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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1082 Session of  
2015

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INTRODUCED BY BROWNE, CORMAN, SCARNATI, GORDNER AND  
EICHELBERGER, DECEMBER 4, 2015

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REFERRED TO FINANCE, DECEMBER 4, 2015

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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:

23 ARTICLE I

24 Section 101. The General Assembly finds and declares as  
25 follows:

26 (1) It is the intent of the General Assembly to ensure  
27 the financial health of the Commonwealth and its school

1 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 Class T-I  
10 service, the rate of 3%.

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

18 "Board." The Public School Employees' Retirement Board or  
19 the Public School Employees' Retirement Board.

20 "Cash balance account." The ledger account into which  
21 members contribute cash balance member contributions, together  
22 with employer contributions, interest and excess interest, as  
23 provided in this part.

24 "Cash balance member contributions." For members in a class  
25 other than Class T-I, the amount voluntarily contributed by such  
26 member and eligible amounts rolled in to the cash balance  
27 account, as provided in this part.

28 "Class of service multiplier."

29	Class of service	Multiplier
30	T-A	.714

1           T-B                           .625  
2           T-C                           1.000  
3           T-D                           1.000  
4           T-E                           1.000  
5           T-F                           1.000

6       "Combined service employee." A current or former school  
7 employee who is both a member of the system and a participant in  
8 the plan.

9       "Commissioner." The Commissioner of the Internal Revenue  
10 Service.

11       "Compensation." Pickup contributions and mandatory pickup  
12 participant contributions plus any remuneration received as a  
13 school employee excluding reimbursements for expenses incidental  
14 to employment and excluding any bonus, severance payments, any  
15 other remuneration or other emolument received by a school  
16 employee during his school service which is not based on the  
17 standard salary schedule under which he is rendering service,  
18 payments for unused sick leave or vacation leave, bonuses or  
19 other compensation for attending school seminars and  
20 conventions, payments under health and welfare plans based on  
21 hours of employment or any other payment or emolument which may  
22 be provided for in a collective bargaining agreement which may  
23 be determined by the Public School Employees' Retirement Board  
24 to be for the purpose of enhancing compensation as a factor in  
25 the determination of final average salary, and, for  
26 participants, excluding payments for military leave and any  
27 other payments made by an employer while on USERRA leave, leave  
28 of absence granted under 51 Pa.C.S. § 4102 (relating to leaves  
29 of absence for certain government employees), military leave of  
30 absence granted under 51 Pa.C.S. § 7302 (relating to granting



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

23 "Concurrent service." Simultaneously credited school and  
24 State service.

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

28 "Credited service." School or creditable nonschool service  
29 for which the required contributions have been made to the fund,  
30 or for which the contributions otherwise required for such

1 service were not made solely by reason of any provision of this  
2 part limiting compensation or relating to the limitations under  
3 section 401(a)(17) or 415(b) of the Internal Revenue Code of  
4 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)), or  
5 for which salary deductions to the system or lump sum payments  
6 have been agreed upon in writing.

7 "Date of termination of service." The latest of the  
8 following dates:

9 (1) the last [date] day of service for which pickup  
10 contributions are made for an active member or[,] for which  
11 the contributions otherwise required for such service were  
12 not made solely by reason of any provision of this part  
13 limiting compensation or relating to the limitations under  
14 section 401(a)(17) or 415 of the Internal Revenue Code of  
15 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415;

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

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

23 "Disability annuitant." A member on or after the effective  
24 date of disability until his disability annuity or the portion  
25 of his disability annuity payments in excess of any annuity to  
26 which he may otherwise be entitled is terminated.

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

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

14 "Effective date of retirement." The first day following the  
15 date of termination of service of a member if he has properly  
16 filed an application for an annuity within 90 days of such date  
17 or:

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

22 (2) In the case of a vestee who files an application for  
23 an annuity within 90 days of his superannuation age, the  
24 attainment of such age.

25 (3) In the case of a vestee who defers the filing of an  
26 application for an annuity to a date later than 90 days  
27 following attainment of superannuation age, the date of  
28 filing or the date specified on the application, whichever is  
29 later.

30 (4) In the case of a finding of disability, the date

1 certified by the board as the effective date of disability.

2 "Eligible annuitants." All current and prospective  
3 annuitants with 24 1/2 or more eligibility points and all  
4 current and prospective disability annuitants. Beginning January  
5 1, 1995, "eligible annuitants" shall include members other than  
6 Class T-I members with 15 or more eligibility points who  
7 terminated or who terminate school service on or after attaining  
8 superannuation retirement age and who are annuitants with an  
9 effective date of retirement after superannuation age.

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

19 "Employer." Any governmental entity directly responsible for  
20 the employment and payment of the school employee and charged  
21 with the responsibility of providing public education within  
22 this Commonwealth, including but not limited to: State-owned  
23 colleges and universities, the Pennsylvania State University,  
24 community colleges, area vocational-technical schools,  
25 intermediate units, the State Board of Education, Scotland  
26 School for Veterans' Children, Thaddeus Stevens College of  
27 Technology, and the Western Pennsylvania School for the Deaf.

28 "Employer defined contributions." Contributions equal to  
29 2.59% of an active participant's compensation that are made by  
30 an employer for current service to the trust to be credited in

1 the active participant's individual investment account.

2 "Excess interest." The investment earnings of the fund  
3 attributable to Class T-I members and members who have elected  
4 to contribute to the cash balance account, calculated in  
5 accordance with section 8523(d) (relating to members' savings  
6 account and cash balance account).

7 "Final average salary." The highest average compensation  
8 received as an active member during any three nonoverlapping  
9 periods of 12 consecutive months with the compensation for part-  
10 time service being annualized on the basis of the fractional  
11 portion of the school year for which credit is received; except,  
12 if the employee was not a member for three such periods, the  
13 total compensation received as an active member annualized in  
14 the case of part-time service divided by the number of such  
15 periods of membership; in the case of a member with multiple  
16 service credit, the final average salary shall be determined by  
17 reference to compensation received by him as a school employee  
18 or a State employee or both; and, in the case of a noneligible  
19 member, subject to the application of the provisions of section  
20 8325.1 (relating to annual compensation limit under IRC § 401(a)  
21 (17)). Final average salary shall be determined by including in  
22 compensation, payments deemed to have been made to a member  
23 reemployed from USERRA leave to the extent member contributions  
24 have been made as provided in section 8302(d)(2) (relating to  
25 credited school service) and payments made to a member on leave  
26 of absence under 51 Pa.C.S. § 4102 (relating to leaves of  
27 absence for certain government employees) as provided in section  
28 8302(d)(6). Notwithstanding the above, for Class T-E and Class  
29 T-F service performed on or after July 1, 2016, compensation to  
30 be used for final average salary calculation shall not exceed

1 the Social Security taxable wage base in effect at the beginning  
2 of the fiscal year.

3 "Full coverage member." Any member for whom regular member  
4 pickup contributions are being picked up or who has paid or has  
5 agreed to pay to the fund the actuarial equivalent of regular  
6 member contributions due on account of service prior to January  
7 1, 1983.

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

9 "Governmental entity." Board of school directors, board of  
10 public education, intermediate unit board of directors, area  
11 vocational-technical board, any governing board of any agency or  
12 authority created by them, and the Commonwealth.

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

25 "Inactive participant." A participant for whom no mandatory  
26 pickup participant contributions are being made to the trust,  
27 except in the case of an active participant for whom such  
28 contributions otherwise required for current school service are  
29 not being made solely by reason of any provision of this part  
30 relating to limitations under section 401(a)(17) or 415 of the

1 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
2 401(a)(17) or 415), who has vested accumulated total defined  
3 contributions standing to his credit in the trust and who has  
4 not filed an application for a distribution.

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

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

19 "IRC." The Internal Revenue Code of 1986, as designated and  
20 referred to in section 2 of the Tax Reform Act of 1986 (Public  
21 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to  
22 "IRC § " shall be deemed to refer to the identically numbered  
23 section and subsection or other subdivision of such section in  
24 26 United States Code (relating to Internal Revenue Code).

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

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

5       "Irrevocable survivor annuitant." The person permanently  
6 designated by a member in writing to the board pursuant to an  
7 approved domestic relations order to receive an annuity upon the  
8 death of such member.

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

12       "Joint coverage member contributions." Regular member  
13 contributions reduced for a joint coverage member.

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



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

5 "Maternity leave of absence." An involuntary leave of  
6 absence required by the employer because of the pregnancy of the  
7 member and commencing prior to May 17, 1975.

8 "Member." Active member, inactive member, annuitant, or  
9 vestee.

10 "Member's annuity." The single life annuity which is  
11 actuarially equivalent on the effective date of retirement to  
12 the sum of the accumulated deductions and the shared-risk member  
13 contributions and statutory interest credited on the deductions  
14 and contributions standing to the member's credit in the  
15 members' savings account.

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

19 "Multiple service." Credited service of a member other than  
20 a Class T-I member or Class TDB member in the State Employees'  
21 Retirement System who has elected to combine his credited  
22 service in both the Public School Employees' Retirement System  
23 and the State Employees' Retirement System.

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

27 "Participant." An active participant, inactive participant  
28 or participant receiving distributions.

29 "Participating eligible annuitants." All eligible annuitants  
30 who are enrolled or elect to enroll in a health insurance

1 program approved by the Public School Employees' Retirement  
2 Board.

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

8 "Pickup contributions." Regular or joint coverage member  
9 contributions and shared-risk member contributions and mandatory  
10 cash balance account contributions which are made by the  
11 employer for active members for current service on and after  
12 January 1, 1983.

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

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

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

26 "Public school." Any or all classes or schools within this  
27 Commonwealth conducted under the order and superintendence of  
28 the Department of Education including, but not limited to: all  
29 educational classes of any employer charged with the  
30 responsibility of public education within this Commonwealth as

1 well as those classes financed wholly or in part by the Federal  
2 Government, State-owned colleges and universities, the  
3 Pennsylvania State University, community colleges, area  
4 vocational-technical schools, intermediate units, the State  
5 Board of Education, Scotland School for Veterans' Children,  
6 Thaddeus Stevens State School of Technology, and the  
7 Pennsylvania State Oral School for the Deaf.

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

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

18 "Regular member contributions." The product of the basic  
19 contribution rate and the compensation of the member.

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

24 "Reserve component of the armed forces." The United States  
25 Army Reserve, United States Navy Reserve, United States Marine  
26 Corps Reserve, United States Coast Guard Reserve, United States  
27 Air Force Reserve, Pennsylvania Army National Guard and  
28 Pennsylvania Air National Guard.

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

1 "Salary deductions." The amounts certified by the board,  
2 deducted from the compensation of an active member or active  
3 participant or the State service compensation of a multiple  
4 service member who is an active member of the State Employees'  
5 Retirement System or active participant of the School Employees'  
6 Defined Contribution Plan and paid into the fund or trust.

7 "School employee." Any person engaged in work relating to a  
8 public school for any governmental entity and for which work he  
9 is receiving regular remuneration as an officer, administrator  
10 or employee excluding, however, any independent contractor or a  
11 person compensated on a fee basis.

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

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

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

20 "Severance payments." Any payments for unused vacation or  
21 sick leave and any additional compensation contingent upon  
22 retirement including payments in excess of the scheduled or  
23 customary salaries provided for members within the same  
24 governmental entity with the same educational and experience  
25 qualifications who are not terminating service.

26 "Shared-risk contribution rate." The [additional]  
27 contribution rate that is [added] applied to the basic  
28 contribution rate for Class T-D, T-E and T-F members, as  
29 provided for in section 8321(b) and (c) (relating to regular  
30 member contributions for current service).

1 "Standard single life annuity." For Class T-A, T-B and T-C  
2 credited service of a member, an annuity equal to 2% of the  
3 final average salary, multiplied by the total number of years  
4 and fractional part of a year of credited service of a member in  
5 that class. For Class T-D credited service of a member, an  
6 annuity equal to 2.5% of the final average salary, multiplied by  
7 the total number of years and fractional part of a year of  
8 credited service in that class. For Class T-E credited service  
9 of a member, an annuity equal to 2% of the final average salary,  
10 multiplied by the total number of years and fractional part of a  
11 year of credited service of a member. For Class T-F credited  
12 service of a member, an annuity equal to 2.5% of the final  
13 average salary, multiplied by the total number of years and  
14 fractional part of a year of credited service of a member. For  
15 Class T-I members, and for monies in the cash balance account of  
16 members of other classes, an annuity that is actuarially  
17 equivalent to the balance of the member's savings account or the  
18 cash balance account, as applicable, calculated using 120% of  
19 the mid-term Treasury note rate in effect on the effective date  
20 of retirement of the member.

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

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

30 "State service." Service rendered as a State employee and

1 credited as service in the State Employees' Retirement System.

2 "Statutory interest." Interest at 4% per annum, compounded  
3 annually.

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

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

10 "Superannuation or normal retirement age."

11 Class of service	Age
12 T-A	62 or any age upon accrual of
13	35 eligibility points
14 T-B	62
15 T-C and T-D	62 or age 60 provided the
16	member has at least 30
17	eligibility points or any
18	age upon accrual of 35
19	eligibility points
20 T-E and T-F	65 with accrual of at least
21	three eligibility points
22	or a combination of age
23	and eligibility points
24	totaling 92, provided the
25	member has accrued at
26	least 35 eligibility
27	points

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

1 combined service employee may designate different persons to be  
2 survivor annuitants for the benefits from the system and  
3 beneficiaries or successor payees for the benefits from the  
4 plan.

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

9 "Total member contribution rate." The sum of the basic  
10 contribution rate and the shared-risk contribution rate.

11 "Trust." The School Employees' Defined Contribution Trust  
12 established under Chapter 84 (relating to School Employees'  
13 Defined Contribution Plan).

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

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

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

28 "Vestee." A member with five or more eligibility points in a  
29 class of service other than Class T-E, Class T-F or Class T-I  
30 who has terminated school service, has left his accumulated

1 deductions in the fund and is deferring filing of an application  
2 for receipt of an annuity. For Class T-E and Class T-F members,  
3 a member with ten or more eligibility points who has terminated  
4 school service, has left his accumulated deductions in the fund  
5 and is deferring filing of an application for receipt of an  
6 annuity. For Class T-I members, a member who has terminated  
7 school service, has left his accumulated deductions in the fund  
8 and is deferring filing of an application for receipt of  
9 annuity.

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

18 Section 202. Section 8103 of Title 24 is amended by adding  
19 subsections to read:

20 § 8103. Construction of part.

21 \* \* \*

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

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

29 (2) The term "inactive participant" does not include a  
30 combined service employee who is an "inactive member," unless



1 the combined service employee is concurrently employed in a  
2 position in which such employee is a participant in the plan.

3 (d) Provisions severable.--The provisions of this part are  
4 severable and if any of its provisions shall be held to be  
5 unconstitutional, the decision of the court shall not affect or  
6 impair any of the remaining provisions. It is hereby declared to  
7 be the legislative intent that this part would have been adopted  
8 had such unconstitutional provisions not been included.

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

18 (f) Construction.--

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

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

1 1994 before the effective date of this section.

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

7 (g) Applicability.--This part shall apply to a record,  
8 material or data under section 8502(e)(2) notwithstanding  
9 whether:

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

12 (2) the record, material or data was previously released  
13 or made public; or

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

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

28 Section 203. Title 24 is amended by adding sections to read:

29 § 8103.1. Reference to Public School Employees' Retirement  
30 System.

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

8 § 8103.2. Notice to members and participants.

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

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

19 § 8301. Mandatory and optional membership.

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

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

30 (2) Any school employee, other than a school employee

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

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

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

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

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

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

30 (e) Optional participation in the plan.--Class T-E and Class

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

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

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

20 § 8302. Credited school service.

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

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

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

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

1 district which granted his leave, unless such condition is  
2 waived by the employer; and

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

8 \* \* \*

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

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

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

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

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

27 (ii) For purposes of determining whether a school  
28 employee has made the required employee contributions for  
29 school service credit for USERRA leave, if an employee  
30 who is reemployed from USERRA leave as an active member



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

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

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

26 (B) Eligible to subsequently make contributions.

27 (C) Granted either school service credit or  
28 nonschool service credit for the period of USERRA  
29 leave for which the required member contributions  
30 were not timely made.

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

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

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

29           (6) A school employee who is on a leave of absence from  
30 his duties as a school employee and for which 51 Pa.C.S. §

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

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

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

1 which the mandatory pickup participant contributions to  
2 receive school service credit for the USERRA leave were  
3 determined, including the right to make voluntary  
4 contributions on such compensation as permitted by law.

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

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

21 (4) An active participant or inactive participant who,  
22 on or after the effective date of this subsection, is granted  
23 a leave of absence under 51 Pa.C.S. § 4102 (relating to  
24 leaves of absence for certain government employees) or a  
25 military leave under 51 Pa.C.S. Ch. 73 (relating to military  
26 leave of absence) that is not USERRA leave shall not be  
27 eligible to make mandatory pickup participant contributions  
28 or voluntary contributions during or for the leave of absence  
29 or military leave, and shall not have employer defined  
30 contributions made during such leave, without regard to

1 whether or not the participant received salary, wages,  
2 stipends, differential wage payments or other payments from  
3 his employer during the leave, notwithstanding any provision  
4 to the contrary in 51 Pa.C.S. § 4102 or Ch. 73.

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

12 § 8303. Eligibility points for retention and reinstatement of  
13 service credits.

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

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

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

29 (c) Purchase of previous creditable service.--Every active  
30 member of the system other than a Class T-I member or a multiple

1 service member who is an active member of the State Employees'  
2 Retirement System on or after the effective date of this part  
3 may purchase credit and receive eligibility points:

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

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

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

28 (e) Limitations.--Notwithstanding any other provision of  
29 this part, a Class T-I member shall be permitted to receive  
30 vesting credit or eligibility points, as applicable, for:

- 1           (1) USERRA leave; and  
2           (2) an approved leave of absence, provided such approved  
3           leaves of absence leaves are contributory leaves.

4 § 8303.1. Waiver of adjustments.

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

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

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

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

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

25           (b) Time period.--

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

1 after the adjustment was known or should have been known to  
2 the affected member, participant, beneficiary or survivor  
3 annuitant.

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

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

10 § 8304. Creditable nonschool service.

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



1 \* \* \*

2 Section 205. Section 8305(b) of Title 24 is amended and the  
3 section is amended by adding a subsection to read:

4 § 8305. Classes of service.

5 \* \* \*

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

16 \* \* \*

17 (f) Class T-I membership.--Notwithstanding any other  
18 provision, a person who first becomes a school employee and an  
19 active member and active participant, or a person who first  
20 becomes a multiple service member or participant who is a State  
21 employee and a member of the State Employees' Retirement System,  
22 on or after July 1, 2016, shall be classified as a Class T-I  
23 member upon payment of regular member contributions and  
24 participant contributions, as applicable.

25 Section 206. Section 8305.1(c) of Title 24 is amended to  
26 read:

27 § 8305.1. Election to become a Class T-D member.

28 \* \* \*

29 (c) Effect of election.--An election to become a Class T-D  
30 member shall remain in effect until the termination of

1 employment except as otherwise provided in this part. Those  
2 members who, on the effective date of this section, contribute  
3 at the rate of 5 1/4% shall be deemed to have accepted the basic  
4 contribution rate of 6 1/2% for all Class T-D service performed  
5 on or after January 1, 2002. Those members who, on the effective  
6 date of this section, contribute at the rate of 6 1/4% shall be  
7 deemed to have accepted the basic contribution rate of 7 1/2%  
8 for all Class T-D service performed on or after January 1, 2002.  
9 Upon termination and a subsequent reemployment that occurs  
10 before July 1, 2016, the class of service of the school employee  
11 shall be credited in the class of service otherwise provided for  
12 in this part. If the reemployment occurs on or after July 1,  
13 2016, the school employee's eligibility for membership in the  
14 system or participation in the plan shall be as provided in this  
15 part.

16 \* \* \*

17 Section 207. (Reserved).

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

19 § 8306. Eligibility points.

20 (a) General rule.--An active member of the system other than  
21 a Class T-I member shall accrue one eligibility point for each  
22 year of credited service as a member of the school or State  
23 retirement system. A member shall accrue an additional two-  
24 thirds of an eligibility point for each year of Class D-3  
25 credited service under the State Employees' Retirement System.  
26 In the case of a fractional part of a year of credited service,  
27 a member shall accrue the corresponding fractional portion of an  
28 eligibility point. Class T-I members shall be deemed to accrue  
29 one eligibility point for each fiscal year in which  
30 contributions have been made to the fund.

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

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

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

28 (2) A member subject to paragraph (1) shall be  
29 considered to have satisfied any requirement for five  
30 eligibility points contained in this part if the member has

1 at least ten eligibility points determined under subsection  
2 (a).

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

5 § 8307. Eligibility for annuities.

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

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

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

1 board regarding applications and elections of members).

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

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

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

18 § 8308. Eligibility for vesting.

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

1 retirement benefits until the member's required beginning date,  
2 provided the balance of his members' savings account and cash  
3 balance account exceeds the requirements of a de minimis account  
4 under section 8349(d) (relating to payment of benefits).

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

15 § 8310. Eligibility for refunds.

16 Upon termination of service any active member, regardless of  
17 eligibility for benefits, may elect to receive his accumulated  
18 deductions in lieu of any benefit from the system to which he is  
19 entitled.

20 § 8321. Regular member contributions and cash balance member  
21 contributions for current service.

22 (a) General.--Regular member contributions and cash balance  
23 member contributions shall be made to the fund on behalf of each  
24 active member for current service except for any period of  
25 current service in which the making of such contributions has  
26 ceased solely by reason of any provision of this part limiting  
27 such contributions, or relating to the limitations under IRC §  
28 401(a)(17) or 415(b).

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

30 (1) Commencing with the annual actuarial valuation

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

1 when they are hired. [The]

2 (2) Notwithstanding paragraph (1), the total member  
3 contribution rate for Class T-D and T-E members who are  
4 currently paying 7.5% on the effective date of this paragraph  
5 shall not be less than [7.5%] 5.5%, nor more than 9.5%. The  
6 total member contribution rate for Class T-F members shall  
7 not be less than [10.3%] 8.3%, nor more than 12.3%. The total  
8 member contribution rate for Class T-D members who are  
9 currently paying 6.5% on the effective date of this paragraph  
10 shall not be less than 4.5%, nor more than 8.5%.

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-D, 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 § 8322.1. Pickup contributions.

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

17 \* \* \*

18 § 8323. Member contributions for creditable school service.

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

1 service if the member is a Class T-E member or Class T-F service  
2 if the member is a Class T-F member and had such contributions  
3 been credited with statutory interest during the period the  
4 contributions would have been made and during all periods of  
5 subsequent school service as an active member or inactive member  
6 and State service as an active member or inactive member on  
7 leave without pay up to the date of purchase.

8 \* \* \*

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

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

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

7 § 8324. Contributions for purchase of credit for creditable  
8 nonschool service and noncreditable school service.

9 \* \* \*

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

1 the board may include a deferral of payment amounts and  
2 statutory interest until the termination of school service or  
3 State service or becoming a participant and a combined service  
4 employee as the board in its sole discretion decides to allow.  
5 The board may limit salary deduction amortization plans to such  
6 terms as the board in its sole discretion determines. In the  
7 case of an eligible State employee who is an active member of  
8 the State Employees' Retirement System, the agreed upon salary  
9 deductions shall be remitted to the State Employees' Retirement  
10 Board, which shall certify and transfer to the board the amounts  
11 paid. Application may be filed for all such military service  
12 credit upon completion of three years of subsequent credited  
13 school service and shall be credited as Class T-C service. In  
14 the event that a Class T-E member makes a purchase of credit for  
15 such military service, then such service shall be credited as  
16 Class T-E service. In the event that a Class T-F member makes a  
17 purchase of credit for such military service, then such service  
18 shall be credited as Class T-F service.

19 (c) Intervening military service.--Contributions on account  
20 of credit for intervening military service shall be determined  
21 by the member's basic contribution rate and compensation at the  
22 time of entry of the member into active military service,  
23 together with statutory interest during all periods of  
24 subsequent school service as an active member or inactive member  
25 and State service as an active member or inactive member on  
26 leave without pay to date of purchase. Upon application for such  
27 credit the amount due shall be certified in the case of each  
28 member by the board, in accordance with methods approved by the  
29 actuary, and contributions may be made by one of the following  
30 methods:

1 (1) Regular monthly payments during active military  
2 service.

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

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

19 (d) Other creditable nonschool service and noncreditable  
20 school service.--

21 (1) Contributions on account of Class T-C credit for  
22 creditable nonschool service other than military service  
23 shall be determined by applying the member's basic  
24 contribution rate plus the normal contribution rate as  
25 provided in section 8328 at the time of the member's entry  
26 into school service subsequent to such creditable nonschool  
27 service to his total compensation received during the first  
28 year of subsequent credited school service and multiplying  
29 the product by the number of years and fractional part of a  
30 year of creditable nonschool service being purchased together

1 with statutory interest during all periods of subsequent  
2 school service as an active member or inactive member or  
3 State service as an active member or inactive member on leave  
4 without pay to the date of purchase, except that in the case  
5 of purchase of credit for creditable nonschool service as set  
6 forth in section 8304(b) (5) (relating to creditable nonschool  
7 service) the member shall pay only the employee's share  
8 unless otherwise provided by law. Upon certification of the  
9 amount due, payment may be made in a lump sum within 90 days  
10 or in the case of an active member or an eligible State  
11 employee who is an active member of the State Employees'  
12 Retirement System it may be amortized with statutory interest  
13 through salary deductions to the system in amounts agreed  
14 upon by the member and the board. The salary deduction  
15 amortization plans agreed to by the members and the board may  
16 include a deferral of payment amounts and statutory interest  
17 until the termination of school service or State service or  
18 becoming a participant and a combined service employee as the  
19 board in its sole discretion decides to allow. The board may  
20 limit salary deduction amortization plans to such terms as  
21 the board in its sole discretion determines. In the case of  
22 an eligible State employee who is an active member of the  
23 State Employees' Retirement System, the agreed upon salary  
24 deductions shall be remitted to the State Employees'  
25 Retirement Board, which shall certify and transfer to the  
26 board the amounts paid.

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

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

20 (3) Contributions on account of Class T-E or Class T-F  
21 credit for noncreditable school service other than military  
22 service shall be the present value of the full actuarial cost  
23 of the increase in the projected superannuation annuity  
24 caused by the additional service credited on account of the  
25 purchase. Upon certification of the amount due, payment may  
26 be made in a lump sum within 90 days or, in the case of an  
27 active member or an eligible State employee who is an active  
28 member of the State Employees' Retirement System, it may be  
29 amortized with statutory interest through salary deductions  
30 to the system in amounts agreed upon by the member and the

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

13 \* \* \*

14 § 8325. Incomplete payments.

15 (a) Right to pay balance due.--In the event that a member  
16 terminates school service or becomes a participant or a multiple  
17 service member who is an active member of the State Employees'  
18 Retirement System terminates State service before any agreed  
19 upon payments, including USERRA leave, or return of benefits on  
20 account of returning to school service or entering State service  
21 and electing multiple service have been completed, the member or  
22 multiple service member who is an active member of the State  
23 Employees' Retirement System shall have the right to pay within  
24 30 days of termination of school service or State service or  
25 becoming a participant the balance due, including interest, in a  
26 lump sum, and the annuity shall be calculated including full  
27 credit for the previous school service, creditable nonschool  
28 service, or full-coverage membership.

29 (b) Effect of failure to pay balance due.--In the event a  
30 member does not pay the balance due within 30 days of



1 termination of school service or becoming a participant or in  
2 the event a member dies in school service or within 30 days of  
3 termination of school service or in the case of a multiple  
4 service member who is an active member of the State Employees'  
5 Retirement System does not pay the balance due within 30 days of  
6 termination of State service or dies in State service or within  
7 30 days of termination of State service or becoming a  
8 participant and before the agreed upon payments have been  
9 completed, the present value of the benefit otherwise payable  
10 shall be reduced by the balance due, including interest, and the  
11 benefit payable shall be calculated as the actuarial equivalent  
12 of such reduced present value.

13 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

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

1 OBRA '93 compensation limit will be multiplied by a fraction,  
2 the numerator of which is the number of months in the  
3 determination period and the denominator of which is 12.

4 \* \* \*

5 § 8326. Contributions by the Commonwealth.

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

20 \* \* \*

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

22 (1) The Commonwealth shall make contributions into the  
23 fund on behalf of all active members and participants,  
24 including members on activated military service leave, for  
25 service performed after June 30, 1995, in the following  
26 manner:

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

30 (ii) For members and participants who are employees

1 of employers that are not school entities, the amount  
2 computed under subsection (a).

3 (2) The Commonwealth shall make contributions into the  
4 fund on behalf of annuitants for all amounts due to the fund  
5 after June 30, 1995, including, but not limited to, amounts  
6 due pursuant to section 8328(d) and (f), in the following  
7 manner:

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

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

14 \* \* \*

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

18 § 8327. Payments by employers.

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

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

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

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

1 shall be returned with valuation interest upon application by  
2 the employer.

3 (b) Deduction from appropriations.--

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

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

1 appropriations would otherwise be paid to the chartering  
2 school district or charter school. Such amounts shall be  
3 credited to the appropriate accounts in the fund and the  
4 trust. Any reduction in payments to a chartering school  
5 district made pursuant to this section shall be deducted from  
6 the amount due to the charter school district pursuant to the  
7 Public School Code of 1949.

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

17 (1) For an employer that is a school entity, the amount  
18 shall be the sum of the percentages as determined under  
19 section 8328 applied to the total compensation during the pay  
20 periods in the preceding quarter of all employees who were  
21 active members of the system or active participants of the  
22 plan during such period, including members or active  
23 participants on activated military service leave. In the  
24 event a member on activated military service leave does not  
25 return to service for the necessary time or receives an  
26 undesirable, bad conduct or dishonorable discharge or does  
27 not elect to receive credit for activated military service  
28 under section 8302(b.1)(3), the contribution made by the  
29 employer on behalf of such member shall be returned with  
30 valuation interest upon application by 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 on the basis of which member or  
8 participant contributions have not been made by reason of the  
9 limitation under IRC § 401(a)(17), except as otherwise  
10 provided in this part. Any amount of contribution to the fund  
11 or trust paid by the employer on behalf of a noneligible  
12 member or participant on the basis of compensation which was  
13 subject to exclusion from total compensation in accordance  
14 with the provisions of this paragraph shall, upon the board's  
15 determination or upon application by the employer, be  
16 returned to the employer with valuation interest.

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

25 (1) For an employer that is a school entity, the amount  
26 shall be the sum of the percentages as determined under  
27 section 8328 applied to the total compensation during the pay  
28 periods in the preceding quarter of all employees who were  
29 active members of the system during such period, including  
30 members on activated military service leave and USERRA leave,

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

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

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

27 (e) Deemed agreed to.--The agreement of an employer listed  
28 in the definition of school employee under section 8102  
29 (relating to definitions) or any other law to make contributions  
30 to the fund or to enroll its employees as members in the system



1 shall be deemed to be an agreement to make contributions to the  
2 trust or enroll its employees in the plan.

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

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

19 Section 212. Section 8328(a), (b), (c)(4) and (g) are  
20 amended and subsections (c) and (g) are amended by adding  
21 paragraphs to read:

22 § 8328. Actuarial cost method.

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

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

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

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

24 (2) For fiscal years beginning on or after July 1, 2016,  
25 the normal contribution rate shall be determined after each  
26 actuarial valuation. Until all accrued liability  
27 contributions have been completed, the normal contribution  
28 rate shall be determined, on the basis of an annual interest  
29 rate and such mortality and other tables as shall be adopted  
30 by the board in accordance with generally accepted actuarial

1 principles, as a level percentage of the compensation of all  
2 active members, which percentage, if contributed on the basis  
3 of the member's prospective compensation through the entire  
4 period of active school service, would be sufficient to fund  
5 the liability for any prospective benefit payable to him, in  
6 excess of that portion funded by his prospective member  
7 contributions, excluding the shared-risk contributions.

8 (c) Accrued liability contribution rate.--

9 \* \* \*

10 (4) For the fiscal year beginning July 1, 2011, the  
11 accrued liability contribution rate shall be computed as the  
12 rate of total compensation of all active members which shall  
13 be certified by the actuary as sufficient to fund as a level  
14 percentage of compensation over a period of 24 years from  
15 July 1, 2011, the present value of the liabilities for all  
16 prospective benefits calculated as of June 30, 2010,  
17 including the supplemental benefits as provided in sections  
18 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and  
19 8348.7, in excess of the actuarially calculated assets in the  
20 fund (calculated recognizing all realized and unrealized  
21 investment gains and losses each year in level annual  
22 installments over a ten-year period). In the event that the  
23 accrued liability is increased by legislation enacted  
24 subsequent to June 30, 2010, as a result of an increase in  
25 benefits determined on a total plan basis, such additional  
26 liability shall be funded as a level percentage of  
27 compensation over a period of ten years from the July 1  
28 second succeeding the date such legislation is enacted.

29 (5) For the actuarial valuation for the fiscal years  
30 ending on or after June 30, 2017, the actuarially calculated

1 assets in the fund determined in accordance with paragraph  
2 (4) shall be no less than 70% and no more than 130% of market  
3 value.

4 \* \* \*

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

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

11 (2) If, for any of the fiscal years beginning July 1,  
12 2011, July 1, 2012, and on or after July 1, 2013, the  
13 actuarially required contribution rate, calculated without  
14 regard for the costs added by legislation, is more than 3%,  
15 3.5% and 4.5%, respectively, of the total compensation of all  
16 active members greater than the prior year's final  
17 contribution rate, then the collared contribution rate shall  
18 be applied and be equal to the prior year's final  
19 contribution rate increased by 3%, 3.5% and 4.5%,  
20 respectively, of total compensation of all active members.  
21 Otherwise, and for all other fiscal years, the collared  
22 contribution rate shall not be applicable. In no case shall  
23 the collared contribution rate be less than 4% of the total  
24 compensation of all active members.

25 (3) For purposes of applying the collared contribution  
26 rate, compensation for determining the normal contribution  
27 rate and the accrued liability contribution rate shall be  
28 defined as the total compensation of all active members and  
29 active participants.

30 \* \* \*

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

2 § 8330. Appropriations by the Commonwealth.

3 (a) Annual submission of budget.--The board shall prepare  
4 and through the Governor submit annually to the General Assembly  
5 an itemized budget consisting of the amounts necessary to be  
6 appropriated by the Commonwealth out of the General Fund  
7 required to meet the separate obligations to the fund and the  
8 trust accruing during the fiscal period beginning July 1 of the  
9 following year.

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

17 Section 214. Title 24 is amended by adding a section to  
18 read:

19 § 8331. Employer funding mandate protection.

20 (a) Limited expansion of contractual right to funding.--  
21 Beginning on the July 1 after the actuarial valuation in which  
22 the actuary certifies that final contribution rate is the  
23 actuarially required contribution, each active member shall have  
24 a contractual right to the timely payment of the annual  
25 actuarially required contributions pursuant to section 8328  
26 (relating to actuarial cost method) and section 8502 (k)  
27 (relating to administrative duties of the board) by such  
28 member's employer. The following apply:

29 (1) The failure of a member's employer to make the  
30 annually required contribution to the fund will be deemed to

1 be an impairment of the contractual right of such member.

2 (2) Any claim of contract impairment shall be brought  
3 against the employer of the member for whom contributions  
4 were not paid and neither the board nor the system or their  
5 employees or agents shall be a defendant in any such action  
6 or liable for any payments or damages arising from such  
7 impairment.

8 (b) Jurisdiction of Supreme Court.--Notwithstanding 2  
9 Pa.C.S. (relating to administrative law and procedure), 42  
10 Pa.C.S. (relating to judiciary and judicial procedure) or any  
11 other provision of law, the Pennsylvania Supreme Court shall  
12 have exclusive jurisdiction to do as follows:

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

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

18 (3) to find facts or to expedite a final judgment in  
19 connection with such a challenge or request for declaratory  
20 relief.

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

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

29 (e) Limitation of contract right.--Nothing in this section  
30 shall be construed to create a contract right or claim of

1 contract impairment in any member as to any benefit formula,  
2 benefit payment option, or any other provision of this part  
3 other than the funding mandate of the member's employer, or to  
4 change the jurisdiction of the board or the courts regarding any  
5 claim other than for payment of the annual actuarially required  
6 contributions.

7 (f) Employer contributions.--Nothing in this section shall  
8 be construed to supersede or conflict with the rights and  
9 obligations set forth in section 8330 (relating to  
10 appropriations by the Commonwealth).

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

15 Section 215. Sections 8341 and 8342 of Title 24 are amended  
16 to read:

17 § 8341. Return of accumulated deductions.

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

21 § 8342. Maximum single life annuity.

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

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

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

20 (2) A standard single life annuity multiplied by the  
21 class of service multiplier and calculated on the basis of  
22 the number of years of concurrent service other than service  
23 credited as a member of Class T-I and multiplied by the ratio  
24 of total compensation received in the school system other  
25 than service credited as a member of Class T-I or State  
26 service as a member of Class TBD during the period of  
27 concurrent service to the total compensation received during  
28 such period.

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



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

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

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

8 (b) Present value of annuity.--The present value of the  
9 maximum single life annuity as calculated in accordance with  
10 subsection (a) shall be determined, for all classes other than  
11 Class T-I, by multiplying the maximum single life annuity by the  
12 cost of a dollar annuity on the effective date of retirement.  
13 Such present value for all classes shall be decreased only as  
14 specifically provided in this part.

15 (c) Limitation regarding annual benefit under IRC §  
16 415(b).--Notwithstanding any provision of this part to the  
17 contrary, no benefit shall be payable to the extent that such  
18 benefit exceeds any limitation under IRC § 415(b) in effect with  
19 respect to governmental plans, as such term is defined in IRC §  
20 414(d), on the date the benefit payment becomes effective.

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

26 Section 216. Section 8344(a) and (b) of Title 24 are amended  
27 and the section is amended by adding a subsection to read:  
28 § 8344. Disability annuities.

29 (a) Amount of annuity.--A member other than a member of  
30 Class T-I who has made application for a disability annuity as

1 provided in section 8507(k) (relating to rights and duties of  
2 school employees [and members], members and participants) and  
3 has been found to be eligible in accordance with the provisions  
4 of sections 8307(c) (relating to eligibility for annuities) and  
5 8505(c)(1) (relating to duties of board regarding applications  
6 and elections of members) shall receive a disability annuity  
7 payable from the effective date of disability and continued  
8 until a subsequent determination by the board that the annuitant  
9 is no longer entitled to a disability annuity. The disability  
10 annuity shall be a single life annuity that is equal to a sum of  
11 the standard single life [annuity] annuities determined  
12 separately for each class of service if the total number of  
13 years of credited service is greater than 16.667, otherwise  
14 [the] each standard single life annuity shall be multiplied by  
15 the lesser of the following ratios:

16 
$$Y^*/Y \text{ or } 16.667/Y$$

17 where Y = total number of years of credited service and Y\* =  
18 total years of credited service if the member were to continue  
19 as a school employee until attaining superannuation age, or if  
20 the member has attained superannuation age then the number of  
21 years of credited service. In no event shall the disability  
22 annuity plus any cost-of-living increases be less than \$100 for  
23 each full year of credited service. The member shall be entitled  
24 to the election of a joint and survivor annuity on that portion  
25 of the disability annuity to which he is entitled under section  
26 8342 (relating to maximum single life annuity).

27 (b) Reduction on account of earned income.--Payments on  
28 account of disability shall be reduced by that amount by which  
29 the earned income of the annuitant, as reported in accordance  
30 with section 8508(b) (relating to rights and duties of

1 annuitants) for the preceding year together with the disability  
2 annuity payments for the year, exceeds the greater of \$5,000 or  
3 the last year's salary of the annuitant as a [school employee]  
4 member of the system, provided that the annuitant shall not  
5 receive less than his member's annuity or the amount to which he  
6 may be entitled under section 8342, whichever is greater.

