.5. Election to become a member of Class CB.

16 (a) General rule.--An active member or an inactive member on
17 leave without pay in any class of service other than solely a
18 member of Class CB may elect to become a member of Class CB in
19 addition to being a member of their current class of service.

20 (b) Time for making election.--The election to become a
21 member of Class CB must be made by the member filing written
22 notice with the board in a form and manner determined by the
23 board during periodic enrollment periods established by the
24 board after the effective date of this section.

25 (c) Effect of election.--An election under this section
26 shall be revocable by the member during periodic enrollment
27 periods established by the board after the effective date of
28 this section. The Class CB class of service multiplier to
29 determine cash balance member contributions for a State employee
30 who makes an election under this section shall be 0.6 unless a

1 lower class of service multiplier is elected by the member for
2 their Class CB service. An election to become a Class CB member
3 and the class of service multiplier elected shall be effective
4 for all service as an active member after the effective date of
5 such election and shall remain effective until the election is
6 revoked or modified by the member during any subsequent
7 enrollment period.

8 Section 412. Sections 5307, 5308, 5308.1 introductory
9 paragraph and (1), 5309, 5309.1 and 5311 of Title 71 are amended
10 to read:

11 § 5307. Eligibility points.

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

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

30 (b) Transitional rule.--

1 (1) In determining whether a member who is not a State
2 employee or school employee on June 30, 2001, and July 1,
3 2001, and who has previous State service (except a disability
4 annuitant who returns to State service after June 30, 2001,
5 upon termination of the disability annuity) has the five
6 eligibility points required by sections 5102 (relating to
7 definitions), 5308(b) (relating to eligibility for
8 annuities), 5309 (relating to eligibility for vesting),
9 5704(b) (relating to disability annuities) and 5705(a)
10 (relating to member's options), only eligibility points
11 earned by performing credited State service as an active
12 member of the system, USERRA leave or credited school service
13 as an active member of the Public School Employees'
14 Retirement System after June 30, 2001, shall be counted until
15 such member earns one eligibility point by performing
16 credited State service or credited school service after June
17 30, 2001, at which time all eligibility points as determined
18 pursuant to subsection (a) shall be counted.

19 (2) Any member to whom paragraph (1) applies shall be
20 considered to have satisfied any requirement for five
21 eligibility points contained in this part if the member:

22 (i) has ten or more eligibility points as determined
23 pursuant to subsection (a); or

24 (ii) has Class G, Class H, Class I, Class J, Class
25 L, Class M or Class N service and has eight or more
26 eligibility points as determined pursuant to subsection
27 (a).

28 (c) Class CB concurrent service.--An active member who is
29 earning Class CB service concurrently with service in another
30 class of service shall receive service credit and eligibility

1 points only for the other class of service. No additional
2 service credit or eligibility points will be earned for the
3 concurrent Class CB service.

4 § 5308. Eligibility for annuities.

5 (a) Superannuation annuity.--Attainment of superannuation
6 age by an active member [or], an inactive member on leave
7 without pay or combined service employee who is an active
8 participant or inactive participant on leave without pay with
9 three or more eligibility points other than eligibility points
10 resulting from nonstate service or nonschool service shall
11 entitle him to receive a superannuation annuity upon termination
12 of State service and compliance with section 5907(f) (relating
13 to rights and duties of State employees [and], members and
14 participants).

15 (b) Withdrawal annuity.--

16 (1) Any vestee or any active member [or], inactive
17 member on leave without pay or combined service employee who
18 is an active participant or inactive participant on leave
19 without pay who terminates State service having five or more
20 eligibility points and who does not have Class A-3 or Class
21 A-4 service credit or, if a multiple service member, Class T-
22 E or Class T-F service credit in the Public School Employees'
23 Retirement System, or who has Class G, Class H, Class I,
24 Class J, Class K, Class L, Class M or Class N service and
25 terminates State service having five or more eligibility
26 points, upon compliance with section 5907(f), (g) or (h)
27 shall be entitled to receive an annuity.

28 (2) Any vestee, active member [or], inactive member on
29 leave without pay or combined service employee who is an
30 active participant or inactive participant on leave without

1 pay who has Class A-3 or Class A-4 service credit or, if a
2 multiple service member, Class T-E or Class T-F service
3 credit in the Public School Employees' Retirement System who
4 terminates State service having ten or more eligibility
5 points, upon compliance with section 5907(f), (g) or (h),
6 shall be entitled to receive an annuity.

7 (3) Any vestee, active member [or], inactive member on
8 leave without pay or combined service employee who is an
9 active participant or inactive participant on leave without
10 pay who has either Class A-3 or Class A-4 service credit or, if a
11 multiple service member, Class T-E or Class T-F service
12 credit in the Public School Employees' Retirement System and
13 also has service credited in the system in one or more other
14 classes of service who has five or more, but fewer than ten,
15 eligibility points, upon compliance with section 5907(f), (g)
16 or (h), shall be eligible to receive an annuity calculated on
17 his service credited in classes of service other than Class
18 A-3 or Class A-4, provided that the member has five or more
19 eligibility points resulting from service in classes other
20 than Class A-3 or Class A-4 or Class T-E or Class T-F service
21 in the Public School Employees' Retirement System.

22 (c) Disability annuity.--An active member or inactive member
23 on leave without pay who has five or more eligibility points
24 other than eligibility points resulting from membership in the
25 Public School Employees' Retirement System or any active member
26 or inactive member on leave without pay who is an officer of the
27 Pennsylvania State Police or an enforcement officer shall, upon
28 compliance with section 5907(k), be entitled to a disability
29 annuity if he becomes mentally or physically incapable of
30 continuing to perform the duties for which he is employed and

1 qualifies in accordance with the provisions of section 5905(c)
2 (1) (relating to duties of the board regarding applications and
3 elections of members and participants)]; provided, that no
4 disability annuity shall be paid to a combined service employee
5 who is an active participant.

6 (d) Eligibility of employees with Class CB service for
7 annuities and benefits.--Subject to the limitation on
8 eligibility points for a member who is performing concurrent
9 service in Class CB and in another class of service under
10 section 5307 (relating to eligibility points), eligibility
11 points earned as a result of credited service in Class CB shall
12 be included in determining if a member who has Class CB service
13 credit and service credit in one or more other classes of
14 service is eligible for an annuity under this section or
15 eligibility for other rights and benefits under this part,
16 unless provided otherwise. Eligibility points earned by a
17 multiple service member as a result of Class T-I credited
18 service in the Public School Employees' Retirement System
19 similarly shall be included if eligibility points for school
20 service in the Public School Employees 'Retirement System are
21 used to determine eligibility. Nothing in this subsection amends
22 or waives any other requirement to be eligible for an annuity or
23 other benefit. Upon termination of State service and compliance
24 with section 5907(f) a member with Class CB service credit is
25 eligible for an annuity as calculated under section 5702(a)(7)
26 (relating to maximum single life annuity).

27 (e) Required beginning date.--Members eligible for an
28 annuity must commence receiving the annuity by the member's
29 required beginning date.

30 § 5308.1. Eligibility for special early retirement.

1 Notwithstanding any provisions of this title to the contrary,
2 the following special early retirement provisions shall be
3 applicable to specified eligible members [as follows]:

4 (1) During the period of July 1, 1985, to September 30,
5 1991, an active member who has attained the age of at least
6 53 years and has accrued at least 30 eligibility points shall
7 be entitled, upon termination of State service and compliance
8 with section 5907(f) (relating to rights and duties of State
9 employees [and], members and participants), to receive a
10 maximum single life annuity calculated under section 5702
11 (relating to maximum single life annuity) without a reduction
12 by virtue of an effective date of retirement which is under
13 the superannuation age.

14 * * *

15 § 5309. Eligibility for vesting.

16 Any member who:

17 (1) Does not have Class A-3 [or], Class A-4 or Class CB
18 service credit or, if a multiple service member, Class T-E or
19 Class T-F service credit in the Public School Employees'
20 Retirement System and terminates State service, or if a
21 multiple service member and an active member of the Public
22 School Employees' Retirement System terminates school
23 service, with five or more eligibility points, or any member
24 with Class G, Class H, Class I, Class J, Class K, Class L,
25 Class M or Class N service with five or more eligibility
26 points, shall be eligible until [attainment of superannuation
27 age] required beginning date to vest his retirement benefits.

28 (2) Has only Class A-3 or Class A-4 service credit [or]
29 and, if a multiple service member, only Class T-E or Class T-
30 F service credit in the Public School Employees' Retirement

1 System and terminates State service, or if a multiple service
2 member and an active member of the Public School Employees'
3 Retirement System terminates school service, with ten or more
4 eligibility points shall be eligible until [attainment of
5 superannuation age] his required beginning date to vest his
6 retirement benefits.

7 (3) Has either Class A-3 or Class A-4 service credit
8 [or] and, if a multiple service member, Class T-E or Class T-
9 F service credit in the Public School Employees' Retirement
10 System, also has service credited in the system in one or
11 more other classes of service other than Class CB and has
12 five or more, but fewer than ten, eligibility points and
13 terminates State service, or if a multiple service member and
14 an active member of the Public School Employees' Retirement
15 System terminates school service, shall be eligible until
16 [the attainment of superannuation age] his required beginning
17 date to vest his retirement benefits calculated on his
18 service credited in classes of service other than Class A-3
19 or Class A-4 and to be credited with statutory interest on
20 total accumulated deductions, regardless of whether or not
21 any part of his accumulated deductions are a result of Class
22 A-3 or Class A-4 service credit.

23 (4) Has only Class CB service credit and terminates
24 State service shall be eligible to vest his retirement
25 benefits based on Class CB service except that a member who
26 has a small cash balance account subject to distribution as
27 provided in section 5709(d) (relating to payment of benefits)
28 shall not be permitted to vest until his required beginning
29 date unless otherwise required under the IRC.

30 (5) Has Class CB service credit and service credited in

1 one or more other classes of service and terminates State
2 service, or if a multiple service member and an active member
3 of the Public School Employees' Retirement System terminates
4 school service, shall be eligible to vest his retirement
5 benefits based on Class CB service and, if he has five or
6 more eligibility points, to vest his retirement benefits on
7 all other classes of service other than Class A-3 or Class A-
8 4 until the attainment of the applicable superannuation age
9 and if he has 10 or more eligibility points to vest his
10 retirement benefits on all classes of service until
11 superannuation age. Any such member shall be credited with
12 statutory interest on his total accumulated deductions and
13 treasury bond interest, but not excess interest on his total
14 cash balance accumulated deductions until the effective date
15 of retirement.

16 (6) A member with more than one class of credited
17 service who vests his retirement benefits in any class of
18 service may not receive distributions from other classes of
19 service until his effective date of retirement, regardless of
20 whether his benefits resulting from such other classes of
21 service are vested or he is eligible to receive an annuity. A
22 member with service credited in more than one class of
23 service may not separately vest those benefits and receive
24 annuities from different classes of service with different
25 effective dates.

26 § 5309.1. Eligibility for special vesting.

27 Any employee of The Pennsylvania State University who is a
28 member of the system with five or more but less than ten
29 eligibility points and who has a date of termination of service
30 from The Pennsylvania State University of June 30, 1997, because

1 of the transfer of his job position or duties to a controlled
2 organization of the Penn State Geisinger Health System or
3 because of the elimination of his job position or duties due to
4 the transfer of other job positions or duties to a controlled
5 organization of the Penn State Geisinger Health System shall be
6 eligible until the attainment of superannuation age or his
7 required beginning date to vest his retirement benefits
8 according to the terms and conditions of this part.

9 § 5311. Eligibility for refunds.

10 (a) Total accumulated deductions.--Any active member,
11 regardless of eligibility for benefits, may elect to receive his
12 total accumulated deductions and his cash balance member
13 accumulated deductions by the required beginning date upon
14 termination of service in lieu of any benefit from the system to
15 which he is entitled.

16 (b) Social security integration accumulated deductions.--Any
17 active member at any time may elect to receive his social
18 security integration accumulated deductions and thereby to have
19 all his social security integration credits and benefits
20 therefor cancelled, and shall not be entitled to accrue any
21 further social security integration credits or benefits; except
22 that a disability annuitant who returns to State service in a
23 class of service other than Class CB shall have the right to
24 reinstate his social security integration accumulated deductions
25 and credits therefor.

26 Section 413. Title 71 is amended by adding a chapter to
27 read:

28 CHAPTER 54

29 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

30 Sec.

- 1 5401. Establishment.
- 2 5402. Plan document.
- 3 5403. Individual investment accounts.
- 4 5404. Participant contributions.
- 5 5405. (Reserved).
- 6 5406. Employer defined contributions.
- 7 5407. Eligibility for benefits.
- 8 5408. Death benefits.
- 9 5409. Vesting.
- 10 5410. Termination of distributions.
- 11 5411. Agreements with financial institutions and other
- 12 organizations.
- 13 5412. Powers and duties of board.
- 14 5413. Responsibility for investment loss.
- 15 5414. Investments based on participants' investment allocation
- 16 choices.
- 17 5415. Expenses.
- 18 5416. Participation in the plan by members of Class A-3 or
- 19 Class A-4.
- 20 5417. Tax qualification.

21 § 5401. Establishment.
22 (a) State Employees' Defined Contribution Plan.--The State
23 Employees' Defined Contribution Plan is established. The board
24 shall administer and manage the plan which shall be a defined
25 contribution plan exclusively for the benefit of those State
26 employees who participate in the plan and their beneficiaries
27 within the meaning of and in conformity with IRC § 401(a). The
28 board shall determine the terms and provisions of the plan not
29 inconsistent with this part, the IRC or other applicable law and
30 shall provide for the plan's administration.

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

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

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

1 establish a nominee registration procedure for the purpose of
2 registering securities in order to facilitate the purchase, sale
3 or other disposition of securities under the provisions of this
4 part.

5 § 5402. Plan document.

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

18 § 5403. Individual investment accounts.

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

1 § 5404. Participant contributions.

2 (a) Mandatory contributions.--A participant shall make
3 mandatory participant contributions through payroll deductions
4 to the participant's individual investment account equal to
5 3.00% of compensation for current State service. The employer
6 shall cause those contributions for current service to be made
7 and deducted from each payroll or on such schedule as
8 established by the board.

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

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

24 § 5405. (Reserved).

25 § 5406. Employer defined contributions.

26 (a) Contributions for current service.--The Commonwealth or
27 other employer of an active participant shall make employer
28 defined contributions for current service of an active
29 participant that shall be credited to the active participant's
30 individual investment account. Employer defined contributions

1 shall be recorded and accounted for separately from participant
2 contributions.

3 (b) Contributions resulting from participants reemployed
4 from USERRA leave.--When a State employee reemployed from USERRA
5 leave makes the mandatory participant contributions permitted to
6 be made for the USERRA leave, the Commonwealth or other employer
7 by whom the State employee is employed at the time the
8 participant contributions are made shall make whatever defined
9 contributions would have been made under this section had the
10 employee making the participant contributions continued to be
11 employed in the participant's State office or position instead
12 of performing USERRA leave. The employer defined contributions
13 shall be placed in the participant's individual investment
14 account as otherwise provided by this part.

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

23 § 5407. Eligibility for benefits.

24 (a) Termination of service.--A participant who terminates
25 State service shall be eligible to withdraw the vested
26 accumulated total defined contributions standing to the
27 participant's credit in the participant's individual investment
28 account or a lesser amount as the participant may request.
29 Payment shall be made in a lump sum unless the board has
30 established other forms of distribution in the plan document,

1 subject to the provisions of subsection (g). A participant who
2 withdraws his vested accumulated total defined contributions
3 shall no longer be a participant in the plan, notwithstanding
4 that the former State employee may continue to be a member of
5 the system or may have contracted to receive an annuity or other
6 form of payment from a provider retained by the board for such
7 purposes.

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

14 (c) (Reserved).

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

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

23 (f) Small individual investment accounts.--

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

29 (2) The board may also provide in the plan document
30 that, notwithstanding subsection (g), a participant whose

1 vested accumulated employer defined contributions are below
2 the thresholds established by the board may receive those
3 distributions without the obligation to purchase an annuity.
4 The threshold may be established as a dollar amount, an
5 annuity amount, in some other form individually or in
6 combination as the board determines.

7 (g) Requirement to purchase annuity.--Except as prohibited
8 by the IRC or as otherwise provided in this part, a participant
9 who is eligible and elects to receive a distribution of vested
10 accumulated employer defined contributions shall be required to
11 purchase an annuity with that distribution from an annuity
12 provider contracted by the board under section 5409(c) (relating
13 to death benefits) and under such conditions as provided in the
14 plan document. The conditions may include that the board is
15 authorized to make the distribution directly to the annuity
16 provider.

17 § 5408. Death benefits.

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

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

1 participant was receiving distributions, to the participant's
2 beneficiary or successor payee, as the case may be, as provided
3 in the plan document.

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

9 § 5409. Vesting.

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

19 (b) Employer defined contributions.--

20 (1) Subject to the forfeiture and attachment provisions
21 of section 5953 or otherwise as provided by law, a
22 participant shall be vested with respect to all employer
23 defined contributions paid to the participant's individual
24 investment account in the trust in addition to interest and
25 investment gains and losses on the employer defined
26 contributions but not including investment fees and
27 administrative charges according to the following schedule:

28 (i) Until such time as a participant has earned two
29 eligibility points as a member of the system, 0%;

30 (ii) Upon the attainment of two eligibility points

1 as a member of the system, 50%;

2 (iii) Upon the attainment of three eligibility
3 points as a member of the system, 75%;

4 (iv) At and after the attainment of four eligibility
5 points as a member of the system, 100%.

6 (2) For purposes of this subsection, all eligibility
7 points credited to a member of the system in any class of
8 service shall be used for determining vested status in the
9 plan even if the employee was not a participant in the plan
10 at the time the eligibility points were earned.

11 (3) Nonvested employer defined contributions and the
12 interest and investment gains and losses on the nonvested
13 employer defined contributions that are forfeited when a
14 participant terminates State service before accruing four
15 eligibility points are credited to the participant's most
16 recent employer's future obligation assessed under section
17 5509 (relating to appropriations and assessments by the
18 Commonwealth).

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

24 § 5410. Termination of distributions.

25 (a) Return to State service.--

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

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

3 (2) This subsection shall not apply to a distribution of
4 accumulated employer defined contributions or other
5 distributions that the participant has received and used to
6 purchase an annuity from a provider contracted by the board.

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

8 (1) If a former State employee is reemployed from USERRA
9 leave and received any payments or annuity from the plan
10 during the USERRA leave, the employee shall return to the
11 board the amount so received plus interest as provided in the
12 plan document.

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

24 § 5411. Agreements with financial institutions and other
25 organizations.

26 (a) Written agreement.--To establish and administer the
27 plan, the board shall enter into a written agreement with one or
28 more financial institutions or other organizations to administer
29 the plan and the investment of funds held under the plan. The
30 administrator shall be selected in accordance with the

1 following:

2 (1) The board shall solicit proposals from financial
3 institutions and other organizations.

4 (2) The board shall publish the solicitation in the
5 Pennsylvania Bulletin.

6 (3) Proposals received shall be evaluated based on
7 specific criteria adopted by the board. The criteria shall
8 include experience, customer service history and other
9 criteria.

10 (b) Rebid.--A contract to administer the plan under
11 subsection (a) shall be rebid at least once every ten years.
12 § 5412. Powers and duties of board.

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

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

18 (2) The board shall pay all administrative fees, costs
19 and expenses of managing, investing and administering the
20 plan, the trust and the individual investment accounts from
21 the balance of such individual investment accounts except as
22 otherwise provided in this part or as the General Assembly
23 otherwise provides by appropriations from the General Fund.

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

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

30 (5) The board may establish a process for election to

1 participate in the plan by those State employees eligible to
2 do so for whom participation is not mandatory.

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

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

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

14 (9) The board shall administer or ensure the
15 administration of the plan in compliance with the
16 qualifications and other rules of the IRC.

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

19 (11) The board shall determine what constitutes a
20 termination of State service.

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

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

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

1 regarding their participation in the plan.

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

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

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

19 (v) Standards and criteria for disclosing to the
20 participants the anticipated and actual income
21 attributable to amounts invested, property rights and all
22 fees, costs and expenses to be made against amounts
23 deferred to cover the fees, costs and expenses of
24 administering and managing the plan or trust.

25 (vi) Procedures, standards and criteria for the
26 making of distributions from the plan upon termination
27 from employment or death or in other circumstances
28 consistent with the purpose of the plan.

29 (14) The board may waive any reporting or information
30 requirement contained in this part if the board determines

1 that the information is not needed for the administration of
2 the plan.

3 (15) The board may contract any services and duties in
4 lieu of staff, except final adjudications and as prohibited
5 by law. Any duties or responsibilities of the board not
6 required by law to be performed by the board can be delegated
7 to a third-party provider subject to appeal to the board.

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

11 (17) The provisions and restrictions of the act of July
12 2, 2010 (P.L.266, No.44), known as the Protecting
13 Pennsylvania's Investments Act, shall not apply to the plan
14 or trust or the investments of the plan or trust, but the
15 board may offer to the plan participants investment vehicles
16 that would be allowed under the Protecting Pennsylvania's
17 Investments Act.

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

21 § 5413. Responsibility for investment loss.

22 The board, the Commonwealth, an employer or other political
23 subdivision shall not be responsible for any investment loss
24 incurred under the plan or for the failure of any investment to
25 earn any specific or expected return or to earn as much as any
26 other investment opportunity, whether or not the other
27 opportunity was offered to participants in the plan.

28 § 5414. Investments based on participant's investment
29 allocation choices.

30 (a) Investment by participant.--All contributions, interest

1 and investment earnings shall be invested based on a
2 participant's investment allocation choices. All investment
3 allocation choices shall be credited proportionally between
4 participant contributions and employer-defined contributions.
5 Each participant shall be credited individually with the amount
6 of contributions, interest and investment earnings.

7 (b) Investment of contributions made by entities other than
8 the Commonwealth.--Investment of contributions by any
9 corporation, institution, insurance company, custodial bank or
10 other entity that the board has approved shall not be
11 unreasonably delayed and in no case may the investment of
12 contributions be delayed more than 30 days from the date of
13 payroll deduction or the date voluntary contributions are made
14 to the date that funds are invested. Any interest earned on the
15 funds pending investment shall be allocated to the Commonwealth
16 and credited to the individual investment accounts of
17 participants who re then participating in the plan unless
18 notwithstanding sections 5412(2) (relating to powers and duties
19 of board), 5415 (relating to expenses) and 5902(c) (relating to
20 administrative duties of the board), the interest is used to
21 defray administrative costs and fees that would otherwise be
22 required to be borne by participants who are then participating
23 in the plan.

24 § 5415. Expenses.

25 All fees, costs and expenses of administering the plan and
26 the trust and investing the assets of the trust shall be borne
27 by the participants and paid from assessments against the
28 balances of the individual investment accounts as established by
29 the board, except that for fiscal years ending before July 1,
30 2016, the fees, costs and expenses of establishing and

1 administering the plan and the trust shall be paid by the
2 Commonwealth through annual appropriations from the General
3 Fund, made on the basis of estimates from the board.

4 § 5416. Participation in the plan by members of Class A-3 or
5 Class A-4.

6 (a) General rule.--For any calendar year in which the
7 compensation of a member of Class A-3 or Class A-4 exceeds the
8 Class A-3 and Class A-4 compensation limit, the member shall
9 cease making contributions to the fund and, unless the plan
10 provides otherwise, shall become an active participant of the
11 plan and a member of Class CB unless the member elects not to be
12 a participant in the plan and a member of Class CB.

13 (b) Time for making the election.--An eligible member of
14 Class a-3 or Class A-4 may elect not to become a participant in
15 the plan and a member of Class CB by filing a written notice
16 with the board in a form and manner determined by the board
17 during periodic election periods established by the board or the
18 plan after the effective date of this section.

19 (c) Effect of election.--An election not to become a
20 participant and a member of Class CB shall be effective until
21 the end of the calendar year for which the election is made,
22 unless the plan provides otherwise. The effective date of active
23 participation in the plan shall be as established in the plan. A
24 state employee who does not elect out of participation in the
25 plan and membership in Class CB shall make mandatory participant
26 contributions to the plan, and unless the State employee elects
27 otherwise, will make voluntary contributions of 3.25%, if a
28 Class A-3 member, or voluntary contributions of 6.3%, if a Class
29 A-4 member. The Class CB class of service multiplier to
30 determine cash balance member contributions for a member of

1 Class CB who elects to be a participant in the plan shall be 0.6
2 while an active participant of the plan. A State employee cannot
3 elect to not be an active participant and remain an active
4 member of Class CB and cannot elect to not be an active member
5 of Class CB while remaining an active participant in the plan.
6 § 5417. Tax qualification.

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

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

12 (1) (i) Except as provided under subparagraph (ii) and
13 notwithstanding a provision of this part, a contribution
14 or benefit related to the plan may not exceed any
15 limitation under IRC § 415 with respect to governmental
16 plans which is in effect on the date the contribution or
17 benefit payment takes effect.

18 (ii) An increase in a limitation under IRC § 415
19 shall apply to all participants on and after the
20 effective date of this section.

21 (iii) For the purposes of this paragraph, the term
22 "government plans" shall have the same meaning as the
23 term has in IRC § 414(d).

24 (2) (i) Except as provided under subparagraph (ii), an
25 amendment of this part on or after the effective date of
26 this section that increases contributions or benefits for
27 active participants, inactive participants or
28 participants receiving distributions shall not be deemed
29 to provide for a contribution or benefit in excess of any
30 limitation, adjusted on or after the effective date of

1 this section, under IRC § 415 unless specifically
2 provided by legislation.

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

7 Section 414. Sections 5501 and 5501.1 of Title 71 are
8 amended to read:

9 § 5501. Regular member contributions and cash balance member
10 contributions for current service.

11 Regular member contributions or cash balance member
12 contributions shall be made to the fund on behalf of each active
13 member for current service except for any period of current
14 service in which the making of such contributions has ceased
15 solely by reason of section 5502.1 (relating to waiver of
16 regular member contributions and Social Security integration
17 member contributions) or any provision of this part relating to
18 the limitations under IRC § 401(a)(17) or [415(b)] 415 or
19 limitations on contributions to the system applicable to a Class
20 A-3 member or Class A-4 member.

21 § 5501.1. Shared-risk member contributions [for Class A-3 and
22 Class A-4 service] and shared-gain adjustments to
23 regular member contributions for Class A-3 and Class
24 A-4 service.

25 (a) General.--Shared-risk member contributions shall be made
26 to the fund on behalf of each member of Class A-3 or Class A-4
27 for current service credited as Class A-3 or Class A-4 as
28 provided under this section, except for any period of current
29 service in which the making of the contributions has ceased
30 solely by reason of any provision of this part relating to the

1 limitations under IRC § 401(a)(17) or 415. Shared-risk member
2 contributions shall be credited to the members' savings account.
3 A shared-gain adjustment to regular member contributions for
4 Class A-3 and Class A-4 service shall be made as provided under
5 this section.

6 (b) Determination of shared-risk contribution rate.--

7 (1) For the period from the effective date of this
8 section until June 30, 2014, the shared-risk contribution
9 rate for Class A-3 and Class A-4 service shall be zero.

10 * * *

11 (7) For any fiscal year in which the actual
12 contributions by the Commonwealth or an employer are lower
13 than those required to be made under section 5507(d)
14 (relating to contributions to the system by the Commonwealth
15 and other employers), the prospective shared-risk
16 contribution rate for those employees whose employers are not
17 making the contributions required by section 5507(d) shall be
18 zero and shall not subsequently be increased, except as
19 otherwise provided in this section.

20 * * *

21 (c) Determination of shared-gain adjustment to regular
22 member contributions for Class A-3 or Class A-4 service.--The
23 regular member contributions for Class A-3 or Class A-4 service
24 shall be determined as follows:

25 (1) For the period from the effective date of this
26 section until June 30, 2017, the regular member contributions
27 for Class A-3 of Class A-4 service shall be determined as
28 otherwise provided in this part.

29 (2) For the period from July 1, 2017, to June 30, 2020,
30 if the shared-risk contribution rate is zero and annual

1 interest rate adopted by the board for use during the period
2 from January 1, 2011, to December 31, 2016, for the
3 calculation of the normal contribution rate is more than 1%
4 lower than the actual rate of return, net of fees, of the
5 investments of the fund based on market value over the
6 period, then the regular member contribution rate of each
7 member for Class A-3 or Class A-4 service shall be reduced by
8 0.5%. In all other situations, the regular member
9 contributions shall be determined as otherwise provided in
10 this part.

11 (3) For each subsequent three-year period, the regular
12 member contribution rate shall be decreased by 0.5% if the
13 annual interest rate adopted by the board for use during the
14 previous ten-year period for the calculation of the normal
15 contribution rate is more than 1% lower than the actual rate
16 of return, net of fees, of the investments of the fund based
17 on market value over the period. The regular member
18 contribution rate shall be increased by 0.5% if the annual
19 interest rate adopted by the board for use during the
20 previous ten-year period for the calculation of the normal
21 contribution rate is equal to or greater than the actual rate
22 of return, net of fees, of the investments of the fund based
23 on market value over that period.

24 (4) Notwithstanding paragraphs (2) and (3), the regular
25 member contribution rate may not be greater than the product
26 of the basic contribution rate and the class of service
27 multiplier; and the amount of the adjustment to a lower
28 regular member contribution rate may not be greater than the
29 reduction in the actuarially required contribution rate by
30 the experience adjustment factor resulting from investment

1 gains or losses in effect on the first day when the new rate
2 would be applied, expressed as a percentage of member
3 compensation. In no event may the adjustment to the regular
4 member contribution rate be more than 2%. For the
5 determination of the regular member contribution rate to be
6 effective July 1, 2020, the determination period shall be
7 January 1, 2011, through December 31, 2019.

8 (5) The shared-gain adjustment to the regular member
9 contribution rate and the factors entering into its
10 calculation must be certified by the actuary as part of the
11 annual valuations and the actuarial investigation and
12 evaluation of the system conducted every five years under
13 section 5902(j) (relating to administrative duties of the
14 board).

15 (6) If the annual interest rate adopted by the board for
16 the calculation is changed during the period used to
17 determine the shared-gain adjustment to the regular member
18 contribution rate, the board, with the advice of the actuary,
19 shall determine the applicable rate during the entire period,
20 expressed as an annual rate.

21 (d) Calculation of regular member contribution rate.--For
22 purposes of this subsection, the regular member contribution
23 rate for each member is the product of the basic contribution
24 rate and the class of service multiplier used to determine the
25 regular member contributions for each member.

26 Section 415. Title 71 is amended by adding sections to read:
27 § 5501.3. Contribution savings program for members of Class AA
28 and Class D-4 who have not made the election under
29 section 5306.4.

30 The regular member contributions for Class AA and Class D-4

1 service of members who have not made the election under section
2 5306.4 (relating to election of an alternate class of service
3 multiplier) shall be determined as follows:

4 (1) For the period from the effective date of this
5 section until June 30, 2019, the regular member contributions
6 for Class AA and Class D-4 service of members who have not
7 made the election under section 5306.4 (relating to election
8 of an alternate class of service multiplier) shall be
9 determined as otherwise provided in this part.

10 (2) For the period from July 1, 2019, to June 30, 2022,
11 if the annual interest rate adopted by the board for use
12 during the period from January 1, 2016, to December 31, 2019,
13 for the calculation of the normal contribution rate is 1% or
14 more lower than the actual rate of return, net of fees, of
15 the investments of the fund based on market value over the
16 period, then the regular member contribution rate for Class
17 AA and Class D-4 service of members who have not made the
18 election under section 5306.4 shall be reduced by 0.5% for
19 each percentage point that the annual interest rate is lower
20 than the actual rate of return. For the three fiscal years
21 starting July 1, 2022, and each subsequent period of three
22 fiscal years, the following apply:

23 (i) Except as set forth in subparagraph (ii), the
24 regular member contribution rate shall be as otherwise
25 provided in this part.

26 (ii) If the annual interest rate adopted by the
27 board for use during the prior three calendar years for
28 the calculation of the normal contribution rate is 1% or
29 more lower than the actual rate of return, net of fees,
30 of the investments of the fund based on market value over

1 the three calendar year period, then the regular member
2 contribution rate for Class AA and Class D-4 service of
3 members who have not made the election under section
4 5603.4 shall be reduced by 0.5% for each percentage point
5 that the annual interest rate is lower than the actual
6 rate of return.

7 (3) Notwithstanding paragraph (2), the regular member
8 contribution rate may not be greater than the product of the
9 basic contribution rate and the class of service multiplier;
10 and in no event may the amount of the adjustment to the
11 regular member contribution rate be more than 5%.

12 (4) The contribution savings program adjustment to the
13 regular member contribution rate and the factors entering
14 into its calculation must be certified by the actuary as part
15 of the annual valuations and the actuarial investigation and
16 evaluation of the system conducted every five years under
17 section 5902(j) (relating to administrative duties of the
18 board).

19 (5) If the annual interest rate adopted by the board for
20 the calculation is changed during the period used to
21 determine the contribution savings program adjustment to the
22 regular member contribution rate, the board, with the advice
23 of the actuary, shall determine the applicable rate during
24 the entire period, expressed as an annual rate.

25 § 5501.4. Class of service multiplier for Class AA and Class D-
26 4.

27 (a) Multiplier before January 2016.--For Class AA service
28 and Class D-4 service that is not post-January 2016 service, the
29 class of service multipliers for Class AA and Class D-4 are as
30 defined in section 5102 (relating to definitions).

1 (b) Class AA multiplier on or after January 2016.--For Class
2 AA service that is post-January 2016 service, the class of
3 service multiplier is as follows:

4 (1) For all purposes except calculating regular member
5 contributions, the standard class of service multiplier shall
6 be 1.25.

7 (2) For purposes of calculating regular member
8 contributions, the standard class of service multiplier shall
9 be 1.75.

10 (3) The alternate class of service multiplier for all
11 purposes shall be 1.

12 (c) Class D-4 multiplier on or after January 2016.--For
13 Class D-4 service that is post-January 2016 service, the class
14 of service multiplier is as follows:

15 (1) For all purposes except calculating regular member
16 contributions, the standard class of service multiplier shall
17 be 1.5.

18 (2) For purposes of calculating regular member
19 contributions, the standard class of service multiplier shall
20 be 2.

21 (3) The alternate class of service multiplier for all
22 purposes shall be 1.

23 Section 416. Sections 5502.1, 5503.1(a) and 5504 of Title 71
24 are amended to read:

25 § 5502.1. Waiver of regular member contributions and Social
26 Security integration member contributions.

27 (a) General rule.--Notwithstanding the provisions of
28 sections 5501 (relating to regular member contributions and cash
29 balance member contributions for current service) and 5502
30 (relating to Social Security integration member contributions),

1 no regular member contributions or Social Security integration
2 member contributions shall be made by an active member for the
3 period from July 1 to the following June 30 if the maximum
4 single life annuity to which the member would have been entitled
5 to receive had the member retired with an effective date of
6 retirement on the preceding January 1 is greater than 110% of
7 the highest calendar year compensation of the member, provided
8 the member files a written election as prescribed by the board.

9 (b) Applicability.--This section shall not apply to any
10 member who has Class A-3 [or], Class A-4 or Class CB 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 and cash balance member contributions), 5501.1 (relating
17 to shared-risk member contributions [for Class A-3 and Class A-4
18 service] and shared-gain adjustments to regular member
19 contributions for Class A-3 and Class A-4 service), 5502
20 (relating to Social Security integration member contributions),
21 5503 (relating to joint coverage member contributions) and
22 section 5505.1 (relating to additional member contributions),
23 other than cash balance member contributions, with respect to
24 current State service rendered by an active member on or after
25 January 1, 1982, shall be picked up by the Commonwealth or other
26 employer and shall be treated as the employer's contribution for
27 purposes of IRC § 414(h).

28 * * *

29 § 5504. Member contributions for the purchase of credit for
30 previous State service or to become a full coverage

1 member.

2 (a) Amount of contributions for service in other than Class
3 G through N and Class CB.--

4 (1) The contributions to be paid by an active member or
5 eligible school employee for credit [for] in the system for
6 the portion of total previous State service other than
7 service in Class G, Class H, Class I, Class J, Class K, Class
8 L, Class M and Class N and Class CB that a member is eligible
9 to have credited or to become a full coverage member shall be
10 sufficient to provide an amount equal to the regular and
11 additional accumulated deductions which would have been
12 standing to the credit of the member for such service had
13 regular and additional member contributions been made with
14 full coverage in the class of service and at the rate of
15 contribution applicable during such period of previous
16 service and had his regular and additional accumulated
17 deductions been credited with statutory interest during all
18 periods of subsequent State service as an active member or
19 inactive member on leave without pay and school service as an
20 active member or inactive member on leave without pay of the
21 Public School Employees' Retirement System up to the date of
22 purchase. A State employee who is an active member of the
23 system as a result of concurrently performing service in more
24 than one position or office at the time previously uncredited
25 State service is credited shall elect which position or
26 office is used for the determination of required
27 contributions and crediting and classification of the
28 previously uncredited service.

29 (2) Notwithstanding paragraph (1), active members [with]
30 who perform State service credited as Class A-3 [State]

1 service shall make contributions and receive credit for
2 previously uncredited State service as if the previous State
3 service was Class A-3 service, and active members [with] who
4 perform State service credited as Class A-4 [State] service
5 shall make contributions and receive credit as if the
6 previous State service was Class A-4 service, even if it
7 would have been credited as a different class of service had
8 the State employee been a member of the system at the time
9 the service was performed unless it was mandatory that the
10 State employee be an active member of the system and the
11 previous State service is being credited as the result of a
12 mandatory active membership requirement.

13 (3) Notwithstanding paragraph (1), if a member who is
14 purchasing credit for previously uncredited State service has made an
15 election under section 5306.4 (relating to election of an
16 alternate class of service multiplier), the regular member
17 contributions for all previously uncredited Class AA or Class
18 D-4 State service that is first credited on or after January
19 1, 2016, shall be calculated using the alternate class of
20 service multiplier as provided by the election.

21 (4) Notwithstanding paragraph (1), if a member is
22 purchasing credit for previously uncredited State service
23 that is first credited after December 31, 2015, the regular
24 member contributions shall be calculated without regard to
25 any adjustments that would have been applicable under
26 sections 5501.1(c) (relating to shared-risk member
27 contributions and shared-gain adjustments to regular member
28 contributions for Class A-3 and Class A-4 service) or 5501.3
29 (relating to contribution savings program for members of
30 Class AA and Class D-4 who have not made the election under

1 section 5306.4) had regular member contributions been made
2 during such period of previous service.

3 (a.1) Converted county service.--No contributions shall be
4 required to restore credit for previously credited State service
5 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
6 and Class N. Such service shall be restored upon the
7 commencement of payment of the contributions by an active member
8 of a class of service other than Class CB required to restore
9 credit in the system for all other previous State service other
10 than Class CB service.

11 (b) Certification and method of payment.--The amount payable
12 shall be certified in each case by the board in accordance with
13 methods approved by the actuary and shall be paid in a lump sum
14 within 30 days or in the case of an active member or eligible
15 school employee who is an active member of the Public School
16 Employees' Retirement System may be amortized with statutory
17 interest through salary deductions to the system in amounts
18 agreed upon by the member and the board. The salary deduction
19 amortization plans agreed to by members and the board may
20 include a deferral of payment amounts and statutory interest
21 until the termination of school service or State service or
22 beginning service as a participant without concurrently being an
23 active member or inactive member on leave without pay as the
24 board in its sole discretion decides to allow. The board may
25 limit the salary deduction amortization plans to such terms as
26 the board in its sole discretion determines. In the case of an
27 eligible school employee who is an active member of the Public
28 School Employees' Retirement System, the agreed upon salary
29 deductions shall be remitted to the Public School Employees'
30 Retirement Board, which shall certify and transfer to the board

1 the amounts paid.

2 Section 417. Section 5505(b), (c), (d) and (i)(4) of Title
3 71 are amended and the section is amended by adding subsections
4 to read:

5 § 5505. Contributions for the purchase of credit for creditable
6 nonstate service.

7 * * *

8 (b) Nonintervening military service.--

9 (1) The amount due for the purchase of credit for
10 military service other than intervening military service
11 shall be determined by applying the member's basic
12 contribution rate, the additional contribution rate plus the
13 Commonwealth normal contribution rate for active members at
14 the time of entry, subsequent to such military service, of
15 the member into State service to his average annual rate of
16 compensation over the first three years of such subsequent
17 State service, excluding any compensation for Class A-3
18 service or Class A-4 service in excess of the Class A-3 and
19 Class A-4 compensation limit, and multiplying the result by
20 the number of years and fractional part of a year of
21 creditable nonintervening military service being purchased
22 together with statutory interest during all periods of
23 subsequent State service as an active member or inactive
24 member on leave without pay and school service as an active
25 member or inactive member on leave without pay of the Public
26 School Employees' Retirement System to date of purchase. Upon
27 application for credit for such service, payment shall be
28 made in a lump sum within 30 days or in the case of an active
29 member or eligible school employee who is an active member of
30 the Public School Employees' Retirement System it may be

1 amortized with statutory interest through salary deductions
2 to the system in amounts agreed upon by the member and the
3 board. The salary deduction amortization plans agreed to by
4 members and the board may include a deferral of payment
5 amounts and statutory interest until the termination of
6 school service or State service or beginning service as a
7 participant without concurrently being an active member or
8 inactive member on leave without pay as the board in its sole
9 discretion decides to allow. The board may limit salary
10 deduction amortization plans to such terms as the board in
11 its sole discretion determines. In the case of an eligible
12 school employee who is an active member of the Public School
13 Employees' Retirement System, the agreed upon salary
14 deductions shall be remitted to the Public School Employees'
15 Retirement Board, which shall certify and transfer to the
16 board the amounts paid. Application may be filed for all such
17 military service credit upon completion of three years of
18 subsequent State service and shall be credited as Class A
19 service.

20 (2) Applicants may purchase credit as follows:

21 (i) one purchase of the total amount of creditable
22 nonintervening military service; or

23 (ii) one purchase per 12-month period of a portion
24 of creditable nonintervening military service.

25 The amount of each purchase shall be not less than one year
26 of creditable nonintervening military service.

27 (c) Intervening military service.--Contributions on account
28 of credit for intervening military service shall be determined
29 by the member's regular contribution rate, shared-risk
30 contribution rate, Social Security integration contribution

1 rate, the additional contribution rate which shall be applied
2 only to those members who began service on or after the
3 effective date of this amendatory act and compensation at the
4 time of entry of the member into active military service,
5 excluding any compensation for Class A-3 service or Class A-4
6 service in excess of the Class A-3 and Class A-4 compensation
7 limit, together with statutory interest during all periods of
8 subsequent State service as an active member or inactive member
9 on leave without pay and school service as an active member or
10 inactive member on leave without pay of the Public School
11 Employees' Retirement System to date of purchase. Upon
12 application for such credit the amount due shall be certified in
13 the case of each member by the board in accordance with methods
14 approved by the actuary, and contributions may be made by:

- 15 (1) regular monthly payments during active military
16 service; or
- 17 (2) a lump sum payment within 30 days of certification;
18 or
- 19 (3) salary deductions to the system in amounts agreed
20 upon by the member or eligible school employee who is an
21 active member of the Public School Employees' Retirement
22 System and the board.

23 The salary deduction amortization plans agreed to by members and
24 the board may include a deferral of payment amounts and
25 statutory interest until the termination of school service or
26 State service or beginning service as a participant without
27 concurrently being an active member or inactive member on leave
28 without pay as the board in its sole discretion decides to
29 allow. The board may limit salary deduction amortization plans
30 to such terms as the board in its sole discretion determines. In

1 the case of an eligible school employee who is an active member
2 of the Public School Employees' Retirement System, the agreed
3 upon salary deductions shall be remitted to the Public School
4 Employees' Retirement Board, which shall certify and transfer to
5 the board the amounts paid.

6 (d) Nonmilitary and nonmagisterial service.--Contributions
7 on account of credit for creditable nonstate service other than
8 military and magisterial service by State employees who first
9 become members of the system before January 1, 2011, or before
10 December 1, 2010, as a member of the General Assembly shall be
11 determined by applying the member's basic contribution rate, the
12 additional contribution rate plus the Commonwealth normal
13 contribution rate for active members at the time of entry
14 subsequent to such creditable nonstate service of the member
15 into State service to his compensation at the time of entry into
16 State service as a member of the system and excluding any
17 compensation for Class A-3 service or Class A-4 service in
18 excess of the Class A-3 and Class A-4 compensation limit and
19 multiplying the result by the number of years and fractional
20 part of a year of creditable nonstate service being purchased
21 together with statutory interest during all periods of
22 subsequent State service as an active member or inactive member
23 on leave without pay and school service as an active member or
24 inactive member on leave without pay of the Public School
25 Employees' Retirement System to the date of purchase. Upon
26 application for credit for such service payment shall be made in
27 a lump sum within 30 days or in the case of an active member or
28 eligible school employee who is an active member of the Public
29 School Employees' Retirement System it may be amortized with
30 statutory interest through salary deductions to the system in

1 amounts agreed upon by the member and the board. The salary
2 deduction amortization plans agreed to by members and the board
3 may include a deferral of payment amounts and statutory interest
4 until the termination of school service or State service or
5 beginning service as a participant without concurrently being an
6 active member or inactive member on leave without pay as the
7 board in its sole discretion decides to allow. The board may
8 limit salary deduction amortization plans to such terms as the
9 board in its sole discretion determines. In the case of an
10 eligible school employee who is an active member of the Public
11 School Employees' Retirement System, the agreed upon salary
12 deduction shall be remitted to the Public School Employees'
13 Retirement Board, which shall certify and transfer to the board
14 the amounts paid.

15 * * *

16 (i) Purchases of nonstate service credit by State employees
17 who first became members of the system on or after December 1,
18 2010.--

19 * * *

20 (4) The payment for credit purchased under this
21 subsection shall be certified in each case by the board in
22 accordance with methods approved by the actuary and shall be
23 paid in a lump sum within 30 days or in the case of an active
24 member or eligible school employee who is an active member of
25 the Public School Employees' Retirement System may be
26 amortized with statutory interest through salary deductions
27 to the system in amounts agreed upon by the member and the
28 board. The salary deduction amortization plans agreed to by
29 members and the board may include a deferral of payment
30 amounts and interest until the termination of school service

1 or State service or beginning service as a participant
2 without concurrently being an active member or inactive
3 member on leave without pay as the board in its sole
4 discretion decides to allow. The board may limit the salary
5 deduction amortization plans to such terms as the board in
6 its sole discretion determines. In the case of an eligible
7 school employee who is an active member of the Public School
8 Employees' Retirement System, the agreed upon salary
9 deductions shall be remitted to the Public School Employees'
10 Retirement Board, which shall certify and transfer to the
11 board the amounts paid.

12 (j) Inapplicability of election and adjustments.--

13 (1) Notwithstanding paragraph (1), if a member who is
14 purchasing creditable nonstate service has made an election
15 under section 5306.4 (relating to election of an alternate
16 class of service multiplier), the contributions for all Class
17 AA or Class D-4 nonstate service that is first credited on or
18 after January 1, 2016, shall be determined using the
19 alternate class of service multiplier as provided by the
20 election.

21 (2) Notwithstanding paragraph (1), if a member is
22 purchasing creditable nonstate service that is first credited
23 on or after January 1, 2016, the regular member contributions
24 necessary to purchase such credit shall be determined without
25 regard to any adjustments applicable under sections 5501.1(c)
26 (relating to shared-risk member contributions and shared-gain
27 adjustments to regular member contributions for Class A-3 and
28 Class A-4 service) or 5501.3 (relating to contribution
29 savings program for members of Class AA and Class D-4 who
30 have not made the election under section 5306.4).