7 \* \* \*

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

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

17 § 8345. Member's options.

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

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

9 \* \* \*

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

14 \* \* \*

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

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

9 \* \* \*

10 § 8346. Termination of annuities.

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

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

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

30 \* \* \*

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

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

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

1 from any liability for such benefits. Such service shall not  
2 be subject to member or participant contributions or be  
3 eligible for qualification as creditable school service or  
4 for participation in the plan, mandatory pickup participant  
5 contributions or employer defined contributions.

6 \* \* \*

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

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

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

29 (i) is a multiple service member; or

30 (ii) who elects multiple service membership, and



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

14 \* \* \*

15 § 8347. Death benefits.

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

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

30 (c) Disability annuitants.--In the event of the death of a

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

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

21 § 8349. Payment of benefits from the system.

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

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

1 (1) A lump sum payment.

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

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

7 (c) Death or absence of beneficiary.--If the beneficiary  
8 designated by a member should predecease him or die within 30  
9 days of his death, or if a valid nomination of a beneficiary is  
10 not in effect at his death, any money payable to a beneficiary  
11 shall be paid to the estate of the member.

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

22 Section 218. Title 24 is amended by adding a chapter to  
23 read:

24 CHAPTER 84

25 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

26 Sec.

27 8401. Establishment.

28 8402. Plan document.

29 8403. Individual investment accounts.

30 8404. Participant contributions.

1 8405. Mandatory pickup participant contributions.  
2 8406. Employer defined contributions.  
3 8407. Eligibility for benefits.  
4 8408. Death benefits.  
5 8409. Vesting.  
6 8410. Termination of distributions.  
7 8411. Agreements with financial institutions and other  
8 organizations.  
9 8411.1. Relation of administrators of School Employees' Defined  
10 Contribution Plan to providers of 403(b) plans.  
11 8412. Powers and duties of board.  
12 8413. Responsibility for investment loss.  
13 8414. Investments based on participants' investment allocation  
14 choices.  
15 8415. Expenses.  
16 8416. Election by members to be participants.  
17 8417. Tax qualification.  
18 § 8401. Establishment.  
19 (a) School Employees' Defined Contribution Plan.--The School  
20 Employees' Defined Contribution Plan is established. The board  
21 shall administer and manage the plan, which shall be a defined  
22 contribution plan exclusively for the benefit of those school  
23 employees who participate in the plan and their beneficiaries  
24 within the meaning of and in conformity with IRC § 401(a). The  
25 board shall determine the terms and provisions of the plan not  
26 inconsistent with this part, the IRC and other applicable law  
27 and shall provide for the plan's administration.  
28 (b) School Employees' Defined Contribution Trust.--The  
29 School Employees' Defined Contribution Trust is established as  
30 part of the plan in accordance with this part. The trust shall

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

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

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

1 sale or other disposition of securities pursuant to the  
2 provisions of this part.

3 § 8402. Plan document.

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

16 § 8403. Individual investment accounts.

17 The board:

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

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

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

12 § 8404. Participant contributions.

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

20       (b) Voluntary contributions.--

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

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

29               (iii) The employer shall cause the contributions  
30 made under this section to be made and deducted from each

1 payroll or on such schedule as established by the board.

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

4 (c) Prohibition on contributions.--No contributions shall be  
5 allowed that would cause a violation of the limitations related  
6 to contributions applicable to governmental plans contained in  
7 IRC § 415 or in other provisions of law. In the event that any  
8 disallowed contributions are made, any participant contributions  
9 in excess of the limitations and investment earnings on those  
10 contributions shall be refunded to the participant by the board.  
11 § 8405. Mandatory pickup participant contributions.

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

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

27 § 8406. Employer defined contributions.

28 (a) Contributions for current service.--The employer of a  
29 participant shall make employer defined contributions for  
30 current service of an active participant that shall be credited



1 to the active participant's individual investment account.  
2 Employer defined contributions shall be recorded and accounted  
3 for separately from participant contributions.

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

17 (c) Limitations on contributions.--No contributions shall 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 employer defined  
22 contributions in excess of the limitations and investment  
23 earnings thereon shall be refunded to the employer by the board.  
24 § 8407. Eligibility for benefits.

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

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

8 (b) Required distributions.--All payments pursuant to this  
9 section 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 distribution it may determine is necessary to comply with those  
13 requirements.

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

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

22 (e) Small individual investment accounts.--

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

29 (2) The board may also provide in the plan document  
30 that, notwithstanding subsection (f), a participant whose

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

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

16 § 8408. Death benefits.

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

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

1 beneficiary or successor payee as provided in the plan document.

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

7 § 8409. Vesting.

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

17 (b) Employer defined contributions.--

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

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

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

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

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

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

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

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

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

19           § 8410. Termination of distributions.

20           (a) Return to school service.--

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

28           (2) This subsection shall not apply to a distribution of  
29           accumulated employer defined contributions or other  
30           distributions that the participant has received and used to

1 purchase an annuity from a provider contracted by the board.

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

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

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

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

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

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

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

1           (3) Proposals received shall be evaluated based on  
2           specific criteria adopted by the board. The criteria shall  
3           include experience, customer service history and other  
4           relevant criteria.

5           (b) Rebid.--A contract to administer the plan under  
6           subsection (a) shall be rebid at least once every ten years.  
7           § 8411.1. Relation of administrators of School Employees'  
8           Defined Contribution Plan to providers of 403(b)  
9           plans.

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

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

29                (1) enter into an agreement with the school district or  
30                the school district's independent compliance administrator

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

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

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

27 § 8412. Powers and duties of board.

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 the extent commercially available, one option shall have  
2 an annuity.

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

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

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

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

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

25 (17) The board shall ensure that participants are  
26 provided with educational materials about investment options  
27 and choices.

28 § 8413. Responsibility for investment loss.

29 The Commonwealth, the board, an employer or a school entity  
30 or other political subdivision shall not be responsible for any

1 investment loss incurred under the plan or for the failure of  
2 any investment to earn any specific or expected return or to  
3 earn as much as any other investment opportunity, whether or not  
4 such other opportunity was offered to participants in the plan.  
5 § 8414. Investments based on participant investment allocation  
6 choices.

7 (a) Investment by participant.--All contributions, interest  
8 and investment earnings shall be invested based on a  
9 participant's investment allocation choices. All investment  
10 allocation choices shall be credited proportionately between  
11 contributions from the participant and employer defined  
12 contributions. Each participant shall be credited individually  
13 with the amount of contributions, interest and investment  
14 earnings.

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

29 § 8415. Expenses.

30 All expenses, fees and costs of administering the plan and

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

9 § 8416. Election by Class T-E and Class T-F members to be  
10 participants.

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

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

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

24 (1) An election to become a participant shall continue  
25 until the termination of service. Contributions from  
26 compensation that exceeds the Social Security taxable wage  
27 base in effect at the beginning of the fiscal year shall be  
28 deducted as soon as administratively feasible after receipt  
29 of a properly filed election and shall be deducted thereafter  
30 in accordance with section 8412 (relating to powers and

1 duties of board) and 8506 (relating to duties of employers).

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

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

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

11 § 8417. Tax qualification.

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

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

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

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

26 (iii) For the purposes of this paragraph, the term  
27 "government plans" shall have the same meaning as in IRC  
28 § 414(d).

29 (2) (i) Except as provided under subparagraph (ii),  
30 an amendment of this part on or after the effective date

1 of this section that increases contributions or benefits  
2 for active participants, inactive participants or  
3 participants receiving distributions may not be deemed to  
4 provide for a contribution or benefit in excess of a  
5 limitation, adjusted on or after the effective date of  
6 this section, under IRC § 415 unless specifically  
7 provided by legislation.

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

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

15 § 8501. Public School Employees' Retirement Board.

16 (a) Status and membership.--The board shall be an  
17 independent administrative board and shall consist of [15] 16  
18 members: the Secretary of Education, ex officio; the State  
19 Treasurer, ex officio; the Secretary of Banking and Securities,  
20 ex officio; two Senators; two members of the House of  
21 Representatives; the executive secretary of the Pennsylvania  
22 School Boards Association, ex officio; two to be appointed by  
23 the Governor, at least one of whom shall not be a school  
24 employee or an officer or employee of the State; three to be  
25 elected by the active professional members of the system and  
26 active professional participants of the plan from among their  
27 number; one to be elected by annuitants or participants of the  
28 plan who have terminated school service and are receiving or are  
29 eligible to receive distributions from among their number; one  
30 to be elected by the active nonprofessional members of the

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



1 \* \* \*

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

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

1 are not executed.

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

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

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

15 § 8502. Administrative duties of board.

16 (a) Employees.--

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

26 (2) Notwithstanding any other provision of law, the  
27 compensation of investment professionals shall be established  
28 by the board. The compensation of all other officers and  
29 employees of the board who are not covered by a collective  
30 bargaining agreement shall be established by the board

1 consistent with the standards of compensation established by  
2 the Executive Board of the Commonwealth.

3 (3) The board may utilize the staff of employees  
4 provided for under this subsection for both the system and  
5 the plan, but shall allocate the fees, costs and expenses  
6 incurred under this subsection between the system and the  
7 plan as appropriate.

8 (b) Professional personnel.--

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

13 (2) The board may utilize the same individuals and firms  
14 contracted under this subsection for both the system and the  
15 plan, but shall allocate the fees, costs and expenses  
16 incurred under this subsection between the system and the  
17 plan as appropriate.

18 (c) Expenses.--

19 (1) The board shall, through the Governor, submit to the  
20 General Assembly annually a budget covering the  
21 administrative expenses of [this part.] the system and a  
22 separate budget covering the administrative expenses of the  
23 plan. The separate budget shall include those expenses  
24 necessary to establish the plan and trust.

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

28 (3) For fiscal years ending on or before June 30, 2017,  
29 such expenses of the plan as approved by the General Assembly  
30 through an appropriation shall be paid from the General Fund.

1 For fiscal years beginning on or after July 1, 2017, such  
2 expenses of the plan as approved by the General Assembly  
3 shall be paid from interest, under section 8414(b) (relating  
4 to investments based on participant investment allocation  
5 choices) or assessments on the balances of the participants'  
6 individual investment accounts.

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

17 \* \* \*

18 (e) Records.--

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

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

1 (i) in the case of an alternative investment or  
2 alternative investment vehicle involve the release of  
3 sensitive investment or financial information relating to  
4 the alternative investment or alternative investment  
5 vehicle which the fund or trust was able to obtain only  
6 upon agreeing to maintain its confidentiality;

7 (ii) cause substantial competitive harm to the  
8 person from whom sensitive investment or financial  
9 information relating to the investment was received; or

10 (iii) have a substantial detrimental impact on the  
11 value of an investment to be acquired, held or disposed  
12 of by the fund or trust, or would cause a breach of the  
13 standard of care or fiduciary duty set forth in this  
14 part.

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

22 (ii) The sensitive investment or financial  
23 information excluded from [inspection] access under  
24 paragraph (2)(ii), 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 causes  
29 substantial competitive harm to the person from whom  
30 the information was received; or

1 (B) the entity in which the investment was made  
2 is liquidated;  
3 whichever is later.

4 (iii) The sensitive investment or financial  
5 information excluded from [inspection] access under  
6 paragraph (2)(iii), to the extent not otherwise excluded  
7 from [inspection] access, shall constitute a public  
8 record subject to public [inspection] access under the  
9 Right-to-Know Law once:

10 (A) the [inspection] access no longer has a  
11 substantial detrimental impact on the value of an  
12 investment of the fund or trust and would not cause a  
13 breach of the standard of care or fiduciary duty set  
14 forth in this part; or

15 (B) the entity in which the investment was made  
16 is liquidated;  
17 whichever is later.

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

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

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

30 (ii) The identity of the manager of the alternative

1 investment vehicle.

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

4 (iv) The dollar amount of cash contributions made by  
5 the system or plan to the alternative investment vehicle  
6 since inception.

7 (v) The dollar amount of cash distributions received  
8 by the system or plan from the alternative investment  
9 vehicle since inception.

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

19 (vii) The aggregate value of the remaining portfolio  
20 assets attributable to the system's or plan's investment  
21 in the alternative investment vehicle, provided that the  
22 system or plan shall not be required to disclose the  
23 value under circumstances in which, because of the  
24 limited number of portfolio assets remaining in the  
25 alternative investment vehicle, the disclosure could  
26 reveal the values of specifically identifiable remaining  
27 portfolio assets to the detriment of the alternative  
28 investment.

29 (viii) The dollar amount of total management fees  
30 and costs paid to the alternative investment vehicle by

1 the system or plan on an annual fiscal year-end basis.

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

8 (i) The existence, date, amount and any other  
9 information pertaining to the voluntary contributions,  
10 including rollover contributions and trustee-to-trustee  
11 transfers, of any participant.

12 (ii) The investment option selections of any  
13 participant.

14 (iii) The balance of a participant's individual  
15 investment account, including the amount distributed to  
16 the participant, and any investment gains or losses, or  
17 rates of return.

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

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

21 (7) The following shall apply:

22 (i) Nothing in this part shall be construed to mean  
23 that the release or publicizing of a record, material, or  
24 data that would not constitute a public record under this  
25 subsection shall be a violation of the board's fiduciary  
26 duties.

27 (ii) This subsection shall apply to a record,  
28 material or data under this subsection notwithstanding  
29 whether:

30 (A) the record, material or data was created,



1 generated or stored before the effective date of this  
2 paragraph;

3 (B) the record, material or data was previously  
4 released or made public; or

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

11 \* \* \*

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

29 (i) Data.--The board shall keep in convenient form such data  
30 as are stipulated by the actuary in order that an annual

1 actuarial valuation of the various accounts of the fund can be  
2 completed within six months of the close of each fiscal year.  
3 The board shall have final authority over the means by which  
4 data is collected, maintained and stored and in so doing shall  
5 protect the rights of its membership as to privacy and  
6 confidentiality.

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

1 fiscal year in which such investigation and evaluation were  
2 concluded.

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

4 The board shall, each year in addition to the itemized budget  
5 required under section 8330 (relating to appropriations by the  
6 Commonwealth), certify to the employers and the Commonwealth the  
7 employer contribution rate expressed as a percentage of members'  
8 payroll necessary for the funding of prospective annuities for  
9 active members and the annuities of annuitants, and certify the  
10 rates and amounts of the normal contributions as determined  
11 pursuant to section 8328(b) (relating to actuarial cost method),  
12 accrued liability contributions as determined pursuant to  
13 section 8328(c), supplemental annuities contribution rate as  
14 determined pursuant to section 8328(d), the experience  
15 adjustment factor as determined pursuant to section 8328(e),  
16 premium assistance contributions as determined pursuant to  
17 section 8328(f), the costs added by legislation as determined  
18 pursuant to section 8328(i), the actuarial required contribution  
19 rate as determined pursuant to section 8328(i), the collared  
20 contribution rate as determined pursuant to section 8328(g), the  
21 final contribution rate as determined pursuant to section  
22 8328(h) and the shared-risk contribution rate as determined  
23 under section 8321(b) (relating to regular member contributions  
24 for current service), which shall be paid to the fund and  
25 credited to the appropriate accounts. These certifications shall  
26 be regarded as final and not subject to modification by the  
27 Secretary of the Budget.

28 \* \* \*

29 (m) Member contributions and interest.--The board shall  
30 cause each member's contributions, including payroll deductions,

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

20 (m.1) Amounts credited to the members' savings account and  
21 cash balance account.--Subject to the forfeiture and attachment  
22 provisions of section 8533 (relating to taxation, attachment,  
23 and assignment of funds), members shall be fully vested with  
24 respect to all employee contributions. Such monies in the  
25 accounts shall be credited with interest at the long term  
26 treasury rate, or its equivalent, in effect on the July 1 of the  
27 fiscal year in which the member earns compensation, not to  
28 exceed 4%. Such monies shall also be credited with excess  
29 interest, if such excess interest is awarded.

30 (n) Annual financial statement.--The board shall prepare and

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

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

19 \* \* \*

20 (g) Participant and employer contributions to trust.--The  
21 board shall, each year in addition to any fees and itemized  
22 budget required under subsection (c), certify, as a percentage  
23 of each participant's compensation, the employer defined  
24 contributions, which shall be paid to the trust and credited to  
25 each participant's individual investment account. These  
26 certifications shall be regarded as final and not subject to  
27 modification by the Secretary of the Budget. The board shall  
28 cause all mandatory pickup participant contributions made on  
29 behalf of a participant and all voluntary contributions made by  
30 a participant to be credited to the participant's individual

1 investment account.

2 (r) Excess interest.--

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

8 (2) The crediting of excess interest shall be made with  
9 the advice of the actuary employing actuarial assumptions  
10 that reflect the nature of the liability.

11 Section 221. Section 8502.2(a) of Title 24 is amended to  
12 read:

13 § 8502.2. Health insurance.

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

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

23 (2) Determination of the benefits structure.

24 (3) Determination of enrollment procedures.

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

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

30 \* \* \*

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

4 § 8503. Duties of board to advise and report to employers  
5 [and], members and participants.

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

20 (b) Member status statements.--The board shall furnish  
21 annually on or before December 31, a statement to each member  
22 showing the accumulated deductions standing to the credit of the  
23 member and the number of years and fractional part of a year of  
24 service credited in each class of service, as applicable, as of  
25 June 30 of that year. Each member's statement shall [be mailed  
26 to his home address and shall] include a request that the member  
27 make any necessary corrections or revisions regarding his  
28 designated beneficiary, whose name at the request of the member  
29 shall remain confidential and not appear on this statement.

30 (b.1) Participant status statements.--The board shall have

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

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

17 \* \* \*

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

19 § 8504. Duties of board to report to State Employees'

20 Retirement Board.

21 \* \* \*

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

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

30 (i) The salary history as a member of the Public



1 School Employees' Retirement System and the final average  
2 salary as calculated on the basis of the compensation  
3 received as a State and school employee.

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

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

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

17 § 8505. Duties of board regarding applications and elections of  
18 members and participants.

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

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

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

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

13           (ii) Transfer the balance of the present value of  
14 the total annuity, minus the amount to be returned to the  
15 board on account of return to service that the board has  
16 determined is to be credited in the State accumulation  
17 account, from the annuity reserve account to the State  
18 accumulation account.

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

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

30           (3) In case of a member who is not receiving an annuity

1 from the system and his accumulated deductions were  
2 withdrawn, certify to the member the accumulated deductions  
3 as they would have been at the time of his separation had he  
4 been a full coverage member together with statutory interest  
5 for all periods of subsequent State service eligible for  
6 membership in the State Employees' Retirement System and  
7 school service eligible for membership in the system to the  
8 date of repayment. Such amount shall be restored by him and  
9 shall be credited with statutory interest as such payments  
10 are restored.

11 \* \* \*

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

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

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

19 (3) The maximum single life annuity to which the vestee  
20 shall become entitled upon the attainment of superannuation  
21 age, if applicable, and the filing of an application for such  
22 annuity.

23 (e.1) Certification to participants terminating service.--  
24 The board shall certify to a participant in writing, within one  
25 year of termination of service of such participant, of the  
26 vested accumulated total defined contributions credited to the  
27 participant's individual investment account as of the date  
28 stated in the writing, any notices regarding rollover or other  
29 matters required by IRC or other law, the obligation of the  
30 participant to commence distributions from the plan by the

1 participant's required beginning date and the ability to receive  
2 all or part of the vested balance in the participant's  
3 individual investment account in a lump sum or in such other  
4 form as the board may authorize or as required by law.

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

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

27 (g) Initial annuity payment and certification.--The board  
28 shall make the first monthly payment to a member who is eligible  
29 for an annuity within 60 days of the filing of his application  
30 for an annuity or, in the case of a vestee who has deferred the

1 filing of his application to a date later than 90 days following  
2 attainment of superannuation age, within 60 days of his  
3 effective date of retirement, and receipt of the required data  
4 from the employer of the member. Concurrently the board shall  
5 certify to such member:

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

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

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

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

18 (g.1) Initial payment to a participant.--The board shall  
19 make the initial payment to a participant who has applied for a  
20 distribution within 60 days of the filing of the application and  
21 receipt of the required data from the employer of the  
22 participant and other necessary data.

23 (h) Death benefits.--Upon receipt of notification of the  
24 death of a member, an active participant, an inactive  
25 participant or former member or participant on USERRA leave, the  
26 board shall notify the designated beneficiary or survivor  
27 annuitant of the benefits to which he is entitled and shall make  
28 the first payment to the beneficiary under the plan elected by  
29 the beneficiary within 60 days of receipt of certification of  
30 death and other necessary data. If no beneficiary designation is

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

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

1 annuitants eligible to elect to enroll in the approved health  
2 insurance program have elected participation in such health  
3 insurance program, the board may deduct from the annuity  
4 payments, from payments to a participant receiving  
5 distributions, or from a successor payee the appropriate annual  
6 charges in equal monthly installments. Such deductions shall be  
7 transmitted to the insurance carrier.

8 \* \* \*

9 § 8506. Duties of employers.

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

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

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

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

29 \* \* \*

30 (c.1) Participant and employer defined contributions.--The

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

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

30 (d.1) Cash balance account contributions.--The employer



1 shall cause the voluntary contributions to the cash balance  
2 account on behalf of a Class T-C, Class T-D, Class T-E or Class  
3 T-F member to be made and deducted as authorized by the member.  
4 The employer shall certify to the board the amounts deducted and  
5 the employer contributions being made and shall send the total  
6 amount deducted and contributed together with a duplicate of  
7 such voucher to the secretary of the board every pay period or  
8 on such schedule as established by the board.

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

23 \* \* \*

24 (g) Former State employee contributors.--

25 (1) The employer shall, upon the employment of a former  
26 member of the State Employees' Retirement System who is not  
27 an annuitant of the State Employees' Retirement System,  
28 advise such employee of his right to elect multiple service  
29 membership within 365 days of entry into the system and, in  
30 the case any such employee who so elects has withdrawn his

1 accumulated deductions, require him to restore his  
2 accumulated deductions as they would have been at the time of  
3 his separation had he been a full coverage member, together  
4 with statutory interest for all periods of subsequent State  
5 and school service to date of repayment. The employer shall  
6 advise the board of such election.

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

11 (h) Former State employee annuitants.--

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

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

28 (i) Termination of service by members.--The employer shall,  
29 in the case of any member terminating school service, advise  
30 such member in writing of any benefits from the system to which

1 he may be entitled under the provisions of this part and shall  
2 have the member prepare, on or before the date of termination of  
3 school service, one or more of the following three forms, a copy  
4 of which shall be given to the member and the original of which  
5 shall be filed with the board:

6 (1) An application for the return of accumulated  
7 deductions.

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

13 (3) An application for an immediate annuity, 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 date of termination of  
17 service the lump sum required.

18 \* \* \*

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

22 (1) Any school employee who:

23 (i) ceases to be an active member or active  
24 participant to perform USERRA service; or

25 (ii) is granted a leave of absence under 51 Pa.C.S.  
26 § 4102 (relating to leaves of absence for certain  
27 government employees) or a military leave of absence  
28 under 51 Pa.C.S. § 7302 (relating to granting military  
29 leaves of absence).

30 (2) The date on which the USERRA service, leave of

1 absence or military leave of absence began.

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

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

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

15 § 8507. Rights and duties of school employees [and] members  
16 and participants.

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

1 member is receiving an annuity based on false information, the  
2 additional amounts received predicated on such false information  
3 together with statutory interest doubled and compounded shall be  
4 deducted from the present value of any remaining benefits to  
5 which the member is legally entitled and such remaining benefits  
6 shall be correspondingly decreased.

7 \* \* \*

8 (b.1) Application for participation.--On or after July 1,  
9 2016, in the case of a new employee who is not currently a  
10 participant in the plan and whose participation is mandatory, or  
11 in the case of a new employee whose participation is not  
12 mandatory but is permitted and who desires to become a  
13 participant in the plan, the new employee shall execute an  
14 application for participation and a nomination of a beneficiary.

15 \* \* \*

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

27 (d.3) Voluntary contributions by a participant.--Any  
28 participant who desires to make voluntary contributions to be  
29 credited to his individual investment account shall notify the  
30 board and, upon compliance with the requirements, procedures and

1 limitations established by the board in the plan document, may  
2 do so subject to the limitations under IRC §§ 401(a) and 415 and  
3 as otherwise provided in this part.

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

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

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

28 (e.2) Beneficiary for combined service employee.--A combined  
29 service employee may designate or nominate different persons to  
30 be beneficiaries, survivor annuitants and successor payees for

1 his benefits from the system and the plan.

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

8 (1) Withdraw his accumulated deductions.

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

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

17 \* \* \*

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

26 (g.2) Deferral of distribution of cash balance account by  
27 member.--If a member terminates school service and does not  
28 commence receiving a distribution of monies in the cash balance  
29 account, he shall nominate a beneficiary by written designation  
30 filed with the board, and he may anytime thereafter, but no

1 later than his required beginning date, withdraw the vested  
2 accumulated contributions standing to his credit or apply for  
3 another form of distribution required by law or authorized by  
4 the board.

5 \* \* \*

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

12 \* \* \*

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

20 Section 225. Sections 8521(b), 8522, 8523, 8524, 8525 and  
21 8531 of Title 24 are amended to read:

22 § 8521. Management of fund and accounts.

23 \* \* \*

24 (b) Crediting of interest.--The board annually shall allow  
25 statutory interest, excluding the individual investment  
26 accounts, to the credit of the members' savings account on the  
27 mean amount of the accumulated deductions of all members for  
28 whom interest is payable for the preceding year and valuation  
29 interest on the mean amount of the annuity reserve account for  
30 the preceding year to the credit of that account. The board



1 annually shall allow valuation interest calculated on the mean  
2 amount for the preceding year of the balance in the State  
3 accumulation account excluding any earnings of the fund credited  
4 to the account during that year. In the event the total earnings  
5 for the year do not exceed 5 1/2% of the mean amount for the  
6 preceding year of the total assets of the fund less earnings  
7 credited to the fund during that year plus the administrative  
8 expenses of the board, the difference required to be  
9 appropriated from the General Fund shall be credited to the  
10 State accumulation account.

11 \* \* \*

12 § 8522. Public School Employees' Retirement Fund.

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

27 (b) Individual investment accounts and trust.--The  
28 individual investment accounts that are part of the trust are  
29 not part of the fund. Mandatory pickup participant  
30 contributions, voluntary contributions and employer defined

1 contributions made under this part and any income earned by the  
2 investment of such contributions shall not be paid or credited  
3 to the fund but instead shall be paid to the trust and credited  
4 to the individual investment accounts.

5 § 8523. Members' savings account and cash balance account.

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

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

20 (b) Interest and transfers from account.--The individual  
21 member accounts to which interest is payable shall be credited  
22 with statutory interest. The accumulated deductions credited to  
23 the account of a member who dies in service or whose application  
24 for an annuity has been approved shall be transferred from the  
25 members' savings account or from the cash balance account, as  
26 applicable, to the annuity reserve account provided for in  
27 section 8525 (relating to annuity reserve account).

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

1 (d) Excess Interest.--

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

20 (2) After the actuarial valuation made for fiscal year  
21 2019 and after the actuarial valuations for each subsequent  
22 fiscal year, the board shall determine if excess interest is  
23 to be awarded to those members who have Class T-I service  
24 credit, or those members who have contributions in the cash  
25 balance savings account, on the date of the applicable  
26 actuarial valuation.

27 (3) For each determination period, excess interest shall  
28 be granted if the sum of the amounts determined under  
29 paragraph (1) for all the years of the determination period  
30 is positive. If so, then the percentage rate of excess

1 interest shall be determined by dividing this sum by the  
2 total amount credited in the members savings account  
3 attributable to Class T-I service credit and those members  
4 who have contributions in the cash balance savings account,  
5 on the last day of the determination period. Each Class T-I  
6 member who has monies in the members' savings account, and  
7 each member who has monies in the cash balance savings  
8 account, on the last day of the determination period and who  
9 has monies in such accounts on the next following June 30,  
10 shall have excess interest at this rate credited to his total  
11 members' savings account balance cash balance savings  
12 account, as applicable.

13 (4) The determination period for the period ending with  
14 the actuarial valuation for fiscal year 2019 shall be fiscal  
15 years 2016, 2017 and 2018. The determination period for the  
16 period ending with the actuarial valuation for fiscal year  
17 2020 shall be fiscal years 2016, 2017, 2018, and 2019. The  
18 determination period for the periods ending with fiscal year  
19 2021 and subsequent years shall be the ending fiscal year and  
20 the four immediately previous fiscal years.

21 § 8524. State accumulation account.

22 The State accumulation account shall be the ledger account to  
23 which shall be credited all contributions of the Commonwealth  
24 and other employers as well as the earnings of the fund, except  
25 the premium assistance contributions and earnings thereon in the  
26 health insurance account. Valuation interest shall be allowed on  
27 the total amount of such account less any earnings of the fund  
28 credited during the year. The reserves necessary for the payment  
29 of annuities and death benefits resulting from membership in the  
30 system as approved by the board and as provided in Chapter 83

1 (relating to membership, contributions and benefits) shall be  
2 transferred from the State accumulation account to the annuity  
3 reserve account. At the end of each year the required interest  
4 shall be transferred from the State accumulation account to the  
5 credit of the members' savings account and the annuity reserve  
6 account. The administrative expenses of the board shall be  
7 charged to the State accumulation account. Employer defined  
8 contributions, mandatory pickup contributions and a  
9 participant's voluntary contributions, together with any income  
10 or interest earned thereon, may be temporarily placed into the  
11 State accumulation account pending allocation or distribution to  
12 the participant's individual investment account.

13 § 8525. Annuity reserve account.

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

1 transfers provided in sections 8523 (relating to members'  
2 savings account) and 8524 (relating to State accumulation  
3 account), all annuity and death benefit payments shall be  
4 charged to the annuity reserve account and paid from the fund.

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

15 § 8531. State guarantee regarding the system.

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

25 Section 226. Section 8533(a), (b) and (d) of Title 24 are  
26 amended to read:

27 § 8533. Taxation, attachment and assignment of funds.

28 (a) General rule.--Except as provided in subsections (b),  
29 (c) and (d), the right of a person to a member's annuity, a  
30 State annuity, or retirement allowance, to the return of

1 contributions, any benefit or right accrued or accruing to any  
2 person under the provisions of this part, and the moneys in the  
3 fund and the trust are hereby exempt from any State or municipal  
4 tax, and exempt from levy and sale, garnishment, attachment, the  
5 provisions of Article XIII.1 of the act of April 9, 1929  
6 (P.L.343, No.176), known as The Fiscal Code, or any other  
7 process whatsoever, and shall be unassignable.

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

18 (b) Forfeiture.--

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

25 (2) In accordance with section 16(b) of Article V of the  
26 Constitution of Pennsylvania and notwithstanding paragraph  
27 (1), the act of July 8, 1978 (P.L.752, No.140), known as the  
28 Public Employee Pension Forfeiture Act, or 42 Pa.C.S. § 3352  
29 (relating to pension rights), the accumulated mandatory  
30 participant contributions and accumulated voluntary

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

17 \* \* \*

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



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

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

15 § 8533.1. Approval of domestic relations orders.

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

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

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

30 (3) Specifies the amount or percentage of the member's

1 benefits to be paid by the system to each such alternate  
2 payee or the manner in which the amount or percentage is to  
3 be determined.

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

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

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

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

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

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

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

1 account titled in the name of the alternate payee.

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

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

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

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

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

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

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

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

1 purchase of an annuity.

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

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

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

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

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

25 § 8533.2. Irrevocable beneficiary.

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

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

10 § 8533.3. Irrevocable survivor annuitant.

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

26 § 8533.4. Amendment of approved domestic relations orders.

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

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

3 \* \* \*

4 Section 228. Title 24 is amended by adding a section to  
5 read:

6 § 8533.5. Irrevocable successor payee.

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

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

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

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



1 Section 229. Sections 8534 and 8535 of Title 24 are amended  
2 to read:

3 § 8534. Fraud and adjustment of errors.

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

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

23 § 8535. Payments to school entities by Commonwealth.

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

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

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

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

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

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

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

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

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

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

1 less than the amount that would result if the market  
2 value/income aid ratio as defined in section 2501(14.1) of  
3 the Public School Code was 0.50.

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

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

23 (4) Employers whose payments to the Public School  
24 Employees' Retirement Fund are delinquent shall be charged  
25 interest by the Public School Employees' Retirement Fund at  
26 the annual interest rate adopted by the board pursuant to  
27 section 8328 (relating to actuarial cost method) in effect in  
28 the fiscal year in which the payments are required to be  
29 paid.

30 § 8537. Public Pension Management and Asset Investment Review

1           Commission.

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

- 5           (1) Speaker of the House;  
6           (2) President Pro tempore of the Senate; and  
7           (3) Governor.

8           The appointees shall be investment professionals and  
9 retirement advisors and shall be appointed within 90 days of  
10 the effective date of this section.

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

13           (1) Study the performance of current investment  
14 strategies and procedures of the Public School Employees'  
15 Retirement System, comparing realized rates of return to  
16 established benchmarks and considering associated fees paid  
17 for active and passive management.

18           (2) Study the costs and benefits of both active and  
19 passive investment strategies in relation to future  
20 investment activities of the Public School Employees'  
21 Retirement System.

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

25           (4) Publish extensive and detailed findings on-line,  
26 including findings about:

- 27           (i) assets;  
28           (ii) returns;  
29           (iii) financial managers;  
30           (iv) consultants;

1           (v) requests for Proposals; and  
2           (vi) investment performance measured against  
3           benchmarks.

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

7           (c) Quorum.--A majority of appointed members shall  
8           constitute a quorum for the purpose of conducting business. The  
9           members shall select one of their number to be chairperson and  
10           another to be the vice-chairperson.

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

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

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

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

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

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

26           (f) Transparency and ethics.--The Public Pension Management  
27           and Asset Investment Review Commission may conduct hearings and  
28           otherwise gather pertinent information and analysis that it  
29           considers appropriate.

30           (g) Logistical and other support.--The Public Pension

1 Management and Asset Investment Review Commission shall receive  
2 logistical and other support from the Joint State Government  
3 Commission and may employ additional temporary staff as needed.

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

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

11 Section 231. The definition of "eligible person" in section  
12 8702(a) of Title 24 is amended to read:

13 § 8702. Definitions.

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

20 "Eligible person." An individual who is:

21 (1) an annuitant or survivor annuitant or the spouse or  
22 dependent of an annuitant or survivor annuitant[.]; or

23 (2) a participant receiving distributions or a successor  
24 payee, or the spouse or dependent of a participant receiving  
25 distributions or successor payee.

26 \* \* \*

27 ARTICLE III

28 Section 301. Section 7306(a) introductory paragraph of Title  
29 51 is amended and the section is amended by adding a subsection  
30 to read:

1 § 7306. Retirement rights.

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

13 \* \* \*

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

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

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

29 ARTICLE IV

30 Section 401. Sections 4104(a) (7), 5102 and 5103 of Title 71



1 are amended to read:

2 § 4104. Duties of office.

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

4 \* \* \*

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

11 \* \* \*

12 § 5102. Definitions.

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

16 "Academic administrator." A management employee in the field  
17 of public education whose work is directly related to academic  
18 instruction, excluding any employee in a position that is  
19 nonacademic in nature, such as, without limitation, a position  
20 that relates to admissions, financial aid, counseling,  
21 secretarial and clerical services, records management, housing,  
22 food service, maintenance and security.

23 "Accumulated employer defined contributions." The total of  
24 the employer defined contributions paid into the trust on  
25 account of a participant's State service together with any  
26 investment earnings and losses and adjustment for fees, costs  
27 and expenses credited or charged thereon.

28 "Accumulated mandatory participant contributions." The total  
29 of the mandatory participant contributions paid into the trust  
30 on account of a participant's State service together with any

1 investment earnings and losses and adjustments for fees, costs  
2 and expenses credited or charged thereon.

3 "Accumulated total defined contributions." The total of the  
4 accumulated mandatory participant contributions, accumulated  
5 employer defined contributions and accumulated voluntary  
6 contributions, reduced by any distributions, standing to the  
7 credit of a participant in an individual investment account in  
8 the trust.

9 "Accumulated voluntary contributions." The total of  
10 voluntary contributions paid into the trust by a participant and  
11 any amounts rolled over by a participant or transferred by a  
12 direct trustee-to-trustee transfer into the trust together with  
13 any investment earnings and losses and adjustment for fees,  
14 costs and expenses credited or charged thereon.

15 "Active member." A State employee, or a member on leave  
16 without pay, for whom pickup contributions or cash balance  
17 member contributions are being made to the fund or for whom such  
18 contributions otherwise required for current State service are  
19 not being made solely by reason of section 5502.1 (relating to  
20 waiver of regular member contributions and Social Security  
21 integration member contributions) or any provision of this part  
22 relating to the limitations under section 401(a)(17) or section  
23 [415(b)] 415 of the Internal Revenue Code of 1986 (Public Law  
24 99-514, 26 U.S.C. § 401(a)(17) or [415(b)].] 415) or limitations  
25 on contributions to the system applicable to a Class A-3 member  
26 or Class A-4 member who has exceeded the Class A-3 and Class A-4  
27 compensation limit.

28 "Active participant." A State employee for whom mandatory  
29 participant contributions are being made to the trust or for  
30 whom such contributions otherwise required for current State

1 service are not being made solely by reason of any provision of  
2 this part relating to the limitations under section 401(a)(17)  
3 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,  
4 26 U.S.C. § 401(a)(17) or § 415).

5 "Actuarial increase factor." A factor calculated at the  
6 member's birthday by dividing the cost of a dollar annuity based  
7 on the age of the member on the member's immediately previous  
8 birthday by the cost of a one-year deferred dollar annuity  
9 calculated at that same age. Unless the member terminates State  
10 or school service on the member's birthday, the actuarial  
11 increase factor for the year of termination shall be adjusted  
12 by:

- 13 (1) subtracting one from the calculated factor; then
- 14 (2) dividing the difference by twelve; then
- 15 (3) multiplying the resulting quotient by the number of  
16 whole months between the member's immediately previous  
17 birthday and the date of termination of service; then
- 18 (4) adding one to the resulting product.

19 "Actuarially equivalent." [Equal] Except when determining  
20 benefits and present values related to Class CB service, cash  
21 balance member accumulated deductions or total cash balance  
22 accumulated deductions, equal present values, computed on the  
23 basis of statutory interest and the mortality tables adopted by  
24 the board. When determining benefits and present values related  
25 to Class CB service, cash balance member accumulated deductions  
26 or total cash balance accumulated deductions, equal present  
27 values, computed on the basis of the applicable Federal rate on  
28 the effective date of the determination and the mortality tables  
29 adopted by the board.

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

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

2 (2) an individual who has demonstrated to the  
3 satisfaction of the Insurance Commissioner of Pennsylvania  
4 that he has the educational background necessary for the  
5 practice of actuarial science and has had at least seven  
6 years of actuarial experience; or

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

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

18 "Alternative investment." An investment in a private equity  
19 fund, private debt fund, venture fund, real estate fund, hedge  
20 fund or absolute return fund.

21 "Alternative investment vehicle." A limited partnership,  
22 limited liability company or any other legal vehicle for  
23 authorized investments under section 5931(i) (relating to  
24 management of fund and accounts) through which the system makes  
25 an alternative investment.

26 "Alternate payee." Any spouse, former spouse, child or  
27 dependent of a member or participant who is recognized by a  
28 domestic relations order as having a right to receive all or a  
29 portion of the moneys payable to that member or participant  
30 under this part.