1 (k) Calculation of employee contributions after December 31,
2 2015.--If employee contributions for the payment of creditable
3 nonstate service purchased under this subsection are determined
4 all or in part by the Commonwealth normal contribution rate
5 after December 31, 2015, the Commonwealth normal contribution
6 for that purpose shall be the higher of the applicable actual
7 employer normal contribution rate determined under section
8 5508(b) (relating to actuarial cost method), or the employer
9 normal contribution rated determined as part of the actuarial
10 valuation for December 31, 2014.

11 Section 418. Sections 5506 and 5506.1(a) of Title 71 are
12 amended to read:

13 § 5506. Incomplete payments.

14 In the event that a member terminates State service or begins
15 service as a participant without concurrently being an active
16 member or inactive member on leave without pay or a multiple
17 service member who is an active member of the Public School
18 Employees' Retirement System terminates school service before
19 the agreed upon payments for credit for previous State service,
20 USERRA leave, creditable nonstate service, social security
21 integration, full coverage membership or return of benefits on
22 account of returning to State service or entering school service
23 and electing multiple service have been completed, the member or
24 multiple service member who is an active member of the Public
25 School Employees' Retirement System shall have the right to pay
26 within 30 days of termination of State service or school service
27 or beginning service as a participant the balance due, including
28 interest, in a lump sum and the annuity shall be calculated
29 including full credit for the previous State service, creditable
30 nonstate service, social security integration, or full coverage

1 membership. In the event a member does not pay the balance due
2 within 30 days of termination of State service or beginning
3 service as a participant or in the event a member dies in State
4 service or within 30 days of termination of State service or
5 beginning service as a participant or in the case of a multiple
6 service member who is an active member of the Public School
7 Employees' Retirement System does not pay the balance due within
8 30 days of termination of school service or dies in school
9 service or within 30 days of termination of school service and
10 before the agreed upon payments have been completed, the present
11 value of the benefit otherwise payable shall be reduced by the
12 balance due, including interest, and the benefit payable shall
13 be calculated as the actuarial equivalent of such reduced
14 present value.

15 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

16 (a) General rule.--In addition to other applicable
17 limitations set forth in this part, and notwithstanding any
18 provision of this part to the contrary, the annual compensation
19 of each noneligible member and each participant taken into
20 account for benefit purposes under this part shall not exceed
21 the limitation under IRC § 401(a)(17). On and after January 1,
22 1996, any reference in this part to the limitation under IRC §
23 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
24 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
25 compensation limit set forth in this subsection. The OBRA '93
26 annual compensation limit is \$150,000, as adjusted by the
27 commissioner for increases in the cost of living in accordance
28 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
29 effect for a calendar year applies to any determination period
30 which is a period, not exceeding 12 months, over which

1 compensation is determined, beginning in such calendar year. If
2 a determination period consists of fewer than 12 months, the
3 OBRA '93 compensation limit will be multiplied by a fraction,
4 the numerator of which is the number of months in the
5 determination period and the denominator of which is 12.

6 * * *

7 Section 419. Title 71 is amended by adding a section to
8 read:

9 § 5506.2. Application of Class A-3 and Class A-4 compensation
10 limit.

11 (a) General rule.--The Class A-3 and Class A-4 compensation
12 limit shall be applied to the total compensation received each
13 calendar year for service as a member of Class A-3 or Class A-4
14 and, if a multiple service member, for service in Class T-E and
15 Class T-F in the Public School Employees' Retirement System.

16 (b) Final average salary adjustment required.--For purposes
17 of calculating final average salary for the determination of
18 standard single life annuities and other benefits resulting from
19 post-January 2016 service as a member of Class A-3 or Class A-4,
20 the total compensation received, and the compensation received
21 excluding remuneration received for any overtime service as a
22 member of the system, each calendar year for Class A-3 service
23 and Class A-4 service and, if a multiple service member, as a
24 school employee for service as a Class T-E member and Class T-F
25 member of the Public School Employees' Retirement System, shall
26 be adjusted first by annualizing the compensation received for
27 any part-time service or for any partial year of credit on the
28 basis of the fractional portion of the year for which credit is
29 received. After annualization, the amount of compensation in any
30 calendar year resulting from Class A-3 service or Class A-4

1 service shall be further adjusted downward so as to not exceed
2 the Class A-3 and Class A-4 compensation limit for that year.

3 (c) Member contribution limits.--For purposes of determining
4 regular member contributions and shared-risk member
5 contributions resulting from post-January 2016 service as a
6 member of Class A-3 or Class A-4 service, the compensation each
7 year is limited to the Class A-3 and Class A-4 compensation
8 limit for that year.

9 Section 420. Sections 5507 heading and (a) and (b), 5508(a),
10 (b), (c), (f), (h) and (i) and 5509 of Title 71 are amended to
11 read:

12 § 5507. Contributions to the system by the Commonwealth and
13 other employers.

14 (a) Contributions on behalf of active members.--The
15 Commonwealth and other employers whose employees are members of
16 the system shall make contributions to the fund on behalf of all
17 active members in such amounts as shall be certified by the
18 board as necessary to provide, together with the members' total
19 accumulated deductions and cash balance member accumulated
20 deductions, annuity reserves on account of prospective annuities
21 other than those provided in sections 5708 (relating to
22 supplemental annuities), 5708.1 (relating to additional
23 supplemental annuities), 5708.2 (relating to further additional
24 supplemental annuities), 5708.3 (relating to supplemental
25 annuities commencing 1994), 5708.4 (relating to special
26 supplemental postretirement adjustment), 5708.5 (relating to
27 supplemental annuities commencing 1998), 5708.6 (relating to
28 supplemental annuities commencing 2002), 5708.7 (relating to
29 supplemental annuities commencing 2003) and 5708.8 (relating to
30 special supplemental postretirement adjustment of 2002), in

1 accordance with the actuarial cost method provided in section
2 5508(a), (b), (c), (d) and (f) (relating to actuarial cost
3 method).

4 (b) Contributions on behalf of annuitants.--The Commonwealth
5 and other employers whose employees are members of the system
6 shall make contributions on behalf of annuitants in such amounts
7 as shall be certified by the board as necessary to fund the
8 liabilities for supplemental annuities in accordance with the
9 actuarial cost method provided in section 5508(e) [(relating to
10 actuarial cost method)].

11 * * *

12 § 5508. Actuarial cost method.

13 (a) Employer contribution rate on behalf of active
14 members.--[The] For each fiscal year, the amount of the
15 Commonwealth and other employer contributions on behalf of all
16 active members shall be computed by the actuary as a percentage
17 of the total compensation of all active members during the
18 period for which the amount is determined and shall be so
19 certified by the board. The actuarially required contribution
20 rate on behalf of all active members shall consist of the
21 employer normal contribution rate, as defined in subsection (b),
22 and the accrued liability contribution rate as defined in
23 subsection (c). The actuarially required contribution rate on
24 behalf of all active members shall be modified by the experience
25 adjustment factor as calculated in subsection (f).

26 (b) Employer normal contribution rate.--The employer normal
27 contribution rate shall be determined after each actuarial
28 valuation on the basis of an annual interest rate and such
29 mortality and other tables as shall be adopted by the board in
30 accordance with generally accepted actuarial principles. The

1 employer normal contribution rate shall be determined as a level
2 percentage of the compensation of the average new active member,
3 which percentage, if contributed on the basis of his prospective
4 compensation through his entire period of active State service,
5 would be sufficient to fund the liability for any prospective
6 benefit payable to him in excess of that portion funded by his
7 prospective member contributions, excluding shared-risk member
8 contributions. In no case shall the employer normal contribution
9 rate be less than zero.

10 (c) Accrued liability contribution rate.--

11 (1) For the fiscal years beginning July 1, 2002, and
12 July 1, 2003, the accrued liability contribution rate shall
13 be computed as the rate of total compensation of all active
14 members which shall be certified by the actuary as sufficient
15 to fund over a period of ten years from July 1, 2002, the
16 present value of the liabilities for all prospective
17 benefits, except for the supplemental benefits as provided in
18 sections 5708 (relating to supplemental annuities), 5708.1
19 (relating to additional supplemental annuities), 5708.2
20 (relating to further additional supplemental annuities),
21 5708.3 (relating to supplemental annuities commencing 1994),
22 5708.4 (relating to special supplemental postretirement
23 adjustment), 5708.5 (relating to supplemental annuities
24 commencing 1998), 5708.6 (relating to supplemental annuities
25 commencing 2002), 5708.7 (relating to supplemental annuities
26 commencing 2003) and 5708.8 (relating to special supplemental
27 postretirement adjustment of 2002), in excess of the total
28 assets in the fund (calculated recognizing all investment
29 gains and losses over a five-year period), excluding the
30 balance in the supplemental annuity account, and the present

1 value of employer normal contributions and of member
2 contributions payable with respect to all active members on
3 December 31, 2001, and excluding contributions to be
4 transferred by county retirement systems or pension plans
5 pursuant to section 5507(c) (relating to contributions by the
6 Commonwealth and other employers). The amount of each annual
7 accrued liability contribution shall be equal to the amount
8 of such contribution for the fiscal year beginning July 1,
9 2002, except that, if the accrued liability is increased by
10 legislation enacted subsequent to June 30, 2002, but before
11 July 1, 2003, such additional liability shall be funded over
12 a period of ten years from the first day of July, coincident
13 with or next following the effective date of the increase.
14 The amount of each annual accrued liability contribution for
15 such additional legislative liabilities shall be equal to the
16 amount of such contribution for the first annual payment.

17 (2) Notwithstanding any other provision of law,
18 beginning July 1, 2004, and ending June 30, 2010, the
19 outstanding balance of the increase in accrued liability due
20 to the change in benefits enacted in 2001 shall be amortized
21 in equal dollar annual contributions over a period that ends
22 30 years after July 1, 2002, and the outstanding balance of
23 the net actuarial loss incurred in calendar year 2002 shall
24 be amortized in equal dollar annual contributions over a
25 period that ends 30 years after July 1, 2003. For fiscal
26 years beginning on or after July 1, 2004, and ending June 30,
27 2010, if the accrued liability is increased by legislation
28 enacted subsequent to June 30, 2003, but before January 1,
29 2009, such additional liability shall be funded in equal
30 dollar annual contributions over a period of ten years from

1 the first day of July coincident with or next following the
2 effective date of the increase.

3 (3) For the fiscal [year] years beginning July 1, 2010,
4 and ending June 30, 2016, the accrued liability contribution
5 rate shall be computed as the rate of total compensation of
6 all active members which shall be certified by the actuary as
7 sufficient to fund in equal dollar installments over a period
8 of 30 years from July 1, 2010, the present value of the
9 liabilities for all prospective benefits calculated as of the
10 immediately prior valuation date, including the supplemental
11 benefits as provided in sections 5708, 5708.1, 5708.2,
12 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but
13 excluding the benefits payable from the retirement benefit
14 plan established pursuant to section 5941 (relating to
15 benefits completion plan), in excess of the actuarially
16 calculated assets in the fund (calculated recognizing all
17 realized and unrealized investment gains and losses each year
18 in level annual installments over five years), including the
19 balance in the supplemental annuity account, and the present
20 value of employer normal contributions and of member
21 contributions payable with respect to all active members,
22 inactive members on leave without pay, vestees and special
23 vestees on December 31, 2009. If the accrued liability is
24 changed by legislation enacted subsequent to December 31,
25 2009, and before January 1, 2015, such change in liability
26 shall be funded in equal dollar installments as a percentage
27 of compensation of all active members over a period of ten
28 years from the first day of July following the valuation date
29 coincident with or next following the date such legislation
30 is enacted.

1 (4) (i) For the fiscal year beginning July 1, 2016, the
2 accrued liability contribution rate shall be computed as
3 the rate of total compensation of all active members that
4 shall be determined by the actuary as sufficient to fund
5 in equal dollar installments as a percentage of
6 compensation of all active members over a period of 30
7 years from July 1, 2016, the present value of the
8 liabilities for all prospective benefits of members of
9 the system calculated as of the immediately prior
10 valuation date, including the supplemental benefits as
11 provided in sections 5708, 5708.1, 5708.2, 5708.3,
12 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but excluding
13 the benefits payable from the retirement benefit plan
14 established under section 5941 (relating to benefits
15 completion plan) in excess of the actuarially calculated
16 assets in the fund calculated recognizing the realized
17 and unrealized investment gains and losses each year in
18 level annual installments over five years, including the
19 balance in the supplemental annuity account and the
20 present value of employer normal contributions and of
21 member contributions payable with respect to all active
22 members, inactive members on leave without pay, vestees
23 and special vestees on December 31, 2015.

24 (ii) If the accrued liability is changed by
25 legislation enacted subsequent to December 31, 2015, the
26 change in liability shall be funded in equal dollar
27 installments as a percentage of compensation of all
28 active members over a period of ten years from the first
29 day of July following the valuation date coincident with
30 or next following the date such legislation is enacted.

1 * * *

2 (f) Experience adjustment factor.--

3 (1) For each fiscal year after the establishment of the
4 accrued liability contribution rate and the supplemental
5 annuity contribution rate for the fiscal year beginning July
6 1, 2010, any increase or decrease in the unfunded accrued
7 liability and any increase or decrease in the liabilities and
8 funding for supplemental annuities, due to actual experience
9 differing from assumed experience (recognizing all realized
10 and unrealized investment gains and losses over a five-year
11 period), changes in contributions caused by the final
12 contribution rate being different from the actuarially
13 required contribution rate, State employees making shared-
14 risk member contributions, adjustments to the regular member
15 contributions under sections 5501.1 (relating to shared-risk
16 member contributions and shared-gain adjustments to regular
17 member contributions for Class A-3 and Class A-4 service) and
18 5501.3 (relating to contribution savings program for members
19 of Class AA and Class D-4 who have not made the election
20 under section 5306.4), changes in actuarial assumptions or
21 changes in the terms and conditions of the benefits provided
22 by the system by judicial, administrative or other processes
23 other than legislation, including, but not limited to,
24 reinterpretation of the provisions of this part, shall be
25 amortized in equal dollar annual contributions as a
26 percentage of compensation of all active members over a
27 period of 30 years beginning with the July 1 succeeding the
28 actuarial valuation determining said increases or decreases.

29 (2) The actuarially required contribution rate shall be
30 the sum of the normal contribution rate, the accrued

1 liability contribution rate and the supplemental annuity
2 contribution rate, modified by the experience adjustment
3 factor as calculated in paragraph (1).

4 * * *

5 (h) Temporary application of collared contribution rate.--
6 The collared contribution rate for each fiscal year shall be
7 determined by comparing the actuarially required contribution
8 rate calculated without regard for costs added by legislation to
9 the prior year's final contribution rate. If, for any of the
10 fiscal years beginning July 1, 2011, July 1, 2012, and on or
11 after July 1, 2013, the actuarially required contribution rate
12 calculated without regard for costs added by legislation is more
13 than 3%, 3.5% and 4.5%, respectively, of the total compensation
14 of all active members greater than the prior year's final
15 contribution rate, then the collared contribution rate shall be
16 applied and be equal to the prior year's final contribution rate
17 increased by the respective percentage above of total
18 compensation of all active members. Otherwise, and for all
19 subsequent fiscal years, the collared contribution rate shall
20 not [be applicable] apply. In no case shall the collared
21 contribution rate be less than 4% of total compensation of all
22 active members.

23 (i) Final contribution rate.--For the fiscal year beginning
24 July 1, 2010, the final contribution rate shall be 5% of total
25 compensation of all active members. For each subsequent fiscal
26 year for which the collared contribution rate is applicable, the
27 final contribution rate shall be the collared contribution rate
28 plus the costs added by legislation. For all other fiscal years,
29 the final contribution rate shall be the actuarially required
30 contribution rate, provided that the final contribution rate

1 shall not be less than the higher of employer normal
2 contribution rate, as defined in subsection (b), or 4%.

3 § 5509. Appropriations and assessments by the Commonwealth.

4 (a) Annual submission of budget.--The board shall prepare
5 and submit annually an itemized budget consisting of the amounts
6 necessary to be appropriated by the Commonwealth out of the
7 General Fund and special operating funds and the amounts to be
8 assessed the other employers required to meet the separate
9 obligations to the fund and the trust accruing during the fiscal
10 period beginning the first day of July of the following year.

11 (b) Appropriation and payment.--The General Assembly shall
12 make an appropriation sufficient to provide for the separate
13 obligations of the Commonwealth to the fund and the trust. Such
14 amount shall be paid by the State Treasurer through the
15 Department of Revenue into the fund or trust, as the case may
16 be, in accordance with requisitions presented by the board. The
17 contributions to the system by the Commonwealth on behalf of
18 active members who are officers of the Pennsylvania State Police
19 shall be charged to the General Fund and to the Motor License
20 Fund in the same ratios as used to apportion the appropriations
21 for salaries of members of the Pennsylvania State Police. The
22 contributions to the system by the Commonwealth on behalf of
23 active members who are enforcement officers and investigators of
24 the Pennsylvania Liquor Control Board shall be charged to the
25 General Fund and to the State Stores Fund.

26 (c) Contributions from funds other than General Fund.--The
27 amounts assessed other employers who are required to make the
28 necessary separate contributions to the fund and the trust out
29 of funds other than the General Fund shall be paid by such
30 employers into the fund or trust, as the case may be, in

1 accordance with requisitions presented by the board. The General
2 Fund of the Commonwealth shall not be held liable to appropriate
3 the moneys required to build up the reserves in the fund
4 necessary for the payment of benefits from the system to
5 employees or to make the employer defined contributions for
6 employees of such other employers. In case any such other
7 employer shall fail to provide to the fund the moneys necessary
8 for such purpose, then the service of such members of the system
9 for such period for which money is not so provided shall be
10 credited and pickup contributions and cash balance member
11 contributions with respect to such members shall continue to be
12 credited to the members' savings account and the cash balance
13 savings account. The annuity to which such member is entitled
14 shall be determined as actuarially equivalent to the present
15 value of the maximum single life annuity of each such member
16 reduced by the amount of employer contributions to the system
17 payable on account and attributable to his compensation during
18 such service, except that no reduction shall be made as a result
19 of the failure of an employer to make contributions required for
20 a period of USERRA leave.

21 Section 421. Title 71 is amended by adding a section to
22 read:

23 § 5510. Employer funding mandate protection.

24 (a) Limited expansion of contractual right to funding.--
25 Commencing on the July 1 following the actuarial valuation in
26 which the actuary certifies that the final contribution rate is
27 the actuarially required contribution, each active member of
28 shall have a contractual right to the timely payment of the
29 annual actuarially required contributions pursuant to section
30 5508 (relating to actuarial cost method) and section 5902(k)

1 (relating to administrative duties of the board) by such
2 member's employer. The following apply:

3 (1) The failure of a member's employer to make the
4 annually required contribution to the fund will be deemed to
5 be an impairment of the contractual right of such member.

6 (2) Any claim of contract impairment shall be brought
7 against the employer of the member for whom contributions
8 were not paid, and neither the board nor the system or their
9 employees or agents shall be a defendant in any such action
10 or liable for any payments or damages arising from such
11 impairment.

12 (b) Jurisdiction of Supreme Court.--Notwithstanding any
13 provision of 2 Pa.C.S. (relating to administrative law and
14 procedure), 42 Pa.C.S. (relating to judiciary and judicial
15 procedure) or any other provision of law, the Pennsylvania
16 Supreme Court shall have exclusive jurisdiction to do as
17 follows:

18 (1) hear any claim of contract impairment for failure to
19 pay certified contributions;

20 (2) render a declaratory judgment or take such other
21 action as it deems appropriate, consistent with the Supreme
22 Court retaining jurisdiction over such matter; and

23 (3) find facts or expedite a final judgment in
24 connection with such a challenge or request for declaratory
25 relief.

26 (c) Sovereign immunity waived.--Sovereign immunity is hereby
27 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
28 matters affecting government units) or lack of jurisdiction by
29 the Supreme Court shall not be raised as a defense against a
30 claim brought against an employer under this section.

1 (d) Attorney fees.--A member who prevails in a claim brought
2 under this part may be awarded reasonable attorney fees.

3 (e) Limitation of contract right.--Nothing in this section
4 shall be construed to create a contract right or claim of
5 contract impairment in any member as to any benefit formula,
6 benefit payment option, or any other provision of this part
7 other than the funding mandate of the member's employer, or to
8 change the jurisdiction of the board or the courts regarding any
9 claim other than for payment of the annual actuarially required
10 contributions.

11 (f) Employer contributions.--Nothing in this section shall
12 be deemed to supersede or conflict with the rights and
13 obligations set forth in section 5509 (relating to
14 appropriations and assessments by the Commonwealth).

15 (g) Board action.--The board is authorized but not required
16 to bring an action under this section on behalf of itself or any
17 member, and, if the board prevails, it may be awarded reasonable
18 attorney fees.

19 Section 422. Sections 5701 and 5701.1 of Title 71 are
20 amended to read:

21 § 5701. Return of total accumulated deductions and cash balance
22 member accumulated deductions.

23 Any member upon termination of service may, in lieu of all
24 benefits payable from the system under this chapter to which he
25 may be entitled, elect to receive his total accumulated
26 deductions and his cash balance member accumulated deductions by
27 his required beginning date.

28 § 5701.1. Transfer of accumulated deductions.

29 When an employee of the Juvenile Court Judges' Commission
30 elects membership in an independent retirement program pursuant

1 to section 5301(f) (relating to mandatory and optional
2 membership in the system and participation in the plan), the
3 board shall transfer directly to the trustee or administrator of
4 the independent retirement program all accumulated deductions
5 resulting from service credited while an employee of the
6 Juvenile Court Judges' Commission.

7 Section 423. Sections 5702(a), (a.1) and (b) and 5704(a),
8 (c), (e) and (f) of Title 71 are amended and the sections are
9 amended by adding subsections to read:

10 § 5702. Maximum single life annuity.

11 (a) General rule.--Any full coverage member who is eligible
12 to receive an annuity pursuant to the provisions of section
13 5308(a) or (b) (relating to eligibility for annuities) who
14 terminates State service, or if a multiple service member who is
15 a school employee who is an active member of the Public School
16 Employees' Retirement System who terminates school service,
17 before attaining age 70 shall be entitled to receive a maximum
18 single life annuity attributable to his credited service and
19 equal to the sum of the following single life annuities
20 beginning at the effective date of retirement:

21 (1) A single life annuity that is the sum of the
22 standard single life [annuity multiplied by the sum of the
23 products,] annuities determined separately for each class of
24 service, [obtained by multiplying] multiplied by the
25 appropriate class of service multiplier [by the ratio of
26 years of service credited in that class to the total credited
27 service] applicable to each standard single life annuity. In
28 case the member on the effective date of retirement is under
29 superannuation age for any service, a reduction factor
30 calculated to provide benefits actuarially equivalent to an

1 annuity starting at superannuation age shall be applied to
2 the product determined for that service. The class of service
3 multiplier for any period of concurrent service determined
4 without regard to service in Class CB shall be multiplied by
5 the proportion of total State and school compensation during
6 such period attributable to State service as a member of the
7 system. In the event a member has two multipliers for one
8 class of service [the class of service multiplier to be used
9 for calculating benefits for that class shall be the average
10 of the two multipliers weighted by the proportion of
11 compensation attributable to each multiplier during the three
12 years of highest annual compensation in that class of
13 service: Provided, That in the case of a member of Class E-1,
14 a portion but not all of whose three years of highest annual
15 judicial compensation is prior to January 1, 1973, two class
16 of service multipliers shall be calculated on the basis of
17 his entire judicial service, the one applying the judicial
18 class of service multipliers effective prior to January 1,
19 1973 and the second applying the class of service multipliers
20 effective subsequent to January 1, 1973. The average class of
21 service multiplier to be used for calculating benefits for
22 his judicial service shall be the average of the two
23 calculated multipliers weighted by the proportion of
24 compensation attributable to each of the calculated
25 multipliers during the three years of highest annual
26 compensation in that class of service.], separate standard
27 single life annuities shall be calculated for the portion of
28 service in such class applicable to each class of service
29 multiplier.