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

3 "Applicable Federal rate." Interest at a rate equal to the  
4 applicable Federal rate prescribed by the Internal Revenue  
5 Service and published by revenue ruling under IRC § 7520 and  
6 that is in effect on the operative date of the calculation for  
7 which such rate is being used, compounded annually.

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

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

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

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

1 of the participant.

2 "Board." The State Employees' Retirement Board or the State  
3 Employees' Retirement Board.

4 "Cash balance member accumulated deductions." The total of  
5 the cash balance member contributions paid into the fund on  
6 account of a member's service as a member of Class CB together  
7 with treasury bond interest and excess interest thereon until  
8 the date of termination of service. In the case of a vestee,  
9 treasury bond interest and excess interest shall be credited  
10 until the effective date of retirement.

11 "Cash balance member contributions." The product of the  
12 basic contribution rate, the class of service multiplier and the  
13 compensation of the member for service credited as Class CB.

14 "Class A-3 and Class A-4 compensation limit." For a Class A-  
15 3 or Class A-4 member for each calendar year starting on or  
16 after January 1, 2016, the amount of compensation as an active  
17 member which would not have been subject to Social Security  
18 integration member contributions under section 5502 had the  
19 member been eligible to elect to earn Social Security  
20 integration credits under section 5305 and did so, without  
21 regard to the calendar year starting after March 1, 1974.

22 "Class of service multiplier."

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

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

1		contributions	1.25
2	A-4	for purposes of	
3		calculating	
4		regular member	
5		contributions	1.86
6	B		.625
7	C		1
8	<u>CB</u>	<u>for all purposes</u>	
9		<u>except</u>	
10		<u>calculating cash</u>	
11		<u>balance member</u>	
12		<u>contributions</u>	<u>1</u>
13	<u>CB</u>		<u>0.6 unless a</u>
14		<u>for purposes of</u>	<u>lower</u>
15		<u>calculating cash</u>	<u>multiplier is</u>
16		<u>balance member</u>	<u>elected under</u>
17		<u>contributions</u>	<u>section 5306.5</u>
18	D		1.25
19	D-1	prior to January	
20		1, 1973	1.875
21	D-1	on and	
22		subsequent to	
23		January 1, 1973	1.731
24	D-2	prior to January	
25		1, 1973	2.5
26	D-2	on and	
27		subsequent to	
28		January 1, 1973	1.731
29	D-3	prior to January	
30		1, 1973	3.75



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

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

1	I	0.625
2	J	0.714
3	K	0.834
4	L	1.000
5	M	1.100
6	N	1.250
7	T-C (Public School	1
8	Employees'	
9	Retirement Code)	
10	T-E (Public School	1
11	Employees'	
12	Retirement Code)	
13	T-F (Public School	1
14	Employees'	
15	Retirement Code)	

16 "Combined service employee." A current or former State  
17 employee who is both a member of the system and a participant in  
18 the plan.

19 "Commissioner." The Commissioner of the Internal Revenue  
20 Service.

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

1 including other types of leave payments, stipends, differential  
2 wage payments as defined in IRC § 414(u) (12) and any other  
3 payments: Provided, however, That compensation received prior to  
4 January 1, 1973, shall be subject to the limitations for  
5 retirement purposes in effect December 31, 1972, if any:  
6 Provided further, That the limitation under section 401(a) (17)  
7 of the Internal Revenue Code of 1986 (Public Law 99-514, 26  
8 U.S.C. § 401(a) (17)) taken into account for the purpose of  
9 member contributions, including any additional member  
10 contributions in addition to regular or joint coverage member  
11 contributions and Social Security integration contributions,  
12 regardless of class of service, shall apply to each member who  
13 first became a member of the State Employees' Retirement System  
14 on or after January 1, 1996, and who by reason of such fact is a  
15 noneligible member subject to the application of the provisions  
16 of section 5506.1(a) (relating to annual compensation limit  
17 under IRC § 401(a) (17)) and shall apply to each participant.

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

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

28 "County service." Service credited in a retirement system or  
29 pension plan established or maintained by a county to provide  
30 retirement benefits for its employees to the account of county

1 employees who are transferred to State employment and become  
2 State employees pursuant to 42 Pa.C.S. § 1905 (relating to  
3 county-level court administrators) regardless of whether the  
4 service was performed for the county or another employer or  
5 allowed to be purchased in the county retirement system or  
6 pension plan.

7 "Creditable nonstate service." Service for which an active  
8 member may obtain credit in the system, other than:

9 (1) service as a State employee;

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

13 (3) school service converted to State service pursuant  
14 to section 5303.2 (relating to election to convert school  
15 service to State service) [for which an active member may  
16 obtain credit].

17 "Credited service." State or creditable nonstate service for  
18 which the required contributions have been made to the fund or  
19 for which the contributions otherwise required for such service  
20 were not made solely by reason of section 5502.1 (relating to  
21 waiver of regular member contributions and Social Security  
22 integration member contributions) or any provision of this part  
23 relating to the limitations under section 401(a)(17) or [415(b)]  
24 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26  
25 U.S.C. § 401(a)(17) or [415(b)],] 415), or limitations on  
26 contributions to the system applicable to a Class A-3 member or  
27 Class A-4 member or for which salary deductions or lump sum  
28 payments to the system have been agreed upon in writing.

29 "Date of termination of service." The latest of the  
30 following dates:

1           (1) the last day of service for which pickup  
2           contributions are made for an active member or for which the  
3           contributions otherwise required for such service were not  
4           made solely by reason of section 5502.1 (relating to waiver  
5           of regular member contributions and social security  
6           integration member contributions) or any provision of this  
7           part relating to the limitations under section 401(a)(17) or  
8           415 of the Internal Revenue Code of 1986 (Public Law 99-514,  
9           26 U.S.C. § 401(a)(17) or 415) or limitations on  
10           contributions to the system applicable to a Class A-3 member  
11           or Class A-4 member;

12           (2) the last day of service for which mandatory  
13           participant contributions are made for an active participant;

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

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

20           "DC plan exempt employee." Any of the following:

21           (1) A sworn police officer.

22           (2) An enforcement officer.

23           (3) A wildlife conservation officer or other  
24           commissioned law enforcement personnel employed by the  
25           Pennsylvania Game Commission who has and exercises the same  
26           law enforcement powers as a wildlife conservation officer.  
27           The term shall not include a deputy wildlife conservation  
28           officer.

29           (4) A Delaware River Port Authority policeman.

30           (5) A park ranger.

1           (6) A Capitol Police officer.

2           (7) A campus police officer employed by a State-owned  
3           educational institution, community college or The  
4           Pennsylvania State University.

5           (8) A police officer employed by Fort Indiantown Gap or  
6           other designated Commonwealth military installation or  
7           facility.

8           (9) A correction officer.

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

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

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

30          "Effective date of retirement." The first day following the

1 date of termination of service of a member if he has properly  
2 filed an application for an annuity within 90 days of such date;  
3 in the case of a vestee or a member who does not apply for an  
4 annuity within 90 days after termination of service, the date of  
5 filing an application for an annuity or the date specified on  
6 the application, whichever is later. In the case of a finding of  
7 disability, the date certified by the board as the effective  
8 date of disability.

9 "Elected officer." An individual who is elected or reelected  
10 to a term of office that begins after December 31, 2015, as a  
11 member of the General Assembly.

12 "Eligibility points." Points which are accrued by an active  
13 member or a multiple service member who is an active member in  
14 the Public School Employees' Retirement System for credited  
15 service or a member who has been reemployed from USERRA leave or  
16 a member who dies while performing USERRA leave and are used in  
17 the determination of eligibility for benefits.

18 "Employer defined contributions."

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

24 (2) For a psychiatric security aide, contributions equal  
25 to 5.5% of an active participant's compensation which are  
26 made by the Commonwealth or other employer for current  
27 service to the trust to be credited in the active  
28 participant's individual investment account.

29 "Enforcement officer."

30 (1) Any enforcement officer or investigator of the



1 Pennsylvania Liquor Control Board who is a peace officer  
2 vested with police power and authority throughout the  
3 Commonwealth and any administrative or supervisory employee  
4 of the Pennsylvania Liquor Control Board vested with police  
5 power who is charged with the administration or enforcement  
6 of the liquor laws of the Commonwealth.

7 (2) Special agents, narcotics agents, asset forfeiture  
8 agents, medicaid fraud agents and senior investigators  
9 hazardous waste prosecutions unit, classified as such and  
10 employed by the Office of Attorney General who have within  
11 the scope of their employment as law enforcement officers the  
12 power to enforce the law and make arrests under the authority  
13 of the act of October 15, 1980 (P.L.950, No.164), known as  
14 the Commonwealth Attorneys Act.

15 (3) Parole agents, classified as such by the Executive  
16 Board and employed by the Pennsylvania Board of Probation and  
17 Parole.

18 (4) Waterways conservation officers and other  
19 commissioned law enforcement personnel employed by the  
20 Pennsylvania Fish and Boat Commission who have and exercise  
21 the same law enforcement powers as waterways conservation  
22 officers. This paragraph shall not apply to deputy waterways  
23 conservation officers.

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

25 (1) For members with an effective date of retirement  
26 before January 1, 2016, and for purposes of calculating  
27 standard single life annuities resulting from credited  
28 service other than post-January 2016 service regardless of  
29 the effective date of retirement, the highest average  
30 compensation received as a member during any three

1 nonoverlapping periods of four consecutive calendar quarters  
2 during which the member was a State employee, with the  
3 compensation for part-time service being annualized on the  
4 basis of the fractional portion of the year for which credit  
5 is received; except if the employee was not a member for  
6 three nonoverlapping periods of four consecutive calendar  
7 quarters, the total compensation received as a member,  
8 annualized in the case of part-time service, divided by the  
9 number of nonoverlapping periods of four consecutive calendar  
10 quarters of membership[;].

11 (2) For members with an effective date of retirement on  
12 or after January 1, 2016, for purposes of calculating  
13 standard single life annuities resulting from post-January  
14 2016 service, the larger of:

15 (i) the highest average total compensation received  
16 as a member of any class of service during any five  
17 calendar years during which the member was a state  
18 employee, with the compensation for part-time service or  
19 for any partial year of credit annualized on the basis of  
20 the fractional portion of the year for which credit is  
21 received, and subject to any limitation as applied under  
22 section 5506.2 (relating to application of Class A-3 and  
23 Class A-4 compensation limit) if the member has Class A-3  
24 service credit or class A-4 service credit, except if the  
25 employee was not an active member during five calendar  
26 years, the average of the number of calendar years during  
27 which the employee was an active member; or

28 (ii) the highest average compensation received as a  
29 member of any class of service during any three calendar  
30 years during which the member was a state employee

1 excluding remuneration received after December 31, 2015,  
2 for any overtime service as a member of the system, with  
3 the compensation of part-time service or for any partial  
4 year of credit annualized on the basis of the fractional  
5 portion of the year for which credit is received, and  
6 subject to any limitation as applied under section 5506.2  
7 if the member has Class A-3 service credit or class A-4  
8 service credit, except if the employee was not an active  
9 member during three calendar years, the average of the  
10 number of calendar years during which the employee was an  
11 active member.

12 (3) For all members and for the calculation of all  
13 standard single life annuities without regard to class of  
14 membership and credited service, in the case of a member with  
15 multiple service, the final average salary shall be  
16 determined on the basis of the compensation received by him  
17 as a [State employee] member of the system or as a school  
18 employee, other than as a participant in the School  
19 Employees' Defined Contribution Plan, or both; in the case of  
20 a member with Class A-3 or Class A-4 service and service in  
21 one or more other classes of service, the final average  
22 salary shall be determined on the basis of the compensation  
23 received by him in all classes of State service credited in  
24 the system other than as a member of Class CB; and, in the  
25 case of a member who first became a member on or after  
26 January 1, 1996, the final average salary shall be determined  
27 as hereinabove provided but subject to the application of the  
28 provisions of section 5506.1(a) (relating to annual  
29 compensation limit under IRC § 401(a)(17)). Final average  
30 salary shall be determined by including in compensation

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

8 "Full coverage member." Any member for whom member pickup  
9 contributions are being picked up or who has paid or has agreed  
10 to pay to the fund the actuarial equivalent of regular member  
11 contributions due on account of service prior to January 1,  
12 1982.

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

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

19 "Inactive member." A member for whom no pickup contributions  
20 or cash balance member contributions are being made to the fund,  
21 except in the case of an active member for whom such  
22 contributions otherwise required for current State service are  
23 not being made solely by reason of section 5502.1 (relating to  
24 waiver of regular member contributions and Social Security  
25 integration member contributions) or any provision of this part  
26 relating to the limitations under section 401(a)(17) or 415(b)  
27 of the Internal Revenue Code of 1986 (Public Law 99-514, 26  
28 U.S.C. § 401(a)(17) or 415(b)) or limitations on contributions  
29 to the system applicable to a Class A-3 member or Class A-4  
30 member, but who has accumulated deductions or cash balance

1 member accumulated deductions standing to his credit in the fund  
2 and who is not eligible to become or has not elected to become a  
3 vestee or has not filed an application for an annuity.

4 "Inactive member on leave without pay." The term does not  
5 include a combined service employee who is an inactive  
6 participant on leave without pay unless the combined service  
7 employee concurrently is employed in an office or position in  
8 which the combined service employee is a member of the system.

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

19 "Inactive participant on leave without pay." The term does  
20 not include a combined service employee who is an inactive  
21 member on leave without pay unless the combined service employee  
22 concurrently is employed in an office or position in which the  
23 combined service employee is a participant in the plan.

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

30 "Intervening military service." Active military service of a

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

7 "IRC." The Internal Revenue Code of 1986, as designated and  
8 referred to in section 2 of the Tax Reform Act of 1986 (Public  
9 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to  
10 "IRC § " shall be deemed to refer to the identically numbered  
11 section and subsection or other subdivision of such section in  
12 26 United States Code (relating to Internal Revenue Code).

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

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

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

29 "Joint coverage member." Any member who agreed prior to  
30 January 1, 1966 to make joint coverage member contributions to

1 the fund and has not elected to become a full coverage member.

2 "Joint coverage member contributions." Regular member  
3 contributions reduced for a joint coverage member.

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

7 "Member." Active member, inactive member, annuitant, vestee  
8 or special vestee.

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

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

20 "Military service." All active military service for which a  
21 member has received a discharge other than an undesirable, bad  
22 conduct, or dishonorable discharge.

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

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

30 "Nonstudent service." Employment in an educational

1 institution that is not contingent on the employee's enrollment  
2 as a student or maintenance of student status at such  
3 institution and for which only monetary compensation is  
4 received, excluding tuition waivers or reimbursement, academic  
5 credit, housing, meals and other in-kind compensation.

6 "Participant." An active participant, inactive participant  
7 or participant receiving distributions.

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

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

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

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

25 "Post-January 2016 service." All previously uncredited state  
26 service and creditable nonstate service that is first credited  
27 on or after January 1, 2016, and all State service performed on  
28 or after January 1, 2016, except that any State service credited  
29 by a member who is reemployed from USERRA leave who has made the  
30 member contributions under section 5302(f) (relating to credited



1 State service) to receive State service credit shall not be  
2 post-January 2016 service if credited for a period of USERRA  
3 leave performed before January 1, 2016.

4 "Previous State service." Service rendered as a State  
5 employee prior to his most recent entrance in the system[.],  
6 provided that the State employee was not a participant in the  
7 plan, was not eligible to be an optional participant in the plan  
8 under section 5301(b.1) (relating to mandatory and optional  
9 membership in the system and participation in the plan) or was  
10 not prohibited from being a participant under section 5301(c.1)  
11 during such service.

12 "Psychiatric security aide." Any employee whose principal  
13 duty is the care, custody and control of the criminally insane  
14 inmates of a maximum security institution for the criminally  
15 insane or detention facility operated by the Department of  
16 Public Welfare.

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

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

29 "Regular accumulated deductions." The total of the regular  
30 or joint coverage member contributions paid into the fund on

1 account of current service or previous State or creditable  
2 nonstate service, together with the statutory interest credited  
3 thereon until the date of termination of service. In the case of  
4 a vestee or a special vestee, statutory interest shall be  
5 credited until the effective date of retirement. A member's  
6 account shall not be credited with statutory interest for more  
7 than two years during a leave without pay.

8 "Regular member contributions." The product of the basic  
9 contribution rate, the class of service multiplier if greater  
10 than one and the compensation of the member[.] for service in a  
11 class other than Class CB, subject to any adjustment under  
12 section 5501.1(c) (relating to shared risk member contributions  
13 and shared-gain adjustments to regular member contributions for  
14 Class A-3 and Class A-4 service) or 5501.3 (relating to  
15 contribution savings program for members of Class AA and Class  
16 D-4).

17 "Required beginning date." The latest date by which  
18 distributions of a member's interest in the system or a  
19 participant's interest in his individual investment account must  
20 commence under section 401(a)(9) of the Internal Revenue Code of  
21 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(9)).

22 "Retirement counselor." The State Employees' Retirement  
23 [System] Board employee whose duty it shall be to advise each  
24 employee of his rights and duties as a member of the system or  
25 as a participant of the plan.

26 "Salary deductions." The amounts certified by the board,  
27 deducted from the compensation of an active member or active  
28 participant, or the school service compensation of a multiple  
29 service member who is an active member of the Public School  
30 Employees' Retirement System, and paid into the fund.

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

4 "School service." Service rendered as a public school  
5 employee and credited as service in the Public School Employees'  
6 Retirement System.

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

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

23 "Shared-risk member contributions." The product of the  
24 applicable shared-risk contribution rate and the compensation of  
25 a member for service credited as Class A-3 or Class A-4 up to  
26 the Class A-3 and Class A-4 compensation limit.

27 "Social security integration accumulated deductions." The  
28 total of the member contributions paid into the fund on account  
29 of social security integration credit, together with the  
30 statutory interest credited thereon until the date of

1 termination of service or until the date of withdrawal thereof,  
2 whichever is earlier. In the case of a vestee statutory interest  
3 shall be credited until the effective date of retirement. A  
4 member's account shall not be credited with statutory interest  
5 for more than two years during a leave without pay.

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

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

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

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

27 (4) the member elects to leave the member's total  
28 accumulated deductions in the fund and to defer receipt of an  
29 annuity until attainment of superannuation age or the  
30 member's required beginning date.

1 "Standard single life annuity." An annuity equal to 2% of  
2 the final average salary, multiplied by the total number of  
3 years and fractional part of a year of credited service of a  
4 member in each class of service other than service credited as a  
5 member of Class CB.

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

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

- 24 (2) The Pennsylvania Turnpike Commission, the Delaware  
25 River Port Authority, the Port Authority Transit Corporation,  
26 the Philadelphia Regional Port Authority, the Delaware River  
27 Joint Toll Bridge Commission, the State Public School  
28 Building Authority, The General State Authority, the State  
29 Highway and Bridge Authority, the Delaware Valley Regional  
30 Planning Commission, the Interstate Commission of the

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

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

26 "State police officer." Any officer or member of the  
27 Pennsylvania State Police who, on or after July 1, 1989, shall  
28 have been subject to the terms of a collective bargaining  
29 agreement or binding interest arbitration award established  
30 pursuant to the act of June 24, 1968 (P.L.237, No.111) ,

1 referred to as the Policemen and Firemen Collective Bargaining  
2 Act.

3 "State service." Service converted from county service  
4 pursuant to section 5303.1 (relating to election to convert  
5 county service to State service), converted from school service  
6 pursuant to section 5303.2 (relating to election to convert  
7 school service to State service) or rendered as a State  
8 employee.

9 "Statutory interest." Interest at 4% per annum, compounded  
10 annually.

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

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

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

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

10 "Superannuation score." The sum of the member's age in whole  
11 years on his last birthday and the amount of the member's total  
12 eligibility points on the member's effective date of retirement,  
13 expressed in whole years and whole eligibility points and  
14 disregarding fractions of a year and fractions of total  
15 eligibility points.

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

19 "Sworn police officer." A State police officer who is  
20 employed and serving as an officer of the Pennsylvania State  
21 Police.

22 "System." The State Employees' Retirement System of  
23 Pennsylvania as established by the act of June 27, 1923  
24 (P.L.858, No.331), and codified by the act of June 1, 1959  
25 (P.L.392, No.78) and the provisions of this part.

26 "Total accumulated deductions." The sum of the regular  
27 accumulated deductions, additional accumulated deductions, the  
28 social security integration accumulated deductions, shared-risk  
29 member contributions and all other contributions other than cash  
30 balance member contributions and other amounts credited to the



1 cash balance savings account paid into the fund for the  
2 purchase, transfer or conversion of credit for service or other  
3 coverage together with all statutory interest credited thereon  
4 until the date of termination of service. In the case of a  
5 vestee or a special vestee, statutory interest shall be credited  
6 until the effective date of retirement. A member's account shall  
7 not be credited with statutory interest for more than two years  
8 during a leave without pay.

9 "Total cash balance accumulated deductions." The sum of the  
10 cash balance member accumulated deductions and amounts credited  
11 by the board as provided by section 5902(p) (relating to  
12 administrative duties of the board) together with all treasury  
13 bond interest and excess interest thereon credited to a member's  
14 cash balance savings account until the date of termination of  
15 service. In the case of a vestee, treasury bond interest and  
16 excess interest shall be credited until the effective date of  
17 retirement.

18 "Treasury bond interest." For each calendar year, interest  
19 at the Constant Maturity Treasury rate of the 30-year Treasury  
20 Bond in effect on the immediately prior December 31 as published  
21 by the United States Department of Treasury, provided however,  
22 that such rate shall not be greater than 4%, compounded  
23 annually. If no such rate was in effect as of the immediately  
24 prior December 31, then the board shall establish an alternate  
25 rate based upon the Constant Maturity Treasury rate of the  
26 closest maturing bond issued by the United States Treasury as of  
27 that date as published by the United States Department of  
28 Treasury, provided however, that such rate shall not be greater  
29 than 4%, compounded annually.

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

1 established under Chapter 54 (relating to State Employees'  
2 Defined Contribution Plan).

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

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

15 "Vestee." A member with five or more eligibility points in a  
16 class of service other than Class A-3 or Class A-4 or Class T-E  
17 or Class T-F in the Public School Employees' Retirement System,  
18 a member with Class G, Class H, Class I, Class J, Class K, Class  
19 L, Class M or Class N service with five or more eligibility  
20 points, or a member with Class A-3 or Class A-4 service with ten  
21 or more eligibility points, or a member with Class CB service,  
22 who has terminated State service and has elected to leave his  
23 total accumulated deductions and cash balance member accumulated  
24 deductions in the fund and to defer receipt of an annuity.

25 "Voluntary contributions." Contributions made by a  
26 participant to the trust and credited to his individual  
27 investment account in excess of his mandatory participant  
28 contributions, either by salary deductions paid through the  
29 Commonwealth or other employer, or by an eligible rollover or  
30 direct trustee-to-trustee transfer.

1 § 5103. Notice to members and participants.

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

12 Section 402. Title 71 is amended by adding a section to  
13 read:

14 § 5104. Reference to State Employees' Retirement System.

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

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

29 Section 403. Section 5301(a), (b), (c) and (d) of Title 71  
30 are amended and the section is amended by adding subsections to

1 read:

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

4 (a) Mandatory membership.--Membership in the system for all  
5 classes of service other than Class CB shall be mandatory as of  
6 the effective date of employment for all State employees except  
7 the following and shall be determined without regard to current  
8 or former membership in Class CB:

9 (1) Governor.

10 (2) Lieutenant Governor.

11 (3) Members of the General Assembly.

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

13 (5) Members of any independent administrative board or  
14 commission.

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

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

17 (8) Secretary to the Governor.

18 (9) Budget Secretary.

19 (10) Legislative employees.

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

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

1 contribution rate as determined in section 5508(b) and for  
2 the fiscal year 1992-1993 and all fiscal years after that at  
3 a rate of 9.29%.

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

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

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

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

25 (17) State employees who are not DC plan exempt  
26 employees and who were not previously a member of the system  
27 and whose most recent period of State service starts on or  
28 after January 1, 2016.

29 (18) Elected officers.

30 (a.1) Mandatory participation in the plan.--

1       (1) State employees listed in subsection (a) (17) who are  
2 not listed in subsection (a) (1) through (13) shall be  
3 mandatory participants as of the most recent effective date  
4 of State service except for service performed as a DC plan  
5 exempt employee.

6       (2) (Reserved).

7       (3) An elected officer who is a member of the system or  
8 a participant in the plan, shall be a mandatory participant  
9 for his or her service as an elected officer as of the start  
10 of the first term of office beginning after December 31,  
11 2015, notwithstanding that either immediately or at any time  
12 prior to the start of that term he or she was an active  
13 member of the system or an inactive member on leave without  
14 pay.

15       (4) A State employee who is a mandatory participant in  
16 the plan shall be a participant for all State service until  
17 the termination of State service.

18       (b) Optional membership in the system.--

19       (1) The State employees listed in subsection (a) (1)  
20 through [(11)] (10) shall have the right to elect membership  
21 in the system before January 1, 2016; once such election is  
22 exercised, membership shall be effective from the effective  
23 date of employment and shall continue until the termination  
24 of State service[.] or the State employee is required to be a  
25 participant in the plan as an elected officer.

26       (2) The State employees listed under subsection (a) (11)  
27 shall have the right to elect membership in the system  
28 instead of membership in the Public School Employees'  
29 Retirement System. Once the election to be in the system is  
30 exercised, membership shall continue until the termination of

1 State service.

2 (3) This subsection shall be applied without regard to  
3 current or former membership in Class CB or eligibility for  
4 future active membership in Class CB and shall not authorize  
5 an election of membership in only Class CB.

6 (b.1) Optional participation in the plan.--

7 (1) Individuals who become elected officers who are not  
8 mandatory participants in the plan, State employees listed in  
9 subsection (b) (1) who are not DC plan exempt employees and  
10 who do not elect membership in the system before January 1,  
11 2016, and State employees listed in subsection (a) (17) who  
12 also are listed in subsection (a) (1) through (10) and who are  
13 not DC plan exempt employees or who also are employees of the  
14 Pennsylvania State University, the State system of Higher  
15 Education, State-owned educational institutions or community  
16 colleges and who are not members of the system in a class of  
17 service other than Class CB or participants in the plan and  
18 who are not DC plan exempt employees shall have the right to  
19 elect participation in the plan; once such election is  
20 exercised, participation shall be effective as of the date of  
21 election for all State service except for service performed  
22 as a DC plan exempt employee and shall continue until the  
23 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. A DC plan exempt employee shall not be  
19 eligible to participate in the plan for service performed as a  
20 DC plan exempt employee.

21 (c.2) Class CB membership.--

22 (1) An active participant in the plan shall also be an  
23 active member of Class CB, effective with the effective date  
24 of active participation.

25 (2) An active member of the system in a class of service  
26 other than Class CB may elect to be an active member of Class  
27 CB as provided in section 5306.5 (relating to election to  
28 become a member of Class CB).

29 (3) A State employee cannot be an active member of Class  
30 CB without also concurrently being an active member of a



1 Class of service other than Class CB or an active participant  
2 in the plan.

3 (d) Return to service.--

4 (1) An annuitant who first became a member of the system  
5 in a class of service before January 1, 2016, returns to  
6 service as a State employee other than as an elected officer,  
7 or an annuitant who returns to State service as a DC plan  
8 exempt employee after December 31, 2015, shall resume active  
9 membership in the system as of the effective date of  
10 employment, except as otherwise provided in section 5706(a)  
11 (relating to termination of annuities), regardless of the  
12 optional membership category of the position.

13 (2) An annuitant who never had service other than Class  
14 CB credited in the system, an inactive participant or a  
15 participant receiving distributions who returns to service as  
16 a State employee on or after January 1, 2016, other than as a  
17 DC plan exempt employee shall be an active participant in the  
18 plan as of the effective date of employment, except as  
19 otherwise provided in section 5706(a), regardless of the  
20 optional participation category of the position.

21 \* \* \*

22 Section 404. Section 5302(a), (b), (e) and (f) of Title 71  
23 are amended to read:

24 § 5302. Credited State service.

25 (a) Computation of credited service.--In computing credited  
26 State service of a member for the determination of benefits, a  
27 full-time salaried State employee, including any member of the  
28 General Assembly, shall receive credit for service in each  
29 period for which contributions as required are made to the fund,  
30 or for which contributions otherwise required for such service

1 were not made to the fund solely by reason of section 5502.1  
2 (relating to waiver of regular member contributions and Social  
3 Security integration member contributions) or any provision of  
4 this part relating to the limitations under IRC § 401(a)(17) or  
5 415(b), or limitations on contributions applicable to a Class A-  
6 3 member or Class A-4 member but in no case shall he receive  
7 more than one year's credit for any 12 consecutive months or 26  
8 consecutive biweekly pay periods. A per diem or hourly State  
9 employee shall receive one year of credited service for each  
10 nonoverlapping period of 12 consecutive months or 26 consecutive  
11 biweekly pay periods in which he is employed and for which  
12 contributions are made to the fund or would have been made to  
13 the fund but for such waiver under section 5502.1 or limitations  
14 under the IRC or limitations on contributions applicable to a  
15 Class A-3 member or Class A-4 member for at least 220 days or  
16 1,650 hours of employment. If the member was employed and  
17 contributions were made to the fund for less than 220 days or  
18 1,650 hours, he shall be credited with a fractional portion of a  
19 year determined by the ratio of the number of days or hours of  
20 service actually rendered to 220 days or 1,650 hours, as the  
21 case may be. A part-time salaried employee shall be credited  
22 with the fractional portion of the year which corresponds to the  
23 number of hours or days of service actually rendered and for  
24 which contributions are or would have been made to the fund  
25 except for the waiver under section 5502.1 or limitations under  
26 the IRC or limitations on contributions applicable to a Class A-  
27 3 member or Class A-4 member in relation to 1,650 hours or 220  
28 days, as the case may be. In no case shall a member who has  
29 elected multiple service receive an aggregate in the two systems  
30 of more than one year of credited service for any 12 consecutive

1 months.

2 (b) Creditable leaves of absence.--

3 (1) A member on leave without pay who is studying under  
4 a Federal grant approved by the head of his department or who  
5 is engaged up to a maximum of two years of temporary service  
6 with the United States Government, another state or a local  
7 government under the Intergovernmental Personnel Act of 1970  
8 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall  
9 be eligible for credit for such service: Provided, That  
10 contributions are made in accordance with sections 5501  
11 (relating to regular member contributions and cash balance  
12 member contributions for current service), 5501.1 (relating  
13 to shared-risk member contributions [for Class A-3 and Class  
14 A-4 service] and shared-gain adjustments to regular member  
15 contributions for Class A-3 and Class A-4 service), 5505.1  
16 (relating to additional member contributions) and 5507  
17 (relating to contributions to the system by the Commonwealth  
18 and other employers), the member returns from leave without  
19 pay to active State service as a member of the system for a  
20 period of at least one year, and he is not entitled to  
21 retirement benefits for such service under a retirement  
22 system administered by any other governmental agency.

23 (2) An active member or active participant on paid leave  
24 granted by an employer for purposes of serving as an elected  
25 full-time officer for a Statewide employee organization which  
26 is a collective bargaining representative under the act of  
27 June 24, 1968 (P.L.237, No.111), referred to as the Policemen  
28 and Firemen Collective Bargaining Act, or the act of July 23,  
29 1970 (P.L.563, No.195), known as the Public Employe Relations  
30 Act, and up to 14 full-time business agents appointed by an

1 employee organization that represents correction officers  
2 employed at State correctional institutions: Provided, That  
3 for elected full-time officers such leave shall not be for  
4 more than three consecutive terms of the same office and for  
5 up to 14 full-time business agents appointed by an employee  
6 organization that represents correction officers employed at  
7 State correctional institutions no more than three  
8 consecutive terms of the same office; that the employer shall  
9 fully compensate the member or active participant, including,  
10 but not limited to, salary, wages, pension and retirement  
11 contributions and benefits, other benefits and seniority, as  
12 if he were in full-time active service; and that the  
13 Statewide employee organization shall fully reimburse the  
14 employer for all expenses and costs of such paid leave,  
15 including, but not limited to, contributions and payment in  
16 accordance with sections 5404 (relating to participant  
17 contributions), 5501, 5501.1, 5505.1 and 5507, if the  
18 employee organization either directly pays, or reimburses the  
19 Commonwealth or other employer for, contributions made in  
20 accordance with [section] sections 5404, 5406 and 5507.

21 \* \* \*

22 (e) Cancellation of credited service.--

23 (1) All credited service in the system shall be  
24 cancelled if a member withdraws his total accumulated  
25 deductions and cash balance member accumulated deductions,  
26 except that:

27 (i) a member with Class A-3 or Class A-4 service  
28 credit and one or more other classes of service credit  
29 shall not have his service credit as a member of any  
30 classes of service other than as a member of Class A-3 or

1 Class A-4 cancelled when the member receives a lump sum  
2 payment of accumulated deductions resulting from Class A-  
3 3 or Class A-4 service pursuant to section [5705.1]  
4 5705.1(a) (relating to payment of accumulated deductions  
5 resulting from [Class A-3 and Class A-4] more than one  
6 class of service) [.] ;

7 (ii) a member with Class CB service credit and one  
8 or more other classes of service credit shall not have  
9 his service credit as a member of Class CB canceled when  
10 the member receives a lump sum payment of total  
11 accumulated deductions resulting from the other classes  
12 of service pursuant to section 5705.1(b) (relating to  
13 payment of accumulated deductions resulting from more  
14 than one class of service).

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

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

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

1 employee pursuant to 51 Pa.C.S. § 7301 (relating to  
2 definitions).

3 (1.1) State employees may not receive service credit in  
4 the system or exercise the options under 51 Pa.C.S. § 7306  
5 (relating to retirement rights) for military leaves that  
6 begin on or after the effective date of this subsection,  
7 except as otherwise provided by this subsection.

8 (1.2) State employees may not participate in the plan or  
9 exercise the options under 51 Pa.C.S. § 7306 (relating to  
10 retirement rights) for military leaves that begin on or after  
11 the effective date of this paragraph, except as otherwise  
12 provided by this subsection.

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

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

1 employment and performed State service and was  
2 compensated during the period of USERRA leave, then the  
3 State employee shall be granted State service credit for  
4 the period of USERRA leave. The State employee shall have  
5 the State employee's benefits, rights and obligations  
6 determined under this part as if the State employee was  
7 an active member who performed creditable State service  
8 during the USERRA leave in the job position that the  
9 State employee would have held had the State employee not  
10 been on USERRA leave and received the compensation on  
11 which the member contributions to receive State service  
12 credit for the USERRA leave were determined.

13 (ii) For purposes of determining whether a State  
14 employee has made the required employee contributions for  
15 State service credit for USERRA leave, if an employee who  
16 is reemployed from USERRA leave as an active member of  
17 the system terminates State service or dies in State  
18 service before the expiration of the allowed payment  
19 period, then State service credit for the USERRA leave  
20 will be granted as if the required member contributions  
21 were paid the day before termination or death. The amount  
22 of the required member contributions will be treated as  
23 an incomplete payment subject to the provisions of  
24 section 5506 (relating to incomplete payments). Upon a  
25 subsequent return to State service or to school service  
26 as a multiple service member, the required member  
27 contributions treated as incomplete payments shall be  
28 treated as member contributions that were either  
29 withdrawn in a lump sum at termination or paid as a lump  
30 sum pursuant to section 5705(a)(4) or (a.1) (relating to

1 member's options), as the case may be.

2 (iii) A State employee who is reemployed from USERRA  
3 leave as an active member of the system who does not make  
4 the required member contributions or makes only part of  
5 the required member contributions within the allowed  
6 payment period shall not be granted credited service for  
7 the period of USERRA leave for which the required member  
8 contributions were not timely made, shall not be eligible  
9 to subsequently make contributions and shall not be  
10 granted either State service credit or nonstate service  
11 credit for the period of USERRA leave for which the  
12 required member contributions were not timely made.

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



1 which the mandatory participant contributions to receive  
2 State service credit for the USERRA leave were  
3 determined.

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

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

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

1           (4) [A State employee] An active member or inactive  
2 member on leave without pay who on or after the effective  
3 date of this subsection is granted a leave of absence under  
4 51 Pa.C.S. § 4102 (relating to leaves of absence for certain  
5 government employees) or a military leave under 51 Pa.C.S.  
6 Ch. 73, that is not USERRA leave shall be able to receive  
7 creditable nonstate service as nonintervening military  
8 service should the employee return to State service as an  
9 active member of the system and is otherwise eligible to  
10 purchase the service as nonintervening military service.

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

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

1           (5.1) If a participant dies while performing USERRA  
2 leave, the beneficiaries or successor payees of the deceased  
3 participant are entitled to any additional benefits, other  
4 than benefit accruals relating to the period of qualified  
5 military service, provided under this part had the  
6 participant resumed and then terminated employment on account  
7 of death.

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

19           Section 405. Section 5303(b), (d) and (e) of Title 71 is  
20 amended and the section is amended by adding a subsection to  
21 read:

22 § 5303. Retention and reinstatement of service credits.

23           \* \* \*

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

25           (1) [Every] Subject to the limitations in subsection  
26 (i), an active member of the system or a multiple service  
27 member who is a school employee and a member of the Public  
28 School Employees' Retirement System on or after the effective  
29 date of this part shall receive eligibility points in  
30 accordance with section 5307 for current State service,

1 previous State service, or creditable nonstate service upon  
2 compliance with sections 5501 (relating to regular member  
3 contributions and cash balance member contributions for  
4 current service), 5501.1 (relating to shared-risk  
5 contributions [for Class A-3 and Class A-4] and shared-gain  
6 adjustments to regular member contributions for Class A-3 and  
7 Class A-4 service), 5504 (relating to member contributions  
8 for the purchase of credit for previous State service or to  
9 become a full coverage member), 5505 (relating to  
10 contributions for the purchase of credit for creditable  
11 nonstate service), 5505.1 (relating to additional member  
12 contributions) or 5506 (relating to incomplete payments).  
13 Subject to the limitations in subsection (i) and sections  
14 5306.1 (relating to election to become a Class AA member) and  
15 5306.2 (relating to elections by members of the General  
16 Assembly), the class or classes of service in which the  
17 member may be credited for previous State service prior to  
18 the effective date of this part shall be the class or classes  
19 in which he was or could have at any time elected to be  
20 credited for such service, except that a State employee who  
21 first becomes a member of the system on or after January 1,  
22 2011, or on or after December 1, 2010, as a member of the  
23 General Assembly and:

24 (i) is credited with Class A-3 service for such  
25 membership, shall be credited only with Class A-3 service  
26 for previous State service performed before January 1,  
27 2011, that was not previously credited in the system; or

28 (ii) is credited with Class A-4 service for such  
29 membership, shall be credited only with Class A-4 service  
30 for previous State service performed before January 1,

1           2011, that was not previously credited in the system.  
2           The class of service in which a member shall be credited for  
3           service subsequent to the effective date of this part shall  
4           be determined in accordance with subsection (i) and section  
5           5306 (relating to classes of service).

6           (1.1) Every active member of the system who elects to  
7           convert county service to State service pursuant to section  
8           5303.1 (relating to election to convert county service to  
9           State service) shall receive eligibility points in accordance  
10          with section 5307 for converted county service upon  
11          compliance with section 5303.1(b). The class or classes of  
12          service in which the member may be credited for converted  
13          county service shall be determined in accordance with section  
14          5306(c).

15          (1.2) Every member of the system who elects to convert  
16          school service to State service pursuant to section 5303.2  
17          (relating to election to convert school service to State  
18          service) shall receive eligibility points in accordance with  
19          section 5307 for converted school service. The class or  
20          classes of service in which the member may be credited for  
21          converted school service shall be determined in accordance  
22          with section 5306(d).

23          (1.3) A member of the system who is reemployed from  
24          USERRA leave or who dies while performing USERRA leave shall  
25          receive eligibility points in accordance with section 5307  
26          for the State service that would have been performed had the  
27          member not performed USERRA leave.