30 (2) If eligible, a single life annuity of 2% of his

1 average noncovered salary for each year of social security
2 integration credit as provided for in section 5305 (relating
3 to social security integration credits) multiplied, if on the
4 effective date of retirement the member is under
5 superannuation age for any service, by the actuarially
6 determined reduction factor for that service.

7 (3) If eligible, a single life annuity which is
8 actuarially equivalent to the regular and additional
9 accumulated deductions attributable to contributions as a
10 member of Class C, but not less than such annuity determined
11 as if the member were age 60 on the effective date of
12 retirement, actuarially reduced in the event the member is
13 under superannuation age on the effective date of retirement.

14 (4) If eligible, a single life annuity which is
15 actuarially equivalent to the amount by which his regular and
16 additional accumulated deductions attributable to any
17 credited service other than as a member of Class C are
18 greater than one-half of the actuarially equivalent value on
19 the effective date of retirement of the annuity as provided
20 in paragraph (1) attributable to service other than Class C
21 for which regular or joint coverage member contributions were
22 made. This paragraph shall not apply to any member with State
23 service credited as Class A-3 or Class A-4.

24 (5) If eligible, a single life annuity which is
25 actuarially equivalent to the amount by which his social
26 security integration accumulated deductions are greater than
27 one-half of the actuarially equivalent value on the effective
28 date of retirement of the annuity provided for under
29 paragraph (2).

30 (6) If eligible, a single life annuity sufficient

1 together with the annuity provided for in paragraph (1) as a
 2 Class A, Class AA, Class A-3 and Class A-4 member and the
 3 highest annuity provided for in paragraph (2) to which he is
 4 entitled, or at his option could have been entitled, to
 5 produce that percentage of [a] the sums of the standard
 6 single life [annuity] annuities adjusted by the application
 7 of the class of service multiplier for Class A, Class AA,
 8 Class A-3 or Class A-4 as set forth in paragraph (1) in the
 9 case where any service is credited as a member of Class A,
 10 Class AA, Class A-3 or Class A-4 on the effective date of
 11 retirement as determined by his total years of credited
 12 service as a member of Class A, Class AA, Class A-3 and Class
 13 A-4 and by the following table:

14 Total Years of 15 Credited Service 16 as a Member of 17 Class A, 18 Class AA, Class A-3 19 and Class A-4	Percentage of <u>Sums of</u> Standard Single Life [Annuity] <u>Annunities</u> Adjusted for Class A, Class AA, Class A-3 and Class A-4 Class of Service Multipliers
22 35-40	100%
23 41	102%
24 42	104%
25 43	106%
26 44	108%
27 45 or more	110%

28 (7) If eligible, a single life annuity which is
 29 actuarially equivalent to the total cash balance accumulated
 30 deductions credited to the member's individual cash balance

1 savings account.

2 (a.1) Rule for terminations after attaining age 70.--

3 (1) Any full coverage member who is eligible to receive
4 an annuity pursuant to the provisions of section 5308(a) who
5 terminates State service, or if a multiple service member who
6 is a school employee and an active member of the Public
7 School Employees' Retirement System who terminates school
8 service, on or after attaining age 70 and who applies for a
9 superannuation annuity to be effective the day after the
10 termination of State service or school service, as the case
11 may be, shall be entitled to receive a maximum single life
12 annuity as of a determination date that is equal to the
13 greater of subparagraph (i) or (ii), plus any annuity the
14 member may be eligible to receive under subsection (a)(7):

15 (i) the sum of the annuities provided in subsection
16 (a)(1) through (6) calculated as of the determination
17 date; and

18 (ii) the greater of [clause (A) or (B)]:

19 (A) the sum of the annuities provided in
20 subsection (a)(1), (3), (4) and (6) as of the
21 preceding determination date adjusted by the
22 actuarial increase factor, plus the annuities
23 provided in subsection (a)(2) and (5) as of the
24 determination date; [and] or

25 (B) the maximum single life annuity calculated
26 without including any annuity payable under
27 subsection (a)(7) as of the preceding determination
28 date adjusted by the actuarial increase factor.

29 The maximum single life annuity calculated without including
30 any annuity payable under subsection (a)(7) shall be

1 calculated for each determination date.

2 (2) For purposes of this subsection, the determination
3 date shall be:

4 (i) the member's birthday, provided that as of such
5 date the member qualifies for a maximum single life
6 annuity under this subsection, determined excluding
7 eligibility for annuity payable under subsection (a) (7);
8 or

9 (ii) if the member's maximum single life annuity is
10 being determined as of the member's effective date of
11 retirement, then the determination date shall be the
12 member's effective date of retirement.

13 (3) In the event an active member, an inactive member on
14 leave without pay or a multiple service member who is a
15 school employee and an active member of the Public School
16 Employees' Retirement System has attained age 70 before the
17 effective date of this subsection, or enters State service or
18 school service, as the case may be, after attaining age 70,
19 then section 5305.1 (relating to eligibility for actuarial
20 increase factor) and subsections (a) and (a.1) shall be
21 effective prospectively with respect to such member at the
22 member's next birthday after the effective date of this
23 subsection, entry into State service, or school service.

24 Nothing in this subsection shall be construed to provide an
25 actuarial increase factor for any period of service prior to the
26 effective date of this subsection.

27 (b) Present value of annuity.--The present value of the
28 maximum single life annuity as calculated in accordance with
29 subsection (a) of this section shall be the sum of the products
30 determined by:

1 (1) multiplying the maximum single life annuity
2 calculated without including any annuity payable under
3 subsection (a) (7) by the cost of a dollar annuity applicable
4 to subsection (a) (1), (2), (3), (4), (5) and (6) on the
5 effective date of retirement[.]; and

6 (2) multiplying the annuity, if any, payable under
7 section (a) (7) by the cost of a dollar annuity applicable to
8 subsection (a) (7).

9 Such present value shall be decreased only as required under the
10 provisions of section 5506 (relating to incomplete payments),
11 5509(c) (relating to appropriations and assessments by the
12 Commonwealth) or 5703 (relating to reduction of annuities on
13 account of social security old-age insurance benefits).

14 * * *

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

20 § 5704. Disability annuities.

21 (a) Amount of annuity.--

22 (1) A member who has credit in one or more classes of
23 service other than Class CB and who has made application for
24 a disability annuity and has been found to be eligible in
25 accordance with the provisions of section 5905(c) (1)
26 (relating to duties of the board regarding applications and
27 elections of members) shall receive a disability annuity
28 payable from the effective date of disability as determined
29 by the board and continued until a subsequent determination
30 by the board that the annuitant is no longer entitled to a

1 disability annuity. The disability annuity shall be a single
2 life annuity that is equal to [a] the sum of the standard
3 single life [annuity] annuities determined separately for
4 each class of service other than Class CB multiplied by the
5 appropriate class of service multiplier applicable to the
6 class of service at the time of disability if the [product
7 of] sums of the products of each such class of service
8 multiplier and the [total] number of years and fractional
9 part of a year of credited service in each class, plus the
10 number of years and fractional part of a year of service
11 credited in Class CB, if any, is greater than 16.667[,];
12 otherwise [the] each standard single life annuity shall be
13 multiplied by the lesser of the following ratios:

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

15 [where] Where Y = total number of years of credited service[,];
16 Y* = total years of credited service if the member were to
17 continue as a State employee until attaining superannuation age
18 for each class of service other than Class CB as applicable at
19 the time of disability, or if the member has attained
20 superannuation age for a class of service other than Class CB,
21 as applicable at the time of disability, then the number of
22 years of credited service; and M = the class of service
23 multiplier as applicable to that class of service at the
24 effective date of disability. A member of Class C shall receive,
25 in addition, any annuity to which he may be eligible under
26 section 5702(a)(3) (relating to maximum single life annuity).
27 [The member shall be entitled to the election of a joint and
28 survivor annuity on that portion of the disability annuity to
29 which he is entitled under section 5702.]

30 (2) In addition to the amount of disability annuity

1 payable under paragraph (1), a member who has Class CB
2 service credit shall be entitled to a separate annuity
3 calculated under section 5702(a)(7) on the effective date of
4 disability.

5 (3) The member shall be entitled to the election of a
6 joint and survivor annuity on that portion of the disability
7 annuity to which he is entitled under section 5702.

8 * * *

9 (c) Reduction on account of earned income.--Subsequent to
10 January 1, 1972, payments on account of disability shall be
11 reduced by that amount by which the earned income of the
12 annuitant, as reported in accordance with section 5908(b)
13 (relating to rights and duties of annuitants), for the preceding
14 calendar year together with the disability annuity payments
15 provided in this section other than subsection (b), for the
16 year, exceeds the product of:

17 [(i)] (1) the last year's salary of the annuitant as a
18 [State employee] member of the system; and

19 [(ii)] (2) the ratio of the current monthly payment to
20 the monthly payment at the effective date of disability;

21 Provided, That the annuitant shall not receive less than his
22 member's annuity or the amount to which he may be entitled under
23 section 5702 whichever is greater.

24 * * *

25 (e) Termination of State service.--Upon termination of
26 disability annuity payments in excess of an annuity calculated
27 in accordance with section 5702, a disability annuitant who:

28 (1) does not have Class A-3 or Class A-4 service credit;

29 or

30 (2) has Class A-3 or Class A-4 service credit and fewer

1 than ten eligibility points;
2 and who does not return to State service may file an application
3 with the board for an amount equal to the excess, if any, of the
4 sum of the shared-risk accumulated deductions plus the regular
5 and additional accumulated deductions and cash balance member
6 accumulated deductions standing to his credit at the effective
7 date of disability over one-third of the total disability
8 annuity payments received. If the annuitant on the date of
9 termination of service was eligible for an annuity as provided
10 in section 5308(a) or (b) (relating to eligibility for
11 annuities), he may file an application with the board for an
12 election of an optional modification of his annuity.

13 (f) Supplement for service connected disability.--

14 (1) If a member has been found to be eligible for a
15 disability annuity and if the disability has been found to be
16 a service connected disability and if the member is receiving
17 workers' compensation payments for other than medical
18 benefits, such member shall receive a supplement equal to
19 [70% of his final average salary] the amount determined under
20 paragraph (2) less the sum of the annuity as determined under
21 subsection (a) and any payments paid or payable on account of
22 such disability under the act of June 2, 1915 (P.L.736,
23 No.338), known as the Workers' Compensation Act, the act of
24 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
25 Occupational Disease Act, and the Social Security Act (49
26 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
27 continue as long as he is determined to be disabled and is
28 receiving workers' compensation payments for other than
29 medical benefits on account of his service connected
30 disability in accordance with the Workers' Compensation Act

1 or The Pennsylvania Occupational Disease Act. If the member
2 has received a lump sum workers' compensation payment in lieu
3 of future weekly compensation payments, the length in weeks
4 and calculation of the service connected disability
5 supplement shall be determined by dividing the lump sum
6 payment by the average weekly wage as determined by the
7 Workers' Compensation Board.

8 (2) For a member who does not have post-January 2016
9 service, the amount to be used to determine eligibility for
10 the supplement under paragraph (1) shall be 70% of the
11 member's final average salary. For a member who has post-
12 January 2016 service, the amount to be used to determine
13 eligibility for the supplement under paragraph (1) shall be
14 calculated according to the following formula:

$$15 \quad A = .7 \left[\frac{YW \text{ MULTIPLIED BY FASW}}{YT} + \frac{YXYZ \text{ MULTIPLIED BY FASXYZ}}{YT} \right]$$

17 (3) The following apply to the formula in paragraph (2):

18 (i) A equals the amount used to determine the
19 supplement;

20 (ii) YT equals total years of credited service;

21 (iii) YW equals years of credited service that are
22 not post-January 2016 service;

23 (iv) FASW equals final average salary calculated for
24 credited service other than post-January 2016 service;

25 (v) XYZ equals years of service credited as post-
26 January 2016 service; and

27 (vi) FASXYZ equals final average salary calculated
28 for service credited as post-January 2016 service.

29 * * *

30 (h) Coordination of benefits.--The determination and payment

1 of a disability annuity under this section is in addition to any
2 payments a combined service employee, as a result of being a
3 participant in the plan, may be entitled to receive, has
4 received or is receiving. A disability annuity may not be paid
5 to a combined service employee who is an active participant.

6 Section 424. Sections 5705, 5705.1, 5706(a), (a.1), (a.2),
7 (b) and (c) and 5707 of Title 71 are amended to read:

8 § 5705. Member's options.

9 (a) General rule.--Any special vestee [who has attained
10 superannuation age, any vestee who does not have Class A-3 or
11 Class A-4 service credit having five or more eligibility points
12 for service other than Class T-E or Class T-F service in the
13 Public School Employees' Retirement System, or vestee who has
14 Class A-3 or Class A-4 service credit having ten or more
15 eligibility points, any member with Class G, Class H, Class I,
16 Class J, Class K, Class L, Class M or Class N service having
17 five or more eligibility points or any other eligible member
18 upon termination of State service who has not withdrawn his
19 total accumulated deductions as provided in section 5701
20 (relating to return of total accumulated deductions)], vestee or
21 other member upon termination of State service who is eligible
22 to receive an annuity as provided in section 5308(a) or (b)
23 (relating to eligibility for annuities) may apply for and elect
24 to receive either a maximum single life annuity, as calculated
25 in accordance with the provisions of section 5702 (relating to
26 maximum single life annuity), or a reduced annuity certified by
27 the actuary to be actuarially equivalent to the maximum single
28 life annuity payable after reduction under subsection (a.1) and
29 in accordance with one of the following options; except that no
30 member shall elect an annuity payable to one or more survivor

1 annuitants other than his spouse or alternate payee of such a
2 magnitude that the present value of the annuity payable to him
3 for life plus any lump sum payment under this subsection and
4 subsection (a.1) he may have elected to receive is less than 50%
5 of the present value of his maximum single life annuity[:]; and
6 no member may elect a payment option that would provide benefits
7 that do not satisfy the minimum distribution requirements or
8 would violate the incidental death benefit rules of IRC 401(a)
9 (9):

10 (1) Option 1.--A life annuity to the member with a
11 guaranteed total payment equal to the present value of the
12 maximum single life annuity on the effective date of
13 retirement with the provision that, if, at his death, he has
14 received less than such present value, the unpaid balance
15 shall be payable to his beneficiary.

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

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

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

28 (i) any annuity shall be payable without reduction
29 during the lifetime of the member;

30 (ii) the sum of all annuities payable to the

1 designated survivor annuitants shall not be greater than
2 one and one-half times the annuity payable to the member;
3 and

4 (iii) a portion of the benefit may be payable as a
5 lump sum, except that such lump sum payment shall not
6 exceed an amount equal to the total accumulated
7 deductions standing to the credit of the member that are
8 not the result of contributions and statutory interest
9 made or credited as a result of Class A-3 or Class A-4
10 service. The balance of the present value of the maximum
11 single life annuity adjusted in accordance with section
12 5702(b) shall be paid in the form of an annuity with a
13 guaranteed total payment, a single life annuity, or a
14 joint and survivor annuity or any combination thereof but
15 subject to the restrictions of subparagraphs (i) and (ii)
16 under this option. If a member's effective date of
17 retirement is on or after January 1, 2016, then the
18 portion of the benefit payable under this subparagraph
19 shall be further limited to the total accumulated
20 deductions standing to the credit of the member on
21 December 31, 2015, that are not the result of
22 contributions and statutory interest made or credited as
23 a result of Class A-3 or Class A-4 service, plus any
24 statutory interest credited on those accumulated
25 deductions before the effective date of retirement.

26 (a.1) Additional lump sum withdrawal.--The following shall
27 apply:

28 (1) After December 31, 2015, if a member has elected to
29 have the full amount allowed under subsection (a)(4)(iii)
30 paid in lump sum, then the member may elect to receive an

1 additional amount payable in a lump sum at the same time as
2 the payment elected under subsection (a) (4) (iii).

3 (2) The additional amount payable in a lump sum may not
4 exceed the sum of:

5 (i) an amount equal to the excess of the total
6 accumulated deductions standing to the credit of the
7 member on the effective date of retirement that are not
8 the result of contributions and statutory interest made
9 or credited as a result of Class A-3 or Class A-4 service
10 over the amount payable under subsection (a) (4) (iii); and

11 (ii) an amount equal to the cash balance member
12 accumulated deductions standing to the credit of the
13 member.

14 (3) If a member elects to be paid an additional lump sum
15 amount under this subsection, then the maximum single life
16 annuity calculated under section 5702 and payable under
17 subsection (a) shall be reduced by the additional amount
18 withdrawn divided by the cost of a dollar annuity on the
19 effective date of retirement computed on the basis of the
20 annual interest rate adopted for that fiscal year by the
21 board for the calculation of the employer normal contribution
22 rate under section 5508(b) (relating to actuarial cost
23 method) and the mortality tables adopted by the board for the
24 determination of actuarially equivalent benefits under this
25 part. The reduction in the maximum single life annuity under
26 this paragraph shall apply before the election and
27 calculation of any reduced annuities payable under subsection
28 (a).

29 (b) Present value of joint coverage annuity.--In calculating
30 an annuity payable to a member of the joint coverage group, the

1 present value of such adjusted annuity shall be determined by
2 taking into account prospectively the reduction applicable upon
3 the attainment of the age at which full social security benefits
4 are payable.

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

17 shall receive in a lump sum at the time of his retirement, in
18 addition to any other annuity or lump sum payment which he may
19 elect, his accumulated deductions resulting from his Class A-3
20 or Class A-4 service credit. Payment of these accumulated
21 deductions resulting from Class A-3 or Class A-4 service credit
22 shall not be eligible for installment payments pursuant to
23 section 5905.1 (relating to installment payments of accumulated
24 deductions) but shall be considered a lump sum payment for
25 purposes of section 5905.1(d).

26 (b) Payment of cash balance member accumulated deductions
27 resulting from Class CB service.--Any annuitant who is a member
28 with Class CB service credit and one or more other classes of
29 service credit and who is receiving an annuity based on his
30 Class CB service but is not eligible to receive an annuity based

1 on his service credited in one or more of his other classes of
2 service shall receive in a lump sum at the time of his
3 retirement, in addition to any other annuity which he may elect
4 for his Class CB service, his accumulated deductions resulting
5 from his service credit in classes of service other than Class
6 CB for which he is not eligible to receive an annuity. Payment
7 of these accumulated deductions resulting from service credit in
8 classes of service other than Class CB shall not be eligible for
9 installment payments under section 5905.1, but shall be
10 considered a lump sum payment for purposes of section 5905.1(d).

11 § 5706. Termination of annuities.

12 (a) General rule.--If the annuitant returns to State service
13 or enters or has entered school service and elects multiple
14 service membership, any annuity payable to him under this part
15 shall cease effective upon the date of his return to State
16 service or entering school service, without regard to whether he
17 is a mandatory, optional or prohibited member of the system or
18 participant in the plan or, if a multiple service member,
19 without regard to whether he is a mandatory, optional or
20 prohibited member or participant of the Public School Employees'
21 Retirement System or School Employees' Defined Contribution
22 Plan; and, in the case of an annuity other than a disability
23 annuity the present value of such annuity, other than the
24 portion of the annuity that is being paid under section 5702(a)
25 (7) (relating to maximum single life annuity), adjusted for full
26 coverage in the case of a joint coverage member who makes the
27 appropriate back contributions for full coverage, shall be
28 frozen as of the date such annuity ceases[.] and the present
29 value of the portion of the annuity that is being paid under
30 section 5702(a) (7) shall be placed in the member's individual

1 cash balance saving account. An annuitant who is credited with
2 an additional 10% of Class A and Class C service as provided in
3 section 5302(c) (relating to credited State service) and who
4 returns to State service shall forfeit such credited service and
5 shall have his frozen present value adjusted as if his 10%
6 retirement incentive had not been applied to his account. In the
7 event that the cost-of-living increase enacted December 18, 1979
8 occurred during the period of such State or school employment,
9 the frozen present value shall be increased, on or after the
10 member attains superannuation age, by the percent applicable had
11 he not returned to service. This subsection shall not apply in
12 the case of any annuitant who may render services to the
13 Commonwealth in the capacity of an independent contractor or as
14 a member of an independent board or commission or as a member of
15 a departmental administrative or advisory board or commission
16 when such members of independent or departmental boards or
17 commissions are compensated on a per diem basis for not more
18 than 150 days per calendar year or as a member of an independent
19 board or commission requiring appointment by the Governor, with
20 advice and consent of the Senate, where the annual salary
21 payable to the member does not exceed \$35,000 and where the
22 member has been an annuitant for at least six months immediately
23 preceding the appointment. Such service shall not be subject to
24 member contributions [or]; not, result in additions, interest or
25 excess interest to the member's individual cash balance saving
26 account; and not be eligible for qualification as creditable
27 State service or for participation in the plan, mandatory
28 participant contributions or employer defined contributions.

29 (a.1) Return to State service during emergency.--When, in
30 the judgment of the employer, an emergency creates an increase

1 in the work load such that there is serious impairment of
2 service to the public, an annuitant may be returned to State
3 service for a period not to exceed 95 days in any calendar year
4 without loss of his annuity. In computing the number of days an
5 annuitant has returned to State service, any amount of time less
6 than one-half of a day shall be counted as one-half of a day.
7 For agencies, boards and commissions under the Governor's
8 jurisdiction, the approval of the Governor that an emergency
9 exists shall be required before an annuitant may be returned to
10 State service. This service shall not be subject to member
11 contributions; not result in additions, interest or excess
12 interest to the member's individual cash balance savings
13 account; and not be eligible for qualification as creditable
14 State service or for participation in the plan, mandatory
15 participant contributions or employer defined contributions.

16 (a.2) Return of benefits.--In the event an annuitant whose
17 annuity from the system ceases pursuant to this section receives
18 any annuity payment, including a lump sum payment pursuant to
19 section 5705 (relating to member's options) on or after the date
20 of his return to State service or entering school service, the
21 annuitant shall return to the board the amount so received from
22 the system plus statutory interest. The amount payable shall be
23 certified in each case by the board in accordance with methods
24 approved by the actuary and shall be paid in a lump sum within
25 30 days or in the case of an active member or school employee
26 who is an active member of the Public School Employees'
27 Retirement System may be amortized with statutory interest
28 through salary deductions to the system in amounts agreed upon
29 by the member and the board. The salary deduction amortization
30 plans agreed to by the member and the board may include a

1 deferral of payment amounts and statutory interest until the
2 termination of school service or State service or beginning of
3 service as a participant without concurrently being an active
4 member or inactive member on leave without pay as the board in
5 its sole discretion decides to allow. The board may limit salary
6 deduction amortization plans to such terms as the board in its
7 sole discretion determines. In the case of a school employee who
8 is an active member of the Public School Employees' Retirement
9 System, the agreed upon salary deductions shall be remitted to
10 the Public School Employees' Retirement Board, which shall
11 certify and transfer to the board the amounts paid.

12 * * *

13 (b) Subsequent discontinuance of service.--Upon subsequent
14 discontinuance of service, such [member] terminating State
15 employee other than a former annuitant who had the effect of his
16 frozen present value eliminated in accordance with subsection
17 (c) or a former disability annuitant shall be entitled to an
18 annuity which is actuarially equivalent to the sum of:

19 (1) the frozen present value as determined under
20 subsection (a) [and];

21 (2) if the service after reemployment was a member of
22 the system, the present value of a maximum single life
23 annuity, calculated excluding any annuity payable under
24 section 5702(a)(7), based on years of service credited
25 subsequent to reentry in the system and his final average
26 salary computed by reference to his compensation as a member
27 of the system or as a member of the Public School Employees'
28 Retirement System during his entire period of State and
29 school service[.], including only compensation received for
30 service performed as a member of a class of service other

1 than Class CB or Class T-I in the Public School Employees'
2 Retirement System; and

3 (3) if eligible, an annuity payable under section
4 5702(a)(7) based on the total cash balance accumulated
5 deductions credited to the former annuitant in the cash
6 balance savings account.