28          (2) A special vestee or person otherwise eligible to be  
29          a special vestee who returns to State service or withdraws  
30          his accumulated deductions pursuant to section 5311 (relating

1 to eligibility for refunds) or 5701 (relating to return of  
2 total accumulated deductions and cash balance member  
3 accumulated deductions) shall receive or retain eligibility  
4 points in accordance with paragraph (1) but upon subsequent  
5 termination of State service shall only be eligible to be an  
6 annuitant vestee or inactive member without regard to  
7 previous status as a special vestee and without regard to the  
8 provisions of this part providing for special vestees.

9 (3) A special vestee or person otherwise eligible to be  
10 a special vestee who becomes an active member of the Public  
11 School Employees' Retirement System and elects multiple  
12 service shall receive or retain eligibility points as  
13 otherwise provided for in this part and 24 Pa.C.S. Pt. IV  
14 (relating to retirement for school employees) but upon  
15 subsequent termination of school service shall only be  
16 eligible to be an annuitant, vestee or inactive member as  
17 otherwise eligible as a multiple service member without  
18 regard to previous status as a special vestee and without  
19 regard to the provisions of this part providing for special  
20 vestees.

21 \* \* \*

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

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

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

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

18 (2) If the member died prior to the effective date of  
19 this subsection, the personal representative for the estate  
20 of the member may make any transfer or request that the  
21 county or other municipal pension or retirement system make  
22 any transfer necessary to receive credit for the prior  
23 service authorized in paragraph (1). In order to receive  
24 credit for the prior service, the transfer must be made by  
25 December 31, 1987. If the member dies on or after the  
26 effective date of this subsection and before January 1, 1988,  
27 without making the transfer or requesting the transfer  
28 necessary to receive credit for the prior service authorized  
29 in paragraph (1), the personal representative for the estate  
30 of the member may make any transfer or request that the



1 county or other municipal pension or retirement system make  
2 any transfer necessary to receive credit for the prior  
3 service. In order to receive credit for the prior service,  
4 the transfer must be made by March 31, 1988. If the member  
5 dies after December 31, 1987, without making the transfer or  
6 requesting the transfer necessary to receive credit for the  
7 prior service authorized in paragraph (1), neither the member  
8 or his estate shall receive credit for the prior service.

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

11 (1) Any employee of the Philadelphia Regional Port  
12 Authority who becomes a State employee, as defined in section  
13 5102 (relating to definitions), and an active member of the  
14 system in a class of service other than Class CB shall be  
15 eligible to obtain retirement credit for prior uncredited  
16 service with the Philadelphia Port Corporation, a  
17 Pennsylvania not-for-profit corporation ("predecessor  
18 corporation"), provided that the Commonwealth does not incur  
19 any liability for the funding of the annuities attributable  
20 to the prior, uncredited "predecessor corporation" service,  
21 the cost of which shall be determined according to paragraph  
22 (2).

23 (2) The employee shall be entitled to have any prior  
24 service in the "predecessor corporation" transferred to the  
25 system and deemed to be State service for all purposes under  
26 this part. However, for those employees who were in  
27 continuous employment which commenced prior to July 22, 1983,  
28 the provisions of section 5505.1 shall not apply. The  
29 transfer of prior service credit to the system shall occur  
30 upon the transfer by the member or the "predecessor

1 corporation" to the system of the amount of accumulated  
2 member contributions, pick-up contributions and credited  
3 interest standing in the employee's pension plan or  
4 retirement system account as of the date that these funds are  
5 transferred to the system. In the event that these funds have  
6 been refunded to the member, the transfer of service credit  
7 shall occur when the member transfers an amount equal to  
8 either the refund which the member received from the member's  
9 pension plan or retirement system or the amount due under  
10 section 5504, if less. In the case of a transfer by the  
11 member, the transfer shall occur by June 30, 1992, in order  
12 for the member to receive credit for the prior service. In  
13 the case of a transfer by the "predecessor corporation"  
14 pension plan or retirement system, the transfer shall also  
15 occur by June 30, 1992. Notwithstanding the provisions of  
16 section 5504, the Philadelphia Regional Port Authority shall  
17 pay as pick-up contributions the difference between the  
18 amount credited to the member's account and the amount  
19 otherwise due under section 5504. Such additional  
20 contributions paid by the Philadelphia Regional Port  
21 Authority shall not be considered compensation for the  
22 purposes of this part. If the amount transferred to the  
23 system by the member is greater than the amount that would  
24 have accumulated in the member's account if the employee had  
25 been a member of the system, all excess funds shall be  
26 returned to the employee within 90 days of the date on which  
27 such funds are credited to the member's account in the  
28 system. Within 60 days of receipt of written notice that an  
29 employee has elected to transfer credits under the provisions  
30 of this subsection, the pension plan or retirement system in

1 which the employee was enrolled prior to the creation of the  
2 Philadelphia Regional Port Authority shall be required to  
3 transfer to the system an amount, excluding contributions due  
4 under section 5504(a), equal to the liability of the prior  
5 service multiplied by the ratio of system actuarial value of  
6 assets for active members to the system actuarial accrued  
7 liability for active members so long as the amount to be  
8 transferred is equal to or less than the total employer  
9 contributions made on behalf of the employee. In the event  
10 that the amount required to be transferred is greater than  
11 the total employer contributions made on behalf of the  
12 employee, the total employer contributions made on behalf of  
13 the employee shall be transferred to the system, and the  
14 Philadelphia Regional Port Authority shall be required to  
15 transfer to the system the additional funds needed to satisfy  
16 the requirements of the calculation in this paragraph. If the  
17 amount required to be transferred is less than the total  
18 employer contributions made on behalf of the employee, the  
19 pension plan or retirement system in which the employee was  
20 enrolled prior to the creation of the Philadelphia Regional  
21 Port Authority may retain the amount not needed for transfer.

22 (3) If the member dies on or after the effective date of  
23 this subsection and before July 1, 1992, without making the  
24 transfer or requesting the transfer necessary to receive  
25 credit for the prior service authorized in paragraph (2), the  
26 personal representative for the estate of the member may make  
27 any transfer or may request that the Philadelphia Regional  
28 Port Authority make any transfer necessary to receive credit  
29 for the prior service. In order to receive credit for the  
30 prior service, the transfer must be made by September 30,

1 1992. If the member dies after June 30, 1992, without making  
2 the transfer or without requesting the transfer necessary to  
3 receive credit for the prior service authorized in paragraph  
4 (2), neither the member nor his estate shall receive credit  
5 for the prior service.

6 (4) Any person who became employed by the Philadelphia  
7 Regional Port Authority between July 10, 1989, and passage of  
8 this act and who becomes a State employee, as defined in  
9 section 5102, and an active member of the system in a class  
10 of service other than Class CB, shall be eligible to obtain  
11 retirement credit for service from the date of employment  
12 with the Philadelphia Regional Port Authority, provided that  
13 the contributions are made in accordance with sections 5501,  
14 5504, 5505.1 and 5506.

15 \* \* \*

16 (i) Ineligibility to purchase previous State service  
17 credit.--A State employee who is active member only of Class CB  
18 or a multiple service member who is an active member only of  
19 Class T-I in the Public School Employees' Retirement System  
20 shall not be eligible to purchase service credit for previous  
21 State service, except to the extent that any other provision of  
22 law requires or allows the crediting of any period of leave to  
23 be purchased as State service after the member returns from the  
24 leave to State service as an active member, and shall not be  
25 eligible to purchase creditable nonstate service. An active  
26 member of Class CB who concurrently is performing service in a  
27 class of service other than Class CB may purchase State service  
28 previously credited in a class of service other than Class CB,  
29 previously uncredited State service if it is eligible to be  
30 credited in a class of service other than Class CB and

1 creditable nonstate service as otherwise provided in this part.

2 Section 406. Sections 5303.2(a) and 5304(a) and (b) of Title  
3 71 are amended to read:

4 § 5303.2. Election to convert school service to State service.

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

27 \* \* \*

28 § 5304. Creditable nonstate service.

29 (a) Eligibility.--

30 (1) An active member who first becomes an active member

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

19 (2) An active member who first becomes an active member  
20 on or after January 1, 2011, and is an active member of a  
21 class of service other than Class CB, or on or after December  
22 1, 2010, as a member of the General Assembly and is an active  
23 member of a class of service other than Class CB, or a  
24 multiple service member who first becomes an active member on  
25 or after January 1, 2011, or on or after December 1, 2010, as  
26 a member of the General Assembly, and who is a school  
27 employee and an active member of the Public School Employees'  
28 Retirement System in a class of service other than Class T-I  
29 shall be eligible for Class A-3 service credit for creditable  
30 nonstate service as set forth in subsections (b) and (c)

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

9 (3) Notwithstanding paragraph (2) and subsection (b), an  
10 active member of a class of service other than Class CB who  
11 has service credited in Class CB, shall be eligible for  
12 credit for nonstate service as provided in this part to the  
13 extent that the member would be otherwise eligible based  
14 solely on the member's service in classes other than Class  
15 CB.

16 \* \* \*

17 (b) Limitations on eligibility.--An active member who is an  
18 active member of a class of service other than Class CB or a  
19 multiple service member who is a school employee and an active  
20 member of the Public School Employees' Retirement System and is  
21 an active member of a class of service other than Class T-I  
22 shall be eligible as provided under subsection (a) to receive  
23 credit for nonstate service provided that he does not have  
24 credit for such service in the system or in the [school system]  
25 Public School Employees' Retirement System and is not entitled  
26 to receive, eligible to receive now or in the future, or is  
27 receiving retirement benefits for such service in the system or  
28 under a retirement system administered and wholly or partially  
29 paid for by any other governmental agency or by any private  
30 employer, or a retirement program approved by the employer in

1 accordance with section 5301(a)(12) (relating to mandatory and  
2 optional membership in the system and participation in the  
3 plan), and further provided, that such service is certified by  
4 the previous employer and contributions are agreed upon and made  
5 in accordance with section 5505 (relating to contributions for  
6 the purchase of credit for creditable nonstate service).

7 \* \* \*

8 Section 407. Section 5305(b) of Title 71 is amended and the  
9 section is amended by adding a subsection to read:

10 § 5305. Social security integration credits.

11 \* \* \*

12 (b) Accrual of subsequent credits.--Any active member who  
13 has social security integration accumulated deductions to his  
14 credit or is receiving a benefit on account of social security  
15 integration credits may accrue one social security integration  
16 credit for each year of service as a State employee on or  
17 subsequent to March 1, 1974 and a fractional credit for a  
18 corresponding fractional year of service provided that  
19 contributions are made to the fund, or would have been made to  
20 the fund but for section 5502.1 (relating to waiver of regular  
21 member contributions and Social Security integration member  
22 contributions) or the limitations under IRC § 401(a)(17) or  
23 415(b) or limitations on contributions to the system applicable  
24 to a Class A-3 member or Class A-4 member, in accordance with  
25 section 5502 (relating to Social Security integration member  
26 contributions), and he:

27 (1) continues subsequent to March 1, 1974 as an active  
28 member in either the [State or school system;] system in a  
29 class of service other than Class CB or, if a multiple  
30 service member, as an active member in the Public School



1 Employees' Retirement System in a class of service other than  
2 Class T-I;

3 (2) terminates such continuous service in the [State or  
4 school] system or the Public School Employees' Retirement  
5 System and returns to active membership in the [State] system  
6 in a class of service other than Class CB within six months;  
7 or

8 (3) terminates his status as a vestee or an annuitant  
9 and returns to State service as an active member of the  
10 system in a class of service other than Class CB.

11 \* \* \*

12 (e) Class CB service ineligible for credit.--No social  
13 security integration credits shall accrue for any service  
14 performed or credited in the system solely as Class CB service.

15 Section 408. Section 5305.1 of Title 71 is amended to read:  
16 § 5305.1. Eligibility for actuarial increase factor.

17 A person who has credit for a class of service other than  
18 Class CB and is:

19 (1) an active member;

20 (2) an inactive member on leave without pay; [or]

21 (3) a multiple service member who is a school employee  
22 and an active member of the Public School Employees'  
23 Retirement System; or

24 (4) a combined service employee who is an active  
25 participant or inactive participant on leave without pay;

26 who terminates State service or school service, as the case may  
27 be, after attaining age 70 and who applies for a superannuation  
28 annuity with an effective date of retirement the day after the  
29 date of termination of State service or school service shall  
30 have that person's maximum single life annuity calculated

1 pursuant to section 5702(a.1) (relating to maximum single life  
2 annuity).

3 Section 409. Section 5306(a), (a.1), (a.2), (a.3) and (b) of  
4 Title 71 are amended and the section is amended by adding  
5 subsections to read:

6 § 5306. Classes of service.

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

8 (1) A State employee who is a member of Class A on the  
9 effective date of this part or who first becomes a member of  
10 the system subsequent to the effective date of this part and  
11 before January 1, 2011, or before December 1, 2010, as a  
12 member of the General Assembly, shall be classified as a  
13 Class A member and receive credit for Class A service upon  
14 payment of regular and additional member contributions for  
15 Class A service, provided that the State employee does not  
16 become a member of Class AA pursuant to subsection (a.1) or a  
17 member of Class D-4 pursuant to subsection (a.2)[.] or a  
18 participant in the plan. A State employee who is a member of  
19 Class A on December 31, 2015, shall not be eligible to later  
20 become a member of Class AA or Class D-4.

21 (2) A State employee who first becomes a member of the  
22 system other than as a member of Class CB on or after January  
23 1, 2011, or on or after December 1, 2010, as a member of the  
24 General Assembly, and, unless a DC plan exempt employee,  
25 before January 1, 2016, shall be classified as a Class A-3  
26 member and receive credit for Class A-3 service upon payment  
27 of regular member contributions and shared-risk member  
28 contributions for Class A-3 service provided that the State  
29 employee does not become a member of Class A-4 pursuant to  
30 subsection (a.3), except that a member of the judiciary shall

1 be classified as a member of such other class of service for  
2 which the member of the judiciary is eligible, shall elect  
3 and make regular member contributions[.] and further provided  
4 that the State employee does not become a participant in the  
5 plan or is not eligible to be an optional participant of the  
6 plan under section 5301 (relating to mandatory and optional  
7 membership in the system and participation in the plan).

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

9 (1) A person who becomes a State employee and an active  
10 member of the system after June 30, 2001, and who first  
11 became an active member before January 1, 2011, or before  
12 December 1, 2010, as a member of the General Assembly, and  
13 who is not a State police officer and not employed in a  
14 position for which a class of service other than Class A or  
15 Class CB is credited or could be elected shall be classified  
16 as a Class AA member and receive credit for Class AA State  
17 service upon payment of regular member contributions for  
18 Class AA service and, subject to the limitations contained in  
19 paragraph (7) and section 5303(i) (relating to retention and  
20 reinstatement of service credits), if previously a member of  
21 Class A or previously employed in a position for which Class  
22 A service could have been earned, shall have all Class A  
23 State service (other than State service performed as a State  
24 police officer or for which a class of service other than  
25 Class A was earned or could have been elected) classified as  
26 Class AA service.

27 (2) A person who is a State employee on June 30, 2001,  
28 and July 1, 2001, but is not an active member of the system  
29 because membership in the system is optional or prohibited  
30 pursuant to section 5301 (relating to mandatory and optional

1 membership in the system and participation in the plan) and  
2 who first becomes an active member after June 30, 2001, and  
3 before January 1, 2011, or before December 1, 2010, as a  
4 member of the General Assembly, and who is not a State police  
5 officer and not employed in a position for which a class of  
6 service other than Class A or Class CB is credited or could  
7 be elected shall be classified as a Class AA member and  
8 receive credit for Class AA State service upon payment of  
9 regular member contributions for Class AA service and,  
10 subject to the limitations contained in paragraph (7) and  
11 section 5303(i), if previously a member of Class A or  
12 previously employed in a position for which Class A service  
13 could have been earned, shall have all Class A State service  
14 (other than State service performed as a State Police officer  
15 or for which a class of service other than Class A was earned  
16 or could have been elected) classified as Class AA service.

17 (3) Provided that an election to become a Class AA  
18 member is made pursuant to section 5306.1 (relating to  
19 election to become a Class AA member), a State employee,  
20 other than a State employee who is a State police officer on  
21 or after July 1, 1989, who on June 30, 2001, and July 1,  
22 2001, is:

23 (i) a member of Class A, other than a member of  
24 Class A who could have elected membership in a Class C,  
25 Class D-3, Class E-1 or Class E-2; or

26 (ii) an inactive member on a leave without pay from  
27 a position in which the State employee would be a Class A  
28 active member if the employee was not on leave without  
29 pay, other than a position in which the State employee  
30 could elect membership in Class C, Class D-3, Class E-1

1 or Class E-2;  
2 shall be classified as a Class AA member and receive credit  
3 for Class AA State service performed after June 30, 2001,  
4 upon payment of regular member contributions for Class AA  
5 service and, subject to the limitations contained in  
6 paragraph (7) and section 5303(i), shall receive Class AA  
7 service credit for all Class A State service, other than  
8 State service performed as a State police officer or as a  
9 State employee in a position for which the member could have  
10 elected membership in Class C, Class D-3, Class E-1 or Class  
11 E-2, performed before July 1, 2001.

12 (4) Provided that an election to become a Class AA  
13 member is made pursuant to section 5306.1, a former State  
14 employee, other than a former State employee who was a State  
15 police officer on or after July 1, 1989, who on June 30,  
16 2001, and July 1, 2001, is a multiple service member and a  
17 school employee and a member of the Public School Employees'  
18 Retirement System, subject to the limitations contained in  
19 paragraph (7) and section 5303(i), shall receive Class AA  
20 service credit for all Class A State service, other than  
21 State service performed as a State police officer or as a  
22 State employee in a position in which the former State  
23 employee could have elected a class of service other than  
24 Class A, performed before July 1, 2001.

25 (5) A former State employee who first becomes a member  
26 before January 1, 2011, or before December 1, 2010, as a  
27 member of the General Assembly, other than a former State  
28 employee who was a State police officer on or after July 1,  
29 1989, who is a school employee and who on or after July 1,  
30 2001, becomes a multiple service member, subject to the

1 limitations contained in paragraph (7) and section 5303(i),  
2 shall receive Class AA service credit for all Class A State  
3 service other than State service performed as a State  
4 employee in a position in which the former State employee  
5 could have elected a class of service other than Class A.

6 (6) A State employee who after June 30, 2001, becomes a  
7 State police officer or who is employed in a position in  
8 which the member could elect membership in the system in a  
9 class of service other than Class CB, Class AA or Class D-4  
10 shall retain any Class AA service credited prior to becoming  
11 a State police officer or being so employed but shall be  
12 ineligible to receive Class AA credit thereafter and instead  
13 shall receive Class A credit for service as a member of the  
14 judiciary if such judicial service begins before January 1,  
15 2016, or if he first became a member before January 1, 2011,  
16 or December 1, 2010, as a member of the General Assembly, or  
17 Class A-3 credit for service other than as a member of the  
18 judiciary if the nonjudicial service is as a DC plan exempt  
19 employee or begins before January 1, 2016, and is not service  
20 as an elected officer, and he first became a member on or  
21 after January 1, 2011, or December 1, 2010, as a member of  
22 the General Assembly, unless a class of membership other than  
23 Class A is elected.

24 (7) (i) State service performed as Class A service  
25 before July 1, 2001, and State service for which Class A  
26 service could have been credited but was not credited  
27 because membership in the system was optional or  
28 prohibited pursuant to section 5301 shall be credited as  
29 Class AA service only upon the completion of all acts  
30 necessary for the State service to be credited as Class A

1 service had this subsection not been enacted and upon  
2 payment of required Class AA member contributions as  
3 provided in section 5504 (relating to member  
4 contributions for the purchase of credit for previous  
5 State service or to become a full coverage member).

6 (ii) A person who is not a State employee or a  
7 school employee on June 30, 2001, and July 1, 2001, and  
8 who has previous State service (except a disability  
9 annuitant who returns to State service after June 30,  
10 2001, upon termination of the disability annuity) shall  
11 not receive Class AA service credit for State service  
12 performed before July 1, 2001, until and unless such  
13 person becomes an active member, or an active member of  
14 the Public School Employees' Retirement System and a  
15 multiple service member, before January 1, 2016, and  
16 earns three eligibility points by performing credited  
17 State service in a class of service other than Class CB  
18 or credited school service in a class of service other  
19 than Class T-I after June 30, 2001.

20 (iii) Nothing in this paragraph shall be construed  
21 to authorize a member of Class CB or a multiple service  
22 member who is a member of Class T-I in the Public School  
23 Employees' Retirement System to reinstate or purchase  
24 credit for previously credited or uncredited State  
25 service other than as allowed under section 5303(i).

26 (a.2) Class of membership for members of the General  
27 Assembly.--

28 (1) A person who:

29 (i) becomes a member of the General Assembly and an  
30 active member of the system after June 30, 2001, and

1 before December 1, 2010; or

2 (ii) is a member of the General Assembly on July 1,  
3 2001, but is not an active member of the system because  
4 membership in the system is optional pursuant to section  
5 5301 and who becomes an active member after June 30,  
6 2001, and before December 1, 2010;

7 and who was not a State police officer on or after July 1,  
8 1989, shall be classified as a Class D-4 member and unless he  
9 later becomes a participant in the plan and a member of Class  
10 CB receive credit as a Class D-4 member for all State service  
11 as a member of the system performed as a member of the  
12 General Assembly upon payment of regular member contributions  
13 for Class D-4 service and, subject to the limitations  
14 contained in subsection (a.1)(7) and section 5303(i), if  
15 previously a member of Class A or employed in a position for  
16 which Class A service could have been earned, shall receive  
17 Class AA service credit for all Class A State service, other  
18 than State service performed as a State police officer or for  
19 which a class of service other than Class A or Class D-4 was  
20 or could have been elected or credited.

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



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

9 (3) A member of the General Assembly who after June 30,  
10 2001, becomes a State police officer shall retain any Class  
11 AA service or Class D-4 service credited prior to becoming a  
12 State police officer or being so employed but shall be  
13 ineligible to receive Class AA or Class D-4 credit thereafter  
14 and instead shall receive Class A credit or Class A-3 credit  
15 if he first becomes a member of the system on or after  
16 January 1, 2011, and before January 1, 2016, or as a DC plan  
17 exempt employee.

18 (4) Notwithstanding the provisions of this subsection,  
19 no service as a member of the General Assembly performed  
20 before December 1, 2010, that is not credited as Class D-4  
21 service on November 30, 2010, shall be credited as Class D-4  
22 service, unless such service was previously credited in the  
23 system as Class D-4 service and the member withdrew his total  
24 accumulated deductions as provided in section 5311 (relating  
25 to eligibility for refunds) or 5701 (relating to return of  
26 total accumulated deductions and cash balance member  
27 accumulated deductions). No service as a member of the  
28 General Assembly performed on or after December 1, 2010,  
29 shall be credited as Class D-4 service unless the member  
30 previously was credited with Class D-4 service credits.

1 (a.3) Class A-4 membership.--Provided that an election to  
2 become a Class A-4 member is made pursuant to section 5306.3  
3 (relating to election to become a Class A-4 member), a State  
4 employee who first becomes a member before January 1, 2016, or  
5 is a DC plan exempt employee who otherwise would be a member of  
6 Class A-3 shall be classified as a Class A-4 member and unless  
7 he later becomes a participant in the plan and a member of Class  
8 CB receive Class A-4 credit for all creditable State service  
9 performed as a member of the system after the effective date of  
10 membership in the system, except as a member of the judiciary,  
11 upon payment of regular member contributions and shared-risk  
12 member contributions for Class A-4 service.

13 (a.4) Class CB membership.--

14 (1) A State employee who is an active participant in the  
15 plan shall be an active member of Class CB concurrently and  
16 shall receive credit for Class CB service upon payment of  
17 cash balance member contributions for Class CB service.

18 (2) A State employee who is an active member of a class  
19 of service other than Class CB who elects under section  
20 5306.5 to be an active member of Class CB concurrently shall  
21 receive credit for Class CB service upon payment of cash  
22 balance member contributions concurrently with service in  
23 other classes other than service as a member of Class A-3 or  
24 Class A-4 where Class A-3 or Class A-4 contributions are not  
25 being made due to or any provision of this part relating to  
26 the limitations on contributions to the system applicable to  
27 a Class A-3 member or Class A-4 member who have exceeded the  
28 Class A-3 and Class A-4 compensation limit.

29 (b) Other class membership.--

30 (1) A State employee who is a member of a class of

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

8 (2) Notwithstanding any other provision of this section,  
9 a State employee who is appointed [bail commissioner]  
10 arraignment court magistrate of the Philadelphia Municipal  
11 Court under 42 Pa.C.S. § 1123(a)(5) (relating to jurisdiction  
12 and venue) before January 1, 2016, may, within 30 days of the  
13 effective date of this sentence or within 30 days of his  
14 initial appointment as [a bail commissioner] an arraignment  
15 court magistrate, whichever is later, elect Class E-2 service  
16 credit for service performed as [a bail commissioner] an  
17 arraignment court magistrate. This class of service  
18 multiplier for E-2 service as [a bail commissioner] an  
19 arraignment court magistrate shall be 1.5.

20 \* \* \*

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

1 of such State service.

2 Section 410. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and  
3 (d) of Title 71 are amended to read:

4 § 5306.1. Election to become a Class AA member.

5 \* \* \*

6 (c) Effect of election.--An election to become a Class AA  
7 member shall become effective the later of July 1, 2001, or the  
8 date when the election is filed with the board and shall remain  
9 in effect until the termination of employment or becoming a  
10 participant in the plan. Upon termination and a subsequent  
11 reemployment that occurs before January 1, 2016, the member's  
12 class of service shall be credited in the class of service  
13 otherwise provided for in this part. If the reemployment occurs  
14 on or after January 1, 2016, the State employee's eligibility  
15 for membership in the system or participation in the plan shall  
16 be as provided in this part.

17 \* \* \*

18 § 5306.2. Elections by members of the General Assembly.

19 \* \* \*

20 (b) Effect of election.--Membership as a Class D-4 member  
21 shall become effective on July 1, 2001, and shall remain in  
22 effect until the termination of service as a member of the  
23 General Assembly or becoming a participant in the plan. Upon  
24 termination and a subsequent reemployment that occurs before  
25 January 1, 2016, the member's class of service shall be credited  
26 in the class of service otherwise provided for in this part. If  
27 the reemployment occurs on or after January 1, 2016, the State  
28 employee's eligibility for membership in the system or  
29 participation in the plan shall be as provided in this part.

30 \* \* \*

1 § 5306.3. Election to become a Class A-4 member.

2 \* \* \*

3 (c) Effect of election.--An election to become a Class A-4  
4 member shall be irrevocable and shall become effective on the  
5 effective date of membership in the system and shall remain in  
6 effect for all future [creditable] State service creditable in  
7 the system, other than service performed as a member of the  
8 judiciary, but shall not apply to service performed after  
9 December 31, 2015, as an elected officer. Payment of regular  
10 member contributions for Class A-4 State service performed prior  
11 to the election of Class A-4 membership shall be made in a form,  
12 manner and time determined by the board. Upon termination of  
13 State service and a subsequent reemployment, a member who  
14 elected Class A-4 membership shall be credited as a Class A-4  
15 member for creditable State service performed after reemployment  
16 unless the reemployment is as an elected officer and, except as  
17 a member of the judiciary, regardless of termination of  
18 employment, termination of membership by withdrawal of  
19 accumulated deductions or status as an annuitant, vestee or  
20 inactive member after the termination of service.

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

1 past or future State service.

2 Section 411. Title 71 is amended by adding sections to read:

3 § 5306.4. (Reserved).

4 § 5306.5. Election to become a member of Class CB.

5 (a) General rule.--An active member or an inactive member on  
6 leave without pay in any class of service other than solely a  
7 member of Class CB may elect to become a member of Class CB in  
8 addition to being a member of their current class of service.

9 (b) Time for making election.--The election to become a  
10 member of Class CB must be made by the member filing written  
11 notice with the board in a form and manner determined by the  
12 board during periodic enrollment periods established by the  
13 board after the effective date of this section.

14 (c) Effect of election.--An election under this section  
15 shall be revocable by the member during periodic enrollment  
16 periods established by the board after the effective date of  
17 this section. The Class CB class of service multiplier to  
18 determine cash balance member contributions for a State employee  
19 who makes an election under this section shall be 0.6 unless a  
20 lower class of service multiplier is elected by the member for  
21 their Class CB service. An election to become a Class CB member  
22 and the class of service multiplier elected shall be effective  
23 for all service as an active member after the effective date of  
24 such election and shall remain effective until the election is  
25 revoked or modified by the member during any subsequent  
26 enrollment period.

27 Section 412. Sections 5307, 5308, 5308.1 introductory  
28 paragraph and (1), 5309, 5309.1 and 5311 of Title 71 are amended  
29 to read:

30 § 5307. Eligibility points.

1 (a) General rule.--An active member of the system shall  
2 accrue one eligibility point for each year of credited service  
3 as a member of the [State or] system and if a multiple service  
4 member as a member of the Public School Employees' Retirement  
5 System. A member shall accrue an additional two-thirds of an  
6 eligibility point for each year of Class D-3 credited service.  
7 In the case of a fractional part of a year of credited service,  
8 a member shall accrue the corresponding fractional portion of  
9 eligibility points to which the class of service entitles him.

10 (a.1) USERRA leave.--A member of the system or participant  
11 in the plan who is reemployed from USERRA leave or who dies  
12 while performing USERRA leave shall be granted the eligibility  
13 points that he would have accrued had he continued in his State  
14 office or employment instead of performing USERRA leave. In the  
15 event that a State employee who is reemployed from USERRA leave  
16 makes the member contributions or mandatory participant  
17 contributions to be granted State service credit for the USERRA  
18 leave, no additional eligibility points will be granted.

19 (b) Transitional rule.--

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

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

8 (2) Any member to whom paragraph (1) applies shall be  
9 considered to have satisfied any requirement for five  
10 eligibility points contained in this part if the member:

11 (i) has ten or more eligibility points as determined  
12 pursuant to subsection (a); or

13 (ii) has Class G, Class H, Class I, Class J, Class  
14 L, Class M or Class N service and has eight or more  
15 eligibility points as determined pursuant to subsection  
16 (a).

17 (c) Class CB concurrent service.--An active member who is  
18 earning Class CB service concurrently with service in another  
19 class of service shall receive service credit and eligibility  
20 points only for the other class of service. No additional  
21 service credit or eligibility points will be earned for the  
22 concurrent Class CB service.

23 § 5308. Eligibility for annuities.

24 (a) Superannuation annuity.--Attainment of superannuation  
25 age by an active member [or], an inactive member on leave  
26 without pay or combined service employee who is an active  
27 participant or inactive participant on leave without pay with  
28 three or more eligibility points other than eligibility points  
29 resulting from nonstate service or nonschool service shall  
30 entitle him to receive a superannuation annuity upon termination



1 of State service and compliance with section 5907(f) (relating  
2 to rights and duties of State employees [and], members and  
3 participants).

4 (b) Withdrawal annuity.--

5 (1) Any vestee or any active member [or], inactive  
6 member on leave without pay or combined service employee who  
7 is an active participant or inactive participant on leave  
8 without pay who terminates State service having five or more  
9 eligibility points and who does not have Class A-3 or Class  
10 A-4 service credit or, if a multiple service member, Class T-  
11 E or Class T-F service credit in the Public School Employees'  
12 Retirement System, or who has Class G, Class H, Class I,  
13 Class J, Class K, Class L, Class M or Class N service and  
14 terminates State service having five or more eligibility  
15 points, upon compliance with section 5907(f), (g) or (h)  
16 shall be entitled to receive an annuity.

17 (2) Any vestee, active member [or], inactive member on  
18 leave without pay or combined service employee who is an  
19 active participant or inactive participant on leave without  
20 pay who has Class A-3 or Class A-4 service credit or, if a  
21 multiple service member, Class T-E or Class T-F service  
22 credit in the Public School Employees' Retirement System who  
23 terminates State service having ten or more eligibility  
24 points, upon compliance with section 5907(f), (g) or (h),  
25 shall be entitled to receive an annuity.

26 (3) Any vestee, active member [or], inactive member on  
27 leave without pay or combined service employee who is an  
28 active participant or inactive participant on leave without  
29 pay who has either Class A-3 or Class A-4 service credit or,   
30 if a multiple service member, Class T-E or Class T-F service

1 credit in the Public School Employees' Retirement System and  
2 also has service credited in the system in one or more other  
3 classes of service who has five or more, but fewer than ten,  
4 eligibility points, upon compliance with section 5907(f), (g)  
5 or (h), shall be eligible to receive an annuity calculated on  
6 his service credited in classes of service other than Class  
7 A-3 or Class A-4, provided that the member has five or more  
8 eligibility points resulting from service in classes other  
9 than Class A-3 or Class A-4 or Class T-E or Class T-F service  
10 in the Public School Employees' Retirement System.

11 (c) Disability annuity.--An active member or inactive member  
12 on leave without pay who has five or more eligibility points  
13 other than eligibility points resulting from membership in the  
14 Public School Employees' Retirement System or any active member  
15 or inactive member on leave without pay who is an officer of the  
16 Pennsylvania State Police or an enforcement officer shall, upon  
17 compliance with section 5907(k), be entitled to a disability  
18 annuity if he becomes mentally or physically incapable of  
19 continuing to perform the duties for which he is employed and  
20 qualifies in accordance with the provisions of section 5905(c)  
21 (1) (relating to duties of the board regarding applications and  
22 elections of members and participants)]; provided, that no  
23 disability annuity shall be paid to a combined service employee  
24 who is an active participant.

25 (d) Eligibility of employees with Class CB service for  
26 annuities and benefits.--Subject to the limitation on  
27 eligibility points for a member who is performing concurrent  
28 service in Class CB and in another class of service under  
29 section 5307 (relating to eligibility points), eligibility  
30 points earned as a result of credited service in Class CB shall

1 be included in determining if a member who has Class CB service  
2 credit and service credit in one or more other classes of  
3 service is eligible for an annuity under this section or  
4 eligibility for other rights and benefits under this part,  
5 unless provided otherwise. Eligibility points earned by a  
6 multiple service member as a result of Class T-I credited  
7 service in the Public School Employees' Retirement System  
8 similarly shall be included if eligibility points for school  
9 service in the Public School Employees 'Retirement System are  
10 used to determine eligibility. Nothing in this subsection amends  
11 or waives any other requirement to be eligible for an annuity or  
12 other benefit. Upon termination of State service and compliance  
13 with section 5907(f) a member with Class CB service credit is  
14 eligible for an annuity as calculated under section 5702(a)(7)  
15 (relating to maximum single life annuity).

16 (e) Required beginning date.--Members eligible for an  
17 annuity must commence receiving the annuity by the member's  
18 required beginning date.

19 § 5308.1. Eligibility for special early retirement.

20 Notwithstanding any provisions of this title to the contrary,  
21 the following special early retirement provisions shall be  
22 applicable to specified eligible members [as follows]:

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

1 by virtue of an effective date of retirement which is under  
2 the superannuation age.

3 \* \* \*

4 § 5309. Eligibility for vesting.

5 Any member who:

6 (1) Does not have Class A-3 [or], Class A-4 or Class CB  
7 service credit or, if a multiple service member, Class T-E or  
8 Class T-F service credit in the Public School Employees'  
9 Retirement System and terminates State service, or if a  
10 multiple service member and an active member of the Public  
11 School Employees' Retirement System terminates school  
12 service, with five or more eligibility points, or any member  
13 with Class G, Class H, Class I, Class J, Class K, Class L,  
14 Class M or Class N service with five or more eligibility  
15 points, shall be eligible until [attainment of superannuation  
16 age] required beginning date to vest his retirement benefits.

17 (2) Has only Class A-3 or Class A-4 service credit [or]  
18 and, if a multiple service member, only Class T-E or Class T-  
19 F service credit in the Public School Employees' Retirement  
20 System and terminates State service, or if a multiple service  
21 member and an active member of the Public School Employees'  
22 Retirement System terminates school service, with ten or more  
23 eligibility points shall be eligible until [attainment of  
24 superannuation age] his required beginning date to vest his  
25 retirement benefits.

26 (3) Has either Class A-3 or Class A-4 service credit  
27 [or] and, if a multiple service member, Class T-E or Class T-  
28 F service credit in the Public School Employees' Retirement  
29 System, also has service credited in the system in one or  
30 more other classes of service other than Class CB and has

1 five or more, but fewer than ten, eligibility points and  
2 terminates State service, or if a multiple service member and  
3 an active member of the Public School Employees' Retirement  
4 System terminates school service, shall be eligible until  
5 [the attainment of superannuation age] his required beginning  
6 date to vest his retirement benefits calculated on his  
7 service credited in classes of service other than Class A-3  
8 or Class A-4 and to be credited with statutory interest on  
9 total accumulated deductions, regardless of whether or not  
10 any part of his accumulated deductions are a result of Class  
11 A-3 or Class A-4 service credit.

12 (4) Has only Class CB service credit and terminates  
13 State service shall be eligible to vest his retirement  
14 benefits based on Class CB service except that a member who  
15 has a small cash balance account subject to distribution as  
16 provided in section 5709(d) (relating to payment of benefits)  
17 shall not be permitted to vest until his required beginning  
18 date unless otherwise required under the IRC.

19 (5) Has Class CB service credit and service credited in  
20 one or more other classes or service and terminates State  
21 service, or if a multiple service member and an active member  
22 of the Public School Employees' Retirement System terminates  
23 school service, shall be eligible to vest his retirement  
24 benefits based on Class CB service and, if he has five or  
25 more eligibility points, to vest his retirement benefits on  
26 all other classes of service other than Class A-3 or Class A-  
27 4 until the attainment of the applicable superannuation age  
28 and if he has 10 or more eligibility points to vest his  
29 retirement benefits on all classes of service until  
30 superannuation age. Any such member shall be credited with

1 statutory interest on his total accumulated deductions and  
2 treasury bond interest, but not excess interest on his total  
3 cash balance accumulated deductions until the effective date  
4 of retirement.

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

15 § 5309.1. Eligibility for special vesting.

16 Any employee of The Pennsylvania State University who is a  
17 member of the system with five or more but less than ten  
18 eligibility points and who has a date of termination of service  
19 from The Pennsylvania State University of June 30, 1997, because  
20 of the transfer of his job position or duties to a controlled  
21 organization of the Penn State Geisinger Health System or  
22 because of the elimination of his job position or duties due to  
23 the transfer of other job positions or duties to a controlled  
24 organization of the Penn State Geisinger Health System shall be  
25 eligible until the attainment of superannuation age or his  
26 required beginning date to vest his retirement benefits  
27 according to the terms and conditions of this part.

28 § 5311. Eligibility for refunds.

29 (a) Total accumulated deductions.--Any active member,  
30 regardless of eligibility for benefits, may elect to receive his

1 total accumulated deductions and his cash balance member  
2 accumulated deductions by the required beginning date upon  
3 termination of service in lieu of any benefit from the system to  
4 which he is entitled.

5 (b) Social security integration accumulated deductions.--Any  
6 active member at any time may elect to receive his social  
7 security integration accumulated deductions and thereby to have  
8 all his social security integration credits and benefits  
9 therefor cancelled, and shall not be entitled to accrue any  
10 further social security integration credits or benefits; except  
11 that a disability annuitant who returns to State service in a  
12 class of service other than Class CB shall have the right to  
13 reinstate his social security integration accumulated deductions  
14 and credits therefor.

15 Section 413. Title 71 is amended by adding a chapter to  
16 read:

17 CHAPTER 54

18 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

19 Sec.

20 5401. Establishment.

21 5402. Plan document.

22 5403. Individual investment accounts.

23 5404. Participant contributions.