7 (c) Elimination of the effect of frozen present value.--

8 (1) An annuitant who returns to State service as an
9 active member of the system in a class of service other than
10 Class CB and earns three eligibility points by performing
11 credited State service following the most recent period of
12 receipt of an annuity under this part, or an annuitant who
13 enters school service other than as a participant in the
14 School Employees' Defined Contribution Plan or as member of
15 Class T-I and:

16 (i) is a multiple service member; or

17 (ii) who elects multiple service membership, and
18 earns three eligibility points in classes of service other
19 than Class CB or Class T-I by performing credited State
20 service or credited school service following the most recent
21 period of receipt of an annuity under this part, and who had
22 the present value of his annuity frozen in accordance with
23 subsection (a), shall qualify to have the effect of the
24 frozen present value resulting from all previous periods of
25 retirement eliminated, provided that all lump sum payments
26 under Option 4 or under section 5705(a.1) and annuity
27 payments, except those made under section 5702(a)(7), payable
28 during previous periods of retirement plus interest as set
29 forth in paragraph (3) shall be returned to the fund in the
30 form of an actuarial adjustment to his subsequent benefits or

1 in such form as the board may otherwise direct.

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

7 (i) an annuity (prior to optional modification)
8 calculated as if the freezing of the former annuitant's
9 account pursuant to subsection (a) had not occurred,
10 adjusted by crediting Class A State service as Class AA
11 service as provided for in section 5306(a.1) (relating to
12 classes of service) and further adjusted according to
13 paragraph (3), provided that a former annuitant of the
14 system or a former annuitant of the Public School
15 Employees' Retirement System who retired under a
16 provision of law granting additional service credit if
17 termination of State or school service or retirement
18 occurred during a specific period of time shall not be
19 permitted to retain the additional service credit under
20 the prior law when the annuity is computed for his most
21 recent retirement; or

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

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

1 entitled to receive that occurs as a result of any other
2 provision of law, the present value of the maximum single
3 life annuity shall be reduced by all amounts paid or payable
4 to him during all previous periods of retirement, except
5 those made under section 5702(a)(7), plus interest on these
6 amounts until the date of subsequent retirement. The interest
7 for each year shall be calculated based upon the annual
8 interest rate adopted for that fiscal year by the board for
9 the calculation of the normal contribution rate pursuant to
10 section 5508(b) (relating to actuarial cost method).

11 § 5707. Death benefits.

12 (a) Members without Class CB service eligible for
13 annuities.--Any active member, inactive member on leave without
14 pay, combined service employee who is an active participant or
15 inactive participant on leave without pay, vestee or current or
16 former State employee performing USERRA leave who dies and does
17 not have Class CB service credit and was eligible for an annuity
18 in accordance with section 5308(a) or (b) (relating to
19 eligibility for annuities) or special vestee who has attained
20 superannuation age and dies before applying for a superannuation
21 annuity shall be considered as having applied for an annuity to
22 become effective the day before his death and in the event he
23 has not elected an option or such election has not been approved
24 prior to his death, it shall be assumed that he elected Option
25 1.

26 (b) Members without Class CB service ineligible for
27 annuities.--In the event of the death of a special vestee, an
28 active member, an inactive member on leave without pay, a
29 combined service employee who is an active participant or an
30 inactive participant on leave without pay or a current or former

1 State employee performing USERRA leave who does not have Class
2 CB service credit and who is not entitled to a death benefit as
3 provided in subsection (a), his designated beneficiary shall be
4 paid the full amount of his total accumulated deductions.

5 (c) Disability annuitants eligible for withdrawal annuity.--
6 In the event of the death of a disability annuitant who has
7 elected to receive a maximum disability annuity before he has
8 received in annuity payments, excluding any disability annuity
9 payments under section 5704(a)(2) (relating to disability
10 annuities), an amount equal to the present value, on the
11 effective date of disability, of the benefits to which he would
12 have been entitled under subsection (a) had he died while in
13 State service, the balance of such amount shall be paid to his
14 designated beneficiary. In addition, if the disability annuitant
15 was receiving disability annuity payments under section 5704(a)
16 (2), he may receive, if eligible, the total cash balance
17 accumulated deductions credited to his individual cash balance
18 savings account on the effective date of disability over one-
19 third of the disability payments received under section 5704(a)
20 (2). For purposes of this subsection, the determination of
21 benefits to which the disability annuitant would have been
22 entitled under subsection (a) shall be made even though the
23 disability annuitant may have Class CB service.

24 (d) Disability annuitants ineligible for withdrawal
25 annuity.--In the event of the death of a disability annuitant
26 who was not entitled to receive benefits under subsection (a),
27 except for the reason of having Class CB service credit, his
28 beneficiary shall be paid the excess of the sum of the regular
29 and additional accumulated deductions standing to his credit on
30 the effective date of disability over one-third of the total

1 disability payments received[.], excluding any disability
2 annuity payments under section 5704(a)(2). In addition, if he
3 was receiving disability annuity payments under section 5704(a)
4 (2), he may receive, if eligible, the total cash balance
5 accumulated deductions credited to his individual cash balance
6 savings account on the effective date of disability over one-
7 third of the disability payments received under section 5704(a)
8 (2).

9 (e) Annuitants electing maximum single life annuity.--In the
10 event of the death of an annuitant who has elected to receive
11 the maximum single life annuity before he has received in
12 annuity payments the full amount of the total accumulated
13 deductions and, if he was eligible for an annuity under section
14 5702(a)(7) (relating to maximum single life annuity), the total
15 cash balance accumulated deductions standing to his credit on
16 the effective date of retirement, the balance shall be paid to
17 his designated beneficiary.

18 (f) Members subject to limitations under section 5702(c).--
19 Subject to the limitations contained in section 401(a)(9) of the
20 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
21 401(a)(9)), the present value of any annuity in excess of that
22 payable under section 5702 [(relating to maximum single life
23 annuity)] that is not subject to the limitations under section
24 415(b) of the Internal Revenue Code of 1986 shall be paid in a
25 lump sum to the beneficiary designated by the member after the
26 death of the member. A beneficiary receiving a benefit under
27 this subsection shall not be able to elect a payment method
28 otherwise allowed under section 5709(b)(2) and (3) (relating to
29 payment of benefits from the system).

30 (g) Members with Class CB service.--An active member,

1 inactive member on leave without pay or vestee who has Class CB
2 service credit who dies shall be paid the total cash balance
3 accumulated deductions credited to him in addition to any other
4 payments he would be eligible to receive under subsection (a) or
5 (b) calculated without regard to any annuity payable under
6 section 5702(a)(7).

7 (h) Required distributions.--All payments under this section
8 shall start and be made in compliance with the minimum
9 distribution requirements and incidental death benefit rules of
10 IRC § 401(a)(9).

11 Section 425. Section 5709(a) and (b) of Title 71 are amended
12 and the section is amended by adding subsections to read:

13 § 5709. Payment of benefits from the system.

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

17 (b) Death benefits.--If the amount of a death benefit
18 payable from the fund to a beneficiary of a member under section
19 5707 (relating to death benefits) or under the provisions of
20 Option 1 of section 5705(a)(1) (relating to member's options) is
21 \$10,000 or more, such beneficiary may elect to receive payment
22 according to one of the following options:

23 (1) a lump sum payment;

24 (2) an annuity actuarially equivalent to the amount
25 payable; or

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

29 * * *

30 (d) Small cash balance accounts.--A member with only Class

1 CB service who terminates State service and whose total cash
2 balance accumulated deductions are equal to or less than the
3 amount established under IRC §401(a)(31) as of the date of
4 termination of service shall be paid his accumulated deductions
5 in a lump sum as provided in IRC § 401(a)(31) and have all Class
6 CB service credit canceled. This payment of total cash balance
7 accumulated deductions shall not be eligible for installment
8 payments under section 5905.1 (relating to installment payments
9 of accumulated deductions) but shall be considered a lump sum
10 payment for purposes of section 5905.1(d).

11 (e) Required distributions.--All payments under this section
12 shall start and be made in compliance with the required
13 beginning date, minimum distribution requirements and incidental
14 death benefit rules of IRC § 401(a)(9).

15 Section 426. Section 5901(a), (c), (d) and (e) of Title 71
16 are amended and the section is amended by adding a subsection to
17 read:

18 § 5901. The State Employees' Retirement Board.

19 (a) Status and membership.--The board shall be an
20 independent administrative board and consist of [11] 12 members:
21 the State Treasurer, ex officio, the Secretary of Banking and
22 Securities, ex officio, two Senators, two members of the House
23 of Representatives and six members appointed by the Governor,
24 one of whom shall be an annuitant of the system or a participant
25 in the plan who has terminated State service and is receiving or
26 is eligible to receive distributions, for terms of four years,
27 subject to confirmation by the Senate. At least five board
28 members shall be active members of the system or active
29 participants in the plan, and at least two shall have ten or
30 more years of credited State service[.] or shall have been

1 active participants in the plan for ten calendar years or have a
2 combination of years of credited State service in the system and
3 calendar years as active participants in the plan equal to ten
4 or more years. The chairman of the board shall be designated by
5 the Governor from among the members of the board. No member of
6 the board who represents active members or annuitants or is a
7 current member of the General Assembly can serve as chairman.
8 Each member of the board who is a member of the General Assembly
9 may appoint a duly authorized designee to act in his stead. In
10 the event that a board member, who is designated as an active
11 participant or as a participant in the plan who is receiving or
12 is eligible to receive distributions, receives a total
13 distribution of his interest in the plan, that board member may
14 continue to serve on the board for the remainder of his term.

15 * * *

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

25 (d) Compensation and expenses.--The members of the board who
26 are members of the system or participants in the plan shall
27 serve without compensation but shall not suffer loss of salary
28 or wages through serving on the board. The members of the board
29 who are not members of the system or participants in the plan
30 shall receive \$100 per day when attending meetings and all board

1 members shall be reimbursed for any necessary expenses. However,
2 when the duties of the board as mandated are not executed, no
3 compensation or reimbursement for expenses of board members
4 shall be paid or payable during the period in which such duties
5 are not executed.

6 (e) Corporate power and legal advisor.--For the purposes of
7 this part, the board shall possess the power and privileges of a
8 corporation. [The Attorney General of the Commonwealth shall be
9 the legal advisor of the board.] Legal counsel to the board
10 shall serve independently from the Governor's Office of Chief
11 Counsel, the General Assembly and the Attorney General.

12 (f) Board training.--Each member of the board will be
13 required to obtain eight hours of mandatory training in
14 investment strategies, actuarial cost analysis and retirement
15 portfolio management on an annual basis.

16 Section 427. Section 5902(a.1), (b), (c), (e), (h), (i),
17 (j), (k), (l), (m) and (n) of Title 71 are amended and the
18 section is amended by adding subsections to read:

19 § 5902. Administrative duties of the board.

20 * * *

21 (a.1) Secretary.--The secretary shall act as chief
22 administrative officer for the board with respect to both the
23 system and the plan. In addition to other powers and duties
24 conferred upon and delegated to the secretary by the board, the
25 secretary shall:

26 (1) Serve as the administrative agent of the board.

27 (2) Serve as liaison between the board and applicable
28 legislative committees, the Treasury Department, the
29 Department of the Auditor General, and between the board and
30 the investment counsel and the mortgage supervisor in

1 arranging for investments to secure maximum returns to the
2 fund.

3 (3) Review and analyze proposed legislation and
4 legislative developments affecting the system or the plan and
5 present findings to the board, legislative committees, and
6 other interested groups or individuals.

7 (4) Direct the maintenance of files and records and
8 preparation of periodic reports required for actuarial
9 evaluation studies.

10 (5) Receive inquiries and requests for information
11 concerning the system or the plan from the press,
12 Commonwealth officials, State employees, the general public,
13 research organizations, and officials and organizations from
14 other states, and provide information as authorized by the
15 board.

16 (6) Supervise a staff of administrative, technical, and
17 clerical employees engaged in record-keeping and clerical
18 processing activities for both the system and the plan in
19 maintaining files of members and participants, accounting for
20 contributions, processing payments to annuitants and
21 terminated participants, preparing required reports, and
22 retirement counseling. The board may utilize the staff of
23 employees provided for under this paragraph for both the
24 system and the plan but shall allocate the fees, costs and
25 expenses incurred under this paragraph between the system and
26 the plan as appropriate.

27 (b) Professional personnel.--The board shall contract for
28 the services of a chief medical examiner, an actuary, investment
29 advisors and counselors, and such other professional personnel
30 as it deems advisable. The board may, with the approval of the

1 Attorney General, contract for legal services. The board may
2 utilize the same individuals and firms contracted under this
3 subsection for both the system and the plan but shall allocate
4 the fees, costs and expenses incurred under this subsection
5 between the system and the plan as appropriate.

6 (c) Expenses.--

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

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

16 (3) For fiscal years ending before July 1, 2016, such
17 expenses of the plan as approved by the General Assembly in
18 an appropriation bill shall be paid from the General Fund.
19 For fiscal years beginning after June 30, 2016, such expenses
20 of the plan as approved by the General Assembly shall be paid
21 from interest, under section 5414(b) (relating to investments
22 based on participants' investment allocation choices),
23 assessments on the balances of the participants' individual
24 investment accounts or as otherwise provided in this part.

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

1 such directed commission expenditures shall be made by the
2 board for the exclusive benefit of the system and its
3 members.

4 * * *

5 (e) Records.--

6 (1) The board shall keep a record of all its proceedings
7 which shall be open to [inspection] access by the public,
8 except as otherwise provided in this part or by other law.

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

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

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

27 (iii) have a substantial detrimental impact on the
28 value of an investment to be acquired, held or disposed
29 of by the fund or trust or would cause a breach of the
30 standard of care or fiduciary duty set forth in this

1 part.

2 (3) The following apply:

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

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

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

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

21 whichever is later.

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

28 (A) the [inspection] access no longer has a
29 substantial detrimental impact on the value of an
30 investment of the fund or trust and would not cause a

1 breach of the standard of care or fiduciary duty set
2 forth in this part; or

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

5 whichever is later.

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

12 (5) Any record, material or data received, prepared,
13 used or retained by the board or its employees, or agents
14 relating to the contributions, account value or benefits
15 payable to or on account of a participant shall not
16 constitute a public record subject to public access under the
17 Right-to-Know Law if, in the reasonable judgment of the
18 board, the access would disclose any of the following:

19 (i) The existence, date, amount and any other
20 information pertaining to the voluntary contributions,
21 including rollover contributions or trustee-to-trustee
22 transfers, of any participant.

23 (ii) The investment options selections of any
24 participant.

25 (iii) The balance of a participant's individual
26 investment account, including the amount distributed to
27 the participant, investment gains or losses or rates of
28 return.

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

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

2 (6) Nothing in this subsection shall be construed to
3 designate any record, material or data received, prepared,
4 used or retained by the board or its employees, or agents
5 relating to the contributions, account value or benefits
6 payable to or on account of a participant as a public record
7 subject to public access under the Right-to-Know Law.

8 (7) The following apply:

9 (i) Nothing in this part shall be construed to mean
10 that the release or publicizing of a record, material or
11 data which would not constitute a public record under
12 this subsection shall be a violation of the board's
13 fiduciary duties.

14 (ii) This subsection shall apply to a record,
15 material or data under this subsection, notwithstanding
16 any of the following:

17 (A) Whether the record, material or data was
18 created, generated or stored before the effective
19 date of this paragraph.

20 (B) Whether the record, material or data was
21 previously released or made public.

22 (C) Whether a request for the record, material
23 or data was made or is pending final response under
24 the Right-to-Know Law.

25 * * *

26 (h) Regulations and procedures.--The board shall, with the
27 advice of the Attorney General and the actuary, adopt and
28 promulgate rules and regulations for the uniform administration
29 of the system. The actuary shall approve in writing all
30 computational procedures used in the calculation of

1 contributions and benefits pertaining to the system, and the
2 board shall by resolution adopt such computational procedures,
3 prior to their application by the board. Such rules, regulations
4 and computational procedures as so adopted from time to time and
5 as in force and effect at any time, together with such tables as
6 are adopted pursuant to subsection (j) as necessary for the
7 calculation of annuities and other benefits, shall be as
8 effective as if fully set forth in this part. Any actuarial
9 assumption specified in or underlying any such rule, regulation
10 or computational procedure and utilized as a basis for
11 determining any benefit shall be applied in a uniform manner.

12 (i) Data.--The board shall keep in convenient form such data
13 as are stipulated by the actuary in order that an annual
14 actuarial valuation of the various accounts of the fund can be
15 completed within six months of the close of each calendar year.

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

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

12 (k) Certification of employer contributions to the fund.--
13 The board shall, each year in addition to the itemized budget
14 required under section 5509 (relating to appropriations and
15 assessments by the Commonwealth), certify, as a percentage of
16 the members' payroll, the shared-risk contribution rate, the
17 employers' contributions as determined pursuant to section 5508
18 (relating to actuarial cost method) necessary for the funding of
19 prospective annuities for active members and the annuities of
20 annuitants and certify the rates and amounts of the employers'
21 normal contributions as determined pursuant to section 5508(b),
22 accrued liability contributions as determined pursuant to
23 section 5508(c), supplemental annuities contribution rate as
24 determined pursuant to section 5508(e), the experience
25 adjustment factor as determined pursuant to section 5508(f), the
26 collared contribution rate pursuant to section 5508(h) and the
27 final contribution rate pursuant to section 5508(i), which shall
28 be paid to the fund and credited to the appropriate accounts.
29 The board may allocate the final contribution rate and certify
30 various employer contribution rates and amounts based upon the

1 different benefit eligibility, class of service multiplier,
2 superannuation age, final average salary calculation,
3 compensation limits and other benefit differences resulting from
4 State service credited for individual members even though such
5 allocated employer contribution rate on behalf of any given
6 member may be more or less than 5% of the member's compensation
7 for the period from July 1, 2010, to June 30, 2011, or may
8 differ from the prior year's contribution for that member by
9 more or less than the percentages used to calculate the collared
10 contribution rate for that year and may be below any minimum
11 contribution rate established for the collared contribution rate
12 or final contribution rate. These certifications shall be
13 regarded as final and not subject to modification by the
14 Secretary of the Budget.

15 (l) Member contributions.--The board shall cause all pickup
16 contributions and cash balance member contributions made on
17 behalf of a member to be credited to the account of the member
18 and credit to his account any other payment made by such member,
19 including, but not limited to, amounts collected by the Public
20 School Employees' Retirement System for the reinstatement of
21 previous State service or creditable nonstate service and
22 amounts paid to return benefits paid after the date of return to
23 State service or entering school service representing lump sum
24 payments made pursuant to section 5705(a)(4)(iii) or (a.1)
25 (relating to member's options) and member's annuity payments,
26 but not including other benefits returned pursuant to section
27 5706(a.2) or (a.3) (relating to termination of annuities), and
28 shall pay all such amounts into the fund.

29 (m) Annual financial statement.--The board shall prepare and
30 have published, on or before July 1 of each year, [a financial

1 statement] financial statements as of the calendar year ending
2 December 31 of the previous year showing the condition of the
3 fund, the trust and the various accounts, including, but not
4 limited to, the board's accrual and expenditure of directed
5 commissions, and setting forth such other facts,
6 recommendations, and data as may be of use in the advancement of
7 knowledge concerning annuities and other benefits provided by
8 this part. The board shall submit said financial [statement]
9 statements to the Governor and shall file copies with the head
10 of each department for the use of the State employees and the
11 public.

12 (n) Independent [audit] audits.--The board shall provide for
13 [an annual audit] annual audits of the system and the plan by
14 [an] independent certified public [accountant, which audit]
15 accountants. The audits shall include the board's accrual and
16 expenditure of directed commissions. The board may use the same
17 independent certified public accountant for the audits of both
18 the system and the plan.

19 * * *

20 (p) Additional amounts credited to the members' cash balance
21 savings accounts.--In addition to cash balance member
22 contributions and treasury bond interest on the contributions,
23 the board shall credit to the individual members' cash balance
24 savings accounts 0% of their compensation. The credited amounts
25 shall be credited with treasury bond interest. The board shall
26 further credit to the members' individual savings accounts
27 excess interest, if any is determined to be creditable, as
28 determined under subsection (q), allocated proportionally
29 between the cash balance member accumulated deductions and the
30 percentages of compensation credited under this section, plus

1 past treasury bond interest and excess interest.

2 (g) Determination of excess interest.--

3 (1) As part of the actuarial valuation made under
4 subsection (j) for calendar year 2016, and for each
5 subsequent calendar year, the board shall determine the
6 amount potentially available from that year for distribution
7 as excess interest as follows:

8 (i) The amount shall be the product of:

9 (A) one-half of the investment gains and losses,
10 net of investment and administrative fees and costs,
11 above or below a rate of return of the annual
12 interest rate adopted by the board for the
13 calculation of the normal contribution rate of the
14 total assets in the fund; and

15 (B) the ratio of:

16 (I) the total amount credited in the cash
17 balance savings account; to

18 (II) the sum of:

19 (a) the total amount credited in the
20 cash balance savings account; and

21 (b) the accrued actuarial liability of
22 all benefits derived from all the service of
23 all members in all classes of service other
24 than Class CB.

25 (ii) The product under subparagraph (i) shall be
26 available in equal annual installments over five years.

27 (2) After the actuarial valuation made for calendar year
28 2018 and after the actuarial valuations for each subsequent
29 calendar year, the board shall determine if excess interest
30 is to be awarded to those active members, inactive members on

1 leave without pay, and vestees who have Class CB service
2 credit on the date of the applicable actuarial valuation.

3 (3) For each determination period, excess interest shall
4 be granted if the sum of the amounts determined under
5 paragraph (1) for all the years of the determination period
6 is positive. If the sum is positive, then the percentage rate
7 of excess interest shall be determined by dividing this sum
8 by the total amount credited in the cash balance savings
9 account on the last day of the determination period. Each
10 member or inactive member on leave without pay who is not a
11 Class CB exempt employee and who has Class CB cash balance
12 member accumulated deductions on the last day of the
13 determination period and who is an active member, inactive
14 member on leave without pay or vestee on the next following
15 December 31 shall have excess interest at this rate credited
16 to his total cash balance accumulated deductions, which shall
17 be credited proportionally between the cash balance member
18 accumulated deductions and other amounts credited to his
19 individual cash balance savings account.

20 (4) The determination period for the period ending with
21 the actuarial valuation for calendar year 2018 shall be
22 calendar years 2016, 2017 and 2018. The determination period
23 for the period ending with the actuarial valuation for
24 calendar year 2019 shall be calendar years 2016, 2017, 2018
25 and 2019. The determination period for the periods ending
26 with calendar year 2020 and subsequent years shall be the
27 ending year and the four immediately previous calendar years.

28 (r) Participant and employer contributions to the trust.--
29 The board shall, each year in addition to any fees and itemized
30 budget required under section 5509, certify, as a percentage of

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

10 Section 428. Section 5903(a) and (b) of Title 71 are amended
11 and the section is amended by adding a subsection to read:

12 § 5903. Duties of the board to advise and report to heads of
13 departments [and], members and participants.

14 (a) Manual of regulations.--The board shall, with the advice
15 of the Attorney General and the actuary, prepare and provide,
16 within 90 days of the effective date of this part, a manual
17 incorporating rules and regulations consistent with the
18 provisions of this part to the heads of departments who shall
19 make the information contained therein available to the general
20 membership. The board shall thereafter advise the heads of
21 departments within 90 days of any changes in such rules and
22 regulations due to changes in the law or due to changes in
23 administrative policies. As soon as practicable after the
24 commissioner's announcement with respect thereto, the board
25 shall also advise the heads of departments as to any cost-of-
26 living adjustment for the succeeding calendar year in the amount
27 of the limitation under IRC § 401(a)(17) and the dollar amounts
28 of the limitations under IRC § [415(b)] 415. As soon as
29 practicable after January 1 of each year, the board shall also
30 advise the heads of departments of the employees for whom,

1 pursuant to section 5502.1 (relating to waiver of regular member
2 contributions and Social Security integration member
3 contributions), pickup contributions are not to be made.