24 5405. Mandatory pickup participant contributions.

25 5406. Employer defined contributions.

26 5407. Eligibility for benefits.

27 5408. Death benefits.

28 5409. Vesting.

29 5410. Termination of distributions.

30 5411. Agreements with financial institutions and other

1           organizations.

2 5412. Powers and duties of board.

3 5413. Responsibility for investment loss.

4 5414. Investments based on participants' investment allocation  
5           choices.

6 5415. Expenses.

7 5416. Participation in the plan by members of Class A-3 or  
8           Class A-4.

9 5417. Tax qualification.

10 § 5401. Establishment.

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

20     (b) State Employees' Defined Contribution Trust.--The State  
21 Employees' Defined Contribution Trust is established as part of  
22 the plan. The trust shall be comprised of the individual  
23 investment accounts and all assets and money in those accounts.  
24 The members of the board shall be the trustees of the trust,  
25 which shall be administered exclusively for the benefit of those  
26 State employees who participate in the plan and their  
27 beneficiaries within the meaning of and in conformity with IRC §  
28 401(a). The board shall determine the terms and provisions of  
29 the trust not inconsistent with this part, IRC or other  
30 applicable law and shall provide for the investment and



1 administration of the trust.

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

14 (d) Name for transacting business.--All of the business of  
15 the plan shall be transacted, the trust invested, all  
16 requisitions for money drawn and payments made and all of its  
17 cash and securities and other property shall be held by the name  
18 of the "State Employees' Defined Contribution Plan."  
19 Notwithstanding any other law to the contrary, the board may  
20 establish a nominee registration procedure for the purpose of  
21 registering securities in order to facilitate the purchase, sale  
22 or other disposition of securities under the provisions of this  
23 part.

24 § 5402. Plan document.

25 The board shall set forth the terms and provisions of the  
26 plan and trust in a document containing the terms and conditions  
27 of the plan and in a trust declaration that shall be published  
28 in the Pennsylvania Bulletin. The creation of the document  
29 containing the terms and conditions of the plan and the trust  
30 declaration and the establishment of the terms and provisions of

1 the plan and the trust need not be promulgated by regulation or  
2 formal rulemaking and shall not be subject to the act of July  
3 31, 1968 (P.L.769, No.240), referred to as the Commonwealth  
4 Documents Law. A reference in this part or other law to the plan  
5 shall include the plan document unless the context clearly  
6 indicates otherwise.

7 § 5403. Individual investment accounts.

8 The board shall establish in the trust an individual  
9 investment account for each participant in the plan. All  
10 contributions by a participant or an employer for or on behalf  
11 of a participant shall be credited to the participant's  
12 individual investment account, together with all interest and  
13 investment earnings and losses. Investment and administrative  
14 fees, costs and expenses shall be charged to the participants'  
15 individual investment accounts. Employer defined contributions  
16 shall be recorded and accounted for separately from participant  
17 contributions, but all interest, investment earnings and losses,  
18 and investment and administrative fees, costs and expenses shall  
19 be allocated proportionately.

20 § 5404. Participant contributions.

21 (a) Mandatory contributions.--A participant shall make  
22 mandatory participant contributions through payroll deductions  
23 to the participant's individual investment account equal to  
24 3.00% of compensation for current State service. The employer  
25 shall cause those contributions for current service to be made  
26 and deducted from each payroll or on such schedule as  
27 established by the board.

28 (b) Voluntary contributions.--A participant may make  
29 voluntary contributions through payroll deductions or through  
30 direct trustee-to-trustee transfers or through transfers of

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

6 (c) Prohibited contributions.--No contributions may be  
7 allowed that would cause a violation of the limitations related  
8 to contributions applicable to governmental plans contained in  
9 IRC § 415 or in other provisions of law. In the event that any  
10 disallowed contributions are made, any participant contributions  
11 in excess of the limitations and investment earnings on those  
12 contributions shall be refunded to the participant by the board.  
13 § 5405. Mandatory pickup participant contributions.

14 (a) Treatment for purposes of IRC § 414(h).--The  
15 contributions to the trust required to be made under section  
16 5404 (relating to participant contributions) with respect to  
17 current State service rendered by an active participant shall be  
18 picked up by the employer and shall be treated as the employer's  
19 contribution for purposes of IRC § 414(h). An employer employing  
20 a participant in the plan shall pick up the required mandatory  
21 participant contributions by a reduction in the compensation of  
22 the participant.

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

29 § 5406. Employer defined contributions.

30 (a) Contributions for current service.--The Commonwealth or

1 other employer of an active participant shall make employer  
2 defined contributions for current service of an active  
3 participant that shall be credited to the active participant's  
4 individual investment account. Employer defined contributions  
5 shall be recorded and accounted for separately from participant  
6 contributions.

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

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

27 § 5407. Eligibility for benefits.

28 (a) Termination of service.--A participant who terminates  
29 State service shall be eligible to withdraw the vested  
30 accumulated total defined contributions standing to the

1 participant's credit in the participant's individual investment  
2 account or a lesser amount as the participant may request.  
3 Payment shall be made in a lump sum unless the board has  
4 established other forms of distribution in the plan document,  
5 subject to the provisions of subsection (g). A participant who  
6 withdraws his vested accumulated total defined contributions  
7 shall no longer be a participant in the plan, notwithstanding  
8 that the former State employee may continue to be a member of  
9 the system or may have contracted to receive an annuity or other  
10 form of payment from a provider retained by the board for such  
11 purposes.

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

18 (c) (Reserved).

19 (d) Prohibited distributions.--A State employee must be  
20 terminated from all positions that result in either membership  
21 in the system or participation in the plan to be eligible to  
22 receive a distribution.

23 (e) Loans.--Loans or other distributions, including hardship  
24 or unforeseeable emergency distributions, from the plan to State  
25 employees who have not terminated State service are not  
26 permitted, except as required by law.

27 (f) Small individual investment accounts.--

28 (1) A participant who terminates State service and whose  
29 vested accumulated total defined contributions are below the  
30 threshold established by law as of the date of termination of

1 service may be paid the vested accumulated total defined  
2 contributions in a lump sum as provided in IRC § 401(a)(31).

3 (2) The board may also provide in the plan document  
4 that, notwithstanding subsection (g), a participant whose  
5 vested accumulated employer defined contributions are below  
6 the thresholds established by the board may receive those  
7 distributions without the obligation to purchase an annuity.  
8 The threshold may be established as a dollar amount, an  
9 annuity amount, in some other form individually or in  
10 combination as the board determines.

11 (g) Requirement to purchase annuity.--Except as prohibited  
12 by the IRC or as otherwise provided in this part, a participant  
13 who is eligible and elects to receive a distribution of vested  
14 accumulated employer defined contributions shall be required to  
15 purchase an annuity with that distribution from an annuity  
16 provider contracted by the board under section 5409(c) (relating  
17 to death benefits) and under such conditions as provided in the  
18 plan document. The conditions may include that the board is  
19 authorized to make the distribution directly to the annuity  
20 provider.

21 § 5408. Death benefits.

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

28 (b) Death of participant receiving distributions.--In the  
29 event of the death of a participant receiving distributions, the  
30 board shall pay to the participant's beneficiary the vested

1 balance in the participant's individual investment account in a  
2 lump sum or in such other manner as the board may establish in  
3 the plan document or, if the board has established alternative  
4 methods of distribution in the plan document under which the  
5 participant was receiving distributions, to the participant's  
6 beneficiary or successor payee, as the case may be, as provided  
7 in the plan document.

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

13 § 5409. Vesting.

14 (a) Participant and voluntary contributions.--Subject to the  
15 forfeiture and attachment provisions of section 5953 (relating  
16 to taxation, attachment and assignment of funds) or otherwise as  
17 provided by law, a participant shall be immediately vested with  
18 respect to all mandatory participant contributions and voluntary  
19 contributions paid by or on behalf of the participant to the  
20 trust in addition to interest and investment gains or losses on  
21 the participant contributions but not including investment fees  
22 and administrative charges.

23 (b) Employer defined contributions.--

24 (1) Subject to the forfeiture and attachment provisions  
25 of section 5953 or otherwise as provided by law, a  
26 participant shall be vested with respect to all employer  
27 defined contributions paid to the participant's individual  
28 investment account in the trust in addition to interest and  
29 investment gains and losses on the employer defined  
30 contributions but not including investment fees and

1 administrative charges according to the following schedule:

2 (i) Until such time as a participant has earned two  
3 eligibility points as a member of the system, 0%.

4 (ii) Upon the attainment of two eligibility points  
5 as a member of the system, 50%.

6 (iii) Upon the attainment of three eligibility  
7 points as a member of the system, 75%.

8 (iv) At and after the attainment of four eligibility  
9 points as a member of the system, 100%.

10 (2) For purposes of this subsection, all eligibility  
11 points credited to a member of the system in any class of  
12 service shall be used for determining vested status in the  
13 plan even if the employee was not a participant in the plan  
14 at the time the eligibility points were earned.

15 (3) Nonvested employer defined contributions and the  
16 interest and investment gains and losses on the nonvested  
17 employer defined contributions that are forfeited when a  
18 participant terminates State service before accruing four  
19 eligibility points are credited to the participant's most  
20 recent employer's future obligation assessed under section  
21 5509 (relating to appropriations and assessments by the  
22 Commonwealth).

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

28 § 5410. Termination of distributions.

29 (a) Return to State service.--

30 (1) A participant receiving distributions or an inactive



1 participant who returns to State service shall cease  
2 receiving distributions and shall not be eligible to receive  
3 distributions until the participant subsequently terminates  
4 State service, without regard to whether the participant is a  
5 mandatory, optional or prohibited member of the system or  
6 participant in the plan.

7 (2) This subsection shall not apply to a distribution of  
8 accumulated employer defined contributions or other  
9 distributions that the participant has received and used to  
10 purchase an annuity from a provider contracted by the board.

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

12 (1) If a former State employee is reemployed from USERRA  
13 leave and received any payments or annuity from the plan  
14 during the USERRA leave, the employee shall return to the  
15 board the amount so received plus interest as provided in the  
16 plan document.

17 (2) The amount payable shall be certified in each case  
18 by the board in accordance with methods approved by the  
19 actuary and shall be paid in a lump sum within 30 days or in  
20 the case of an active participant may be amortized with  
21 interest as provided in the plan document through salary  
22 deductions to the trust in amounts agreed upon by the active  
23 participant and the board, but for not longer than a period  
24 that starts with the date of reemployment and continues for  
25 up to three times the length of the active participant's  
26 immediate past period of USERRA leave. The repayment period  
27 shall not exceed five years.

28 § 5411. Agreements with financial institutions and other  
29 organizations.

30 (a) Written agreement.--To establish and administer the

1 plan, the board shall enter into a written agreement with one or  
2 more financial institutions or other organizations to administer  
3 the plan and the investment of funds held under the plan. The  
4 administrator shall be selected in accordance with the  
5 following:

6 (1) The board shall solicit proposals from financial  
7 institutions and other organizations.

8 (2) The board shall publish the solicitation in the  
9 Pennsylvania Bulletin.

10 (3) Proposals received shall be evaluated based on  
11 specific criteria adopted by the board. The criteria shall  
12 include experience, customer service history and other  
13 criteria.

14 (b) Rebid.--A contract to administer the plan under  
15 subsection (a) shall be rebid at least once every ten years.  
16 § 5412. Powers and duties of board.

17 The board shall have the following powers and duties to  
18 establish the plan and trust and administer the provisions of  
19 this chapter and part:

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

22 (2) The board shall pay all administrative fees, costs  
23 and expenses of managing, investing and administering the  
24 plan, the trust and the individual investment accounts from  
25 the balance of such individual investment accounts except as  
26 otherwise provided in this part or as the General Assembly  
27 otherwise provides by appropriations from the General Fund.

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

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

4           (5) The board may establish a process for election to  
5 participate in the plan by those State employees eligible to  
6 do so for whom participation is not mandatory.

7           (6) The board may perform an annual or more frequent  
8 review of any qualified fund manager for the purpose of  
9 assuring that the fund manager continues to meet all  
10 standards and criteria established.

11           (7) The board may allow for eligible rollovers and  
12 direct trustee-to-trustee transfers into the trust from  
13 qualified plans of other employers, regardless of whether the  
14 employers are a private employer or a public employer.

15           (8) The board may allow an inactive participant to  
16 maintain the participant's individual investment account  
17 within the plan.

18           (9) The board shall administer or ensure the  
19 administration of the plan in compliance with the  
20 qualifications and other rules of the IRC.

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

23           (11) The board shall determine what constitutes a  
24 termination of State service.

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

28           (13) The board may establish procedures in the plan  
29 document or to promulgate rules and regulations as it deems  
30 necessary for the administration and management of the plan,

1 including, but not limited to, establishing:

2 (i) Procedures for eligible participants to change  
3 voluntary contribution amounts or their investment  
4 choices on a periodic basis or make other elections  
5 regarding their participation in the plan.

6 (ii) Procedures for deducting mandatory participant  
7 contributions and voluntary contributions from a  
8 participant's compensation.

9 (iii) Procedures for rollovers and trustee-to-  
10 trustee transfers allowed under the IRC and permitted as  
11 part of the plan.

12 (iv) Standards and criteria for providing not less  
13 than 10 options in accordance with three or more  
14 providers of investment options to eligible individuals  
15 regarding investments of amounts deferred under the plan.  
16 The standards and criteria must provide for a variety of  
17 investment options and shall be reviewed in accordance  
18 with criteria established by the board. One of the  
19 available options must serve as the default option for  
20 participants who do not make a timely election and, to  
21 the extent commercially available, one option must have  
22 an annuity.

23 (v) Standards and criteria for disclosing to the  
24 participants the anticipated and actual income  
25 attributable to amounts invested, property rights and all  
26 fees, costs and expenses to be made against amounts  
27 deferred to cover the fees, costs and expenses of  
28 administering and managing the plan or trust.

29 (vi) Procedures, standards and criteria for the  
30 making of distributions from the plan upon termination

1 from employment or death or in other circumstances  
2 consistent with the purpose of the plan.

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

7 (15) The board may contract any services and duties in  
8 lieu of staff, except final adjudications and as prohibited  
9 by law. Any duties or responsibilities of the board not  
10 required by law to be performed by the board can be delegated  
11 to a third-party provider subject to appeal to the board.

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

15 (17) The board shall ensure that participants are  
16 provided with educational materials about investment options  
17 and choices.

18 § 5413. Responsibility for investment loss.

19 The board, the Commonwealth, an employer or other political  
20 subdivision shall not be responsible for any investment loss  
21 incurred under the plan or for the failure of any investment to  
22 earn any specific or expected return or to earn as much as any  
23 other investment opportunity, whether or not the other  
24 opportunity was offered to participants in the plan.

25 § 5414. Investments based on participant's investment  
26 allocation choices.

27 (a) Investment by participant.--All contributions, interest  
28 and investment earnings shall be invested based on a  
29 participant's investment allocation choices. All investment  
30 allocation choices shall be credited proportionally between

1 participant contributions and employer-defined contributions.  
2 Each participant shall be credited individually with the amount  
3 of contributions, interest and investment earnings.

4 (b) Investment of contributions made by entities other than  
5 the Commonwealth.--Investment of contributions by any  
6 corporation, institution, insurance company, custodial bank or  
7 other entity that the board has approved shall not be  
8 unreasonably delayed and in no case may the investment of  
9 contributions be delayed more than 30 days from the date of  
10 payroll deduction or the date voluntary contributions are made  
11 to the date that funds are invested. Any interest earned on the  
12 funds pending investment shall be allocated to the Commonwealth  
13 and credited to the individual investment accounts of  
14 participants who re then participating in the plan unless  
15 notwithstanding sections 5412(2) (relating to powers and duties  
16 of board), 5415 (relating to expenses) and 5902(c) (relating to  
17 administrative duties of the board), the interest is used to  
18 defray administrative costs and fees that would otherwise be  
19 required to be borne by participants who are then participating  
20 in the plan.

21 § 5415. Expenses.

22 All fees, costs and expenses of administering the plan and  
23 the trust and investing the assets of the trust shall be borne  
24 by the participants and paid from assessments against the  
25 balances of the individual investment accounts as established by  
26 the board, except that for fiscal years ending before July 1,  
27 2016, the fees, costs and expenses of establishing and  
28 administering the plan and the trust shall be paid by the  
29 Commonwealth through annual appropriations from the General  
30 Fund, made on the basis of estimates from the board.

1 § 5416. Participation in the plan by members of Class A-3 or  
2 Class A-4.

3 (a) General rule.--For any calendar year in which the  
4 compensation of a member of Class A-3 or Class A-4 exceeds the  
5 Class A-3 and Class A-4 compensation limit, the member shall  
6 cease making contributions to the fund and, unless the plan  
7 provides otherwise, shall become an active participant of the  
8 plan and a member of Class CB unless the member elects not to be  
9 a participant in the plan and a member of Class CB.

10 (b) Time for making the election.--An eligible member of  
11 Class a-3 or Class A-4 may elect not to become a participant in  
12 the plan and a member of Class CB by filing a written notice  
13 with the board in a form and manner determined by the board  
14 during periodic election periods established by the board or the  
15 plan after the effective date of this section.

16 (c) Effect of election.--An election not to become a  
17 participant and a member of Class CB shall be effective until  
18 the end of the calendar year for which the election is made,  
19 unless the plan provides otherwise. The effective date of active  
20 participation in the plan shall be as established in the plan. A  
21 state employee who does not elect out of participation in the  
22 plan and membership in Class CB shall make mandatory participant  
23 contributions to the plan, and unless the State employee elects  
24 otherwise, will make voluntary contributions of 3.25%, if a  
25 Class A-3 member, or voluntary contributions of 6.3%, if a Class  
26 A-4 member. The Class CB class of service multiplier to  
27 determine cash balance member contributions for a member of  
28 Class CB who elects to be a participant in the plan shall be 0.6  
29 while an active participant of the plan. A State employee cannot  
30 elect to not be an active participant and remain an active

1 member of Class CB and cannot elect to not be an active member  
2 of Class CB while remaining an active participant in the plan.  
3 § 5417. Tax qualification.

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

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

9 (1) (i) Except as provided under subparagraph (ii) and  
10 notwithstanding a provision of this part, a contribution  
11 or benefit related to the plan may not exceed any  
12 limitation under IRC § 415 with respect to governmental  
13 plans which is in effect on the date the contribution or  
14 benefit payment takes effect.

15 (ii) An increase in a limitation under IRC § 415  
16 shall apply to all participants on and after the  
17 effective date of this section.

18 (iii) For the purposes of this paragraph, the term  
19 "government plans" shall have the same meaning as the  
20 term has in IRC § 414(d).

21 (2) (i) Except as provided under subparagraph (ii), an  
22 amendment of this part on or after the effective date of  
23 this section that increases contributions or benefits for  
24 active participants, inactive participants or  
25 participants receiving distributions shall not be deemed  
26 to provide for a contribution or benefit in excess of any  
27 limitation, adjusted on or after the effective date of  
28 this section, under IRC § 415 unless specifically  
29 provided by legislation.

30 (ii) Notwithstanding subparagraph (i), an increase



1 in benefits on or after the effective date of this  
2 section for a participant in the plan shall be authorized  
3 and apply to the fullest extent allowed by law.

4 Section 414. Sections 5501 and 5501.1 of Title 71 are  
5 amended to read:

6 § 5501. Regular member contributions and cash balance member  
7 contributions for current service.

8 Regular member contributions or cash balance member  
9 contributions shall be made to the fund on behalf of each active  
10 member for current service except for any period of current  
11 service in which the making of such contributions has ceased  
12 solely by reason of section 5502.1 (relating to waiver of  
13 regular member contributions and Social Security integration  
14 member contributions) or any provision of this part relating to  
15 the limitations under IRC § 401(a)(17) or [415(b)] 415 or  
16 limitations on contributions to the system applicable to a Class  
17 A-3 member or Class A-4 member.

18 § 5501.1. Shared-risk member contributions [for Class A-3 and  
19 Class A-4 service] and shared-gain adjustments to  
20 regular member contributions for Class A-3 and Class  
21 A-4 service.

22 (a) General.--Shared-risk member contributions shall be made  
23 to the fund on behalf of each member of Class A-3 or Class A-4  
24 for current service credited as Class A-3 or Class A-4 as  
25 provided under this section, except for any period of current  
26 service in which the making of the contributions has ceased  
27 solely by reason of any provision of this part relating to the  
28 limitations under IRC § 401(a)(17) or 415. Shared-risk member  
29 contributions shall be credited to the members' savings account.  
30 A shared-gain adjustment to regular member contributions for

1 Class A-3 and Class A-4 service shall be made as provided under  
2 this section.

3 (b) Determination of shared-risk contribution rate.--

4 (1) For the period from the effective date of this  
5 section until June 30, 2014, the shared-risk contribution  
6 rate for Class A-3 and Class A-4 service shall be zero.

7 \* \* \*

8 (7) For any fiscal year in which the actual  
9 contributions by the Commonwealth or an employer are lower  
10 than those required to be made under section 5507(d)  
11 (relating to contributions to the system by the Commonwealth  
12 and other employers), the prospective shared-risk  
13 contribution rate for those employees whose employers are not  
14 making the contributions required by section 5507(d) shall be  
15 zero and shall not subsequently be increased, except as  
16 otherwise provided in this section.

17 \* \* \*

18 (c) Determination of shared-gain adjustment to regular  
19 member contributions for Class A-3 or Class A-4 service.--The  
20 regular member contributions for Class A-3 or Class A-4 service  
21 shall be determined as follows:

22 (1) For the period from the effective date of this  
23 section until June 30, 2017, the regular member contributions  
24 for Class A-3 of Class A-4 service shall be determined as  
25 otherwise provided in this part.

26 (2) For the period from July 1, 2017, to June 30, 2020,  
27 if the shared-risk contribution rate is zero and annual  
28 interest rate adopted by the board for use during the period  
29 from January 1, 2011, to December 31, 2016, for the  
30 calculation of the normal contribution rate is more than 1%

1 lower than the actual rate of return, net of fees, of the  
2 investments of the fund based on market value over the  
3 period, then the regular member contribution rate of each  
4 member for Class A-3 or Class A-4 service shall be reduced by  
5 0.5%. In all other situations, the regular member  
6 contributions shall be determined as otherwise provided in  
7 this part.

8 (3) For each subsequent three-year period, the regular  
9 member contribution rate shall be decreased by 0.5% if the  
10 annual interest rate adopted by the board for use during the  
11 previous ten-year period for the calculation of the normal  
12 contribution rate is more than 1% lower than the actual rate  
13 of return, net of fees, of the investments of the fund based  
14 on market value over the period. The regular member  
15 contribution rate shall be increased by 0.5% if the annual  
16 interest rate adopted by the board for use during the  
17 previous ten-year period for the calculation of the normal  
18 contribution rate is equal to or greater than the actual rate  
19 of return, net of fees, of the investments of the fund based  
20 on market value over that period.

21 (4) Notwithstanding paragraphs (2) and (3), the regular  
22 member contribution rate may not be greater than the product  
23 of the basic contribution rate and the class of service  
24 multiplier; and the amount of the adjustment to a lower  
25 regular member contribution rate may not be greater than the  
26 reduction in the actuarially required contribution rate by  
27 the experience adjustment factor resulting from investment  
28 gains or losses in effect on the first day when the new rate  
29 would be applied, expressed as a percentage of member  
30 compensation. In no event may the adjustment to the regular

1 member contribution rate be more than 2%. For the  
2 determination of the regular member contribution rate to be  
3 effective July 1, 2020, the determination period shall be  
4 January 1, 2011, through December 31, 2019.

5 (5) The shared-gain adjustment to the regular member  
6 contribution rate and the factors entering into its  
7 calculation must be certified by the actuary as part of the  
8 annual valuations and the actuarial investigation and  
9 evaluation of the system conducted every five years under  
10 section 5902(j) (relating to administrative duties of the  
11 board).

12 (6) If the annual interest rate adopted by the board for  
13 the calculation is changed during the period used to  
14 determine the shared-gain adjustment to the regular member  
15 contribution rate, the board, with the advice of the actuary,  
16 shall determine the applicable rate during the entire period,  
17 expressed as an annual rate.

18 (d) Calculation of regular member contribution rate.--For  
19 purposes of this subsection, the regular member contribution  
20 rate for each member is the product of the basic contribution  
21 rate and the class of service multiplier used to determine the  
22 regular member contributions for each member.

23 Section 415. Title 71 is amended by adding sections to read:  
24 § 5501.3. Contribution savings program for members of Class AA  
25 and Class D-4.

26 The regular member contributions for Class AA and Class D-4  
27 service of members shall be determined as follows:

28 (1) For the period from the effective date of this  
29 section until June 30, 2019, the regular member contributions  
30 for Class AA and Class D-4 service of members shall be

1 determined as otherwise provided in this part.

2 (2) For the period from July 1, 2019, to June 30, 2022,  
3 if the annual interest rate adopted by the board for use  
4 during the period from January 1, 2016, to December 31, 2019,  
5 for the calculation of the normal contribution rate is 1% or  
6 more lower than the actual rate of return, net of fees, of  
7 the investments of the fund based on market value over the  
8 period, then the regular member contribution rate for Class  
9 AA and Class D-4 service of members shall be reduced by 0.5%  
10 for each percentage point that the annual interest rate is  
11 lower than the actual rate of return. For the three fiscal  
12 years starting July 1, 2022, and each subsequent period of  
13 three fiscal years, the following apply:

14 (i) Except as set forth in subparagraph (ii), the  
15 regular member contribution rate shall be as otherwise  
16 provided in this part.

17 (ii) If the annual interest rate adopted by the  
18 board for use during the prior three calendar years for  
19 the calculation of the normal contribution rate is 1% or  
20 more lower than the actual rate of return, net of fees,  
21 of the investments of the fund based on market value over  
22 the three calendar year period, then the regular member  
23 contribution rate for Class AA and Class D-4 service of  
24 members shall be reduced by 0.5% for each percentage  
25 point that the annual interest rate is lower than the  
26 actual rate of return.

27 (3) Notwithstanding paragraph (2), the regular member  
28 contribution rate may not be greater than the product of the  
29 basic contribution rate and the class of service multiplier;  
30 and in no event may the amount of the adjustment to the

1 regular member contribution rate be more than 5%.

2 (4) The contribution savings program adjustment to the  
3 regular member contribution rate and the factors entering  
4 into its calculation must be certified by the actuary as part  
5 of the annual valuations and the actuarial investigation and  
6 evaluation of the system conducted every five years under  
7 section 5902(j) (relating to administrative duties of the  
8 board).

9 (5) If the annual interest rate adopted by the board for  
10 the calculation is changed during the period used to  
11 determine the contribution savings program adjustment to the  
12 regular member contribution rate, the board, with the advice  
13 of the actuary, shall determine the applicable rate during  
14 the entire period, expressed as an annual rate.

15 Section 416. Sections 5502.1, 5503.1(a) and 5504 of Title 71  
16 are amended to read:

17 § 5502.1. Waiver of regular member contributions and Social  
18 Security integration member contributions.

19 (a) General rule.--Notwithstanding the provisions of  
20 sections 5501 (relating to regular member contributions and cash  
21 balance member contributions for current service) and 5502  
22 (relating to Social Security integration member contributions),  
23 no regular member contributions or Social Security integration  
24 member contributions shall be made by an active member for the  
25 period from July 1 to the following June 30 if the maximum  
26 single life annuity to which the member would have been entitled  
27 to receive had the member retired with an effective date of  
28 retirement on the preceding January 1 is greater than 110% of  
29 the highest calendar year compensation of the member, provided  
30 the member files a written election as prescribed by the board.

1 (b) Applicability.--This section shall not apply to any  
2 member who has Class A-3 [or], Class A-4 or Class CB service  
3 credit.

4 § 5503.1. Pickup contributions.

5 (a) Treatment for purposes of IRC § 414(h).--All  
6 contributions to the fund required to be made under sections  
7 5501 (relating to regular member contributions for current  
8 service and cash balance member contributions), 5501.1 (relating  
9 to shared-risk member contributions [for Class A-3 and Class A-4  
10 service] and shared-gain adjustments to regular member  
11 contributions for Class A-3 and Class A-4 service), 5502  
12 (relating to Social Security integration member contributions),  
13 5503 (relating to joint coverage member contributions) and  
14 section 5505.1 (relating to additional member contributions),  
15 with respect to current State service rendered by an active  
16 member on or after January 1, 1982, shall be picked up by the  
17 Commonwealth or other employer and shall be treated as the  
18 employer's contribution for purposes of IRC § 414(h).

19 \* \* \*

20 § 5504. Member contributions for the purchase of credit for  
21 previous State service or to become a full coverage  
22 member.

23 (a) Amount of contributions for service in other than Class  
24 G through N and Class CB.--

25 (1) The contributions to be paid by an active member or  
26 eligible school employee for credit [for] in the system for  
27 the portion of total previous State service other than  
28 service in Class G, Class H, Class I, Class J, Class K, Class  
29 L, Class M and Class N and Class CB that a member is eligible  
30 to have credited or to become a full coverage member shall be

1 sufficient to provide an amount equal to the regular and  
2 additional accumulated deductions which would have been  
3 standing to the credit of the member for such service had  
4 regular and additional member contributions been made with  
5 full coverage in the class of service and at the rate of  
6 contribution applicable during such period of previous  
7 service and had his regular and additional accumulated  
8 deductions been credited with statutory interest during all  
9 periods of subsequent State service as an active member or  
10 inactive member on leave without pay and school service as an  
11 active member or inactive member on leave without pay of the  
12 Public School Employees' Retirement System up to the date of  
13 purchase. A State employee who is an active member of the  
14 system as a result of concurrently performing service in more  
15 than one position or office at the time previously uncredited  
16 State service is credited shall elect which position or  
17 office is used for the determination of required  
18 contributions and crediting and classification of the  
19 previously uncredited service.

20 (2) Notwithstanding paragraph (1), active members [with]  
21 who perform State service credited as Class A-3 [State]  
22 service shall make contributions and receive credit for  
23 previously uncredited State service as if the previous State  
24 service was Class A-3 service, and active members [with] who  
25 perform State service credited as Class A-4 [State] service  
26 shall make contributions and receive credit as if the  
27 previous State service was Class A-4 service, even if it  
28 would have been credited as a different class of service had  
29 the State employee been a member of the system at the time  
30 the service was performed unless it was mandatory that the



1 State employee be an active member of the system and the  
2 previous State service is being credited as the result of a  
3 mandatory active membership requirement.

4 (3) (Reserved).

5 (4) Notwithstanding paragraph (1), if a member is  
6 purchasing credit for previously uncredited State service  
7 that is first credited after December 31, 2015, the regular  
8 member contributions shall be calculated without regard to  
9 any adjustments that would have been applicable under  
10 sections 5501.1(c) (relating to shared-risk member  
11 contributions and shared-gain adjustments to regular member  
12 contributions for Class A-3 and Class A-4 service) or 5501.3  
13 (relating to contribution savings program for members of  
14 Class AA and Class D-4) had regular member contributions been  
15 made during such period of previous service.

16 (a.1) Converted county service.--No contributions shall be  
17 required to restore credit for previously credited State service  
18 in Class G, Class H, Class I, Class J, Class K, Class L, Class M  
19 and Class N. Such service shall be restored upon the  
20 commencement of payment of the contributions by an active member  
21 of a class of service other than Class CB required to restore  
22 credit in the system for all other previous State service other  
23 than Class CB service.

24 (b) Certification and method of payment.--The amount payable  
25 shall be certified in each case by the board in accordance with  
26 methods approved by the actuary and shall be paid in a lump sum  
27 within 30 days or in the case of an active member or eligible  
28 school employee who is an active member of the Public School  
29 Employees' Retirement System may be amortized with statutory  
30 interest through salary deductions to the system in amounts

1 agreed upon by the member and the board. The salary deduction  
2 amortization plans agreed to by members and the board may  
3 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 the salary deduction amortization plans to such terms as  
9 the 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 deductions shall be remitted to the Public School Employees'  
13 Retirement Board, which shall certify and transfer to the board  
14 the amounts paid.

15 Section 417. Section 5505(b), (c), (d) and (i)(4) of Title  
16 71 are amended and the section is amended by adding subsections  
17 to read:

18 § 5505. Contributions for the purchase of credit for creditable  
19 nonstate service.

20 \* \* \*

21 (b) Nonintervening military service.--

22 (1) The amount due for the purchase of credit for  
23 military service other than intervening military service  
24 shall be determined by applying the member's basic  
25 contribution rate, the additional contribution rate plus the  
26 Commonwealth normal contribution rate for active members at  
27 the time of entry, subsequent to such military service, of  
28 the member into State service to his average annual rate of  
29 compensation over the first three years of such subsequent  
30 State service, excluding any compensation for Class A-3

1 service or Class A-4 service in excess of the Class A-3 and  
2 Class A-4 compensation limit, and multiplying the result by  
3 the number of years and fractional part of a year of  
4 creditable nonintervening military service being purchased  
5 together with statutory interest during all periods of  
6 subsequent State service as an active member or inactive  
7 member on leave without pay and school service as an active  
8 member or inactive member on leave without pay of the Public  
9 School Employees' Retirement System to date of purchase. Upon  
10 application for credit for such service, payment shall be  
11 made in a lump sum within 30 days or in the case of an active  
12 member or eligible school employee who is an active member of  
13 the Public School Employees' Retirement System it may be  
14 amortized with statutory interest through salary deductions  
15 to the system in amounts agreed upon by the member and the  
16 board. The salary deduction amortization plans agreed to by  
17 members and the board may include a deferral of payment  
18 amounts and statutory interest until the termination of  
19 school service or State service or beginning service as a  
20 participant without concurrently being an active member or  
21 inactive member on leave without pay as the board in its sole  
22 discretion decides to allow. The board may limit salary  
23 deduction amortization plans to such terms as the board in  
24 its sole discretion determines. In the case of an eligible  
25 school employee who is an active member of the Public School  
26 Employees' Retirement System, the agreed upon salary  
27 deductions shall be remitted to the Public School Employees'  
28 Retirement Board, which shall certify and transfer to the  
29 board the amounts paid. Application may be filed for all such  
30 military service credit upon completion of three years of

1 subsequent State service and shall be credited as Class A  
2 service.

3 (2) Applicants may purchase credit as follows:

4 (i) one purchase of the total amount of creditable  
5 nonintervening military service; or

6 (ii) one purchase per 12-month period of a portion  
7 of creditable nonintervening military service.

8 The amount of each purchase shall be not less than one year  
9 of creditable nonintervening military service.

10 (c) Intervening military service.--Contributions on account  
11 of credit for intervening military service shall be determined  
12 by the member's regular contribution rate, shared-risk  
13 contribution rate, Social Security integration contribution  
14 rate, the additional contribution rate which shall be applied  
15 only to those members who began service on or after the  
16 effective date of this amendatory act and compensation at the  
17 time of entry of the member into active military service,  
18 excluding any compensation for Class A-3 service or Class A-4  
19 service in excess of the Class A-3 and Class A-4 compensation  
20 limit, together with statutory interest during all periods of  
21 subsequent State service as an active member or inactive member  
22 on leave without pay and school service as an active member or  
23 inactive member on leave without pay of the Public School  
24 Employees' Retirement System to date of purchase. Upon  
25 application for such credit the amount due shall be certified in  
26 the case of each member by the board in accordance with methods  
27 approved by the actuary, and contributions may be made by:

28 (1) regular monthly payments during active military  
29 service; or

30 (2) a lump sum payment within 30 days of certification;

1 or

2 (3) salary deductions to the system in amounts agreed  
3 upon by the member or eligible school employee who is an  
4 active member of the Public School Employees' Retirement  
5 System and the board.

6 The salary deduction amortization plans agreed to by members and  
7 the board may include a deferral of payment amounts and  
8 statutory interest until the termination of school service or  
9 State service or beginning service as a participant without  
10 concurrently being an active member or inactive member on leave  
11 without pay as the board in its sole discretion decides to  
12 allow. The board may limit salary deduction amortization plans  
13 to such terms as the board in its sole discretion determines. In  
14 the case of an eligible school employee who is an active member  
15 of the Public School Employees' Retirement System, the agreed  
16 upon salary deductions shall be remitted to the Public School  
17 Employees' Retirement Board, which shall certify and transfer to  
18 the board the amounts paid.

19 (d) Nonmilitary and nonmagisterial service.--Contributions  
20 on account of credit for creditable nonstate service other than  
21 military and magisterial service by State employees who first  
22 become members of the system before January 1, 2011, or before  
23 December 1, 2010, as a member of the General Assembly shall be  
24 determined by applying the member's basic contribution rate, the  
25 additional contribution rate plus the Commonwealth normal  
26 contribution rate for active members at the time of entry  
27 subsequent to such creditable nonstate service of the member  
28 into State service to his compensation at the time of entry into  
29 State service as a member of the system and excluding any  
30 compensation for Class A-3 service or Class A-4 service in

1 excess of the Class A-3 and Class A-4 compensation limit and  
2 multiplying the result by the number of years and fractional  
3 part of a year of creditable nonstate service being purchased  
4 together with statutory interest during all periods of  
5 subsequent State service as an active member or inactive member  
6 on leave without pay and school service as an active member or  
7 inactive member on leave without pay of the Public School  
8 Employees' Retirement System to the date of purchase. Upon  
9 application for credit for such service payment shall be made in  
10 a lump sum within 30 days or in the case of an active member or  
11 eligible school employee who is an active member of the Public  
12 School Employees' Retirement System it may be amortized with  
13 statutory interest through salary deductions to the system in  
14 amounts agreed upon by the member and the board. The salary  
15 deduction amortization plans agreed to by members and the board  
16 may include a deferral of payment amounts and statutory interest  
17 until the termination of school service or State service or  
18 beginning service as a participant without concurrently being an  
19 active member or inactive member on leave without pay as the  
20 board in its sole discretion decides to allow. The board may  
21 limit salary deduction amortization plans to such terms as the  
22 board in its sole discretion determines. In the case of an  
23 eligible school employee who is an active member of the Public  
24 School Employees' Retirement System, the agreed upon salary  
25 deduction shall be remitted to the Public School Employees'  
26 Retirement Board, which shall certify and transfer to the board  
27 the amounts paid.

28 \* \* \*

29 (i) Purchases of nonstate service credit by State employees  
30 who first became members of the system on or after December 1,

1 2010.--

2 \* \* \*

3 (4) The payment for credit purchased under this  
4 subsection shall be certified in each case by the board in  
5 accordance with methods approved by the actuary and shall be  
6 paid in a lump sum within 30 days or in the case of an active  
7 member or eligible school employee who is an active member of  
8 the Public School Employees' Retirement System may be  
9 amortized with statutory interest through salary deductions  
10 to the system in amounts agreed upon by the member and the  
11 board. The salary deduction amortization plans agreed to by  
12 members and the board may include a deferral of payment  
13 amounts and interest until the termination of school service  
14 or State service or beginning service as a participant  
15 without concurrently being an active member or inactive  
16 member on leave without pay as the board in its sole  
17 discretion decides to allow. The board may limit the salary  
18 deduction amortization plans to such terms as the board in  
19 its sole discretion determines. In the case of an eligible  
20 school employee who is an active member of the Public School  
21 Employees' Retirement System, the agreed upon salary  
22 deductions shall be remitted to the Public School Employees'  
23 Retirement Board, which shall certify and transfer to the  
24 board the amounts paid.

25 (j) Inapplicability of adjustments.--If a member is  
26 purchasing creditable nonstate service that is first credited on  
27 or after January 1, 2016, the regular member contributions  
28 necessary to purchase such credit shall be determined without  
29 regard to any adjustments applicable under sections 5501.1(c)  
30 (relating to shared-risk member contributions and shared-gain

1 adjustments to regular member contributions for Class A-3 and  
2 Class A-4 service) or 5501.3 (relating to contribution savings  
3 program for members of Class AA and Class D-4).