4 (b) Member status statements and certifications.--The board
5 shall furnish annually to the head of each department on or
6 before April 1, a statement for each member employed in such
7 department showing the total accumulated deductions and total
8 cash balance accumulated deductions standing to his credit as of
9 December 31 of the previous year and requesting the member to
10 make any necessary corrections or revisions regarding his
11 designated beneficiary. In addition, for each member employed in
12 any department and for whom the department has furnished the
13 necessary information, the board shall certify the number of
14 years and fractional part of a year of credited service
15 attributable to each class of service, the number of years and
16 fractional part of a year attributable to social security
17 integration credits in each class of service and, in the case of
18 a member eligible to receive an annuity, the benefit to which he
19 is entitled upon the attainment of superannuation age.

20 (b.1) Participant status statements.--The board shall
21 furnish annually to each participant, by April 1 and more
22 frequently as the board may agree or as required by law, a
23 statement for each participant in the plan showing the
24 accumulated total defined contributions credited to the
25 participant's individual investment account, the nature and type
26 of investments and the investment allocation of future
27 contributions as of December 31 of the previous year and shall
28 request the participant to make any necessary correction or
29 revision regarding the designated beneficiary.

30 * * *

1 Section 429. Section 5904(c) of Title 71 is amended to read:
2 § 5904. Duties of the board to report to the Public School
3 Employees' Retirement Board.

4 * * *

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

12 (1) certify to the Public School Employees' Retirement
13 Board;

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

18 (ii) the annuity or benefit to which the member or
19 his beneficiary is entitled as modified according to the
20 option selected; and

21 (2) transfer to the Public School Employees' Retirement
22 Fund the total accumulated deductions and cash balance member
23 accumulated deductions standing to such member's credit and
24 the actuarial reserve required on account of years of
25 credited service in the State system, final average salary
26 determined on the basis of his compensation as a member in
27 both systems and the average noncovered salary to be charged
28 to the State accumulation account, the State Police benefit
29 account or the enforcement officers' benefit account, as each
30 case may require.

1 * * *

2 Section 430. Section 5905(b), (c.1), (e), (e.1), (f) and (g)
3 of Title 71 are amended and the section is amended by adding
4 subsections to read:

5 § 5905. Duties of the board regarding applications and
6 elections of members.

7 * * *

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

14 (1) in case of a member receiving an annuity from the
15 system:

16 (i) discontinue payments, transfer the present value
17 of the member's annuity other than any portion of the
18 member's annuity derived from cash balance member
19 accumulated deductions at the time of entering school
20 service, plus the amount withdrawn in a lump sum payment,
21 on or after the date of entering school service, pursuant
22 to section 5705 (relating to member's options), with
23 statutory interest to date of transfer, minus the amount
24 to be returned to the board on account of return to
25 service, that the board has determined is to be credited
26 in the members' savings account, from the annuity reserve
27 account to the members' savings account and resume
28 crediting of statutory interest on the amount restored to
29 his credit[;] and make a similar transfer of the present
30 value of any portion of the member's annuity derived from

1 cash balance member accumulated deductions from the
2 annuity reserve account to the cash balance savings
3 account and resume crediting of treasury bond interest on
4 the amount so restored;

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

12 (iii) certify to the member the amount of lump sum
13 and annuity payments with statutory interest the member
14 is to return to the board and, of those amounts, which
15 amount shall be credited to the members' savings account
16 or the cash balance savings account and credited with
17 statutory interest or treasury bond interest as such
18 payments are returned and which amount shall be credited
19 to the State accumulation account; or

20 (2) in case of a member who is not receiving an annuity
21 and has not withdrawn his total accumulated deductions and
22 cash balance member accumulated deductions, continue or
23 resume the crediting of statutory interest on his total
24 accumulated deductions and treasury bond interest on his
25 total cash balance accumulated deductions during the period
26 his total accumulated deductions and cash balance member
27 accumulated deductions remain in the fund; or

28 (3) in case of a former State employee who is not
29 receiving an annuity from the system and his total
30 accumulated deductions were withdrawn, certify to the former

1 State employee the accumulated deductions as they would have
2 been at the time of his separation had he been a full
3 coverage member together with statutory interest for all
4 periods of subsequent State service eligible for membership
5 in the system and school service as a member of the Public
6 School Employees' Retirement System to the date of repayment.
7 Such amount shall be restored by him and shall be credited
8 with statutory interest as such payments are restored.

9 * * *

10 (c.1) Termination of service by a member.--In the case of
11 any member terminating State service who is entitled to an
12 annuity and who is not then a disability annuitant, the board
13 shall advise such member in writing of any benefits from the
14 system to which he may be entitled under the provisions of this
15 part and shall have the member prepare, on or before the date of
16 termination of State service, one of the following three forms,
17 a copy of which shall be given to the member and the original of
18 which shall be filed with the board:

19 (1) an application for the return of total accumulated
20 deductions and cash balance member accumulated deductions;

21 (2) if eligible, an election to vest his retirement
22 rights and, if he is a joint coverage member and so desires,
23 elect to become a full coverage member and agree to pay
24 within 30 days of the date of termination of service the lump
25 sum required; or

26 (3) if eligible, an application for an immediate annuity
27 and, if he desires:

28 (i) an election to convert his medical, major
29 medical and hospitalization insurance coverage to the
30 plan for State annuitants; and

1 (ii) if he is a joint coverage member, an election
2 to become a full coverage member and an agreement to pay
3 within 30 days of date of termination of service the lump
4 sum required.

5 (c.2) Termination of service by a participant.--In the case
6 of a participant terminating State service, the board shall
7 advise the participant in writing, of the vested accumulated
8 total defined contributions credited to the participant's
9 individual investment account as of the date stated in the
10 writing, any notices regarding rollover or other matters
11 required by IRC or other law, the obligation of the participant
12 to commence distributions from the plan by the participant's
13 required beginning date and the ability to receive all or part
14 of the vested balance in the participant's individual investment
15 account in a lump sum or in such other form as the board may
16 authorize or as required by law.

17 (e) Certification to vestees and special vestees terminating
18 service.--The board shall certify to a vestee or to a special
19 vestee within one year of termination of State service of such
20 member:

21 (1) the total accumulated deductions and total cash
22 balance accumulated deductions standing to his credit at the
23 date of termination of service;

24 (2) the number of years and fractional part of a year of
25 credit in each class of service; and

26 (3) the maximum single life annuity to which the vestee
27 or special vestee shall become entitled upon the attainment
28 of superannuation age and the filing of an application for
29 such annuity.

30 (4) the obligation of the member to commence

1 distribution by the member's required beginning date.

2 (e.1) Notification to vestees and special vestees
3 approaching superannuation age.--The board shall notify each
4 vestee and special vestee who is not an active participant or
5 inactive participant on leave without pay in writing 90 days
6 prior to his attainment of superannuation age that he shall
7 apply for his annuity within 90 days of attainment of
8 superannuation age; that, if he does so apply, his effective
9 date of retirement will be the date of attainment of
10 superannuation age; that, if he does not so apply but defers his
11 application to a later date, then he has an obligation to apply
12 by his required beginning date and that his effective date of
13 retirement will be the later of the date of filing such
14 application or the date specified on the application[, whichever
15 is later; and that, if he does not file an application within
16 seven years after attaining superannuation age, he shall be
17 deemed to have elected to receive his total accumulated
18 deductions upon attainment of superannuation age.] which shall
19 not be later than his required beginning date.

20 (e.2) Notification to inactive participants approaching
21 required beginning date.--The board shall notify in writing each
22 inactive participant who has terminated State service and has
23 not commenced distribution by 90 days before the participant's
24 required beginning date, that the inactive participant has an
25 obligation to commence distributions by the required beginning
26 date in a form and manner required by IRC § 401(a)(9) and other
27 applicable provisions of the IRC.

28 (f) Initial annuity payment and certification.--The board
29 shall make the first monthly payment to a member who is eligible
30 for an annuity within 60 days of the filing of his application

1 for an annuity or, in the case of a vestee or special vestee who
2 has deferred the filing of his application to a date later than
3 90 days following attainment of superannuation age, within 60
4 days of the effective date of retirement, and receipt of the
5 required data from the head of the department and, if the member
6 has Class G, Class H, Class I, Class J, Class K, Class L, Class
7 M or Class N service, any data required from the county
8 retirement system or pension plan to which the member was a
9 contributor before being a State employee. Concurrently, the
10 board shall certify to such member:

11 (1) the total accumulated deductions and total cash
12 balance accumulated deductions standing to his credit showing
13 separately the amount contributed by the member, the pickup
14 contribution and the interest credited to the date of
15 termination of service;

16 (2) the number of years and fractional part of a year
17 credited in each class of service;

18 (3) the final average salary on which his annuity is
19 based as well as any applicable reduction factors due to age
20 and/or election of an option; and

21 (4) the total annuity payable under the option elected
22 and the amount and effective date of any future reduction
23 under section 5703 (relating to reduction of annuities on
24 account of social security old-age insurance benefits).

25 (f.1) Initial payment to participants.--The board shall make
26 the initial payment to a participant who has applied for a
27 distribution within 60 days of the receipt of all information
28 necessary to process the application for a distribution.

29 (g) Death benefits.--Upon receipt of notification from the
30 head of a department of the death of an active member, a member

1 performing USERRA leave [or], a member on leave without pay, an
2 active participant, an inactive participant on leave without pay
3 or a former participant performing USERRA leave, the board shall
4 advise the designated beneficiary of the benefits to which he is
5 entitled, and shall make the first payment to the beneficiary
6 within 60 days of receipt of certification of death and other
7 necessary data. If no beneficiary designation is in effect at
8 the date of the member's death or no notice has been filed with
9 the board to pay the amount of the benefits to the member's
10 estate, the board is authorized to pay the benefits to the
11 executor, administrator, surviving spouse or next of kin of the
12 deceased member, and payment pursuant hereto shall fully
13 discharge the fund from any further liability to make payment of
14 such benefits to any other person. If the surviving spouse or
15 next of kin of the deceased member cannot be found for the
16 purpose of paying the benefits for a period of seven years from
17 the date of death of the member, then the benefits shall be
18 escheated to the Commonwealth for the benefit of the fund. If no
19 beneficiary designation is in effect at the date of a
20 participant's death or no notice has been filed with the board
21 to pay the amount of the benefits to the participant's estate,
22 the board may pay the benefits to the surviving spouse,
23 executor, administrator or next of kin of the deceased
24 participant and payment pursuant hereto shall fully discharge
25 the fund from any further liability to make payment of such
26 benefits to any other person.

27 * * *

28 Section 431. Section 5905.1(a), (b) and (d) of Title 71 are
29 amended to read:

30 § 5905.1. Installment payments of accumulated deductions.

1 (a) General rule.--Notwithstanding any other provision of
2 this part, whenever a member elects to withdraw his total
3 accumulated deductions and cash balance member accumulated
4 deductions pursuant to section 5311(a) (relating to eligibility
5 for refunds) or 5701 (relating to return of total accumulated
6 deductions and cash balance member accumulated deductions) or
7 elects to receive a portion of his benefit payable as a lump sum
8 pursuant to section 5705(a)(4)(iii) or (a.1) (relating to
9 member's options), the member may elect to receive the amount in
10 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 and cash balance member
16 accumulated deductions as provided in section 5311(a) or 5701
17 and upon receipt of all required data from the head of the
18 department and, if the member has Class G, Class H, Class I,
19 Class J, Class K, Class L, Class M or Class N service, any
20 data required from the county retirement system or pension
21 plan to which the member was a contributor before being
22 transferred to State employment, the board shall not be
23 required to pay the first installment prior to 45 days after
24 the filing of the application and the receipt of the data or
25 the date of termination of service, whichever is later.

26 (2) In the case of an election as provided in section
27 5705(a)(4)(iii) or (a.1) by a member terminating service
28 within 60 days prior to the end of a calendar year and upon
29 receipt of all required data from the head of the department
30 and, if the member has Class G, Class H, Class I, Class J,

1 Class K, Class L, Class M or Class N service, any data
2 required from the county retirement system or pension plan to
3 which the member was a contributor before being transferred
4 to State employment, the board shall not be required to pay
5 the first installment prior to 21 days after the later of the
6 filing of the application and the receipt of the data or the
7 date of termination of service, but, unless otherwise
8 directed by the member, the payment shall be made no later
9 than 45 days after the filing of the application and the
10 receipt of the data or the date of termination of service,
11 whichever is later.

12 (3) In the case of an election as provided in section
13 5705(a)(4)(iii) or (a.1) by a member who is not terminating
14 service within 60 days prior to the end of a calendar year
15 and upon receipt of all required data from the head of the
16 department and, if the member has Class G, Class H, Class I,
17 Class J, Class K, Class L, Class M or Class N service, any
18 data required from the county retirement system or pension
19 plan to which the member was a contributor before being
20 transferred to State employment, the board shall not be
21 required to pay the first installment prior to 45 days after
22 the filing of the application and the receipt of the data or
23 the date of termination of service, whichever is later.

24 * * *

25 (d) [Statutory interest] Interest.--Any lump sum, including
26 a lump sum payable pursuant to section 5705.1 (relating to
27 payment of accumulated deductions resulting from [Class A-3 and
28 Class A-4] more than one class of service), or installment
29 payable shall include statutory interest credited to the date of
30 payment on all amounts other than payment of cash balance member

1 accumulated deductions which shall include treasury bond
2 interest credited to the date of payment, except in the case of
3 a member, other than a vestee or special vestee, who has not
4 filed his application prior to 90 days following his termination
5 of service.

6 Section 432. Sections 5906(a), (b), (c), (d), (e), (g), (h),
7 (i), (j) and (l) and 5907(a), (c), (d), (e), (f), (g), (h) and
8 (i) of Title 71 are amended and the sections are amended by
9 adding subsections to read:

10 § 5906. Duties of heads of departments.

11 (a) Status of members and participants.--The head of
12 department shall, at the end of each pay period, notify the
13 board in a manner prescribed by the board of salary changes
14 effective during that period for any members and participants of
15 the department, the date of all removals from the payroll, and
16 the type of leave of any members and participants of the
17 department who have been removed from the payroll for any time
18 during that period, and:

19 * * *

20 (i) in the case of death of the member or
21 participant the head of the department shall so notify
22 the board;

23 (ii) in the case of a service connected disability
24 of a member the head of department shall, to the best of
25 his ability, investigate the circumstances surrounding
26 the disablement of the member and submit in writing to
27 the board information which shall include but not
28 necessarily be limited to the following: date, place and
29 time of disablement to the extent ascertainable; nature
30 of duties being performed at such time; and whether or

1 not the duties being performed were authorized and
2 included among the member's regular duties. In addition,
3 the head of department shall furnish in writing to the
4 board all such other information as may be related to the
5 member's disablement;

6 * * *

7 (b) Records and information.--At any time at the request of
8 the board and at termination of service of a member or a
9 participant, the head of department shall furnish service and
10 compensation records and such other information as the board may
11 require and shall maintain and preserve such records as the
12 board may direct for the expeditious discharge of its duties.

13 (c) Member contributions.--The head of department shall
14 cause the required pickup contributions and cash balance member
15 contributions for current service to be made and shall cause to
16 be deducted any other required member contributions, including,
17 but not limited to, contributions owed by an active member with
18 multiple service membership for school service and creditable
19 nonschool service in the Public School Employees' Retirement
20 System and amounts certified by the Public School Employees'
21 Retirement Board as due and owing on account of termination of
22 annuities, from each payroll. The head of department shall
23 notify the board at times and in a manner prescribed by the
24 board of the compensation of any noneligible member to whom the
25 limitation under IRC § 401(a)(17) either applies or is expected
26 to apply and shall cause such member's contributions deducted
27 from payroll to cease at the limitation under IRC § 401(a)(17)
28 on the payroll date if and when such limit shall be reached. The
29 head of department shall certify to the State Treasurer the
30 amounts picked up and deducted amounts of cash balance member

1 contributions deducted and shall send the total amount picked up
2 [and] or deducted together with a duplicate of such voucher to
3 the secretary of the board every pay period. The head of
4 department shall pay pickup contributions and cash balance
5 member contributions from the same source of funds which is used
6 to pay other compensation to the employee. On or before January
7 31, 1997, and on or before January 31 of each year thereafter,
8 the head of department shall, at the time when the income and
9 withholding information required by law is furnished to each
10 member, also furnish the amount of pickup contributions and cash
11 balance member contributions made on his behalf and notify the
12 board, if it has not been previously notified, of any
13 noneligible member whose compensation in the preceding year
14 exceeded the annual compensation limit under IRC § 401(a)(17).
15 If the board shall determine that the member's savings account
16 or cash balance savings account shall have been credited with
17 pickup contributions or cash balance member contributions for a
18 noneligible member in the preceding year which are attributable
19 to compensation in excess of the limitation under IRC § 401(a)
20 (17), or with total member contributions including contributions
21 as a result of Class CB service for such member which would
22 cause such member's contributions or benefits to exceed any
23 applicable limitation under IRC § 401(a)(17) or 415(b), the
24 board shall as soon as practicable refund to the member from his
25 individual member account such amount, together with the
26 statutory interest or treasury bond interest thereon, as will
27 cause the member's total member contributions including
28 contributions as a result of Class CB service in the preceding
29 year not to exceed the applicable limit. The payment of any such
30 refund to the member shall be charged to the member's savings

1 account or the member's individual cash balance savings account,
2 as the case may be.

3 (c.1) Participant and employer defined contributions.--The
4 head of the department shall:

5 (1) Cause the mandatory participant contributions on
6 behalf of a participant to be made and cause to be deducted
7 any voluntary contributions authorized by a participant.

8 (2) Cause the employer defined contributions on behalf
9 of a participant to be made.

10 (3) Notify the board at times and in a manner prescribed
11 by the board of the compensation of any participant to whom
12 the limitation under IRC § 401(a)(17) either applies or is
13 expected to apply and cause the participant's contributions
14 to be deducted from payroll to cease at the limitation under
15 IRC § 401(a)(17) on the payroll date if and when such limit
16 shall be reached.

17 (4) Certify to the State Treasurer the amounts deducted
18 and the employer defined contributions being made and send
19 the total amount picked up, deducted and contributed together
20 with a duplicate of the voucher to the secretary of the board
21 every pay period or on such schedule as established by the
22 board.

23 (d) New employees subject to mandatory membership or
24 participation.--Upon the assumption of duties of each new State
25 employee whose membership in the system or plan is mandatory,
26 the head of department shall cause an application for membership
27 or participation and a nomination of beneficiary to be made by
28 such employee and filed with the board and shall make pickup
29 contributions, cash balance member contributions or mandatory
30 participant contributions from the effective date of State

1 employment.

2 (e) New employees subject to optional membership or
3 participation.--The head of department shall, upon the
4 employment or entering into office of any State employee whose
5 membership in the system or participation in the plan is not
6 mandatory, inform such employee of his opportunity to become a
7 member of the system or participant in the plan. If such
8 employee so elects, the head of department shall cause an
9 application for membership or participation and a nomination of
10 beneficiary to be made by him and filed with the board and shall
11 cause proper contributions to be made from the effective date of
12 membership or participation.

13 * * *

14 (g) Former school employee contributors.--

15 (1) The head of department shall, upon the employment of
16 a former contributor to the Public School Employees'
17 Retirement System who is not an annuitant of the Public
18 School Employees' Retirement System, advise such employee of
19 his right to elect within 365 days of entry into the system
20 to become a multiple service member, and in the case of any
21 such employee who so elects and has withdrawn his accumulated
22 deductions, require him to reinstate his credit in the Public
23 School Employees' Retirement System. The head of the
24 department shall advise the board of such election.

25 (2) Paragraph (1) shall not apply to a State employee
26 who has only Class CB service credit in the system or who has
27 only Class T-I credit in the Public School Employees'
28 Retirement System.

29 (h) Former school employee annuitants.--

30 (1) The head of department shall, upon the employment of

1 an annuitant of the Public School Employees' Retirement
2 System who applies for membership in the system, advise such
3 employee that he may elect multiple service membership within
4 365 days of entry into the system and if he so elects his
5 public school employee's annuity will be discontinued
6 effective upon the date of his return to State service and,
7 upon termination of State service and application for an
8 annuity, the annuity will be adjusted in accordance with
9 section 5706 (relating to termination of annuities). The head
10 of department shall advise the board of such election.

11 (2) Paragraph (1) shall not apply to a State employee
12 who has only Class CB service credit in the system or who has
13 only Class T-I credit in the Public School Employees'
14 Retirement System.

15 (i) Annual statement to members.--Annually, upon receipt
16 from the board, the head of department shall furnish to each
17 member the statement specified in section 5903(b) (relating to
18 duties of the board to advise and report to heads of departments
19 [and], members and participants).

20 (j) Termination of service.--The head of department shall,
21 in the case of any member who does not have Class CB service,
22 who is terminating State service and who is ineligible for an
23 annuity before attainment of superannuation age, advise such
24 member in writing of any benefits to which he may be entitled
25 under the provisions of this part and shall have the member
26 prepare, on or before the date of termination of State service,
27 an application for the return of total accumulated deductions
28 or, on or before September 30, 1997, an application to be vested
29 as a special vestee, if eligible.

30 * * *

1 (1) State employees performing USERRA or military-related
2 leave of absence.--The head of department shall report to the
3 board any State employee who ceases to be an active member or
4 active participant to perform USERRA service, or who is granted
5 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
6 of absence for certain government employees) or a military leave
7 of absence under 51 Pa.C.S. § 7302 (relating to granting
8 military leaves of absence), the date on which the USERRA
9 service, leave of absence or military leave of absence began,
10 the date on which the State employee is reemployed from USERRA
11 leave or returns after the leave of absence or military leave of
12 absence, if the event occurs, and any other information the
13 board may require or direct.

14 * * *

15 § 5907. Rights and duties of State employees and members.

16 (a) Information on new employees.--Upon his assumption of
17 duties or becoming a participant each new State employee or
18 participant shall furnish the head of department with a complete
19 record of his previous State service, his school service or
20 creditable nonstate service, and proof of his date of birth and
21 current status in the system and the plan and in the Public
22 School Employees' Retirement System and the School Employees'
23 Defined Contribution Plan. Willful failure to provide the
24 information required by this subsection to the extent available
25 upon entrance into the system shall result in the forfeiture of
26 the right of the member to subsequently assert any right to
27 benefits based on any of the required information which he
28 failed to provide. In any case in which the board finds that a
29 member is receiving an annuity based on false information, the
30 total amount received predicated on such false information

1 together with statutory interest doubled and compounded shall be
2 deducted from the present value of any remaining benefits to
3 which the member is legally entitled.

4 * * *

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

12 (c) Multiple service membership.--[Any active member] Any
13 State employee who is an active member in a class of service
14 other than Class CB and who was formerly an active member in the
15 Public School Employees' Retirement System in a class of service
16 other than Class T-I may elect to become a multiple service
17 member. Such election shall occur no later than 365 days after
18 becoming an active member in this system. A State employee who
19 is eligible to elect to become a multiple service member who
20 begins USERRA leave during the election period without having
21 elected multiple service membership may make the election within
22 365 days after being reemployed from USERRA leave.

23 (d) Credit for previous service or change in membership
24 status.--Any active member or eligible school employee who
25 desires to receive credit for the portion of his total previous
26 State service or creditable nonstate service to which he is
27 entitled, or a joint coverage member who desires to become a
28 full coverage member, shall so notify the board and upon written
29 agreement by the member and the board as to the manner of
30 payment of the amount due, the member shall receive credit for

1 such service as of the date of such agreement.

2 * * *

3 (d.2) Contributions for USERRA leave.--Any active
4 participant or inactive participant on leave without pay or
5 former participant who was reemployed from USERRA leave who
6 desires to make mandatory participant contributions and
7 voluntary contributions for his USERRA leave shall so notify the
8 board within the time period required under 38 U.S.C. Ch. 43
9 (relating to employment and reemployment rights of members of
10 the uniformed services) and IRC § 414(u) of his desire to make
11 such contributions. Upon making the permitted mandatory
12 participant contributions within the allowed time period, the
13 head of the department shall make the corresponding employer
14 defined contributions at the same time.