4 (k) Calculation of employee contributions after December 31,  
5 2015.--If employee contributions for the payment of creditable  
6 nonstate service purchased under this subsection are determined  
7 all or in part by the Commonwealth normal contribution rate  
8 after December 31, 2015, the Commonwealth normal contribution  
9 for that purpose shall be the higher of the applicable actual  
10 employer normal contribution rate determined under section  
11 5508(b) (relating to actuarial cost method), or the employer  
12 normal contribution rated determined as part of the actuarial  
13 valuation for December 31, 2014.

14 Section 418. Sections 5506 and 5506.1(a) of Title 71 are  
15 amended to read:

16 § 5506. Incomplete payments.

17 In the event that a member terminates State service or begins  
18 service as a participant without concurrently being an active  
19 member or inactive member on leave without pay or a multiple  
20 service member who is an active member of the Public School  
21 Employees' Retirement System terminates school service before  
22 the agreed upon payments for credit for previous State service,  
23 USERRA leave, creditable nonstate service, social security  
24 integration, full coverage membership or return of benefits on  
25 account of returning to State service or entering school service  
26 and electing multiple service have been completed, the member or  
27 multiple service member who is an active member of the Public  
28 School Employees' Retirement System shall have the right to pay  
29 within 30 days of termination of State service or school service  
30 or beginning service as a participant the balance due, including



1 interest, in a lump sum and the annuity shall be calculated  
2 including full credit for the previous State service, creditable  
3 nonstate service, social security integration, or full coverage  
4 membership. In the event a member does not pay the balance due  
5 within 30 days of termination of State service or beginning  
6 service as a participant or in the event a member dies in State  
7 service or within 30 days of termination of State service or  
8 beginning service as a participant or in the case of a multiple  
9 service member who is an active member of the Public School  
10 Employees' Retirement System does not pay the balance due within  
11 30 days of termination of school service or dies in school  
12 service or within 30 days of termination of school service and  
13 before the agreed upon payments have been completed, the present  
14 value of the benefit otherwise payable shall be reduced by the  
15 balance due, including interest, and the benefit payable shall  
16 be calculated as the actuarial equivalent of such reduced  
17 present value.

18 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

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

9 \* \* \*

10 Section 419. Title 71 is amended by adding a section to  
11 read:

12 § 5506.2. Application of Class A-3 and Class A-4 compensation  
13 limit.

14 (a) General rule.--The Class A-3 and Class A-4 compensation  
15 limit shall be applied to the total compensation received each  
16 calendar year for service as a member of Class A-3 or Class A-4  
17 and, if a multiple service member, for service in Class T-E and  
18 Class T-F in the Public School Employees' Retirement System.

19 (b) Final average salary adjustment required.--For purposes  
20 of calculating final average salary for the determination of  
21 standard single life annuities and other benefits resulting from  
22 post-January 2016 service as a member of Class A-3 or Class A-4,  
23 the total compensation received, and the compensation received  
24 excluding remuneration received for any overtime service as a  
25 member of the system, each calendar year for Class A-3 service  
26 and Class A-4 service and, if a multiple service member, as a  
27 school employee for service as a Class T-E member and Class T-F  
28 member of the Public School Employees' Retirement System, shall  
29 be adjusted first by annualizing the compensation received for  
30 any part-time service or for any partial year of credit on the

1 basis of the fractional portion of the year for which credit is  
2 received. After annualization, the amount of compensation in any  
3 calendar year resulting from Class A-3 service or Class A-4  
4 service shall be further adjusted downward so as to not exceed  
5 the Class A-3 and Class A-4 compensation limit for that year.

6 (c) Member contribution limits.--For purposes of determining  
7 regular member contributions and shared-risk member  
8 contributions resulting from post-January 2016 service as a  
9 member of Class A-3 or Class A-4 service, the compensation each  
10 year is limited to the Class A-3 and Class A-4 compensation  
11 limit for that year.

12 Section 420. Sections 5507 heading and (a) and (b), 5508(a),  
13 (b), (c), (f), (h) and (i) and 5509 of Title 71 are amended to  
14 read:

15 § 5507. Contributions to the system by the Commonwealth and  
16 other employers.

17 (a) Contributions on behalf of active members.--The  
18 Commonwealth and other employers whose employees are members of  
19 the system shall make contributions to the fund on behalf of all  
20 active members in such amounts as shall be certified by the  
21 board as necessary to provide, together with the members' total  
22 accumulated deductions and cash balance member accumulated  
23 deductions, annuity reserves on account of prospective annuities  
24 other than those provided in sections 5708 (relating to  
25 supplemental annuities), 5708.1 (relating to additional  
26 supplemental annuities), 5708.2 (relating to further additional  
27 supplemental annuities), 5708.3 (relating to supplemental  
28 annuities commencing 1994), 5708.4 (relating to special  
29 supplemental postretirement adjustment), 5708.5 (relating to  
30 supplemental annuities commencing 1998), 5708.6 (relating to

1 supplemental annuities commencing 2002), 5708.7 (relating to  
2 supplemental annuities commencing 2003) and 5708.8 (relating to  
3 special supplemental postretirement adjustment of 2002), in  
4 accordance with the actuarial cost method provided in section  
5 5508(a), (b), (c), (d) and (f) (relating to actuarial cost  
6 method).

7 (b) Contributions on behalf of annuitants.--The Commonwealth  
8 and other employers whose employees are members of the system  
9 shall make contributions on behalf of annuitants in such amounts  
10 as shall be certified by the board as necessary to fund the  
11 liabilities for supplemental annuities in accordance with the  
12 actuarial cost method provided in section 5508(e) [(relating to  
13 actuarial cost method)].

14 \* \* \*

15 § 5508. Actuarial cost method.

16 (a) Employer contribution rate on behalf of active  
17 members.--[The] For each fiscal year, the amount of the  
18 Commonwealth and other employer contributions on behalf of all  
19 active members shall be computed by the actuary as a percentage  
20 of the total compensation of all active members during the  
21 period for which the amount is determined and shall be so  
22 certified by the board. The actuarially required contribution  
23 rate on behalf of all active members shall consist of the  
24 employer normal contribution rate, as defined in subsection (b),  
25 and the accrued liability contribution rate as defined in  
26 subsection (c). The actuarially required contribution rate on  
27 behalf of all active members shall be modified by the experience  
28 adjustment factor as calculated in subsection (f).

29 (b) Employer normal contribution rate.--The employer normal  
30 contribution rate shall be determined after each actuarial

1 valuation on the basis of an annual interest rate and such  
2 mortality and other tables as shall be adopted by the board in  
3 accordance with generally accepted actuarial principles. The  
4 employer normal contribution rate shall be determined as a level  
5 percentage of the compensation of the average new active member,  
6 which percentage, if contributed on the basis of his prospective  
7 compensation through his entire period of active State service,  
8 would be sufficient to fund the liability for any prospective  
9 benefit payable to him in excess of that portion funded by his  
10 prospective member contributions, excluding shared-risk member  
11 contributions. In no case shall the employer normal contribution  
12 rate be less than zero.

13 (c) Accrued liability contribution rate.--

14 (1) For the fiscal years beginning July 1, 2002, and  
15 July 1, 2003, the accrued liability contribution rate shall  
16 be computed as the rate of total compensation of all active  
17 members which shall be certified by the actuary as sufficient  
18 to fund over a period of ten years from July 1, 2002, the  
19 present value of the liabilities for all prospective  
20 benefits, except for the supplemental benefits as provided in  
21 sections 5708 (relating to supplemental annuities), 5708.1  
22 (relating to additional supplemental annuities), 5708.2  
23 (relating to further additional supplemental annuities),  
24 5708.3 (relating to supplemental annuities commencing 1994),  
25 5708.4 (relating to special supplemental postretirement  
26 adjustment), 5708.5 (relating to supplemental annuities  
27 commencing 1998), 5708.6 (relating to supplemental annuities  
28 commencing 2002), 5708.7 (relating to supplemental annuities  
29 commencing 2003) and 5708.8 (relating to special supplemental  
30 postretirement adjustment of 2002), in excess of the total

1 assets in the fund (calculated recognizing all investment  
2 gains and losses over a five-year period), excluding the  
3 balance in the supplemental annuity account, and the present  
4 value of employer normal contributions and of member  
5 contributions payable with respect to all active members on  
6 December 31, 2001, and excluding contributions to be  
7 transferred by county retirement systems or pension plans  
8 pursuant to section 5507(c) (relating to contributions by the  
9 Commonwealth and other employers). The amount of each annual  
10 accrued liability contribution shall be equal to the amount  
11 of such contribution for the fiscal year beginning July 1,  
12 2002, except that, if the accrued liability is increased by  
13 legislation enacted subsequent to June 30, 2002, but before  
14 July 1, 2003, such additional liability shall be funded over  
15 a period of ten years from the first day of July, coincident  
16 with or next following the effective date of the increase.  
17 The amount of each annual accrued liability contribution for  
18 such additional legislative liabilities shall be equal to the  
19 amount of such contribution for the first annual payment.

20 (2) Notwithstanding any other provision of law,  
21 beginning July 1, 2004, and ending June 30, 2010, the  
22 outstanding balance of the increase in accrued liability due  
23 to the change in benefits enacted in 2001 shall be amortized  
24 in equal dollar annual contributions over a period that ends  
25 30 years after July 1, 2002, and the outstanding balance of  
26 the net actuarial loss incurred in calendar year 2002 shall  
27 be amortized in equal dollar annual contributions over a  
28 period that ends 30 years after July 1, 2003. For fiscal  
29 years beginning on or after July 1, 2004, and ending June 30,  
30 2010, if the accrued liability is increased by legislation

1 enacted subsequent to June 30, 2003, but before January 1,  
2 2009, such additional liability shall be funded in equal  
3 dollar annual contributions over a period of ten years from  
4 the first day of July coincident with or next following the  
5 effective date of the increase.

6 (3) For the fiscal year beginning July 1, 2010, the  
7 accrued liability contribution rate shall be computed as the  
8 rate of total compensation of all active members which shall  
9 be certified by the actuary as sufficient to fund in equal  
10 dollar installments over a period of 30 years from July 1,  
11 2010, the present value of the liabilities for all  
12 prospective benefits calculated as of the immediately prior  
13 valuation date, including the supplemental benefits as  
14 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,  
15 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits  
16 payable from the retirement benefit plan established pursuant  
17 to section 5941 (relating to benefits completion plan), in  
18 excess of the actuarially calculated assets in the fund  
19 (calculated recognizing all realized and unrealized  
20 investment gains and losses each year in level annual  
21 installments over five years), including the balance in the  
22 supplemental annuity account, and the present value of  
23 employer normal contributions and of member contributions  
24 payable with respect to all active members, inactive members  
25 on leave without pay, vestees and special vestees on December  
26 31, 2009. If the accrued liability is changed by legislation  
27 enacted subsequent to December 31, 2009, such change in  
28 liability shall be funded in equal dollar installments as a  
29 percentage of compensation of all active members over a  
30 period of ten years from the first day of July following the

1 valuation date coincident with or next following the date  
2 such legislation is enacted.

3 \* \* \*

4 (f) Experience adjustment factor.--

5 (1) For each fiscal year after the establishment of the  
6 accrued liability contribution rate and the supplemental  
7 annuity contribution rate for the fiscal year beginning July  
8 1, 2010, any increase or decrease in the unfunded accrued  
9 liability and any increase or decrease in the liabilities and  
10 funding for supplemental annuities, due to actual experience  
11 differing from assumed experience (recognizing all realized  
12 and unrealized investment gains and losses over a five-year  
13 period), changes in contributions caused by the final  
14 contribution rate being different from the actuarially  
15 required contribution rate, State employees making shared-  
16 risk member contributions, adjustments to the regular member  
17 contributions under sections 5501.1 (relating to shared-risk  
18 member contributions and shared-gain adjustments to regular  
19 member contributions for Class A-3 and Class A-4 service) and  
20 5501.3 (relating to contribution savings program for members  
21 of Class AA and Class D-4), changes in actuarial assumptions  
22 or changes in the terms and conditions of the benefits  
23 provided by the system by judicial, administrative or other  
24 processes other than legislation, including, but not limited  
25 to, reinterpretation of the provisions of this part, shall be  
26 amortized in equal dollar annual contributions as a  
27 percentage of compensation of all active members over a  
28 period of 30 years beginning with the July 1 succeeding the  
29 actuarial valuation determining said increases or decreases.

30 (2) The actuarially required contribution rate shall be



1 the sum of the normal contribution rate, the accrued  
2 liability contribution rate and the supplemental annuity  
3 contribution rate, modified by the experience adjustment  
4 factor as calculated in paragraph (1).

5 \* \* \*

6 (h) Temporary application of collared contribution rate.--

7 The collared contribution rate for each fiscal year shall be  
8 determined by comparing the actuarially required contribution  
9 rate calculated without regard for costs added by legislation to  
10 the prior year's final contribution rate. If, for any of the  
11 fiscal years beginning July 1, 2011, July 1, 2012, and on or  
12 after July 1, 2013, the actuarially required contribution rate  
13 calculated without regard for costs added by legislation is more  
14 than 3%, 3.5% and 4.5%, respectively, of the total compensation  
15 of all active members greater than the prior year's final  
16 contribution rate, then the collared contribution rate shall be  
17 applied and be equal to the prior year's final contribution rate  
18 increased by the respective percentage above of total  
19 compensation of all active members. Otherwise, and for all  
20 subsequent fiscal years, the collared contribution rate shall  
21 not [be applicable] apply. In no case shall the collared  
22 contribution rate be less than 4% of total compensation of all  
23 active members.

24 (i) Final contribution rate.--For the fiscal year beginning  
25 July 1, 2010, the final contribution rate shall be 5% of total  
26 compensation of all active members. For each subsequent fiscal  
27 year for which the collared contribution rate is applicable, the  
28 final contribution rate shall be the collared contribution rate  
29 plus the costs added by legislation. For all other fiscal years,  
30 the final contribution rate shall be the actuarially required

1 contribution rate, provided that the final contribution rate  
2 shall not be less than the employer normal contribution rate, as  
3 defined in subsection (b).

4 § 5509. Appropriations and assessments by the Commonwealth.

5 (a) Annual submission of budget.--The board shall prepare  
6 and submit annually an itemized budget consisting of the amounts  
7 necessary to be appropriated by the Commonwealth out of the  
8 General Fund and special operating funds and the amounts to be  
9 assessed the other employers required to meet the separate  
10 obligations to the fund and the trust accruing during the fiscal  
11 period beginning the first day of July of the following year.

12 (b) Appropriation and payment.--The General Assembly shall  
13 make an appropriation sufficient to provide for the separate  
14 obligations of the Commonwealth to the fund and the trust. Such  
15 amount shall be paid by the State Treasurer through the  
16 Department of Revenue into the fund or trust, as the case may  
17 be, in accordance with requisitions presented by the board. The  
18 contributions to the system by the Commonwealth on behalf of  
19 active members who are officers of the Pennsylvania State Police  
20 shall be charged to the General Fund and to the Motor License  
21 Fund in the same ratios as used to apportion the appropriations  
22 for salaries of members of the Pennsylvania State Police. The  
23 contributions to the system by the Commonwealth on behalf of  
24 active members who are enforcement officers and investigators of  
25 the Pennsylvania Liquor Control Board shall be charged to the  
26 General Fund and to the State Stores Fund.

27 (c) Contributions from funds other than General Fund.--The  
28 amounts assessed other employers who are required to make the  
29 necessary separate contributions to the fund and the trust out  
30 of funds other than the General Fund shall be paid by such

1 employers into the fund or trust, as the case may be, in  
2 accordance with requisitions presented by the board. The General  
3 Fund of the Commonwealth shall not be held liable to appropriate  
4 the moneys required to build up the reserves in the fund  
5 necessary for the payment of benefits from the system to  
6 employees or to make the employer defined contributions for  
7 employees of such other employers. In case any such other  
8 employer shall fail to provide to the fund the moneys necessary  
9 for such purpose, then the service of such members of the system  
10 for such period for which money is not so provided shall be  
11 credited and pickup contributions and cash balance member  
12 contributions with respect to such members shall continue to be  
13 credited to the members' savings account and the cash balance  
14 savings account. The annuity to which such member is entitled  
15 shall be determined as actuarially equivalent to the present  
16 value of the maximum single life annuity of each such member  
17 reduced by the amount of employer contributions to the system  
18 payable on account and attributable to his compensation during  
19 such service, except that no reduction shall be made as a result  
20 of the failure of an employer to make contributions required for  
21 a period of USERRA leave.

22 Section 421. Title 71 is amended by adding a section to  
23 read:

24 § 5510. Employer funding mandate protection.

25 (a) Limited expansion of contractual right to funding.--  
26 Commencing on the July 1 following the actuarial valuation in  
27 which the actuary certifies that the final contribution rate is  
28 the actuarially required contribution, each active member of  
29 shall have a contractual right to the timely payment of the  
30 annual actuarially required contributions pursuant to section

1 5508 (relating to actuarial cost method) and section 5902(k)  
2 (relating to administrative duties of the board) by such  
3 member's employer. The following apply:

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

7 (2) Any claim of contract impairment shall be brought  
8 against the employer of the member for whom contributions  
9 were not paid, and neither the board nor the system or their  
10 employees or agents shall be a defendant in any such action  
11 or liable for any payments or damages arising from such  
12 impairment.

13 (b) Jurisdiction of Supreme Court.--Notwithstanding any  
14 provision of 2 Pa.C.S. (relating to administrative law and  
15 procedure), 42 Pa.C.S. (relating to judiciary and judicial  
16 procedure) or any other provision of law, the Pennsylvania  
17 Supreme Court shall have exclusive jurisdiction to do as  
18 follows:

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

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

24 (3) find facts or expedite a final judgment in  
25 connection with such a challenge or request for declaratory  
26 relief.

27 (c) Sovereign immunity waived.--Sovereign immunity is hereby  
28 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to  
29 matters affecting government units) or lack of jurisdiction by  
30 the Supreme Court shall not be raised as a defense against a

1 claim brought against an employer under this section.

2 (d) Attorney fees.--A member who prevails in a claim brought  
3 under this part may be awarded reasonable attorney fees.

4 (e) Limitation of contract right.--Nothing in this section  
5 shall be construed to create a contract right or claim of  
6 contract impairment in any member as to any benefit formula,  
7 benefit payment option, or any other provision of this part  
8 other than the funding mandate of the member's employer, or to  
9 change the jurisdiction of the board or the courts regarding any  
10 claim other than for payment of the annual actuarially required  
11 contributions.

12 (f) Employer contributions.--Nothing in this section shall  
13 be deemed to supersede or conflict with the rights and  
14 obligations set forth in section 5509 (relating to  
15 appropriations and assessments by the Commonwealth).

16 (g) Board action.--The board is authorized but not required  
17 to bring an action under this section on behalf of itself or any  
18 member, and, if the board prevails, it may be awarded reasonable  
19 attorney fees.

20 Section 422. Sections 5701 and 5701.1 of Title 71 are  
21 amended to read:

22 § 5701. Return of total accumulated deductions and cash balance  
23 member accumulated deductions.

24 Any member upon termination of service may, in lieu of all  
25 benefits payable from the system under this chapter to which he  
26 may be entitled, elect to receive his total accumulated  
27 deductions and his cash balance member accumulated deductions by  
28 his required beginning date.

29 § 5701.1. Transfer of accumulated deductions.

30 When an employee of the Juvenile Court Judges' Commission

1 elects membership in an independent retirement program pursuant  
2 to section 5301(f) (relating to mandatory and optional  
3 membership in the system and participation in the plan), the  
4 board shall transfer directly to the trustee or administrator of  
5 the independent retirement program all accumulated deductions  
6 resulting from service credited while an employee of the  
7 Juvenile Court Judges' Commission.

8 Section 423. Sections 5702(a), (a.1) and (b) and 5704(a),  
9 (c), (e) and (f) of Title 71 are amended and the sections are  
10 amended by adding subsections to read:

11 § 5702. Maximum single life annuity.

12 (a) General rule.--Any full coverage member who is eligible  
13 to receive an annuity pursuant to the provisions of section  
14 5308(a) or (b) (relating to eligibility for annuities) who  
15 terminates State service, or if a multiple service member who is  
16 a school employee who is an active member of the Public School  
17 Employees' Retirement System who terminates school service,  
18 before attaining age 70 shall be entitled to receive a maximum  
19 single life annuity attributable to his credited service and  
20 equal to the sum of the following single life annuities  
21 beginning at the effective date of retirement:

22 (1) A single life annuity that is the sum of the  
23 standard single life [annuity multiplied by the sum of the  
24 products,] annuities determined separately for each class of  
25 service, [obtained by multiplying] multiplied by the  
26 appropriate class of service multiplier [by the ratio of  
27 years of service credited in that class to the total credited  
28 service] applicable to each standard single life annuity. In  
29 case the member on the effective date of retirement is under  
30 superannuation age for any service, a reduction factor

1 calculated to provide benefits actuarially equivalent to an  
2 annuity starting at superannuation age shall be applied to  
3 the product determined for that service. The class of service  
4 multiplier for any period of concurrent service determined  
5 without regard to service in Class CB shall be multiplied by  
6 the proportion of total State and school compensation during  
7 such period attributable to State service as a member of the  
8 system. In the event a member has two multipliers for one  
9 class of service [the class of service multiplier to be used  
10 for calculating benefits for that class shall be the average  
11 of the two multipliers weighted by the proportion of  
12 compensation attributable to each multiplier during the three  
13 years of highest annual compensation in that class of  
14 service: Provided, That in the case of a member of Class E-1,  
15 a portion but not all of whose three years of highest annual  
16 judicial compensation is prior to January 1, 1973, two class  
17 of service multipliers shall be calculated on the basis of  
18 his entire judicial service, the one applying the judicial  
19 class of service multipliers effective prior to January 1,  
20 1973 and the second applying the class of service multipliers  
21 effective subsequent to January 1, 1973. The average class of  
22 service multiplier to be used for calculating benefits for  
23 his judicial service shall be the average of the two  
24 calculated multipliers weighted by the proportion of  
25 compensation attributable to each of the calculated  
26 multipliers during the three years of highest annual  
27 compensation in that class of service.], separate standard  
28 single life annuities shall be calculated for the portion of  
29 service in such class applicable to each class of service  
30 multiplier.

1           (2) If eligible, a single life annuity of 2% of his  
2 average noncovered salary for each year of social security  
3 integration credit as provided for in section 5305 (relating  
4 to social security integration credits) multiplied, if on the  
5 effective date of retirement the member is under  
6 superannuation age for any service, by the actuarially  
7 determined reduction factor for that service.

8           (3) If eligible, a single life annuity which is  
9 actuarially equivalent to the regular and additional  
10 accumulated deductions attributable to contributions as a  
11 member of Class C, but not less than such annuity determined  
12 as if the member were age 60 on the effective date of  
13 retirement, actuarially reduced in the event the member is  
14 under superannuation age on the effective date of retirement.

15           (4) If eligible, a single life annuity which is  
16 actuarially equivalent to the amount by which his regular and  
17 additional accumulated deductions attributable to any  
18 credited service other than as a member of Class C are  
19 greater than one-half of the actuarially equivalent value on  
20 the effective date of retirement of the annuity as provided  
21 in paragraph (1) attributable to service other than Class C  
22 for which regular or joint coverage member contributions were  
23 made. This paragraph shall not apply to any member with State  
24 service credited as Class A-3 or Class A-4.

25           (5) If eligible, a single life annuity which is  
26 actuarially equivalent to the amount by which his social  
27 security integration accumulated deductions are greater than  
28 one-half of the actuarially equivalent value on the effective  
29 date of retirement of the annuity provided for under  
30 paragraph (2).



1 (6) If eligible, a single life annuity sufficient  
 2 together with the annuity provided for in paragraph (1) as a  
 3 Class A, Class AA, Class A-3 and Class A-4 member and the  
 4 highest annuity provided for in paragraph (2) to which he is  
 5 entitled, or at his option could have been entitled, to  
 6 produce that percentage of [a] the sums of the standard  
 7 single life [annuity] annuities adjusted by the application  
 8 of the class of service multiplier for Class A, Class AA,  
 9 Class A-3 or Class A-4 as set forth in paragraph (1) in the  
 10 case where any service is credited as a member of Class A,  
 11 Class AA, Class A-3 or Class A-4 on the effective date of  
 12 retirement as determined by his total years of credited  
 13 service as a member of Class A, Class AA, Class A-3 and Class  
 14 A-4 and by the following table:

15 Total Years of	Percentage of <u>Sums of</u>
16 Credited Service	Standard
17 as a Member of	Single Life
18 Class A,	[Annuity] <u>Annunities</u> Adjusted for
19 Class AA, Class A-3	Class A, Class AA,
20 and Class A-4	Class A-3 and Class A-4
	21 Class of
	22 Service Multipliers
23 35-40	100%
24 41	102%
25 42	104%
26 43	106%
27 44	108%
28 45 or more	110%

29 (7) If eligible, a single life annuity which is  
 30 actuarially equivalent to the total cash balance accumulated

1 deductions credited to the member's individual cash balance  
2 savings account.

3 (a.1) Rule for terminations after attaining age 70.--

4 (1) Any full coverage member who is eligible to receive  
5 an annuity pursuant to the provisions of section 5308(a) who  
6 terminates State service, or if a multiple service member who  
7 is a school employee and an active member of the Public  
8 School Employees' Retirement System who terminates school  
9 service, on or after attaining age 70 and who applies for a  
10 superannuation annuity to be effective the day after the  
11 termination of State service or school service, as the case  
12 may be, shall be entitled to receive a maximum single life  
13 annuity as of a determination date that is equal to the  
14 greater of subparagraph (i) or (ii), plus any annuity the  
15 member may be eligible to receive under subsection (a)(7):

16 (i) the sum of the annuities provided in subsection  
17 (a)(1) through (6) calculated as of the determination  
18 date; and

19 (ii) the greater of [clause (A) or (B)]:

20 (A) the sum of the annuities provided in  
21 subsection (a)(1), (3), (4) and (6) as of the  
22 preceding determination date adjusted by the  
23 actuarial increase factor, plus the annuities  
24 provided in subsection (a)(2) and (5) as of the  
25 determination date; [and] or

26 (B) the maximum single life annuity calculated  
27 without including any annuity payable under  
28 subsection (a)(7) as of the preceding determination  
29 date adjusted by the actuarial increase factor.

30 The maximum single life annuity calculated without including

1 any annuity payable under subsection (a)(7) shall be  
2 calculated for each determination date.

3 (2) For purposes of this subsection, the determination  
4 date shall be:

5 (i) the member's birthday, provided that as of such  
6 date the member qualifies for a maximum single life  
7 annuity under this subsection, determined excluding  
8 eligibility for annuity payable under subsection (a)(7);

9 or

10 (ii) if the member's maximum single life annuity is  
11 being determined as of the member's effective date of  
12 retirement, then the determination date shall be the  
13 member's effective date of retirement.

14 (3) In the event an active member, an inactive member on  
15 leave without pay or a multiple service member who is a  
16 school employee and an active member of the Public School  
17 Employees' Retirement System has attained age 70 before the  
18 effective date of this subsection, or enters State service or  
19 school service, as the case may be, after attaining age 70,  
20 then section 5305.1 (relating to eligibility for actuarial  
21 increase factor) and subsections (a) and (a.1) shall be  
22 effective prospectively with respect to such member at the  
23 member's next birthday after the effective date of this  
24 subsection, entry into State service, or school service.  
25 Nothing in this subsection shall be construed to provide an  
26 actuarial increase factor for any period of service prior to the  
27 effective date of this subsection.

28 (b) Present value of annuity.--The present value of the  
29 maximum single life annuity as calculated in accordance with  
30 subsection (a) of this section shall be the sum of the products

1 determined by:

2 (1) multiplying the maximum single life annuity  
3 calculated without including any annuity payable under  
4 subsection (a) (7) by the cost of a dollar annuity applicable  
5 to subsection (a) (1), (2), (3), (4), (5) and (6) on the  
6 effective date of retirement[.]; and

7 (2) multiplying the annuity, if any, payable under  
8 section (a) (7) by the cost of a dollar annuity applicable to  
9 subsection (a) (7).

10 Such present value shall be decreased only as required under the  
11 provisions of section 5506 (relating to incomplete payments),  
12 5509(c) (relating to appropriations and assessments by the  
13 Commonwealth) or 5703 (relating to reduction of annuities on  
14 account of social security old-age insurance benefits).

15 \* \* \*

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

21 § 5704. Disability annuities.

22 (a) Amount of annuity.--

23 (1) A member who has credit in one or more classes of  
24 service other than Class CB and who has made application for  
25 a disability annuity and has been found to be eligible in  
26 accordance with the provisions of section 5905(c) (1)  
27 (relating to duties of the board regarding applications and  
28 elections of members) shall receive a disability annuity  
29 payable from the effective date of disability as determined  
30 by the board and continued until a subsequent determination

1 by the board that the annuitant is no longer entitled to a  
2 disability annuity. The disability annuity shall be a single  
3 life annuity that is equal to [a] the sum of the standard  
4 single life [annuity] annuities determined separately for  
5 each class of service other than Class CB multiplied by the  
6 appropriate class of service multiplier applicable to the  
7 class of service at the time of disability if the [product  
8 of] sums of the products of each such class of service  
9 multiplier and the [total] number of years and fractional  
10 part of a year of credited service in each class, plus the  
11 number of years and fractional part of a year of service  
12 credited in Class CB, if any, is greater than 16.667[,];  
13 otherwise [the] each standard single life annuity shall be  
14 multiplied by the lesser of the following ratios:

15 
$$MY^*/Y \text{ or } 16.667/Y$$

16 [where] Where Y = total number of years of credited service[,];  
17 Y\* = total years of credited service if the member were to  
18 continue as a State employee until attaining superannuation age  
19 for each class of service other than Class CB as applicable at  
20 the time of disability, or if the member has attained  
21 superannuation age for a class of service other than Class CB,  
22 as applicable at the time of disability, then the number of  
23 years of credited service; and M = the class of service  
24 multiplier as applicable to that class of service at the  
25 effective date of disability. A member of Class C shall receive,  
26 in addition, any annuity to which he may be eligible under  
27 section 5702(a)(3) (relating to maximum single life annuity).  
28 [The member shall be entitled to the election of a joint and  
29 survivor annuity on that portion of the disability annuity to  
30 which he is entitled under section 5702.]

1           (2) In addition to the amount of disability annuity  
2 payable under paragraph (1), a member who has Class CB  
3 service credit shall be entitled to a separate annuity  
4 calculated under section 5702(a)(7) on the effective date of  
5 disability.

6           (3) The member shall be entitled to the election of a  
7 joint and survivor annuity on that portion of the disability  
8 annuity to which he is entitled under section 5702.

9           \* \* \*

10          (c) Reduction on account of earned income.--Subsequent to  
11 January 1, 1972, payments on account of disability shall be  
12 reduced by that amount by which the earned income of the  
13 annuitant, as reported in accordance with section 5908(b)  
14 (relating to rights and duties of annuitants), for the preceding  
15 calendar year together with the disability annuity payments  
16 provided in this section other than subsection (b), for the  
17 year, exceeds the product of:

18           [(i)] (1) the last year's salary of the annuitant as a  
19 [State employee] member of the system; and

20           [(ii)] (2) the ratio of the current monthly payment to  
21 the monthly payment at the effective date of disability;

22 Provided, That the annuitant shall not receive less than his  
23 member's annuity or the amount to which he may be entitled under  
24 section 5702 whichever is greater.

25           \* \* \*

26          (e) Termination of State service.--Upon termination of  
27 disability annuity payments in excess of an annuity calculated  
28 in accordance with section 5702, a disability annuitant who:

29           (1) does not have Class A-3 or Class A-4 service credit;

30          or

1           (2) has Class A-3 or Class A-4 service credit and fewer  
2           than ten eligibility points;  
3 and who does not return to State service may file an application  
4 with the board for an amount equal to the excess, if any, of the  
5 sum of the shared-risk accumulated deductions plus the regular  
6 and additional accumulated deductions and cash balance member  
7 accumulated deductions standing to his credit at the effective  
8 date of disability over one-third of the total disability  
9 annuity payments received. If the annuitant on the date of  
10 termination of service was eligible for an annuity as provided  
11 in section 5308(a) or (b) (relating to eligibility for  
12 annuities), he may file an application with the board for an  
13 election of an optional modification of his annuity.

14       (f) Supplement for service connected disability.--

15           (1) If a member has been found to be eligible for a  
16 disability annuity and if the disability has been found to be  
17 a service connected disability and if the member is receiving  
18 workers' compensation payments for other than medical  
19 benefits, such member shall receive a supplement equal to  
20 [70% of his final average salary] the amount determined under  
21 paragraph (2) less the sum of the annuity as determined under  
22 subsection (a) and any payments paid or payable on account of  
23 such disability under the act of June 2, 1915 (P.L.736,  
24 No.338), known as the Workers' Compensation Act, the act of  
25 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania  
26 Occupational Disease Act, and the Social Security Act (49  
27 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall  
28 continue as long as he is determined to be disabled and is  
29 receiving workers' compensation payments for other than  
30 medical benefits on account of his service connected

1 disability in accordance with the Workers' Compensation Act  
2 or The Pennsylvania Occupational Disease Act. If the member  
3 has received a lump sum workers' compensation payment in lieu  
4 of future weekly compensation payments, the length in weeks  
5 and calculation of the service connected disability  
6 supplement shall be determined by dividing the lump sum  
7 payment by the average weekly wage as determined by the  
8 Workers' Compensation Board.

9 (2) For a member who does not have post-January 2016  
10 service, the amount to be used to determine eligibility for  
11 the supplement under paragraph (1) shall be 70% of the  
12 member's final average salary. For a member who has post-  
13 January 2016 service, the amount to be used to determine  
14 eligibility for the supplement under paragraph (1) shall be  
15 calculated according to the following formula:

16 A = .7[(Y<sup>W</sup> multiplied by FAS<sup>W</sup>)+(Y<sup>XYZ</sup> multiplied by  
17 FAS<sup>XYZ</sup>)]

18 Y<sup>T</sup>

Y<sup>T</sup>

19 (3) The following apply to the formula in paragraph (2):

20 (i) A equals the amount used to determine the  
21 supplement;

22 (ii) Y<sup>T</sup> equals total years of credited service;

23 (iii) Y<sup>W</sup> equals years of credited service that are  
24 not post-January 2016 service;

25 (iv) FAS<sup>W</sup> equals final average salary calculated for  
26 credited service other than post-January 2016 service;

27 (v) Y<sup>XYZ</sup> equals years of service credited as post-  
28 January 2016 service; and

29 (vi) FAS<sup>XYZ</sup> equals final average salary calculated  
30 for service credited as post-January 2016 service.



1 \* \* \*

2 (h) Coordination of benefits.--The determination and payment  
3 of a disability annuity under this section is in addition to any  
4 payments a combined service employee, as a result of being a  
5 participant in the plan, may be entitled to receive, has  
6 received or is receiving. A disability annuity may not be paid  
7 to a combined service employee who is an active participant.

8 Section 424. Sections 5705, 5705.1, 5706(a), (a.1), (a.2),  
9 (b) and (c) and 5707 of Title 71 are amended to read:

10 § 5705. Member's options.

11 (a) General rule.--Any special vestee [who has attained  
12 superannuation age, any vestee who does not have Class A-3 or  
13 Class A-4 service credit having five or more eligibility points  
14 for service other than Class T-E or Class T-F service in the  
15 Public School Employees' Retirement System, or vestee who has  
16 Class A-3 or Class A-4 service credit having ten or more  
17 eligibility points, any member with Class G, Class H, Class I,  
18 Class J, Class K, Class L, Class M or Class N service having  
19 five or more eligibility points or any other eligible member  
20 upon termination of State service who has not withdrawn his  
21 total accumulated deductions as provided in section 5701  
22 (relating to return of total accumulated deductions)], vestee or  
23 other member upon termination of State service who is eligible  
24 to receive an annuity as provided in section 5308(a) or (b)  
25 (relating to eligibility for annuities) may apply for and elect  
26 to receive either a maximum single life annuity, as calculated  
27 in accordance with the provisions of section 5702 (relating to  
28 maximum single life annuity), or a reduced annuity certified by  
29 the actuary to be actuarially equivalent to the maximum single  
30 life annuity payable after reduction under subsection (a.1) and

1 in accordance with one of the following options; except that no  
2 member shall elect an annuity payable to one or more survivor  
3 annuitants other than his spouse or alternate payee of such a  
4 magnitude that the present value of the annuity payable to him  
5 for life plus any lump sum payment under this subsection and  
6 subsection (a.1) he may have elected to receive is less than 50%  
7 of the present value of his maximum single life annuity[:]; and  
8 no member may elect a payment option that would provide benefits  
9 that do not satisfy the minimum distribution requirements or  
10 would violate the incidental death benefit rules of IRC 401(a)  
11 (9):

12 (1) Option 1.--A life annuity to the member with a  
13 guaranteed total payment equal to the present value of the  
14 maximum single life annuity on the effective date of  
15 retirement with the provision that, if, at his death, he has  
16 received less than such present value, the unpaid balance  
17 shall be payable to his beneficiary.

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

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

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

30 (i) any annuity shall be payable without reduction

1 during the lifetime of the member;

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

6 (iii) a portion of the benefit may be payable as a  
7 lump sum, except that such lump sum payment shall not  
8 exceed an amount equal to the total accumulated  
9 deductions standing to the credit of the member that are  
10 not the result of contributions and statutory interest  
11 made or credited as a result of Class A-3 or Class A-4  
12 service. The balance of the present value of the maximum  
13 single life annuity adjusted in accordance with section  
14 5702(b) shall be paid in the form of an annuity with a  
15 guaranteed total payment, a single life annuity, or a  
16 joint and survivor annuity or any combination thereof but  
17 subject to the restrictions of subparagraphs (i) and (ii)  
18 under this option. If a member's effective date of  
19 retirement is on or after January 1, 2016, then the  
20 portion of the benefit payable under this subparagraph  
21 shall be further limited to the total accumulated  
22 deductions standing to the credit of the member on  
23 December 31, 2015, that are not the result of  
24 contributions and statutory interest made or credited as  
25 a result of Class A-3 or Class A-4 service, plus any  
26 statutory interest credited on those accumulated  
27 deductions before the effective date of retirement.

28 (a.1) Additional lump sum withdrawal.--The following shall  
29 apply:

30 (1) After December 31, 2015, if a member has elected to

1 have the full amount allowed under subsection (a) (4) (iii)  
2 paid in lump sum, then the member may elect to receive an  
3 additional amount payable in a lump sum at the same time as  
4 the payment elected under subsection (a) (4) (iii).

5 (2) The additional amount payable in a lump sum may not  
6 exceed the sum of:

7 (i) an amount equal to the excess of the total  
8 accumulated deductions standing to the credit of the  
9 member on the effective date of retirement that are not  
10 the result of contributions and statutory interest made  
11 or credited as a result of Class A-3 or Class A-4 service  
12 over the amount payable under subsection (a) (4) (iii); and

13 (ii) an amount equal to the cash balance member  
14 accumulated deductions standing to the credit of the  
15 member.

16 (3) If a member elects to be paid an additional lump sum  
17 amount under this subsection, then the maximum single life  
18 annuity calculated under section 5702 and payable under  
19 subsection (a) shall be reduced by the additional amount  
20 withdrawn divided by the cost of a dollar annuity on the  
21 effective date of retirement computed on the basis of the  
22 annual interest rate adopted for that fiscal year by the  
23 board for the calculation of the employer normal contribution  
24 rate under section 5508(b) (relating to actuarial cost  
25 method) and the mortality tables adopted by the board for the  
26 determination of actuarially equivalent benefits under this  
27 part. The reduction in the maximum single life annuity under  
28 this paragraph shall apply before the election and  
29 calculation of any reduced annuities payable under subsection  
30 (a).