15 (d.3) Voluntary contributions by a participant.--Any
16 participant who desires to make voluntary contributions to be
17 credited to his individual investment account shall notify the
18 board and, upon compliance with the requirements, procedures and
19 limitations established by the board in the plan document, may
20 do so subject to the limitations under IRC §§ 401(a) and 415 and
21 other applicable law.

22 (e) Beneficiary for death benefits from system.--Every
23 member shall nominate a beneficiary by written designation filed
24 with the board as provided in section 5906(d) or (e) (relating
25 to duties of heads of departments) to receive the death benefit
26 payable under section 5707 (relating to death benefits) or the
27 benefit payable under the provisions of Option 1 of section
28 5705(a)(1) (relating to member's options). Such nomination may
29 be changed at any time by the member by written designation
30 filed with the board. A member may also nominate a contingent

1 beneficiary or beneficiaries to receive the death benefit
2 provided under section 5707 or the benefit payable under the
3 provisions of Option 1 of section 5705(a)(1).

4 (e.1) Beneficiary for death benefits from the plan.--Every
5 participant shall nominate a beneficiary by written designation
6 filed with the board as provided in section 5906(d) or (e) to
7 receive the death benefit payable under section 5408 (relating
8 to death benefits). A participant may also nominate a contingent
9 beneficiary or beneficiaries to receive the death benefit
10 provided under section 5408. Such nomination may be changed at
11 any time by the participant by written designation filed with
12 the board.

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

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

22 (1) withdraw his total accumulated deductions and cash
23 balance member accumulated deductions; or

24 * * *

25 (g) Vesting of retirement rights.--If a member elects to
26 vest his retirement rights he shall nominate a beneficiary by
27 written designation filed with the board and, if the member is
28 not an active participant or inactive participant on leave
29 without pay, he may anytime thereafter but no later than his
30 required beginning date, withdraw the total accumulated

1 deductions and cash balance member accumulated deductions
2 standing to his credit or apply for an annuity.

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

10 (h) Vestees and special vestees attaining superannuation
11 age.--Upon attainment of superannuation age a vestee or special
12 vestee who is not an active participant or inactive participant
13 on leave without pay shall execute and file an application for
14 an annuity. Any such application filed within 90 days after
15 attaining superannuation age shall be effective as of the date
16 of attainment of superannuation age. Any application filed after
17 such period shall be filed by the member's required beginning
18 date and shall be effective as of the date it is filed with the
19 board, subject to the provisions of section 5905(f) (relating to
20 duties of the board regarding applications and elections of
21 members and participants). If a vestee or special vestee who is
22 not an active participant or inactive participant on leave
23 without pay does not file an application within seven years
24 after attaining superannuation age, he shall be deemed to have
25 elected to receive his total accumulated deductions upon
26 attainment of superannuation age.

27 (i) Failure to apply for annuity.--If a member is eligible
28 to receive an annuity and does not file a proper application
29 within 90 days of termination of service, his annuity will
30 become effective as of the later of the date the application is

1 filed with the board or the date designated on the application
2 [whichever is later] which shall not be later than his required
3 beginning date.

4 * * *

5 Section 433. Sections 5931(b), 5932, 5933(a), 5934, 5935,
6 5936, 5937, 5938 and 5939 of Title 71 are amended to read:

7 § 5931. Management of fund and accounts.

8 * * *

9 (b) Crediting of interest.--The board, annually, shall allow
10 the required interest on the mean amount for the preceding year
11 to the credit of each of the accounts other than the individual
12 investment accounts and except excess interest credited to the
13 cash balance savings account. The amount so allowed shall be
14 credited thereto by the board and transferred from the interest
15 reserve account. Excess interest, if any, shall be credited to
16 the cash balance savings account as set forth in section 5902(q)
17 (relating to administrative duties of the board).

18 * * *

19 § 5932. State Employees' Retirement Fund.

20 (a) General rule.--The fund shall consist of all balances in
21 the several separate accounts set apart to be used under the
22 direction of the board for the benefit of members of the system;
23 and the Treasury Department shall credit to the fund all moneys
24 received from the Department of Revenue arising from the
25 contributions relating to or on behalf of members of the system
26 required under the provisions of Chapter 55 (relating to
27 contributions), and any income earned by the investments or
28 moneys of said fund. There shall be established and maintained
29 by the board the several ledger accounts specified in sections
30 5933 (relating to members' savings account), 5934 (relating to

1 State accumulation account), 5935 (relating to annuity reserve
2 account), 5936 (relating to State Police benefit account), 5937
3 (relating to enforcement officers' benefit account), 5938
4 (relating to supplemental annuity account) and 5939 (relating to
5 interest reserve account) and 5942 (relating to cash balance
6 savings account).

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

15 § 5933. Members' savings account.

16 (a) Credits to account.--The members' savings account shall
17 be the ledger account to which shall be credited the amounts of
18 the pickup contributions made by the Commonwealth or other
19 employer and contributions or lump sum payments made by active
20 members, other than for Class CB service, in accordance with the
21 provisions of sections 5501 (relating to regular member
22 contributions and cash balance member contributions for current
23 service), 5501.1 (relating to shared-risk member contributions
24 [for Class A-3 and Class A-4 service] and shared-gain
25 adjustments to regular member contributions for Class A-3 and
26 Class A-4 service), 5502 (relating to social security
27 integration member contributions), 5503 (relating to joint
28 coverage member contributions), 5504 (relating to member
29 contributions for the purchase of credit for previous State
30 service or to become a full coverage member), 5505.1 (relating

1 to additional member contributions) and 5505 (relating to
2 contributions for the purchase of credit for creditable nonstate
3 service) and transferred from the members' savings account of
4 the Public School Employees' Retirement System in accordance
5 with the provisions of section 5303.2 (relating to election to
6 convert school service to State service).

7 * * *

8 § 5934. State accumulation account.

9 The State accumulation account shall be the ledger account to
10 which shall be credited all contributions of the Commonwealth or
11 other employers whose employees are members of the system and
12 made in accordance with the provisions of section 5507(a) or (d)
13 (relating to contributions to the system by the Commonwealth and
14 other employers) except that the amounts received under the
15 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
16 amounts received under the provisions of the Liquor Code, act of
17 April 12, 1951 (P.L.90, No.21), shall be credited to the State
18 Police benefit account or the enforcement officers' benefit
19 account as the case may be. All amounts transferred to the fund
20 by county retirement systems or pension plans in accordance with
21 the provisions of section 5507(c) also shall be credited to the
22 State accumulation account. All amounts transferred to the fund
23 by the Public School Employees' Retirement System in accordance
24 with section 5303.2(e) (relating to election to convert school
25 service to State service), except amounts credited to the
26 members' savings account, and all amounts paid by the Department
27 of Corrections in accordance with section 5303.2(f) also shall
28 be credited to the State accumulation account. The State
29 accumulation account shall be credited with valuation interest.
30 The reserves necessary for the payment of annuities and death

1 benefits resulting from membership in the system as approved by
2 the board and as provided in Chapter 57 (relating to benefits),
3 other than annuities and benefits resulting from Class CB
4 service, shall be transferred from the State accumulation
5 account to the annuity reserve account provided for in section
6 5935 (relating to annuity reserve account), except that the
7 reserves necessary on account of a member who is an officer of
8 the Pennsylvania State Police or an enforcement officer shall be
9 transferred from the State accumulation account to the State
10 Police benefit account provided for in section 5936 (relating to
11 State Police benefit account) or to the enforcement officers'
12 benefit account as provided for in section 5937 (relating to
13 enforcement officers' benefit account) as the case may be. The
14 reserves necessary for the payment of supplemental annuities in
15 excess of those reserves credited to the supplemental annuity
16 account on June 30, 2010, shall be transferred from the State
17 accumulation account to the supplemental annuity account. In the
18 event that supplemental annuities are increased by legislation
19 enacted after December 31, 2009, the necessary reserves shall be
20 transferred from the State accumulation account to the
21 supplemental annuity account. The amounts credited to the
22 members' individual cash balance savings accounts as provided
23 for in section 5902(p) shall be transferred from the State
24 accumulation account.

25 § 5935. Annuity reserve account.

26 (a) Credits and charges to account.--The annuity reserve
27 account shall be the ledger account to which shall be credited
28 the reserves held for payment of annuities and death benefits on
29 account of all annuitants except in the case of members who are
30 officers of the Pennsylvania State Police or enforcement

1 officers. The annuity reserve account shall be credited with
2 valuation interest. After the transfers provided in sections
3 5933 (relating to members' savings account), 5934 (relating to
4 State accumulation account) [and], 5938 (relating to
5 supplemental annuity account) and 5942 (relating to cash balance
6 savings account), all annuity and death benefit payments
7 resulting from membership in the system except those payable to
8 any member who retires as an officer of the Pennsylvania State
9 Police or an enforcement officer shall be charged to the annuity
10 reserve account and paid from the fund.

11 (b) Transfers from account.--Should an annuitant other than
12 a member who was retired as an officer of the Pennsylvania State
13 Police or an enforcement officer be subsequently restored to
14 active service as a member of the system or as a participant in
15 the plan, the present value of his member's annuity at the time
16 of reentry into State service shall be transferred from the
17 annuity reserve account and placed to his individual credit in
18 the members' savings account or individual cash balance savings
19 account, as appropriate. In addition, the actuarial reserve for
20 his annuity based on all classes of credited service other than
21 Class CB less the amount transferred to the members' savings
22 account shall be transferred from the annuity reserve account to
23 the State accumulation account. The present value of the annuity
24 provided by section 5702(a)(7) (relating to maximum single life
25 annuity) at the time of reentry in State service shall be
26 transferred from the annuity reserve account and placed to the
27 member's individual credit in the cash balance savings account.

28 § 5936. State Police benefit account.

29 (a) Credits and charges to account.--The State Police
30 benefit account shall be the ledger account to which shall be

1 credited all contributions received under the provisions of the
2 act of May 12, 1943 (P.L.259, No.120), referred to as the
3 Foreign Casualty Insurance Premium Tax Allocation Law, and any
4 additional Commonwealth or other employer contributions provided
5 for in section 5507 (relating to contributions to the system by
6 the Commonwealth and other employers) which are creditable to
7 the State Police benefit account. The State Police benefit
8 account shall be credited with the required interest. In
9 addition, upon the filing of an application for an annuity by a
10 member who is an officer of the Pennsylvania State Police, the
11 total accumulated deductions standing to the credit of the
12 member in the members' savings account, the total cash balance
13 accumulated deductions standing to the credit of the member in
14 the cash balance savings account and the necessary reserves from
15 the State accumulation account shall be transferred to the State
16 Police benefit account. Thereafter, the total annuity of such
17 annuitant shall be charged to the State Police benefit account
18 and paid from the fund.

19 (b) Transfers from account.--Should the said annuitant be
20 subsequently restored to active service as a member of the
21 system or as a participant in the plan, the present value of the
22 member's annuity at the time of reentry into State service shall
23 be transferred from the State Police benefit account and placed
24 to his individual credit in the members' savings account or
25 individual cash balance savings account, as appropriate. In
26 addition, the actuarial reserve for his annuity, based on all
27 classes of credited service other than Class CB, calculated as
28 if he had been a member of Class A if he has Class A or Class C
29 service credited; as if he had been a member of Class A-3 if the
30 annuitant has Class A-3 State service credited; or as if he had

1 been a member of Class A-4 if the annuitant has Class A-4
2 service credited, less the amount transferred to the members'
3 savings account shall be transferred from the State Police
4 benefit account to the State accumulation account. The present
5 value of the annuity provided by section 5702(a)(7) (relating to
6 maximum single life annuity) at the time of reentry into State
7 service shall be transferred from the State Police benefit
8 account and placed to his individual credit in the cash balance
9 savings account. Upon subsequent retirement other than as an
10 officer of the Pennsylvania State Police the actuarial reserve
11 remaining in the State Police benefit account shall be
12 transferred to the appropriate reserve account.

13 § 5937. Enforcement officers' benefit account.

14 (a) Credits and charges to account.--The enforcement
15 officers' benefit account shall be the ledger account to which
16 shall be credited moneys transferred from the enforcement
17 officers' retirement account in the State Stores Fund according
18 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
19 known as the Liquor Code, and any additional Commonwealth or
20 other employer contributions provided for in section 5507
21 (relating to contributions to the system by the Commonwealth and
22 other employers) which are creditable to the enforcement
23 officers' benefit account. The enforcement officers' benefit
24 account shall be credited with the required interest. In
25 addition, upon the filing of an application for an annuity by a
26 member who is an enforcement officer of the Pennsylvania Liquor
27 Control Board, the total accumulated deductions standing to the
28 credit of the member in the members' savings account, the total
29 cash balance accumulated deductions standing to the credit of
30 the member in the cash balance savings account and the necessary

1 reserves from the State accumulation account shall be
2 transferred to the enforcement officers' benefit account.
3 Thereafter, the total annuity of such annuitant shall be charged
4 to the enforcement officers' benefit account and paid from the
5 fund.

6 (b) Transfers from account.--Should the said annuitant be
7 subsequently restored to active service as a member of the
8 system or as a participant in the plan, the present value of the
9 member's annuity at the time of reentry into State service shall
10 be transferred from the enforcement officers' benefit account
11 and placed to his individual credit in the members' savings
12 account or individual cash balance savings account, as
13 appropriate. In addition, the actuarial reserve for his annuity,
14 based on all classes of credited service other than Class CB,
15 calculated as if he had been a member of Class A if the
16 annuitant does not have any Class AA, Class A-3 or Class A-4
17 service credited; as if he had been a member of Class AA if the
18 annuitant does have Class AA service credited; as if he had been
19 a member of Class A-3 if the annuitant has Class A-3 State
20 service credited; or as if he had been a member of Class A-4 if
21 the annuitant has Class A-4 service credited, less the amount
22 transferred to the members' savings account shall be transferred
23 from the enforcement officers' benefit account to the State
24 accumulation account. The present value of the annuity provided
25 by section 5702(a)(7) (relating to maximum single life annuity)
26 at the time of reentry into State service shall be transferred
27 from the enforcement officers' benefit account and placed to his
28 individual credit in the cash balance savings account. Upon
29 subsequent retirement other than as an enforcement officer the
30 actuarial reserve remaining in the enforcement officers' benefit

1 account shall be transferred to the appropriate reserve account.

2 § 5938. Supplemental annuity account.

3 The supplemental annuity account shall be the ledger account
4 to which shall be credited all contributions from the
5 Commonwealth and other employers in accordance with section
6 5507(b) (relating to contributions to the system by the
7 Commonwealth and other employers) for the payment of the
8 supplemental annuities provided in sections 5708 (relating to
9 supplemental annuities), 5708.1 (relating to additional
10 supplemental annuities), 5708.2 (relating to further additional
11 supplemental annuities), 5708.3 (relating to supplemental
12 annuities commencing 1994), 5708.4 (relating to special
13 supplemental postretirement adjustment), 5708.5 (relating to
14 supplemental annuities commencing 1998), 5708.6 (relating to
15 supplemental annuities commencing 2002), 5708.7 (relating to
16 supplemental annuities commencing 2003) and 5708.8 (relating to
17 special supplemental postretirement adjustment of 2002) made
18 before July 1, 2010, the amount transferred from the State
19 accumulation account to provide all additional reserves
20 necessary as of June 30, 2010, to pay such supplemental
21 annuities and adjustments, and the amounts transferred from the
22 State accumulation account to provide all additional reserves
23 necessary as a result of supplemental annuities enacted after
24 December 31, 2009. The supplemental annuity account shall be
25 credited with valuation interest. The reserves necessary for the
26 payment of such supplemental annuities shall be transferred from
27 the supplemental annuity account to the annuity reserve account
28 as provided in section 5935 (relating to annuity reserve
29 account).

30 § 5939. Interest reserve account.

1 The interest reserve account shall be the ledger account to
2 which shall be credited all income earned by the fund and to
3 which shall be charged all administrative and investment
4 expenses incurred by the fund. At the end of each year the
5 required interest shall be transferred from the interest reserve
6 account to the credit of each of the accounts of the fund in
7 accordance with the provisions of this subchapter. In addition,
8 at the end of each accounting period, the interest reserve
9 account shall be credited or charged with all recognized changes
10 in the market valuation of the investments of the fund. The
11 administrative and investment expenses of the board relating to
12 the administration of the system and investments of the fund
13 shall be paid from the fund out of earnings. Any surplus or
14 deficit in the interest reserve account at the end of each year
15 shall be transferred to the State accumulation account.

16 Section 434. Title 71 is amended by adding a section to
17 read:

18 § 5942. Cash balance savings account.

19 (a) Credits to account.--The cash balance savings account
20 shall be the ledger account to which shall be credited the
21 amounts of the cash balance member contributions made by the
22 Commonwealth or other employers on behalf of members of Class CB
23 and additional amounts credited to the individual members' cash
24 balance savings accounts in accordance with the provisions of
25 section 5501 (relating to regular member contributions and cash
26 balance member contributions for current service) and 5902(p)
27 (relating to administrative duties of the board).

28 (b) Interest and transfers from account.--The cash balance
29 savings account in total and the individual member accounts
30 shall be credited with treasury bond interest, and if applicable

1 excess interest. The total cash balance accumulated deductions
2 credited to a member whose application for an annuity has been
3 approved shall be transferred from the cash balance savings
4 account to the annuity reserve account provided for under
5 section 5935 (relating to annuity reserve account), except in
6 the case of a member who is an officer of the Pennsylvania State
7 Police or an enforcement officer the total cash balance
8 accumulated deductions to his credit shall be transferred from
9 the cash balance savings account to the State Police benefit
10 account provided for under section 5936 (relating to State
11 Police benefit account) or to the enforcement officers' benefit
12 account provided for under section 5937 (relating to enforcement
13 officers' benefit account), as the case may be.

14 (c) Charges to account.--Upon the election of a member to
15 withdraw his cash balance member accumulated deductions without
16 receiving a benefit or upon payment of a small cash balance
17 account in a lump sum as provided for under section 5709(d)
18 (relating to payment of benefits), the payment of such amount
19 shall be charged to the individual member's cash balance savings
20 account. Any amounts remaining in an individual member's cash
21 balance savings account after these charges shall be transferred
22 to the State accumulation account.

23 Section 435. Sections 5951, 5953, 5953.1, 5953.2, 5953.3 and
24 5953.4(a) of Title 71 are amended to read:

25 § 5951. State guarantee regarding the State Employees'
26 Retirement System.

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

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

7 § 5953. Taxation, attachment and assignment of funds.

8 (a) General rule.--

9 (1) Except as provided in paragraphs (2), (3) and (4),
10 the right of a person to any benefit or right accrued or
11 accruing under the provisions of this part and the moneys in
12 the fund and the trust are hereby exempt from any State or
13 municipal tax, levy and sale, garnishment, attachment,
14 spouse's election, the provisions of Article XIII.1 of the
15 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
16 Code, or any other process whatsoever, and no participant or
17 beneficiary, successor payee, or alternate payee of a
18 participant shall have the ability to commute, sell, assign,
19 alienate, anticipate, mortgage, pledge, hypothecate,
20 commutate or otherwise transfer or convey any benefit or
21 interest in an individual investment account or rights to
22 receive or direct distributions under this part or under
23 agreements entered into under this part except as otherwise
24 provided in this part and in the case of either a member or a
25 participant except for a set-off by the Commonwealth in the
26 case provided in subparagraph (i), and shall be unassignable
27 except:

28 (i) To the Commonwealth in the case of a member or
29 participant who is terminating State service and has been
30 determined to be obligated to the Commonwealth for the

1 repayment of money owed on account of his employment or
2 to the fund on account of a loan from a credit union to a
3 member which has been satisfied by the board from the
4 fund.

5 (ii) To a credit union as security for a loan to a
6 member not to exceed \$750 and interest not to exceed 6%
7 per annum discounted and/or fines thereon if the credit
8 union is now or hereafter organized and incorporated
9 under the laws of this Commonwealth and the membership of
10 such credit union is limited solely to officials and
11 employees of the Commonwealth and if such credit union
12 has paid to the fund \$3 for each such assignment.

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

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

1 provided by law. In accordance with section 16(b) of
2 Article V of the Constitution of Pennsylvania, amounts in
3 the trust that have been ordered to be distributed to an
4 alternate payee as the result of an equitable
5 distribution of marital property as part of an approved
6 domestic relations order entered before the date of the
7 order or action in a court or other tribunal resulting in
8 a forfeiture of a participant's interest in the trust
9 shall not be subject to the provisions of the Public
10 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
11 accumulated employer defined contributions forfeited as a
12 result of this paragraph or other law shall be retained
13 by the board and notwithstanding sections 5812(2)
14 (relating to powers and duties of board), 5815 (relating
15 to expenses) and 5902(c) (relating to administrative
16 duties of the board) used for the payment of expenses of
17 the plan.

18 (3) Rights under this part shall be subject to
19 attachment in favor of an alternate payee as set forth in an
20 approved domestic relations order.

21 (4) Effective with distributions made on or after
22 January 1, 1993, and notwithstanding any other provision of
23 this part to the contrary, a distributee may elect, at the
24 time and in the manner prescribed by the board, to have any
25 portion of an eligible rollover distribution paid directly to
26 an eligible retirement plan by way of a direct rollover. For
27 purposes of this paragraph, a "distributee" includes a member
28 [and], a participant, a member's surviving spouse [and], a
29 participant's surviving spouse, a member's former spouse who
30 is an alternate payee under an approved domestic relations

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

17 (b) Authorized payments from fund and trust.--The board
18 shall be authorized to pay from the fund and the trust:

19 (1) In the case of a member or participant who is
20 terminating service, the amount determined after
21 certification by the head of the department that the member
22 or participant is so obligated, and after review and approval
23 by the department or agency's legal representative or upon
24 receipt of an assignment from the member or participant in
25 the amount so certified[.], except that no payment shall be
26 made from the individual investment account of a participant
27 until the participant otherwise applies for and receives a
28 distribution and shall not exceed the amount of the
29 distribution.

30 (2) In the case of a loan to a member the amount of the

1 loan and any fine or interest due thereon to the credit union
2 except 5% of the total amount due which is to be retained in
3 the fund as a collection fee:

4 (i) if the member obtaining the loan shall have been
5 in default in required payments for a period of not less
6 than two years; or

7 (ii) at such time as the Department of Banking shall
8 require the credit union to charge the amount of the loan
9 against the reserve fund of such credit union.

10 Any member who shall have pledged such rights as
11 security for a loan from a credit union and, on whose
12 behalf the board shall have made any payment by reason of
13 that member's default, may not thereafter pledge or
14 assign such rights to a credit union.

15 (3) In the case of a participant whose former spouse is
16 an alternate payee of an equitable distribution of marital
17 assets under an approved domestic relations order, a lump sum
18 of the alternate payee's interest in the participant's
19 accumulated total defined contributions. This paragraph shall
20 apply without regard to whether the participant has not
21 terminated, is terminating or has terminated State service.

22 § 5953.1. Approval of domestic relations orders.

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

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

1 (2) Requires the system to provide no more than the
2 total amount of benefits than the member would otherwise
3 receive (determined on the basis of actuarial value) unless
4 increased benefits are paid to the member or alternate payee
5 based upon cost-of-living increases or increases based on
6 other than actuarial value.

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

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

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

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

22 (7) Requires the member to execute an authorization
23 allowing each alternate payee to monitor the member's
24 compliance with the terms of the domestic relations order
25 through access to information concerning the member
26 maintained by the system. An authorization granted pursuant
27 to this section shall be construed as an authorization for
28 the alternate payee to receive information concerning the
29 administration, calculation and payment of the alternate
30 payee's share of the benefits payable pursuant to this part

1 and not as an authorization to exercise the rights afforded
2 to members or obtain information which is not related to the
3 administration, calculation and payment of alternate payee's
4 share of the benefits payable pursuant to this part.

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

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

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

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

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

29 (5) States that the plan shall not be required to recoup
30 or make good for losses in value to the participant's

1 individual investment account incurred between the date of
2 the valuation of the account used for equitable distribution
3 purposes and the date of distribution to the alternate payee.