1 (b) Present value of joint coverage annuity.--In calculating  
2 an annuity payable to a member of the joint coverage group, the  
3 present value of such adjusted annuity shall be determined by  
4 taking into account prospectively the reduction applicable upon  
5 the attainment of the age at which full social security benefits  
6 are payable.

7 § 5705.1. Payment of accumulated deductions resulting from  
8 [Class A-3 and Class A-4] more than one class of  
9 service.

10 (a) Payment of accumulated deduction resulting from Class A-  
11 3 and Class A-4 service.--Any superannuation or withdrawal  
12 annuitant who:

- 13 (1) has Class A-3 or Class A-4 service credit;  
14 (2) has service credited in one or more classes of  
15 service; and  
16 (3) because he has five or more, but fewer than ten,  
17 eligibility points is not eligible to receive an annuity on  
18 his Class A-3 or Class A-4 service  
19 shall receive in a lump sum at the time of his retirement, in  
20 addition to any other annuity or lump sum payment which he may  
21 elect, his accumulated deductions resulting from his Class A-3  
22 or Class A-4 service credit. Payment of these accumulated  
23 deductions resulting from Class A-3 or Class A-4 service credit  
24 shall not be eligible for installment payments pursuant to  
25 section 5905.1 (relating to installment payments of accumulated  
26 deductions) but shall be considered a lump sum payment for  
27 purposes of section 5905.1(d).

28 (b) Payment of cash balance member accumulated deductions  
29 resulting from Class CB service.--Any annuitant who is a member  
30 with Class CB service credit and one or more other classes of

1 service credit and who is receiving an annuity based on his  
2 Class CB service but is not eligible to receive an annuity based  
3 on his service credited in one or more of his other classes of  
4 service shall receive in a lump sum at the time of his  
5 retirement, in addition to any other annuity which he may elect  
6 for his Class CB service, his accumulated deductions resulting  
7 from his service credit in classes of service other than Class  
8 CB for which he is not eligible to receive an annuity. Payment  
9 of these accumulated deductions resulting from service credit in  
10 classes of service other than Class CB shall not be eligible for  
11 installment payments under section 5905.1, but shall be  
12 considered a lump sum payment for purposes of section 5905.1(d).

13 § 5706. Termination of annuities.

14 (a) General rule.--If the annuitant returns to State service  
15 or enters or has entered school service and elects multiple  
16 service membership, any annuity payable to him under this part  
17 shall cease effective upon the date of his return to State  
18 service or entering school service, without regard to whether he  
19 is a mandatory, optional or prohibited member of the system or  
20 participant in the plan or, if a multiple service member,  
21 without regard to whether he is a mandatory, optional or  
22 prohibited member or participant of the Public School Employees'  
23 Retirement System or School Employees' Defined Contribution  
24 Plan; and, in the case of an annuity other than a disability  
25 annuity the present value of such annuity, other than the  
26 portion of the annuity that is being paid under section 5702(a)  
27 (7) (relating to maximum single life annuity), adjusted for full  
28 coverage in the case of a joint coverage member who makes the  
29 appropriate back contributions for full coverage, shall be  
30 frozen as of the date such annuity ceases[.] and the present

1 value of the portion of the annuity that is being paid under  
2 section 5702(a)(7) shall be placed in the member's individual  
3 cash balance saving account. An annuitant who is credited with  
4 an additional 10% of Class A and Class C service as provided in  
5 section 5302(c) (relating to credited State service) and who  
6 returns to State service shall forfeit such credited service and  
7 shall have his frozen present value adjusted as if his 10%  
8 retirement incentive had not been applied to his account. In the  
9 event that the cost-of-living increase enacted December 18, 1979  
10 occurred during the period of such State or school employment,  
11 the frozen present value shall be increased, on or after the  
12 member attains superannuation age, by the percent applicable had  
13 he not returned to service. This subsection shall not apply in  
14 the case of any annuitant who may render services to the  
15 Commonwealth in the capacity of an independent contractor or as  
16 a member of an independent board or commission or as a member of  
17 a departmental administrative or advisory board or commission  
18 when such members of independent or departmental boards or  
19 commissions are compensated on a per diem basis for not more  
20 than 150 days per calendar year or as a member of an independent  
21 board or commission requiring appointment by the Governor, with  
22 advice and consent of the Senate, where the annual salary  
23 payable to the member does not exceed \$35,000 and where the  
24 member has been an annuitant for at least six months immediately  
25 preceding the appointment. Such service shall not be subject to  
26 member contributions [or]; not, result in additions, interest or  
27 excess interest to the member's individual cash balance saving  
28 account; and not be eligible for qualification as creditable  
29 State service or for participation in the plan, mandatory  
30 participant contributions or employer defined contributions.

1 (a.1) Return to State service during emergency.--When, in  
2 the judgment of the employer, an emergency creates an increase  
3 in the work load such that there is serious impairment of  
4 service to the public, an annuitant may be returned to State  
5 service for a period not to exceed 95 days in any calendar year  
6 without loss of his annuity. In computing the number of days an  
7 annuitant has returned to State service, any amount of time less  
8 than one-half of a day shall be counted as one-half of a day.  
9 For agencies, boards and commissions under the Governor's  
10 jurisdiction, the approval of the Governor that an emergency  
11 exists shall be required before an annuitant may be returned to  
12 State service. This service shall not be subject to member  
13 contributions; not result in additions, interest or excess  
14 interest to the member's individual cash balance savings  
15 account; and not be eligible for qualification as creditable  
16 State service or for participation in the plan, mandatory  
17 participant contributions or employer defined contributions.

18 (a.2) Return of benefits.--In the event an annuitant whose  
19 annuity from the system ceases pursuant to this section receives  
20 any annuity payment, including a lump sum payment pursuant to  
21 section 5705 (relating to member's options) on or after the date  
22 of his return to State service or entering school service, the  
23 annuitant shall return to the board the amount so received from  
24 the system plus statutory interest. The amount payable shall be  
25 certified in each case by the board in accordance with methods  
26 approved by the actuary and shall be paid in a lump sum within  
27 30 days or in the case of an active member or school employee  
28 who is an active member of the Public School Employees'  
29 Retirement System may be amortized with statutory interest  
30 through salary deductions to the system in amounts agreed upon



1 by the member and the board. The salary deduction amortization  
2 plans agreed to by the member and the board may include a  
3 deferral of payment amounts and statutory interest until the  
4 termination of school service or State service or beginning of  
5 service as a participant without concurrently being an active  
6 member or inactive member on leave without pay as the board in  
7 its sole discretion decides to allow. The board may limit salary  
8 deduction amortization plans to such terms as the board in its  
9 sole discretion determines. In the case of a school employee who  
10 is an active member of the Public School Employees' Retirement  
11 System, the agreed upon salary deductions shall be remitted to  
12 the Public School Employees' Retirement Board, which shall  
13 certify and transfer to the board the amounts paid.

14 \* \* \*

15 (b) Subsequent discontinuance of service.--Upon subsequent  
16 discontinuance of service, such [member] terminating State  
17 employee other than a former annuitant who had the effect of his  
18 frozen present value eliminated in accordance with subsection  
19 (c) or a former disability annuitant shall be entitled to an  
20 annuity which is actuarially equivalent to the sum of:

21 (1) the frozen present value as determined under  
22 subsection (a) [and];

23 (2) if the service after reemployment was a member of  
24 the system, the present value of a maximum single life  
25 annuity, calculated excluding any annuity payable under  
26 section 5702(a)(7), based on years of service credited  
27 subsequent to reentry in the system and his final average  
28 salary computed by reference to his compensation as a member  
29 of the system or as a member of the Public School Employees'  
30 Retirement System during his entire period of State and

1 school service[.], including only compensation received for  
2 service performed as a member of a class of service other  
3 than Class CB or Class T-I in the Public School Employees'  
4 Retirement System; and

5 (3) if eligible, an annuity payable under section  
6 5702(a)(7) based on the total cash balance accumulated  
7 deductions credited to the former annuitant in the cash  
8 balance savings account.

9 (c) Elimination of the effect of frozen present value.--

10 (1) An annuitant who returns to State service as an  
11 active member of the system in a class of service other than  
12 Class CB and earns three eligibility points by performing  
13 credited State service following the most recent period of  
14 receipt of an annuity under this part, or an annuitant who  
15 enters school service other than as a participant in the  
16 School Employees' Defined Contribution Plan or as member of  
17 Class T-I and:

18 (i) is a multiple service member; or

19 (ii) who elects multiple service membership, and  
20 earns three eligibility points in classes of service other  
21 than Class CB or Class T-I by performing credited State  
22 service or credited school service following the most recent  
23 period of receipt of an annuity under this part, and who had  
24 the present value of his annuity frozen in accordance with  
25 subsection (a), shall qualify to have the effect of the  
26 frozen present value resulting from all previous periods of  
27 retirement eliminated, provided that all lump sum payments  
28 under Option 4 or under section 5705(a.1) and annuity  
29 payments, except those made under section 5702(a)(7), payable  
30 during previous periods of retirement plus interest as set

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

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

9               (i) an annuity (prior to optional modification)  
10              calculated as if the freezing of the former annuitant's  
11              account pursuant to subsection (a) had not occurred,  
12              adjusted by crediting Class A State service as Class AA  
13              service as provided for in section 5306(a.1) (relating to  
14              classes of service) and further adjusted according to  
15              paragraph (3), provided that a former annuitant of the  
16              system or a former annuitant of the Public School  
17              Employees' Retirement System who retired under a  
18              provision of law granting additional service credit if  
19              termination of State or school service or retirement  
20              occurred during a specific period of time shall not be  
21              permitted to retain the additional service credit under  
22              the prior law when the annuity is computed for his most  
23              recent retirement; or

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

1           (3) In addition to any other adjustment to the present  
2 value of the maximum single life annuity that a member may be  
3 entitled to receive that occurs as a result of any other  
4 provision of law, the present value of the maximum single  
5 life annuity shall be reduced by all amounts paid or payable  
6 to him during all previous periods of retirement, except  
7 those made under section 5702(a)(7), plus interest on these  
8 amounts until the date of subsequent retirement. The interest  
9 for each year shall be calculated based upon the annual  
10 interest rate adopted for that fiscal year by the board for  
11 the calculation of the normal contribution rate pursuant to  
12 section 5508(b) (relating to actuarial cost method).

13 § 5707. Death benefits.

14       (a) Members without Class CB service eligible for  
15 annuities.--Any active member, inactive member on leave without  
16 pay, combined service employee who is an active participant or  
17 inactive participant on leave without pay, vestee or current or  
18 former State employee performing USERRA leave who dies and does  
19 not have Class CB service credit and was eligible for an annuity  
20 in accordance with section 5308(a) or (b) (relating to  
21 eligibility for annuities) or special vestee who has attained  
22 superannuation age and dies before applying for a superannuation  
23 annuity shall be considered as having applied for an annuity to  
24 become effective the day before his death and in the event he  
25 has not elected an option or such election has not been approved  
26 prior to his death, it shall be assumed that he elected Option  
27 1.

28       (b) Members without Class CB service ineligible for  
29 annuities.--In the event of the death of a special vestee, an  
30 active member, an inactive member on leave without pay, a

1 combined service employee who is an active participant or an  
2 inactive participant on leave without pay or a current or former  
3 State employee performing USERRA leave who does not have Class  
4 CB service credit and who is not entitled to a death benefit as  
5 provided in subsection (a), his designated beneficiary shall be  
6 paid the full amount of his total accumulated deductions.

7 (c) Disability annuitants eligible for withdrawal annuity.--  
8 In the event of the death of a disability annuitant who has  
9 elected to receive a maximum disability annuity before he has  
10 received in annuity payments, excluding any disability annuity  
11 payments under section 5704(a)(2) (relating to disability  
12 annuities), an amount equal to the present value, on the  
13 effective date of disability, of the benefits to which he would  
14 have been entitled under subsection (a) had he died while in  
15 State service, the balance of such amount shall be paid to his  
16 designated beneficiary. In addition, if the disability annuitant  
17 was receiving disability annuity payments under section 5704(a)  
18 (2), he may receive, if eligible, the total cash balance  
19 accumulated deductions credited to his individual cash balance  
20 savings account on the effective date of disability over one-  
21 third of the disability payments received under section 5704(a)  
22 (2). For purposes of this subsection, the determination of  
23 benefits to which the disability annuitant would have been  
24 entitled under subsection (a) shall be made even though the  
25 disability annuitant may have Class CB service.

26 (d) Disability annuitants ineligible for withdrawal  
27 annuity.--In the event of the death of a disability annuitant  
28 who was not entitled to receive benefits under subsection (a),  
29 except for the reason of having Class CB service credit, his  
30 beneficiary shall be paid the excess of the sum of the regular

1 and additional accumulated deductions standing to his credit on  
2 the effective date of disability over one-third of the total  
3 disability payments received[.], excluding any disability  
4 annuity payments under section 5704(a)(2). In addition, if he  
5 was receiving disability annuity payments under section 5704(a)  
6 (2), he may receive, if eligible, the total cash balance  
7 accumulated deductions credited to his individual cash balance  
8 savings account on the effective date of disability over one-  
9 third of the disability payments received under section 5704(a)  
10 (2).

11 (e) Annuitants electing maximum single life annuity.--In the  
12 event of the death of an annuitant who has elected to receive  
13 the maximum single life annuity before he has received in  
14 annuity payments the full amount of the total accumulated  
15 deductions and, if he was eligible for an annuity under section  
16 5702(a)(7) (relating to maximum single life annuity), the total  
17 cash balance accumulated deductions standing to his credit on  
18 the effective date of retirement, the balance shall be paid to  
19 his designated beneficiary.

20 (f) Members subject to limitations under section 5702(c).--  
21 Subject to the limitations contained in section 401(a)(9) of the  
22 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
23 401(a)(9)), the present value of any annuity in excess of that  
24 payable under section 5702 [(relating to maximum single life  
25 annuity)] that is not subject to the limitations under section  
26 415(b) of the Internal Revenue Code of 1986 shall be paid in a  
27 lump sum to the beneficiary designated by the member after the  
28 death of the member. A beneficiary receiving a benefit under  
29 this subsection shall not be able to elect a payment method  
30 otherwise allowed under section 5709(b)(2) and (3) (relating to

1 payment of benefits from the system).

2 (g) Members with Class CB service.--An active member,  
3 inactive member on leave without pay or vestee who has Class CB  
4 service credit who dies shall be paid the total cash balance  
5 accumulated deductions credited to him in addition to any other  
6 payments he would be eligible to receive under subsection (a) or  
7 (b) calculated without regard to any annuity payable under  
8 section 5702(a)(7).

9 (h) Required distributions.--All payments under this section  
10 shall start and be made in compliance with the minimum  
11 distribution requirements and incidental death benefit rules of  
12 IRC § 401(a)(9).

13 Section 425. Section 5709(a) and (b) of Title 71 are amended  
14 and the section is amended by adding subsections to read:

15 § 5709. Payment of benefits from the system.

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

19 (b) Death benefits.--If the amount of a death benefit  
20 payable from the fund to a beneficiary of a member under section  
21 5707 (relating to death benefits) or under the provisions of  
22 Option 1 of section 5705(a)(1) (relating to member's options) is  
23 \$10,000 or more, such beneficiary may elect to receive payment  
24 according to one of the following options:

25 (1) a lump sum payment;

26 (2) an annuity actuarially equivalent to the amount  
27 payable; or

28 (3) a lump sum payment and an annuity such that the  
29 annuity is actuarially equivalent to the amount payable less  
30 the lump sum payment specified by the beneficiary.

1 \* \* \*

2 (d) Small cash balance accounts.--A member with only Class  
3 CB service who terminates State service and whose total cash  
4 balance accumulated deductions are equal to or less than the  
5 amount established under IRC §401(a)(31) as of the date of  
6 termination of service shall be paid his accumulated deductions  
7 in a lump sum as provided in IRC § 401(a)(31) and have all Class  
8 CB service credit canceled. This payment of total cash balance  
9 accumulated deductions shall not be eligible for installment  
10 payments under section 5905.1 (relating to installment payments  
11 of accumulated deductions) but shall be considered a lump sum  
12 payment for purposes of section 5905.1(d).

13 (e) Required distributions.--All payments under this section  
14 shall start and be made in compliance with the required  
15 beginning date, minimum distribution requirements and incidental  
16 death benefit rules of IRC § 401(a)(9).

17 Section 426. Section 5901(a), (c), (d) and (e) of Title 71  
18 are amended and the section is amended by adding a subsection to  
19 read:

20 § 5901. The State Employees' Retirement Board.

21 (a) Status and membership.--The board shall be an  
22 independent administrative board and consist of [11] 12 members:  
23 the State Treasurer, ex officio, the Secretary of Banking and  
24 Securities, ex officio, two Senators, two members of the House  
25 of Representatives and six members appointed by the Governor,  
26 one of whom shall be an annuitant of the system or a participant  
27 in the plan who has terminated State service and is receiving or  
28 is eligible to receive distributions, for terms of four years,  
29 subject to confirmation by the Senate. At least five board  
30 members shall be active members of the system or active



1 participants in the plan, and at least two shall have ten or  
2 more years of credited State service[.] or shall have been  
3 active participants in the plan for ten calendar years or have a  
4 combination of years of credited State service in the system and  
5 calendar years as active participants in the plan equal to ten  
6 or more years. The chairman of the board shall be designated by  
7 the Governor from among the members of the board. No member of  
8 the board who represents active members or annuitants or is a  
9 current member of the General Assembly can serve as chairman.  
10 Each member of the board who is a member of the General Assembly  
11 may appoint a duly authorized designee to act in his stead. In  
12 the event that a board member, who is designated as an active  
13 participant or as a participant in the plan who is receiving or  
14 is eligible to receive distributions, receives a total  
15 distribution of his interest in the plan, that board member may  
16 continue to serve on the board for the remainder of his term.

17 \* \* \*

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

27 (d) Compensation and expenses.--The members of the board who  
28 are members of the system or participants in the plan shall  
29 serve without compensation but shall not suffer loss of salary  
30 or wages through serving on the board. The members of the board

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

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

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

18 Section 427. Section 5902(a.1), (b), (c), (e), (h), (i),  
19 (j), (k), (l), (m) and (n) of Title 71 are amended and the  
20 section is amended by adding subsections to read:

21 § 5902. Administrative duties of the board.

22 \* \* \*

23 (a.1) Secretary.--The secretary shall act as chief  
24 administrative officer for the board with respect to both the  
25 system and the plan. In addition to other powers and duties  
26 conferred upon and delegated to the secretary by the board, the  
27 secretary shall:

28 (1) Serve as the administrative agent of the board.

29 (2) Serve as liaison between the board and applicable  
30 legislative committees, the Treasury Department, the

1 Department of the Auditor General, and between the board and  
2 the investment counsel and the mortgage supervisor in  
3 arranging for investments to secure maximum returns to the  
4 fund.

5 (3) Review and analyze proposed legislation and  
6 legislative developments affecting the system or the plan and  
7 present findings to the board, legislative committees, and  
8 other interested groups or individuals.

9 (4) Direct the maintenance of files and records and  
10 preparation of periodic reports required for actuarial  
11 evaluation studies.

12 (5) Receive inquiries and requests for information  
13 concerning the system or the plan from the press,  
14 Commonwealth officials, State employees, the general public,  
15 research organizations, and officials and organizations from  
16 other states, and provide information as authorized by the  
17 board.

18 (6) Supervise a staff of administrative, technical, and  
19 clerical employees engaged in record-keeping and clerical  
20 processing activities for both the system and the plan in  
21 maintaining files of members and participants, accounting for  
22 contributions, processing payments to annuitants and  
23 terminated participants, preparing required reports, and  
24 retirement counseling. The board may utilize the staff of  
25 employees provided for under this paragraph for both the  
26 system and the plan but shall allocate the fees, costs and  
27 expenses incurred under this paragraph between the system and  
28 the plan as appropriate.

29 (b) Professional personnel.--The board shall contract for  
30 the services of a chief medical examiner, an actuary, investment

1 advisors and counselors, and such other professional personnel  
2 as it deems advisable. The board may, with the approval of the  
3 Attorney General, contract for legal services. The board may  
4 utilize the same individuals and firms contracted under this  
5 subsection for both the system and the plan but shall allocate  
6 the fees, costs and expenses incurred under this subsection  
7 between the system and the plan as appropriate.

8 (c) Expenses.--

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

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

18 (3) For fiscal years ending before July 1, 2016, such  
19 expenses of the plan as approved by the General Assembly in  
20 an appropriation bill shall be paid from the General Fund.  
21 For fiscal years beginning after June 30, 2016, such expenses  
22 of the plan as approved by the General Assembly shall be paid  
23 from interest, under section 5414(b) (relating to investments  
24 based on participants' investment allocation choices),  
25 assessments on the balances of the participants' individual  
26 investment accounts or as otherwise provided in this part.

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

1 of the actual expenditures from the past year actually paid  
2 by the board through the use of directed commissions. All  
3 such directed commission expenditures shall be made by the  
4 board for the exclusive benefit of the system and its  
5 members.

6 \* \* \*

7 (e) Records.--

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

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

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

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

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

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

4 (3) The following apply:

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

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

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

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

23 whichever is later.

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

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

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

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

7 whichever is later.

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

14 (5) Any record, material or data received, prepared,  
15 used or retained by the board or its employees, or agents  
16 relating to the contributions, account value or benefits  
17 payable to or on account of a participant shall not  
18 constitute a public record subject to public access under the  
19 Right-to-Know Law if, in the reasonable judgment of the  
20 board, the access would disclose any of the following:

21 (i) The existence, date, amount and any other  
22 information pertaining to the voluntary contributions,  
23 including rollover contributions or trustee-to-trustee  
24 transfers, of any participant.

25 (ii) The investment options selections of any  
26 participant.

27 (iii) The balance of a participant's individual  
28 investment account, including the amount distributed to  
29 the participant, investment gains or losses or rates of  
30 return.

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

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

4           (6) Nothing in this subsection shall be construed to  
5           designate any record, material or data received, prepared,  
6           used or retained by the board or its employees, or agents  
7           relating to the contributions, account value or benefits  
8           payable to or on account of a participant as a public record  
9           subject to public access under the Right-to-Know Law.

10          (7) The following apply:

11           (i) Nothing in this part shall be construed to mean  
12           that the release or publicizing of a record, material or  
13           data which would not constitute a public record under  
14           this subsection shall be a violation of the board's  
15           fiduciary duties.

16           (ii) This subsection shall apply to a record,  
17           material or data under this subsection, notwithstanding  
18           any of the following:

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

22                   (B) Whether the record, material or data was  
23                   previously released or made public.

24                   (C) Whether a request for the record, material  
25                   or data was made or is pending final response under  
26                   the Right-to-Know Law.

27          \* \* \*

28          (h) Regulations and procedures.--The board shall, with the  
29          advice of the Attorney General and the actuary, adopt and  
30          promulgate rules and regulations for the uniform administration



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

14 (i) Data.--The board shall keep in convenient form such data  
15 as are stipulated by the actuary in order that an annual  
16 actuarial valuation of the various accounts of the fund can be  
17 completed within six months of the close of each calendar year.

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

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

14 (k) Certification of employer contributions to the fund.--  
15 The board shall, each year in addition to the itemized budget  
16 required under section 5509 (relating to appropriations and  
17 assessments by the Commonwealth), certify, as a percentage of  
18 the members' payroll, the shared-risk contribution rate, the  
19 employers' contributions as determined pursuant to section 5508  
20 (relating to actuarial cost method) necessary for the funding of  
21 prospective annuities for active members and the annuities of  
22 annuitants and certify the rates and amounts of the employers'  
23 normal contributions as determined pursuant to section 5508(b),  
24 accrued liability contributions as determined pursuant to  
25 section 5508(c), supplemental annuities contribution rate as  
26 determined pursuant to section 5508(e), the experience  
27 adjustment factor as determined pursuant to section 5508(f), the  
28 collared contribution rate pursuant to section 5508(h) and the  
29 final contribution rate pursuant to section 5508(i), which shall  
30 be paid to the fund and credited to the appropriate accounts.

1 The board may allocate the final contribution rate and certify  
2 various employer contribution rates and amounts based upon the  
3 different benefit eligibility, class of service multiplier,  
4 superannuation age, final average salary calculation,  
5 compensation limits and other benefit differences resulting from  
6 State service credited for individual members even though such  
7 allocated employer contribution rate on behalf of any given  
8 member may be more or less than 5% of the member's compensation  
9 for the period from July 1, 2010, to June 30, 2011, or may  
10 differ from the prior year's contribution for that member by  
11 more or less than the percentages used to calculate the collared  
12 contribution rate for that year and may be below any minimum  
13 contribution rate established for the collared contribution rate  
14 or final contribution rate. These certifications shall be  
15 regarded as final and not subject to modification by the  
16 Secretary of the Budget.

17 (1) Member contributions.--The board shall cause all pickup  
18 contributions and cash balance member contributions made on  
19 behalf of a member to be credited to the account of the member  
20 and credit to his account any other payment made by such member,  
21 including, but not limited to, amounts collected by the Public  
22 School Employees' Retirement System for the reinstatement of  
23 previous State service or creditable nonstate service and  
24 amounts paid to return benefits paid after the date of return to  
25 State service or entering school service representing lump sum  
26 payments made pursuant to section 5705(a)(4)(iii) or (a.1)  
27 (relating to member's options) and member's annuity payments,  
28 but not including other benefits returned pursuant to section  
29 5706(a.2) or (a.3) (relating to termination of annuities), and  
30 shall pay all such amounts into the fund.

1 (m) Annual financial statement.--The board shall prepare and  
2 have published, on or before July 1 of each year, [a financial  
3 statement] financial statements as of the calendar year ending  
4 December 31 of the previous year showing the condition of the  
5 fund, the trust and the various accounts, including, but not  
6 limited to, the board's accrual and expenditure of directed  
7 commissions, and setting forth such other facts,  
8 recommendations, and data as may be of use in the advancement of  
9 knowledge concerning annuities and other benefits provided by  
10 this part. The board shall submit said financial [statement]  
11 statements to the Governor and shall file copies with the head  
12 of each department for the use of the State employees and the  
13 public.

14 (n) Independent [audit] audits.--The board shall provide for  
15 [an annual audit] annual audits of the system and the plan by  
16 [an] independent certified public [accountant, which audit]  
17 accountants. The audits shall include the board's accrual and  
18 expenditure of directed commissions. The board may use the same  
19 independent certified public accountant for the audits of both  
20 the system and the plan.

21 \* \* \*

22 (p) Additional amounts credited to the members' cash balance  
23 savings accounts.--In addition to cash balance member  
24 contributions and treasury bond interest on the contributions,  
25 the board shall credit to the individual members' cash balance  
26 savings accounts 0% of their compensation. The credited amounts  
27 shall be credited with treasury bond interest. The board shall  
28 further credit to the members' individual savings accounts  
29 excess interest, if any is determined to be creditable, as  
30 determined under subsection (q), allocated proportionally

1 between the cash balance member accumulated deductions and the  
2 percentages of compensation credited under this section, plus  
3 past treasury bond interest and excess interest.

4 (g) Determination of excess interest.--

5 (1) As part of the actuarial valuation made under  
6 subsection (j) for calendar year 2016, and for each  
7 subsequent calendar year, the board shall determine the  
8 amount potentially available from that year for distribution  
9 as excess interest as follows:

10 (i) The amount shall be the product of:

11 (A) one-half of the investment gains and losses,  
12 net of investment and administrative fees and costs,  
13 above or below a rate of return of the annual  
14 interest rate adopted by the board for the  
15 calculation of the normal contribution rate of the  
16 total assets in the fund; and

17 (B) the ratio of:

18 (I) the total amount credited in the cash  
19 balance savings account; to

20 (II) the sum of:

21 (a) the total amount credited in the  
22 cash balance savings account; and

23 (b) the accrued actuarial liability of  
24 all benefits derived from all the service of  
25 all members in all classes of service other  
26 than Class CB.

27 (ii) The product under subparagraph (i) shall be  
28 available in equal annual installments over five years.

29 (2) After the actuarial valuation made for calendar year  
30 2018 and after the actuarial valuations for each subsequent

1 calendar year, the board shall determine if excess interest  
2 is to be awarded to those active members, inactive members on  
3 leave without pay, and vestees who have Class CB service  
4 credit on the date of the applicable actuarial valuation.

5 (3) For each determination period, excess interest shall  
6 be granted if the sum of the amounts determined under  
7 paragraph (1) for all the years of the determination period  
8 is positive. If the sum is positive, then the percentage rate  
9 of excess interest shall be determined by dividing this sum  
10 by the total amount credited in the cash balance savings  
11 account on the last day of the determination period. Each  
12 member or inactive member on leave without pay who is not a  
13 Class CB exempt employee and who has Class CB cash balance  
14 member accumulated deductions on the last day of the  
15 determination period and who is an active member, inactive  
16 member on leave without pay or vestee on the next following  
17 December 31 shall have excess interest at this rate credited  
18 to his total cash balance accumulated deductions, which shall  
19 be credited proportionally between the cash balance member  
20 accumulated deductions and other amounts credited to his  
21 individual cash balance savings account.

22 (4) The determination period for the period ending with  
23 the actuarial valuation for calendar year 2018 shall be  
24 calendar years 2016, 2017 and 2018. The determination period  
25 for the period ending with the actuarial valuation for  
26 calendar year 2019 shall be calendar years 2016, 2017, 2018  
27 and 2019. The determination period for the periods ending  
28 with calendar year 2020 and subsequent years shall be the  
29 ending year and the four immediately previous calendar years.

30 (r) Participant and employer contributions to the trust.--

1 The board shall, each year in addition to any fees and itemized  
2 budget required under section 5509, certify, as a percentage of  
3 each participant's compensation, the employer defined  
4 contributions, which shall be paid to the trust and credited to  
5 each participant's individual investment account. Certifications  
6 under this subsection shall be regarded as final and not subject  
7 to modification by the Secretary of the Budget. The board shall  
8 cause all mandatory participant contributions made on behalf of  
9 a participant and all voluntary contributions made by a  
10 participant to be credited to the participant's individual  
11 investment account.

12 Section 428. Section 5903(a) and (b) of Title 71 are amended  
13 and the section is amended by adding a subsection to read:

14 § 5903. Duties of the board to advise and report to heads of  
15 departments [and], members and participants.

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

1 practicable after January 1 of each year, the board shall also  
2 advise the heads of departments of the employees for whom,  
3 pursuant to section 5502.1 (relating to waiver of regular member  
4 contributions and Social Security integration member  
5 contributions), pickup contributions are not to be made.

6 (b) Member status statements and certifications.--The board  
7 shall furnish annually to the head of each department on or  
8 before April 1, a statement for each member employed in such  
9 department showing the total accumulated deductions and total  
10 cash balance accumulated deductions standing to his credit as of  
11 December 31 of the previous year and requesting the member to  
12 make any necessary corrections or revisions regarding his  
13 designated beneficiary. In addition, for each member employed in  
14 any department and for whom the department has furnished the  
15 necessary information, the board shall certify the number of  
16 years and fractional part of a year of credited service  
17 attributable to each class of service, the number of years and  
18 fractional part of a year attributable to social security  
19 integration credits in each class of service and, in the case of  
20 a member eligible to receive an annuity, the benefit to which he  
21 is entitled upon the attainment of superannuation age.

22 (b.1) Participant status statements.--The board shall  
23 furnish annually to each participant, by April 1 and more  
24 frequently as the board may agree or as required by law, a  
25 statement for each participant in the plan showing the  
26 accumulated total defined contributions credited to the  
27 participant's individual investment account, the nature and type  
28 of investments and the investment allocation of future  
29 contributions as of December 31 of the previous year and shall  
30 request the participant to make any necessary correction or



1 revision regarding the designated beneficiary.

2 \* \* \*

3 Section 429. Section 5904(c) of Title 71 is amended to read:

4 § 5904. Duties of the board to report to the Public School

5 Employees' Retirement Board.

6 \* \* \*

7 (c) Applications for benefits for school employees.--Upon  
8 receipt of notification and the required data from the Public  
9 School Employees' Retirement Board that a former State employee  
10 who elected multiple service has applied for a public school  
11 employees' retirement benefit or, in the event of his death, his  
12 legally constituted representative has applied for such benefit,  
13 the board shall:

14 (1) certify to the Public School Employees' Retirement  
15 Board;

16 (i) the salary history as a member of the State  
17 Employees' Retirement System and the final average salary  
18 as calculated on the basis of the compensation received  
19 as a State and school employee; and

20 (ii) the annuity or benefit to which the member or  
21 his beneficiary is entitled as modified according to the  
22 option selected; and

23 (2) transfer to the Public School Employees' Retirement  
24 Fund the total accumulated deductions and cash balance member  
25 accumulated deductions standing to such member's credit and  
26 the actuarial reserve required on account of years of  
27 credited service in the State system, final average salary  
28 determined on the basis of his compensation as a member in  
29 both systems and the average noncovered salary to be charged  
30 to the State accumulation account, the State Police benefit

1 account or the enforcement officers' benefit account, as each  
2 case may require.

3 \* \* \*

4 Section 430. Section 5905(b), (c.1), (e), (e.1), (f) and (g)  
5 of Title 71 are amended and the section is amended by adding  
6 subsections to read:

7 § 5905. Duties of the board regarding applications and  
8 elections of members.

9 \* \* \*

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

16 (1) in case of a member receiving an annuity from the  
17 system:

18 (i) discontinue payments, transfer the present value  
19 of the member's annuity other than any portion of the  
20 member's annuity derived from cash balance member  
21 accumulated deductions at the time of entering school  
22 service, plus the amount withdrawn in a lump sum payment,  
23 on or after the date of entering school service, pursuant  
24 to section 5705 (relating to member's options), with  
25 statutory interest to date of transfer, minus the amount  
26 to be returned to the board on account of return to  
27 service, that the board has determined is to be credited  
28 in the members' savings account, from the annuity reserve  
29 account to the members' savings account and resume  
30 crediting of statutory interest on the amount restored to

1 his credit[;] and make a similar transfer of the present  
2 value of any portion of the member's annuity derived from  
3 cash balance member accumulated deductions from the  
4 annuity reserve account to the cash balance savings  
5 account and resume crediting of treasury bond interest on  
6 the amount so restored;

7 (ii) transfer the balance of the present value of  
8 the total annuity, minus the amount to be returned to the  
9 board on account of return to service that the board has  
10 determined is to be credited in the State accumulation  
11 account and the cash balance savings account, from the  
12 annuity reserve account to the State accumulation  
13 account; and

14 (iii) certify to the member the amount of lump sum  
15 and annuity payments with statutory interest the member  
16 is to return to the board and, of those amounts, which  
17 amount shall be credited to the members' savings account  
18 or the cash balance savings account and credited with  
19 statutory interest or treasury bond interest as such  
20 payments are returned and which amount shall be credited  
21 to the State accumulation account; or

22 (2) in case of a member who is not receiving an annuity  
23 and has not withdrawn his total accumulated deductions and  
24 cash balance member accumulated deductions, continue or  
25 resume the crediting of statutory interest on his total  
26 accumulated deductions and treasury bond interest on his  
27 total cash balance accumulated deductions during the period  
28 his total accumulated deductions and cash balance member  
29 accumulated deductions remain in the fund; or

30 (3) in case of a former State employee who is not

1 receiving an annuity from the system and his total  
2 accumulated deductions were withdrawn, certify to the former  
3 State employee the accumulated deductions as they would have  
4 been at the time of his separation had he been a full  
5 coverage member together with statutory interest for all  
6 periods of subsequent State service eligible for membership  
7 in the system and school service as a member of the Public  
8 School Employees' Retirement System to the date of repayment.  
9 Such amount shall be restored by him and shall be credited  
10 with statutory interest as such payments are restored.

11 \* \* \*

12 (c.1) Termination of service by a member.--In the case of  
13 any member terminating State service who is entitled to an  
14 annuity and who is not then a disability annuitant, the board  
15 shall advise such member in writing of any benefits from the  
16 system to which he may be entitled under the provisions of this  
17 part and shall have the member prepare, on or before the date of  
18 termination of State service, one of the following three forms,  
19 a copy of which shall be given to the member and the original of  
20 which shall be filed with the board:

21 (1) an application for the return of total accumulated  
22 deductions and cash balance member accumulated deductions;

23 (2) if eligible, an election to vest his retirement  
24 rights and, if he is a joint coverage member and so desires,  
25 elect to become a full coverage member and agree to pay  
26 within 30 days of the date of termination of service the lump  
27 sum required; or

28 (3) if eligible, an application for an immediate annuity  
29 and, if he desires:

30 (i) an election to convert his medical, major

1 medical and hospitalization insurance coverage to the  
2 plan for State annuitants; and

3 (ii) if he is a joint coverage member, an election  
4 to become a full coverage member and an agreement to pay  
5 within 30 days of date of termination of service the lump  
6 sum required.

7 (c.2) Termination of service by a participant.--In the case  
8 of a participant terminating State service, the board shall  
9 advise the participant in writing, of the vested accumulated  
10 total defined contributions credited to the participant's  
11 individual investment account as of the date stated in the  
12 writing, any notices regarding rollover or other matters  
13 required by IRC or other law, the obligation of the participant  
14 to commence distributions from the plan by the participant's  
15 required beginning date and the ability to receive all or part  
16 of the vested balance in the participant's individual investment  
17 account in a lump sum or in such other form as the board may  
18 authorize or as required by law.

19 (e) Certification to vestees and special vestees terminating  
20 service.--The board shall certify to a vestee or to a special  
21 vestee within one year of termination of State service of such  
22 member:

23 (1) the total accumulated deductions and total cash  
24 balance accumulated deductions standing to his credit at the  
25 date of termination of service;

26 (2) the number of years and fractional part of a year of  
27 credit in each class of service; and

28 (3) the maximum single life annuity to which the vestee  
29 or special vestee shall become entitled upon the attainment  
30 of superannuation age and the filing of an application for

1 such annuity.

2 (4) the obligation of the member to commence  
3 distribution by the member's required beginning date.

4 (e.1) Notification to vestees and special vestees  
5 approaching superannuation age.--The board shall notify each  
6 vestee and special vestee who is not an active participant or  
7 inactive participant on leave without pay in writing 90 days  
8 prior to his attainment of superannuation age that he shall  
9 apply for his annuity within 90 days of attainment of  
10 superannuation age; that, if he does so apply, his effective  
11 date of retirement will be the date of attainment of  
12 superannuation age; that, if he does not so apply but defers his  
13 application to a later date, then he has an obligation to apply  
14 by his required beginning date and that his effective date of  
15 retirement will be the later of the date of filing such  
16 application or the date specified on the application[, whichever  
17 is later; and that, if he does not file an application within  
18 seven years after attaining superannuation age, he shall be  
19 deemed to have elected to receive his total accumulated  
20 deductions upon attainment of superannuation age.] which shall  
21 not be later than his required beginning date.

22 (e.2) Notification to inactive participants approaching  
23 required beginning date.--The board shall notify in writing each  
24 inactive participant who has terminated State service and has  
25 not commenced distribution by 90 days before the participant's  
26 required beginning date, that the inactive participant has an  
27 obligation to commence distributions by the required beginning  
28 date in a form and manner required by IRC § 401(a)(9) and other  
29 applicable provisions of the IRC.