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

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

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

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

30 (10) Requires the immediate distribution of the

1 alternate payee's share of the participant's individual
2 investment account, which may be by direct payment, eligible
3 rollover or trustee-to-trustee transfer to another eligible
4 plan or qualified account owned by the alternate payee,
5 notwithstanding any other provision of this part or the plan
6 that would require a distribution of accumulated employer
7 defined contributions in the form of an annuity or to require
8 the purchase of an annuity.

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

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

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

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

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

30 § 5953.2. Irrevocable beneficiary.

1 Notwithstanding any other provision of this part, a domestic
2 relations order may provide for an irrevocable beneficiary. A
3 domestic relations order requiring the nomination of an
4 irrevocable beneficiary shall be deemed to be one that requires
5 a member or participant to nominate an alternate payee as a
6 beneficiary and that prohibits the removal or change of that
7 beneficiary without approval of a court of competent
8 jurisdiction, except by operation of law. Such a domestic
9 relations order may be certified as an approved domestic
10 relations order by the secretary of the board, or his designated
11 representative, after the member or participant makes such
12 nomination, in which case the irrevocable beneficiary so ordered
13 by the court cannot be changed by the member or participant
14 without approval by the court.

15 § 5953.3. Irrevocable survivor annuitant.

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

1 § 5953.4. Amendment of approved domestic relations orders.

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

8 * * *

9 Section 436. Title 71 is amended by adding a section to
10 read:

11 § 5953.6. Irrevocable successor payee.

12 (a) Condition.--Notwithstanding any other provision of this
13 part, a domestic relations order pertaining to a participant may
14 provide for an irrevocable successor payee if the participant is
15 receiving a payment pursuant to a payment option provided by the
16 board that allows for a successor payee.

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

24 (c) Certification.--A domestic relations order under
25 subsection (b) may be certified as an approved domestic
26 relations order by the secretary of the board or his designated
27 representative. If a domestic relations order is certified under
28 this subsection, the irrevocable successor payee named in such
29 order shall not be changed by the participant without approval
30 by the court.

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

7 Section 437. Sections 5954, 5955 and 5957 of Title 71 are
8 amended to read:

9 § 5954. Fraud and adjustment of errors.

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

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

29 § 5955. Construction of part.

30 (a) Exclusive source of rights and benefits.--Regardless of

1 any other provision of law, pension and benefit rights of State
2 employees shall be determined solely by this part or any
3 amendment thereto or the plan document established by the board,
4 and no collective bargaining agreement nor any arbitration award
5 between the Commonwealth and [its] other employers and the
6 Commonwealth's and other employer's employees or their
7 collective bargaining representatives shall be construed to
8 change any of the provisions herein, to require the board to
9 administer pension or retirement benefits not set forth in this
10 part or not established by the board in the plan document, to
11 require the board to modify, amend or change any of the terms
12 and provisions of the plan document, or otherwise require action
13 by any other government body pertaining to pension or retirement
14 benefits or rights of State employees. Notwithstanding the
15 foregoing, any pension or retirement benefits or rights
16 previously so established by or as a result of an arbitration
17 award shall remain in effect after the expiration of the current
18 collective bargaining agreement between the State employees so
19 affected and the Commonwealth until the expiration of each of
20 the collective bargaining agreements in effect on January 1,
21 2011, at which time the classes of membership and resulting
22 member contribution rates and contributions for creditable
23 nonstate service, eligibility for vesting, withdrawal and
24 superannuation annuities, optional modification of annuities and
25 other terms and conditions related to class of membership shall
26 be as determined by this part for employees covered by those and
27 successor collective bargaining agreements. For purposes of
28 administering this part, for those State employees who are
29 members of each such collective bargaining unit, the date
30 January 1, 2011, contained in this part, except in this section,

1 shall be replaced with the date of the day immediately following
2 the expiration of each such collective bargaining agreement. The
3 provisions of this part insofar as they are the same as those of
4 existing law are intended as a continuation of such laws and not
5 as new enactments. The provisions of this part shall not affect
6 any act done, liability incurred, right accrued or vested, or
7 any suit or prosecution pending or to be instituted to enforce
8 any right or penalty or to punish any offense under the
9 authority of any repealed laws.

10 (b) References.--References in this part to the Internal
11 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.)
12 or the Uniformed Services Employment and Reemployment Rights Act
13 of 1994 (Public Law 103-353, 108 Stat. 3149), including
14 administrative regulations promulgated under the Internal
15 Revenue Code of 1986 or the Uniformed Services Employment and
16 Reemployment Rights Act of 1994, are intended to include laws
17 and regulations:

18 (1) In effect on the effective date of this subsection.

19 (2) Amended, supplemented or supplanted on and after the
20 effective date of this subsection.

21 (c) Officer or member of the Pennsylvania State Police.--

22 (1) Notwithstanding a provision of subsection (a) or
23 section 12.1 of Act 120 of 2010, regarding the continued
24 effectiveness of pension or retirement benefits or rights
25 previously established by or as a result of a binding
26 arbitration award issued before July 1, 1989, pursuant to the
27 act of June 24, 1968 (P.L.237, No.111), referred to as the
28 Policemen and Firemen Collective Bargaining Act, and
29 implemented by the board, the pension or retirement benefits
30 or rights of a State employee who is a current or former

1 State police officer shall be as provided in this part as if
2 the binding arbitration award was not issued, except as
3 provided under this subsection.

4 (2) A State employee who is a current or former State
5 police officer who terminates State service before January 1,
6 2016, shall be eligible to receive the maximum single life
7 annuity, before optional modification under section 5705
8 (relating to member's options), which the State employee
9 would have been eligible to receive if this subsection had
10 not been enacted.

11 (3) A State employee who meets the following shall be
12 eligible to receive the maximum single life annuity, before
13 optional modification under section 5705, which the State
14 employee would have been eligible to receive if this
15 subsection had not been enacted:

- 16 (i) is a current or former State police officer;
17 (ii) has 20 or more qualifying eligibility points;
18 (iii) does not have service credited in Class CB;

19 and

- 20 (iv) terminates State service on or after January 1,
21 2016.

22 (4) A State employee who meets all of the requirements
23 in paragraph (3) other than the requirement in paragraph (3)
24 (iii) shall be able to receive an annuity calculated under
25 section 5702(a)(7) in addition to the maximum single life
26 annuity, before optional modification under section 5705,
27 which the State employee would have been eligible to receive
28 if this subsection had not been enacted.

29 (5) A State employee who is a current or former State
30 police officer or who becomes a State police officer as a

1 member of the system in a class of service other than Class
2 CB after the effective date of this subsection and who does
3 not have 20 or more qualifying eligibility points shall be
4 eligible to receive a maximum single life annuity before
5 optional modification under section 5705 equal to the maximum
6 single life annuity that the State employee is eligible to
7 receive under this part attributable to all credited service,
8 compensation and eligibility points.

9 (6) To the extent that any officer or member of the
10 Pennsylvania State Police who is eligible to retire after
11 June 30, 1989, as provided in a binding arbitration award
12 issued before July 1, 1989, under the act of June 24, 1968
13 (P.L.237, No.111), referred to as the Policemen and Firemen
14 Collective Bargaining Act, as implemented by the board, with
15 a benefit based on 50% of highest year salary upon accruing
16 at least 20 years of credited State service or nonstate
17 service in the system or based on 75% of highest year salary
18 upon accruing at least 25 years of credited State or nonstate
19 service in the system, the eligibility shall be determined
20 solely on service credited, compensation paid and
21 contributions made as a member of the system.

22 (7) Service as a State police officer credited in the
23 system shall not operate to prevent any State employee from
24 being a participant in the plan for any State service that
25 would otherwise result in participation in the plan. Any
26 State service performed, compensation paid and contributions
27 made as a participant in the plan shall not be included in
28 determining eligibility for and the amount of benefits
29 provided from the system as long as entitlement to actual
30 receipt of benefits is subject to the provisions of this part

1 regarding employment and termination as a State employee. Any
2 benefit resulting from participation in the plan shall be in
3 addition to any benefit a State police officer may be
4 eligible to receive as a member of the system.

5 (8) An individual who first becomes a State employee on
6 or after January 1, 2016, or if a State employee before
7 January 1, 2016, was not a member of the system before
8 January 1, 2016, who subsequently becomes a sworn police
9 officer shall not be eligible to accrue benefits pursuant to
10 the binding arbitration award, but instead shall be eligible
11 to be a participant in the plan and a member of Class CB as
12 provided in this part.

13 (9) For the purposes of this subsection, the following
14 terms shall have the meanings given to them in this
15 paragraph:

16 "Act 120 of 2010." The act of November 23, 2010
17 (P.L.1269, No.120), entitled "An act amending Titles 24
18 (Education) and 71 (State Government) of the Pennsylvania
19 Consolidated Statutes, in Title 24, further providing for
20 definitions, for mandatory and optional membership, for
21 contributions by the Commonwealth, for payments by employers,
22 for actuarial cost method, for additional supplemental
23 annuities, for further additional supplemental annuities, for
24 supplemental annuities commencing 1994, for supplemental
25 annuities commencing 1998, for supplemental annuities
26 commencing 2002, for supplemental annuities commencing 2003,
27 for administrative duties of board, for payments to school
28 entities by Commonwealth, for eligibility points for
29 retention and reinstatement of service credits and for
30 creditable nonschool service; providing for election to

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

1 commencing 1994, for supplemental annuities commencing 1998,
2 for supplemental annuities commencing 2002, for supplemental
3 annuities commencing 2003, for special supplemental
4 postretirement adjustment of 2002, for administrative duties
5 of the board, for duties of board to advise and report to
6 heads of departments and members, for duties of board
7 regarding applications and elections of members, for
8 installment payments of accumulated deductions, for rights
9 and duties of State employees and members, for members'
10 savings account, for State accumulation account, for State
11 Police Benefit Account, for Enforcement Officers' Benefit
12 Account, for supplemental annuity account and for
13 construction of part; and providing for Independent Fiscal
14 Office study, for retirement eligibility of Pennsylvania
15 State Police officers or members, for a prohibition on the
16 issuance of pension obligation bonds, for holding certain
17 public officials harmless, for construction of calculation or
18 actuarial method, for applicability and for certain
19 operational provisions."

20 "Binding arbitration award." A binding arbitration award
21 issued before July 1, 1989, pursuant to the act of June 24,
22 1968 (P.L.237, No.111), referred to as the Policemen and
23 Firemen Collective Bargaining Act, and was implemented by the
24 State Employees' Retirement Board.

25 "Qualifying eligibility points." Eligibility points as a
26 result of State service in a class of service other than
27 class CB, nonstate service or being reemployed from USERRA
28 leave.

29 (d) Adverse inference.--Nothing in this part shall be
30 construed to mean that the limitations on benefits or other

1 requirements under IRC § 401(a) or other applicable provisions
2 of the IRC which are applicable to participants in the plan do
3 not apply to the participants or to members of the system and
4 the benefits payable under this part.

5 (e) Applicability.--The amendment of this part regarding the
6 establishment of and participation in the plan shall apply to an
7 elected officer who is elected, reelected or retained in a
8 retention election to a term of office that begins on or after
9 January 1, 2016, notwithstanding that either immediately or at
10 any time prior to beginning a term of office on or after January
11 1, 2016, the elected officer was an active member of the system
12 or inactive member on leave without pay. An individual who is
13 elected, reelected or retained in a retention election to a term
14 of office as member of the general assembly that begins on or
15 after January 1, 2016:

16 (1) does so with the knowledge of the provisions, terms
17 and conditions of this part, including those provisions,
18 terms and conditions establishing the plan and determining
19 participation in the plan and membership in the system; and
20 (2) expressly consents to those provisions, terms and
21 conditions and the resulting contributions, obligations,
22 benefits and rights, or lack of contributions, obligations,
23 benefits and rights in the system and the plan.

24 (f) Furloughs.--For purposes of sections 5301(a)(17)
25 (relating to credited State service), 5306 (relating to classes
26 of service), 5306.4 (relating to election of an alternate class
27 of service multiplier) and this section, a State employee who is
28 furloughed under section 802 of the act of August 5, 1941
29 (P.L.752, No.286), known as the Civil Service Act, and
30 reemployed pursuant to the Civil Service Act in any class of

1 service or civil service status which was previously held, shall
2 not be treated as having been terminated from State service and
3 beginning a new period of State service.

4 § 5957. Independent Fiscal Office study.

5 The Independent Fiscal Office shall study and analyze the
6 implementation of shared-risk contributions under section 5501.1
7 (relating to shared-risk member contributions [for Class A-3 and
8 Class A-4 service] and shared-gain adjustments to regular member
9 contributions for Class A-3 and Class A-4 service) and its
10 impact on the system. The study shall be completed by December
11 31, 2015, and shall be transmitted to the Appropriations
12 Committee and the Finance Committee of the Senate, the
13 Appropriations Committee and the Finance Committee of the House
14 of Representatives and to the Governor.

15 Section 438. Title 71 is amended by adding a section to
16 read:

17 § 5958. Public Pension Management and Asset Investment Review
18 Commission.

19 (a) Establishment.--A Public Pension Management and Asset
20 Investment Review Commission shall be established, which shall
21 be composed of three appointees of each of the following:

- 22 (1) Governor;
23 (2) President Pro tempore of the Senate; and
24 (3) Speaker of the House of Representatives.

25 The appointees shall be investment professionals and retirement
26 advisors and shall be appointed within 90 days of the effective
27 date of this section.

28 (b) Duties.--The duties of the Public Pension Management and
29 Asset Investment Review Commission are as follows:

- 30 (1) Study the performance of current investment

1 strategies and procedures of the State Employees' Retirement
2 System, comparing realized rates of return to established
3 benchmarks and considering associated fees paid for active
4 and passive management.

5 (2) Study the costs and benefits of both active and
6 passive investment strategies in relation to future
7 investment activities of the State Employees' Retirement
8 System.

9 (3) Study alternative future investment strategies with
10 available assets of the State Employees' Retirement System
11 that will maximize future rates of return net of fees.

12 (4) Publish extensive and detailed findings on-line,
13 including findings about:

14 (i) assets;

15 (ii) returns;

16 (iii) financial managers;

17 (iv) consultants;

18 (v) requests for proposals; and

19 (vi) investment performance measured against
20 benchmarks.

21 (5) Report its findings and recommendations to the
22 Governor and the General Assembly within six months of its
23 first organizational meeting.

24 (c) Quorum.--A majority of appointed members shall
25 constitute a quorum for the purpose of conducting business. The
26 members shall select one of their number to be chairperson and
27 another to be the vice-chairperson.

28 (d) Transparency and ethics.--The Public Pension Management
29 and Asset Investment Review Commission shall be subject to the
30 following laws:

1 member of the Public School Employees' Retirement System, a
2 participant in the School Employees' Defined Contribution
3 Plan or another person claiming an interest in the account of
4 a member or participant an express or implied contractual
5 right in the provisions nor in a construction of 24 Pa.C.S.
6 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
7 Pa.C.S. Pt. IV or 51 Pa.C.S.:

8 (i) A provision of this act which amends 51 Pa.C.S.
9 or 24 Pa.C.S. Pt. IV in relation to requirements for any
10 of the following:

11 (A) (Reserved).

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

19 (C) Contributions to, participation in or
20 benefits from the School Employees' Defined
21 Contribution Plan or School Employees' Defined
22 Contribution Trust.

23 (D) Domestic relations orders regarding
24 alternate payees of participants in the School
25 Employees' Defined Contribution Plan.

26 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
27 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
28 Pt. IV or 51 Pa.C.S. or a term or provision of the School
29 Employees' Defined Contribution Plan or School Employees'
30 Defined Contribution Trust, established by statute or in

1 the plan document or trust declaration.

2 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
3 subject to the Internal Revenue Code of 1986 and the
4 Uniformed Services Employment and Reemployment Rights Act of
5 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
6 under those statutes, and the General Assembly reserves to
7 itself the further exercise of its legislative power to amend
8 or supplement the provisions as may be required in order to
9 maintain the qualification of the system as a qualified
10 pension plan under section 401(a) and other applicable
11 provisions of the Internal Revenue Code of 1986 and the
12 Uniformed Services Employment and Reemployment Rights Act of
13 1994 (Public Law 103-353, 108 Stat. 3149).

14 (3) The following provisions shall not create in a
15 member of the State Employees' Retirement System, a
16 participant in the State Employees' Defined Contribution Plan
17 or another person claiming an interest in the account of a
18 member or participant an express or implied contractual right
19 in the provisions nor in a construction of 51 Pa.C.S. § 7306,
20 71 Pa.C.S. Pt. XXV, or rules or regulations adopted under 51
21 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

22 (i) A provision of this act which amends 51 Pa.C.S.
23 § 7306 or 71 Pa.C.S. Pt. XXV in relation to requirements
24 for any of the following:

25 (A) (Reserved)

26 (B) Qualification of the State Employees'
27 Defined Contribution Plan as a qualified pension plan
28 under the Internal Revenue Code of 1986 (Public Law
29 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance
30 with the Uniformed Services Employment and

1 Reemployment Rights Act of 1994 (Public Law 103-353,
2 108 Stat. 3149).

3 (C) Contributions to, participation in or
4 benefits from the State Employees' Defined
5 Contribution Plan or State Employees' Defined
6 Contribution Trust.

7 (D) Domestic relations orders regarding
8 alternate payees of participants in the State
9 Employees' Defined Contribution Plan.

10 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.
11 XXV or rules or regulations adopted under 51 Pa.C.S. or
12 71 Pa.C.S. Pt. XXV or a term or provision of the State
13 Employees' Defined Contribution Plan or State Employees'
14 Defined Contribution Trust, established by statute or in
15 the plan document or trust declaration.

16 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
17 subject to the Internal Revenue Code of 1986 and the
18 Uniformed Services Employment and Reemployment Rights Act of
19 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
20 under those statutes, and the General Assembly reserves to
21 itself the further exercise of its legislative power to amend
22 or supplement the provisions as may be required in order to
23 maintain the qualification of the system as a qualified
24 pension plan under section 401(a) and other applicable
25 provisions of the Internal Revenue Code of 1986 and the
26 Uniformed Services Employment and Reemployment Rights Act of
27 1994 (Public Law 103-353, 108 Stat. 3149).

28 Section 502. The following shall apply:

29 (1) Nothing in this act shall be construed to mean that
30 a calculation or actuarial method used by the School

1 Employees' Retirement Board, its actuaries or the Public
2 School Employees' Retirement System was not in accordance
3 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
4 law prior to the effective date of this section.

5 (2) Nothing in this act shall be construed to mean that
6 a calculation or actuarial method used by the State
7 Employees' Retirement Board, its actuaries or the State
8 Employees' Retirement System was not in accordance with the
9 provisions of 71 Pa.C.S. Pt. XXV or other applicable law
10 prior to the effective date of this section.

11 Section 503. The following shall apply:

12 (1) (i) Payments required to fund a change in accrued
13 liability resulting from this act shall be subject to
14 limits imposed under 24 Pa.C.S. § 8328(g) on employer
15 contributions to the Public School Employees' Retirement
16 System.

17 (ii) For purposes of 24 Pa.C.S. §§ 8326, 8327, and
18 8328, changes under this act shall not be considered to
19 be costs added by legislation.

20 (2) Notwithstanding any other provision of law, a change
21 in accrued liability of the State Employees' Retirement
22 System created under this act as a result of changes in
23 benefits shall be funded in equal dollar installments over a
24 period of 30 years beginning July 1, 2016.

25 (3) A change in accrued liability as a result of
26 amendments to 71 Pa.C.S. §§ 5507 and 5508 shall be funded in
27 equal dollar installments over a period of 30 years beginning
28 July 1, 2016.

29 (4) Payments required to fund a change in accrued
30 liability resulting from this act shall be subject to limits

1 imposed under 71 Pa.C.S § 5508(h) on employer contributions
2 to the State Employees' Retirement System.

3 (5) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,
4 changes under this act shall not be considered to be costs
5 added by legislation.

6 Section 504. The following shall apply:

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

22 (2) This act shall be construed and administered in a
23 manner that the State Employees' Retirement System and the
24 State Employees' Defined Contribution Plan shall satisfy the
25 requirements necessary to qualify as a qualified pension plan
26 under section 401(a) of the Internal Revenue Code of 1986
27 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
28 provisions of the Internal Revenue Code of 1986 and the
29 Uniformed Services Employment and Reemployment Rights Act of
30 1994 (Public Law 103-353, 108 Stat. 3149). The rules,

1 regulations and procedures adopted and promulgated by the
2 State Employees' Retirement Board and the terms and
3 conditions of the plan document and trust declaration adopted
4 by the State Employees' Retirement Board may include
5 provisions necessary to accomplish the purpose of this
6 section.

7 Section 505. The following shall apply:

8 (1) Notwithstanding any other provision of law,
9 fiduciary requirement, actuarial standard of practice or
10 other requirement, the members of the Public School
11 Employees' Retirement Board, the actuary and employees and
12 officials of the Public School Employees' Retirement System
13 may not be held liable or in breach or violation of a law or
14 standard as individuals, in their official capacity or as a
15 governmental or corporate entity, for an action or
16 calculation related to calculating and certifying a final
17 contribution rate as provided under this act that is
18 different from the actuarially required contribution rate as
19 appropriately calculated under 24 Pa.C.S. Pt. IV.

20 (2) Notwithstanding any other provision of law,
21 fiduciary requirement, actuarial standard of practice or
22 other requirement, the members of the State Employees'
23 Retirement Board, the actuary and other employees and
24 officials of the State Employees' Retirement System may not
25 be held liable or in breach or violation of a law or standard
26 as individuals, in their official capacity or as a
27 governmental or corporate entity, for an action or
28 calculation related to calculating and certifying a final
29 contribution rate as provided under this act that is
30 different from the actuarially required contribution rate as

1 appropriately calculated under 71 Pa.C.S. Pt. XXV.

2 Section 506. Nothing in this act shall be deemed to permit
3 the restoration of service credit or retirement benefits which:

4 (1) were or are subject to section 16 of Article V of
5 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

6 (2) were or are the subject of an order of forfeiture
7 under the act of July 8, 1978 (P.L.752, No.140), known as the
8 Public Employee Pension Forfeiture Act.

9 Section 507. (Reserved).

10 Section 508. If a provision of this act or its application
11 to any person or circumstance is held invalid, the invalidity
12 shall not affect other provisions or applications of this act
13 that can be given effect without the invalid provision or
14 application.

15 Section 509. Nothing in this act shall be construed to mean
16 that an interpretation or application of 71 Pa.C.S. Pt. XXV or
17 benefits available to members of the State Employees' Retirement
18 System was not in accordance with 71 Pa.C.S. Pt. XXV or other
19 applicable law, including the Internal Revenue Code of 1986
20 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed
21 Services Employment and Reemployment Rights Act of 1994 (Public
22 Law 103-353, 108 Stat. 3149) before the effective date of this
23 section.

24 Section 510. Notwithstanding the provisions of 71 Pa.C.S. §
25 5903(b), the statement for each member prepared by the State
26 Employees' Retirement Board for the period ending December 31,
27 2015, and any other statements or estimates of benefits prepared
28 by the board pursuant to the provisions of 71 Pa.C.S. Pt. XXV
29 from the effective date of this section to June 30, 2016, shall
30 not be required to reflect the provisions of this act.

1 Section 511. Notwithstanding the provisions of 71 Pa.C.S.
2 Pt. XXV, the obligation of the State Employees' Retirement Board
3 to make payments to any individual whose rights, benefits and
4 obligations are affected by this act within specified time
5 periods of the receipt of applications for benefits or other
6 information shall not apply from the effective date of this
7 section to June 30, 2016.

8 Section 512. Section 502 of the act of October 15, 1980
9 (P.L.950, No.164), known as the Commonwealth Attorneys Act, is
10 repealed insofar as it is inconsistent with the amendment of 24
11 Pa.C.S. § 8501 and 71 Pa.C.S. § 5901.

12 Section 513. This act shall take effect immediately.