30 (f) Initial annuity payment and certification.--The board

1 shall make the first monthly payment to a member who is eligible  
2 for an annuity within 60 days of the filing of his application  
3 for an annuity or, in the case of a vestee or special vestee who  
4 has deferred the filing of his application to a date later than  
5 90 days following attainment of superannuation age, within 60  
6 days of the effective date of retirement, and receipt of the  
7 required data from the head of the department and, if the member  
8 has Class G, Class H, Class I, Class J, Class K, Class L, Class  
9 M or Class N service, any data required from the county  
10 retirement system or pension plan to which the member was a  
11 contributor before being a State employee. Concurrently, the  
12 board shall certify to such member:

13 (1) the total accumulated deductions and total cash  
14 balance accumulated deductions standing to his credit showing  
15 separately the amount contributed by the member, the pickup  
16 contribution and the interest credited to the date of  
17 termination of service;

18 (2) the number of years and fractional part of a year  
19 credited in each class of service;

20 (3) the final average salary on which his annuity is  
21 based as well as any applicable reduction factors due to age  
22 and/or election of an option; and

23 (4) the total annuity payable under the option elected  
24 and the amount and effective date of any future reduction  
25 under section 5703 (relating to reduction of annuities on  
26 account of social security old-age insurance benefits).

27 (f.1) Initial payment to participants.--The board shall make  
28 the initial payment to a participant who has applied for a  
29 distribution within 60 days of the receipt of all information  
30 necessary to process the application for a distribution.

1 (g) Death benefits.--Upon receipt of notification from the  
2 head of a department of the death of an active member, a member  
3 performing USERRA leave [or], a member on leave without pay, an  
4 active participant, an inactive participant on leave without pay  
5 or a former participant performing USERRA leave, the board shall  
6 advise the designated beneficiary of the benefits to which he is  
7 entitled, and shall make the first payment to the beneficiary  
8 within 60 days of receipt of certification of death and other  
9 necessary data. If no beneficiary designation is in effect at  
10 the date of the member's death or no notice has been filed with  
11 the board to pay the amount of the benefits to the member's  
12 estate, the board is authorized to pay the benefits to the  
13 executor, administrator, surviving spouse or next of kin of the  
14 deceased member, and payment pursuant hereto shall fully  
15 discharge the fund from any further liability to make payment of  
16 such benefits to any other person. If the surviving spouse or  
17 next of kin of the deceased member cannot be found for the  
18 purpose of paying the benefits for a period of seven years from  
19 the date of death of the member, then the benefits shall be  
20 escheated to the Commonwealth for the benefit of the fund. If no  
21 beneficiary designation is in effect at the date of a  
22 participant's death or no notice has been filed with the board  
23 to pay the amount of the benefits to the participant's estate,  
24 the board may pay the benefits to the surviving spouse,  
25 executor, administrator or next of kin of the deceased  
26 participant and payment pursuant hereto shall fully discharge  
27 the fund from any further liability to make payment of such  
28 benefits to any other person.

29 \* \* \*

30 Section 431. Section 5905.1(a), (b) and (d) of Title 71 are



1 amended to read:

2 § 5905.1. Installment payments of accumulated deductions.

3 (a) General rule.--Notwithstanding any other provision of  
4 this part, whenever a member elects to withdraw his total  
5 accumulated deductions and cash balance member accumulated  
6 deductions pursuant to section 5311(a) (relating to eligibility  
7 for refunds) or 5701 (relating to return of total accumulated  
8 deductions and cash balance member accumulated deductions) or  
9 elects to receive a portion of his benefit payable as a lump sum  
10 pursuant to section 5705(a) (4) (iii) or (a.1) (relating to  
11 member's options), the member may elect to receive the amount in  
12 not more than four installments.

13 (b) Payment of first installment.--The payment of the first  
14 installment shall be made in the amount and within seven days of  
15 the date specified by the member, except as follows:

16 (1) Upon receipt of a member's application to withdraw  
17 his total accumulated deductions and cash balance member  
18 accumulated deductions as provided in section 5311(a) or 5701  
19 and upon receipt of all required data from the head of the  
20 department and, if the member has Class G, Class H, Class I,  
21 Class J, Class K, Class L, Class M or Class N service, any  
22 data required from the county retirement system or pension  
23 plan to which the member was a contributor before being  
24 transferred to State employment, the board shall not be  
25 required to pay the first installment prior to 45 days after  
26 the filing of the application and the receipt of the data or  
27 the date of termination of service, whichever is later.

28 (2) In the case of an election as provided in section  
29 5705(a) (4) (iii) or (a.1) by a member terminating service  
30 within 60 days prior to the end of a calendar year and upon

1 receipt of all required data from the head of the department  
2 and, if the member has Class G, Class H, Class I, Class J,  
3 Class K, Class L, Class M or Class N service, any data  
4 required from the county retirement system or pension plan to  
5 which the member was a contributor before being transferred  
6 to State employment, the board shall not be required to pay  
7 the first installment prior to 21 days after the later of the  
8 filing of the application and the receipt of the data or the  
9 date of termination of service, but, unless otherwise  
10 directed by the member, the payment shall be made no later  
11 than 45 days after the filing of the application and the  
12 receipt of the data or the date of termination of service,  
13 whichever is later.

14 (3) In the case of an election as provided in section  
15 5705(a)(4)(iii) or (a.1) by a member who is not terminating  
16 service within 60 days prior to the end of a calendar year  
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 \* \* \*

27 (d) [Statutory interest] Interest.--Any lump sum, including  
28 a lump sum payable pursuant to section 5705.1 (relating to  
29 payment of accumulated deductions resulting from [Class A-3 and  
30 Class A-4] more than one class of service), or installment

1 payable shall include statutory interest credited to the date of  
2 payment on all amounts other than payment of cash balance member  
3 accumulated deductions which shall include treasury bond  
4 interest credited to the date of payment, except in the case of  
5 a member, other than a vestee or special vestee, who has not  
6 filed his application prior to 90 days following his termination  
7 of service.

8 Section 432. Sections 5906(a), (b), (c), (d), (e), (g), (h),  
9 (i), (j) and (l) and 5907(a), (c), (d), (e), (f), (g), (h) and  
10 (i) of Title 71 are amended and the sections are amended by  
11 adding subsections to read:

12 § 5906. Duties of heads of departments.

13 (a) Status of members and participants.--The head of  
14 department shall, at the end of each pay period, notify the  
15 board in a manner prescribed by the board of salary changes  
16 effective during that period for any members and participants of  
17 the department, the date of all removals from the payroll, and  
18 the type of leave of any members and participants of the  
19 department who have been removed from the payroll for any time  
20 during that period, and:

21 \* \* \*

22 (i) in the case of death of the member or  
23 participant the head of the department shall so notify  
24 the board;

25 (ii) in the case of a service connected disability  
26 of a member the head of department shall, to the best of  
27 his ability, investigate the circumstances surrounding  
28 the disablement of the member and submit in writing to  
29 the board information which shall include but not  
30 necessarily be limited to the following: date, place and

1 time of disablement to the extent ascertainable; nature  
2 of duties being performed at such time; and whether or  
3 not the duties being performed were authorized and  
4 included among the member's regular duties. In addition,  
5 the head of department shall furnish in writing to the  
6 board all such other information as may be related to the  
7 member's disablement;

8 \* \* \*

9 (b) Records and information.--At any time at the request of  
10 the board and at termination of service of a member or a  
11 participant, the head of department shall furnish service and  
12 compensation records and such other information as the board may  
13 require and shall maintain and preserve such records as the  
14 board may direct for the expeditious discharge of its duties.

15 (c) Member contributions.--The head of department shall  
16 cause the required pickup contributions and cash balance member  
17 contributions for current service to be made and shall cause to  
18 be deducted any other required member contributions, including,  
19 but not limited to, contributions owed by an active member with  
20 multiple service membership for school service and creditable  
21 nonschool service in the Public School Employees' Retirement  
22 System and amounts certified by the Public School Employees'  
23 Retirement Board as due and owing on account of termination of  
24 annuities, from each payroll. The head of department shall  
25 notify the board at times and in a manner prescribed by the  
26 board of the compensation of any noneligible member to whom the  
27 limitation under IRC § 401(a)(17) either applies or is expected  
28 to apply and shall cause such member's contributions deducted  
29 from payroll to cease at the limitation under IRC § 401(a)(17)  
30 on the payroll date if and when such limit shall be reached. The

1 head of department shall certify to the State Treasurer the  
2 amounts picked up and deducted amounts of cash balance member  
3 contributions deducted and shall send the total amount picked up  
4 [and] or deducted together with a duplicate of such voucher to  
5 the secretary of the board every pay period. The head of  
6 department shall pay pickup contributions and cash balance  
7 member contributions from the same source of funds which is used  
8 to pay other compensation to the employee. On or before January  
9 31, 1997, and on or before January 31 of each year thereafter,  
10 the head of department shall, at the time when the income and  
11 withholding information required by law is furnished to each  
12 member, also furnish the amount of pickup contributions and cash  
13 balance member contributions made on his behalf and notify the  
14 board, if it has not been previously notified, of any  
15 noneligible member whose compensation in the preceding year  
16 exceeded the annual compensation limit under IRC § 401(a)(17).  
17 If the board shall determine that the member's savings account  
18 or cash balance savings account shall have been credited with  
19 pickup contributions or cash balance member contributions for a  
20 noneligible member in the preceding year which are attributable  
21 to compensation in excess of the limitation under IRC § 401(a)  
22 (17), or with total member contributions including contributions  
23 as a result of Class CB service for such member which would  
24 cause such member's contributions or benefits to exceed any  
25 applicable limitation under IRC § 401(a)(17) or 415(b), the  
26 board shall as soon as practicable refund to the member from his  
27 individual member account such amount, together with the  
28 statutory interest or treasury bond interest thereon, as will  
29 cause the member's total member contributions including  
30 contributions as a result of Class CB service in the preceding

1 year not to exceed the applicable limit. The payment of any such  
2 refund to the member shall be charged to the member's savings  
3 account or the member's individual cash balance savings account,  
4 as the case may be.

5 (c.1) Participant and employer defined contributions.--The  
6 head of the department shall:

7 (1) Cause the mandatory participant contributions on  
8 behalf of a participant to be made and cause to be deducted  
9 any voluntary contributions authorized by a participant.

10 (2) Cause the employer defined contributions on behalf  
11 of a participant to be made.

12 (3) Notify the board at times and in a manner prescribed  
13 by the board of the compensation of any participant to whom  
14 the limitation under IRC § 401(a)(17) either applies or is  
15 expected to apply and cause the participant's contributions  
16 to be deducted from payroll to cease at the limitation under  
17 IRC § 401(a)(17) on the payroll date if and when such limit  
18 shall be reached.

19 (4) Certify to the State Treasurer the amounts deducted  
20 and the employer defined contributions being made and send  
21 the total amount picked up, deducted and contributed together  
22 with a duplicate of the voucher to the secretary of the board  
23 every pay period or on such schedule as established by the  
24 board.

25 (d) New employees subject to mandatory membership or  
26 participation.--Upon the assumption of duties of each new State  
27 employee whose membership in the system or plan is mandatory,  
28 the head of department shall cause an application for membership  
29 or participation and a nomination of beneficiary to be made by  
30 such employee and filed with the board and shall make pickup

1 contributions, cash balance member contributions or mandatory  
2 participant contributions from the effective date of State  
3 employment.

4 (e) New employees subject to optional membership or  
5 participation.--The head of department shall, upon the  
6 employment or entering into office of any State employee whose  
7 membership in the system or participation in the plan is not  
8 mandatory, inform such employee of his opportunity to become a  
9 member of the system or participant in the plan. If such  
10 employee so elects, the head of department shall cause an  
11 application for membership or participation and a nomination of  
12 beneficiary to be made by him and filed with the board and shall  
13 cause proper contributions to be made from the effective date of  
14 membership or participation.

15 \* \* \*

16 (g) Former school employee contributors.--

17 (1) The head of department shall, upon the employment of  
18 a former contributor to the Public School Employees'  
19 Retirement System who is not an annuitant of the Public  
20 School Employees' Retirement System, advise such employee of  
21 his right to elect within 365 days of entry into the system  
22 to become a multiple service member, and in the case of any  
23 such employee who so elects and has withdrawn his accumulated  
24 deductions, require him to reinstate his credit in the Public  
25 School Employees' Retirement System. The head of the  
26 department shall advise the board of such election.

27 (2) Paragraph (1) shall not apply to a State employee  
28 who has only Class CB service credit in the system or who has  
29 only Class T-I credit in the Public School Employees'  
30 Retirement System.

1 (h) Former school employee annuitants.--

2 (1) The head of department shall, upon the employment of  
3 an annuitant of the Public School Employees' Retirement  
4 System who applies for membership in the system, advise such  
5 employee that he may elect multiple service membership within  
6 365 days of entry into the system and if he so elects his  
7 public school employee's annuity will be discontinued  
8 effective upon the date of his return to State service and,  
9 upon termination of State service and application for an  
10 annuity, the annuity will be adjusted in accordance with  
11 section 5706 (relating to termination of annuities). The head  
12 of department shall advise the board of such election.

13 (2) Paragraph (1) shall not apply to a State employee  
14 who has only Class CB service credit in the system or who has  
15 only Class T-I credit in the Public School Employees'  
16 Retirement System.

17 (i) Annual statement to members.--Annually, upon receipt  
18 from the board, the head of department shall furnish to each  
19 member the statement specified in section 5903(b) (relating to  
20 duties of the board to advise and report to heads of departments  
21 [and], members and participants).

22 (j) Termination of service.--The head of department shall,  
23 in the case of any member who does not have Class CB service,  
24 who is terminating State service and who is ineligible for an  
25 annuity before attainment of superannuation age, advise such  
26 member in writing of any benefits to which he may be entitled  
27 under the provisions of this part and shall have the member  
28 prepare, on or before the date of termination of State service,  
29 an application for the return of total accumulated deductions  
30 or, on or before September 30, 1997, an application to be vested



1 as a special vestee, if eligible.

2 \* \* \*

3 (1) State employees performing USERRA or military-related  
4 leave of absence.--The head of department shall report to the  
5 board any State employee who ceases to be an active member or  
6 active participant to perform USERRA service, or who is granted  
7 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves  
8 of absence for certain government employees) or a military leave  
9 of absence under 51 Pa.C.S. § 7302 (relating to granting  
10 military leaves of absence), the date on which the USERRA  
11 service, leave of absence or military leave of absence began,  
12 the date on which the State employee is reemployed from USERRA  
13 leave or returns after the leave of absence or military leave of  
14 absence, if the event occurs, and any other information the  
15 board may require or direct.

16 \* \* \*

17 § 5907. Rights and duties of State employees and members.

18 (a) Information on new employees.--Upon his assumption of  
19 duties or becoming a participant each new State employee or  
20 participant shall furnish the head of department with a complete  
21 record of his previous State service, his school service or  
22 creditable nonstate service, and proof of his date of birth and  
23 current status in the system and the plan and in the Public  
24 School Employees' Retirement System and the School Employees'  
25 Defined Contribution Plan. Willful failure to provide the  
26 information required by this subsection to the extent available  
27 upon entrance into the system shall result in the forfeiture of  
28 the right of the member to subsequently assert any right to  
29 benefits based on any of the required information which he  
30 failed to provide. In any case in which the board finds that a

1 member is receiving an annuity based on false information, the  
2 total amount received predicated on such false information  
3 together with statutory interest doubled and compounded shall be  
4 deducted from the present value of any remaining benefits to  
5 which the member is legally entitled.

6 \* \* \*

7 (b.1) Application for participation.--On or after January 1,  
8 2016, in the case of an employee who is not currently a  
9 participant in the plan and whose participation is mandatory, or  
10 in the case of an employee whose participation is not mandatory  
11 but is permitted and who desires to become a participant in the  
12 plan, the employee shall execute an application for  
13 participation and a nomination of a beneficiary.

14 (c) Multiple service membership.--[Any active member] Any  
15 State employee who is an active member in a class of service  
16 other than Class CB and who was formerly an active member in the  
17 Public School Employees' Retirement System in a class of service  
18 other than Class T-I may elect to become a multiple service  
19 member. Such election shall occur no later than 365 days after  
20 becoming an active member in this system. A State employee who  
21 is eligible to elect to become a multiple service member who  
22 begins USERRA leave during the election period without having  
23 elected multiple service membership may make the election within  
24 365 days after being reemployed from USERRA leave.

25 (d) Credit for previous service or change in membership  
26 status.--Any active member or eligible school employee who  
27 desires to receive credit for the portion of his total previous  
28 State service or creditable nonstate service to which he is  
29 entitled, or a joint coverage member who desires to become a  
30 full coverage member, shall so notify the board and upon written

1 agreement by the member and the board as to the manner of  
2 payment of the amount due, the member shall receive credit for  
3 such service as of the date of such agreement.

4 \* \* \*

5 (d.2) Contributions for USERRA leave.--Any active  
6 participant or inactive participant on leave without pay or  
7 former participant who was reemployed from USERRA leave who  
8 desires to make mandatory participant contributions and  
9 voluntary contributions for his USERRA leave shall so notify the  
10 board within the time period required under 38 U.S.C. Ch. 43  
11 (relating to employment and reemployment rights of members of  
12 the uniformed services) and IRC § 414(u) of his desire to make  
13 such contributions. Upon making the permitted mandatory  
14 participant contributions within the allowed time period, the  
15 head of the department shall make the corresponding employer  
16 defined contributions at the same time.

17 (d.3) Voluntary contributions by a participant.--Any  
18 participant who desires to make voluntary contributions to be  
19 credited to his individual investment account shall notify the  
20 board and, upon compliance with the requirements, procedures and  
21 limitations established by the board in the plan document, may  
22 do so subject to the limitations under IRC §§ 401(a) and 415 and  
23 other applicable law.

24 (e) Beneficiary for death benefits from system.--Every  
25 member shall nominate a beneficiary by written designation filed  
26 with the board as provided in section 5906(d) or (e) (relating  
27 to duties of heads of departments) to receive the death benefit  
28 payable under section 5707 (relating to death benefits) or the  
29 benefit payable under the provisions of Option 1 of section  
30 5705(a)(1) (relating to member's options). Such nomination may

1 be changed at any time by the member by written designation  
2 filed with the board. A member may also nominate a contingent  
3 beneficiary or beneficiaries to receive the death benefit  
4 provided under section 5707 or the benefit payable under the  
5 provisions of Option 1 of section 5705(a)(1).

6 (e.1) Beneficiary for death benefits from the plan.--Every  
7 participant shall nominate a beneficiary by written designation  
8 filed with the board as provided in section 5906(d) or (e) to  
9 receive the death benefit payable under section 5408 (relating  
10 to death benefits). A participant may also nominate a contingent  
11 beneficiary or beneficiaries to receive the death benefit  
12 provided under section 5408. Such nomination may be changed at  
13 any time by the participant by written designation filed with  
14 the board.

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

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

24 (1) withdraw his total accumulated deductions and cash  
25 balance member accumulated deductions; or

26 \* \* \*

27 (g) Vesting of retirement rights.--If a member elects to  
28 vest his retirement rights he shall nominate a beneficiary by  
29 written designation filed with the board and, if the member is  
30 not an active participant or inactive participant on leave

1 without pay, he may anytime thereafter but no later than his  
2 required beginning date, withdraw the total accumulated  
3 deductions and cash balance member accumulated deductions  
4 standing to his credit or apply for an annuity.

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

12 (h) Vestees and special vestees attaining superannuation  
13 age.--Upon attainment of superannuation age a vestee or special  
14 vestee who is not an active participant or inactive participant  
15 on leave without pay shall execute and file an application for  
16 an annuity. Any such application filed within 90 days after  
17 attaining superannuation age shall be effective as of the date  
18 of attainment of superannuation age. Any application filed after  
19 such period shall be filed by the member's required beginning  
20 date and shall be effective as of the date it is filed with the  
21 board, subject to the provisions of section 5905(f) (relating to  
22 duties of the board regarding applications and elections of  
23 members and participants). If a vestee or special vestee who is  
24 not an active participant or inactive participant on leave  
25 without pay does not file an application within seven years  
26 after attaining superannuation age, he shall be deemed to have  
27 elected to receive his total accumulated deductions upon  
28 attainment of superannuation age.

29 (i) Failure to apply for annuity.--If a member is eligible  
30 to receive an annuity and does not file a proper application

1 within 90 days of termination of service, his annuity will  
2 become effective as of the later of the date the application is  
3 filed with the board or the date designated on the application  
4 [whichever is later] which shall not be later than his required  
5 beginning date.

6 \* \* \*

7 Section 433. Sections 5931(b), 5932, 5933(a), 5934, 5935,  
8 5936, 5937, 5938 and 5939 of Title 71 are amended to read:

9 § 5931. Management of fund and accounts.

10 \* \* \*

11 (b) Crediting of interest.--The board, annually, shall allow  
12 the required interest on the mean amount for the preceding year  
13 to the credit of each of the accounts other than the individual  
14 investment accounts and except excess interest credited to the  
15 cash balance savings account. The amount so allowed shall be  
16 credited thereto by the board and transferred from the interest  
17 reserve account. Excess interest, if any, shall be credited to  
18 the cash balance savings account as set forth in section 5902(q)  
19 (relating to administrative duties of the board).

20 \* \* \*

21 § 5932. State Employees' Retirement Fund.

22 (a) General rule.--The fund shall consist of all balances in  
23 the several separate accounts set apart to be used under the  
24 direction of the board for the benefit of members of the system;  
25 and the Treasury Department shall credit to the fund all moneys  
26 received from the Department of Revenue arising from the  
27 contributions relating to or on behalf of members of the system  
28 required under the provisions of Chapter 55 (relating to  
29 contributions), and any income earned by the investments or  
30 moneys of said fund. There shall be established and maintained

1 by the board the several ledger accounts specified in sections  
2 5933 (relating to members' savings account), 5934 (relating to  
3 State accumulation account), 5935 (relating to annuity reserve  
4 account), 5936 (relating to State Police benefit account), 5937  
5 (relating to enforcement officers' benefit account), 5938  
6 (relating to supplemental annuity account) and 5939 (relating to  
7 interest reserve account) and 5942 (relating to cash balance  
8 savings account).

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

17 § 5933. Members' savings account.

18 (a) Credits to account.--The members' savings account shall  
19 be the ledger account to which shall be credited the amounts of  
20 the pickup contributions made by the Commonwealth or other  
21 employer and contributions or lump sum payments made by active  
22 members, other than for Class CB service, in accordance with the  
23 provisions of sections 5501 (relating to regular member  
24 contributions and cash balance member contributions for current  
25 service), 5501.1 (relating to shared-risk member contributions  
26 [for Class A-3 and Class A-4 service] and shared-gain  
27 adjustments to regular member contributions for Class A-3 and  
28 Class A-4 service), 5502 (relating to social security  
29 integration member contributions), 5503 (relating to joint  
30 coverage member contributions), 5504 (relating to member

1 contributions for the purchase of credit for previous State  
2 service or to become a full coverage member), 5505.1 (relating  
3 to additional member contributions) and 5505 (relating to  
4 contributions for the purchase of credit for creditable nonstate  
5 service) and transferred from the members' savings account of  
6 the Public School Employees' Retirement System in accordance  
7 with the provisions of section 5303.2 (relating to election to  
8 convert school service to State service).

9 \* \* \*

10 § 5934. State accumulation account.

11 The State accumulation account shall be the ledger account to  
12 which shall be credited all contributions of the Commonwealth or  
13 other employers whose employees are members of the system and  
14 made in accordance with the provisions of section 5507(a) or (d)  
15 (relating to contributions to the system by the Commonwealth and  
16 other employers) except that the amounts received under the  
17 provisions of the act of May 12, 1943 (P.L.259, No.120), and the  
18 amounts received under the provisions of the Liquor Code, act of  
19 April 12, 1951 (P.L.90, No.21), shall be credited to the State  
20 Police benefit account or the enforcement officers' benefit  
21 account as the case may be. All amounts transferred to the fund  
22 by county retirement systems or pension plans in accordance with  
23 the provisions of section 5507(c) also shall be credited to the  
24 State accumulation account. All amounts transferred to the fund  
25 by the Public School Employees' Retirement System in accordance  
26 with section 5303.2(e) (relating to election to convert school  
27 service to State service), except amounts credited to the  
28 members' savings account, and all amounts paid by the Department  
29 of Corrections in accordance with section 5303.2(f) also shall  
30 be credited to the State accumulation account. The State



1 accumulation account shall be credited with valuation interest.  
2 The reserves necessary for the payment of annuities and death  
3 benefits resulting from membership in the system as approved by  
4 the board and as provided in Chapter 57 (relating to benefits),  
5 other than annuities and benefits resulting from Class CB  
6 service, shall be transferred from the State accumulation  
7 account to the annuity reserve account provided for in section  
8 5935 (relating to annuity reserve account), except that the  
9 reserves necessary on account of a member who is an officer of  
10 the Pennsylvania State Police or an enforcement officer shall be  
11 transferred from the State accumulation account to the State  
12 Police benefit account provided for in section 5936 (relating to  
13 State Police benefit account) or to the enforcement officers'  
14 benefit account as provided for in section 5937 (relating to  
15 enforcement officers' benefit account) as the case may be. The  
16 reserves necessary for the payment of supplemental annuities in  
17 excess of those reserves credited to the supplemental annuity  
18 account on June 30, 2010, shall be transferred from the State  
19 accumulation account to the supplemental annuity account. In the  
20 event that supplemental annuities are increased by legislation  
21 enacted after December 31, 2009, the necessary reserves shall be  
22 transferred from the State accumulation account to the  
23 supplemental annuity account. The amounts credited to the  
24 members' individual cash balance savings accounts as provided  
25 for in section 5902(p) shall be transferred from the State  
26 accumulation account.

27 § 5935. Annuity reserve account.

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

1 account of all annuitants except in the case of members who are  
2 officers of the Pennsylvania State Police or enforcement  
3 officers. The annuity reserve account shall be credited with  
4 valuation interest. After the transfers provided in sections  
5 5933 (relating to members' savings account), 5934 (relating to  
6 State accumulation account) [and], 5938 (relating to  
7 supplemental annuity account) and 5942 (relating to cash balance  
8 savings account), all annuity and death benefit payments  
9 resulting from membership in the system except those payable to  
10 any member who retires as an officer of the Pennsylvania State  
11 Police or an enforcement officer shall be charged to the annuity  
12 reserve account and paid from the fund.

13 (b) Transfers from account.--Should an annuitant other than  
14 a member who was retired as an officer of the Pennsylvania State  
15 Police or an enforcement officer be subsequently restored to  
16 active service as a member of the system or as a participant in  
17 the plan, the present value of his member's annuity at the time  
18 of reentry into State service shall be transferred from the  
19 annuity reserve account and placed to his individual credit in  
20 the members' savings account or individual cash balance savings  
21 account, as appropriate. In addition, the actuarial reserve for  
22 his annuity based on all classes of credited service other than  
23 Class CB less the amount transferred to the members' savings  
24 account shall be transferred from the annuity reserve account to  
25 the State accumulation account. The present value of the annuity  
26 provided by section 5702(a) (7) (relating to maximum single life  
27 annuity) at the time of reentry in State service shall be  
28 transferred from the annuity reserve account and placed to the  
29 member's individual credit in the cash balance savings account.  
30 § 5936. State Police benefit account.

1 (a) Credits and charges to account.--The State Police  
2 benefit account shall be the ledger account to which shall be  
3 credited all contributions received under the provisions of the  
4 act of May 12, 1943 (P.L.259, No.120), referred to as the  
5 Foreign Casualty Insurance Premium Tax Allocation Law, and any  
6 additional Commonwealth or other employer contributions provided  
7 for in section 5507 (relating to contributions to the system by  
8 the Commonwealth and other employers) which are creditable to  
9 the State Police benefit account. The State Police benefit  
10 account shall be credited with the required interest. In  
11 addition, upon the filing of an application for an annuity by a  
12 member who is an officer of the Pennsylvania State Police, the  
13 total accumulated deductions standing to the credit of the  
14 member in the members' savings account, the total cash balance  
15 accumulated deductions standing to the credit of the member in  
16 the cash balance savings account and the necessary reserves from  
17 the State accumulation account shall be transferred to the State  
18 Police benefit account. Thereafter, the total annuity of such  
19 annuitant shall be charged to the State Police benefit account  
20 and paid from the fund.

21 (b) Transfers from account.--Should the said annuitant be  
22 subsequently restored to active service as a member of the  
23 system or as a participant in the plan, the present value of the  
24 member's annuity at the time of reentry into State service shall  
25 be transferred from the State Police benefit account and placed  
26 to his individual credit in the members' savings account or  
27 individual cash balance savings account, as appropriate. In  
28 addition, the actuarial reserve for his annuity, based on all  
29 classes of credited service other than Class CB, calculated as  
30 if he had been a member of Class A if he has Class A or Class C

1 service credited; as if he had been a member of Class A-3 if the  
2 annuitant has Class A-3 State service credited; or as if he had  
3 been a member of Class A-4 if the annuitant has Class A-4  
4 service credited, less the amount transferred to the members'  
5 savings account shall be transferred from the State Police  
6 benefit account to the State accumulation account. The present  
7 value of the annuity provided by section 5702(a)(7) (relating to  
8 maximum single life annuity) at the time of reentry into State  
9 service shall be transferred from the State Police benefit  
10 account and placed to his individual credit in the cash balance  
11 savings account. Upon subsequent retirement other than as an  
12 officer of the Pennsylvania State Police the actuarial reserve  
13 remaining in the State Police benefit account shall be  
14 transferred to the appropriate reserve account.

15 § 5937. Enforcement officers' benefit account.

16 (a) Credits and charges to account.--The enforcement  
17 officers' benefit account shall be the ledger account to which  
18 shall be credited moneys transferred from the enforcement  
19 officers' retirement account in the State Stores Fund according  
20 to the provisions of the act of April 12, 1951 (P.L.90, No.21),  
21 known as the Liquor Code, and any additional Commonwealth or  
22 other employer contributions provided for in section 5507  
23 (relating to contributions to the system by the Commonwealth and  
24 other employers) which are creditable to the enforcement  
25 officers' benefit account. The enforcement officers' benefit  
26 account shall be credited with the required interest. In  
27 addition, upon the filing of an application for an annuity by a  
28 member who is an enforcement officer of the Pennsylvania Liquor  
29 Control Board, the total accumulated deductions standing to the  
30 credit of the member in the members' savings account, the total

1 cash balance accumulated deductions standing to the credit of  
2 the member in the cash balance savings account and the necessary  
3 reserves from the State accumulation account shall be  
4 transferred to the enforcement officers' benefit account.  
5 Thereafter, the total annuity of such annuitant shall be charged  
6 to the enforcement officers' benefit account and paid from the  
7 fund.

8 (b) Transfers from account.--Should the said annuitant be  
9 subsequently restored to active service as a member of the  
10 system or as a participant in the plan, the present value of the  
11 member's annuity at the time of reentry into State service shall  
12 be transferred from the enforcement officers' benefit account  
13 and placed to his individual credit in the members' savings  
14 account or individual cash balance savings account, as  
15 appropriate. In addition, the actuarial reserve for his annuity,  
16 based on all classes of credited service other than Class CB,  
17 calculated as if he had been a member of Class A if the  
18 annuitant does not have any Class AA, Class A-3 or Class A-4  
19 service credited; as if he had been a member of Class AA if the  
20 annuitant does have Class AA service credited; as if he had been  
21 a member of Class A-3 if the annuitant has Class A-3 State  
22 service credited; or as if he had been a member of Class A-4 if  
23 the annuitant has Class A-4 service credited, less the amount  
24 transferred to the members' savings account shall be transferred  
25 from the enforcement officers' benefit account to the State  
26 accumulation account. The present value of the annuity provided  
27 by section 5702(a)(7) (relating to maximum single life annuity)  
28 at the time of reentry into State service shall be transferred  
29 from the enforcement officers' benefit account and placed to his  
30 individual credit in the cash balance savings account. Upon

1 subsequent retirement other than as an enforcement officer the  
2 actuarial reserve remaining in the enforcement officers' benefit  
3 account shall be transferred to the appropriate reserve account.  
4 § 5938. Supplemental annuity account.

5 The supplemental annuity account shall be the ledger account  
6 to which shall be credited all contributions from the  
7 Commonwealth and other employers in accordance with section  
8 5507(b) (relating to contributions to the system by the  
9 Commonwealth and other employers) for the payment of the  
10 supplemental annuities provided in sections 5708 (relating to  
11 supplemental annuities), 5708.1 (relating to additional  
12 supplemental annuities), 5708.2 (relating to further additional  
13 supplemental annuities), 5708.3 (relating to supplemental  
14 annuities commencing 1994), 5708.4 (relating to special  
15 supplemental postretirement adjustment), 5708.5 (relating to  
16 supplemental annuities commencing 1998), 5708.6 (relating to  
17 supplemental annuities commencing 2002), 5708.7 (relating to  
18 supplemental annuities commencing 2003) and 5708.8 (relating to  
19 special supplemental postretirement adjustment of 2002) made  
20 before July 1, 2010, the amount transferred from the State  
21 accumulation account to provide all additional reserves  
22 necessary as of June 30, 2010, to pay such supplemental  
23 annuities and adjustments, and the amounts transferred from the  
24 State accumulation account to provide all additional reserves  
25 necessary as a result of supplemental annuities enacted after  
26 December 31, 2009. The supplemental annuity account shall be  
27 credited with valuation interest. The reserves necessary for the  
28 payment of such supplemental annuities shall be transferred from  
29 the supplemental annuity account to the annuity reserve account  
30 as provided in section 5935 (relating to annuity reserve

1 account).

2 § 5939. Interest reserve account.

3 The interest reserve account shall be the ledger account to  
4 which shall be credited all income earned by the fund and to  
5 which shall be charged all administrative and investment  
6 expenses incurred by the fund. At the end of each year the  
7 required interest shall be transferred from the interest reserve  
8 account to the credit of each of the accounts of the fund in  
9 accordance with the provisions of this subchapter. In addition,  
10 at the end of each accounting period, the interest reserve  
11 account shall be credited or charged with all recognized changes  
12 in the market valuation of the investments of the fund. The  
13 administrative and investment expenses of the board relating to  
14 the administration of the system and investments of the fund  
15 shall be paid from the fund out of earnings. Any surplus or  
16 deficit in the interest reserve account at the end of each year  
17 shall be transferred to the State accumulation account.

18 Section 434. Title 71 is amended by adding a section to  
19 read:

20 § 5942. Cash balance savings account.

21 (a) Credits to account.--The cash balance savings account  
22 shall be the ledger account to which shall be credited the  
23 amounts of the cash balance member contributions made by the  
24 Commonwealth or other employers on behalf of members of Class CB  
25 and additional amounts credited to the individual members' cash  
26 balance savings accounts in accordance with the provisions of  
27 section 5501 (relating to regular member contributions and cash  
28 balance member contributions for current service) and 5902(p)  
29 (relating to administrative duties of the board).

30 (b) Interest and transfers from account.--The cash balance

1 savings account in total and the individual member accounts  
2 shall be credited with treasury bond interest, and if applicable  
3 excess interest. The total cash balance accumulated deductions  
4 credited to a member whose application for an annuity has been  
5 approved shall be transferred from the cash balance savings  
6 account to the annuity reserve account provided for under  
7 section 5935 (relating to annuity reserve account), except in  
8 the case of a member who is an officer of the Pennsylvania State  
9 Police or an enforcement officer the total cash balance  
10 accumulated deductions to his credit shall be transferred from  
11 the cash balance savings account to the State Police benefit  
12 account provided for under section 5936 (relating to State  
13 Police benefit account) or to the enforcement officers' benefit  
14 account provided for under section 5937 (relating to enforcement  
15 officers' benefit account), as the case may be.

16 (c) Charges to account.--Upon the election of a member to  
17 withdraw his cash balance member accumulated deductions without  
18 receiving a benefit or upon payment of a small cash balance  
19 account in a lump sum as provided for under section 5709(d)  
20 (relating to payment of benefits), the payment of such amount  
21 shall be charged to the individual member's cash balance savings  
22 account. Any amounts remaining in an individual member's cash  
23 balance savings account after these charges shall be transferred  
24 to the State accumulation account.

25 Section 435. Sections 5951, 5953, 5953.1, 5953.2, 5953.3 and  
26 5953.4(a) of Title 71 are amended to read:

27 § 5951. State guarantee regarding the State Employees'  
28 Retirement System.

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



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

9 § 5953. Taxation, attachment and assignment of funds.

10 (a) General rule.--

11 (1) Except as provided in paragraphs (2), (3) and (4),  
12 the right of a person to any benefit or right accrued or  
13 accruing under the provisions of this part and the moneys in  
14 the fund and the trust are hereby exempt from any State or  
15 municipal tax, levy and sale, garnishment, attachment,  
16 spouse's election, the provisions of Article XIII.1 of the  
17 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal  
18 Code, or any other process whatsoever, and no participant or  
19 beneficiary, successor payee, or alternate payee of a  
20 participant shall have the ability to commute, sell, assign,  
21 alienate, anticipate, mortgage, pledge, hypothecate,  
22 commutate or otherwise transfer or convey any benefit or  
23 interest in an individual investment account or rights to  
24 receive or direct distributions under this part or under  
25 agreements entered into under this part except as otherwise  
26 provided in this part and in the case of either a member or a  
27 participant except for a set-off by the Commonwealth in the  
28 case provided in subparagraph (i), and shall be unassignable  
29 except:

30 (i) To the Commonwealth in the case of a member or

1        participant who is terminating State service and has been  
2        determined to be obligated to the Commonwealth for the  
3        repayment of money owed on account of his employment or  
4        to the fund on account of a loan from a credit union to a  
5        member which has been satisfied by the board from the  
6        fund.

7                (ii) To a credit union as security for a loan to a  
8        member not to exceed \$750 and interest not to exceed 6%  
9        per annum discounted and/or fines thereon if the credit  
10       union is now or hereafter organized and incorporated  
11       under the laws of this Commonwealth and the membership of  
12       such credit union is limited solely to officials and  
13       employees of the Commonwealth and if such credit union  
14       has paid to the fund \$3 for each such assignment.

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

24                (ii) In accordance with section 16(b) of Article V  
25        of the Constitution of Pennsylvania and notwithstanding  
26        this paragraph, the act of July 8, 1978 (P.L.752,  
27        No.140), known as the Public Employee Pension Forfeiture  
28        Act, or 42 Pa.C.S. § 3352 (relating to pension rights),  
29        the accumulated mandatory participant contributions and  
30        accumulated voluntary contributions standing to the

1 credit of a participant shall not be forfeited but shall  
2 be available for payment of fines and restitution as  
3 provided by law. In accordance with section 16(b) of  
4 Article V of the Constitution of Pennsylvania, amounts in  
5 the trust that have been ordered to be distributed to an  
6 alternate payee as the result of an equitable  
7 distribution of marital property as part of an approved  
8 domestic relations order entered before the date of the  
9 order or action in a court or other tribunal resulting in  
10 a forfeiture of a participant's interest in the trust  
11 shall not be subject to the provisions of the Public  
12 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any  
13 accumulated employer defined contributions forfeited as a  
14 result of this paragraph or other law shall be retained  
15 by the board and notwithstanding sections 5812(2)  
16 (relating to powers and duties of board), 5815 (relating  
17 to expenses) and 5902(c) (relating to administrative  
18 duties of the board) used for the payment of expenses of  
19 the plan.

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

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

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

19 (b) Authorized payments from fund and trust.--The board  
20 shall be authorized to pay from the fund and the trust:

21 (1) In the case of a member or participant who is  
22 terminating service, the amount determined after  
23 certification by the head of the department that the member  
24 or participant is so obligated, and after review and approval  
25 by the department or agency's legal representative or upon  
26 receipt of an assignment from the member or participant in  
27 the amount so certified[.], except that no payment shall be  
28 made from the individual investment account of a participant  
29 until the participant otherwise applies for and receives a  
30 distribution and shall not exceed the amount of the

1 distribution.

2 (2) In the case of a loan to a member the amount of the  
3 loan and any fine or interest due thereon to the credit union  
4 except 5% of the total amount due which is to be retained in  
5 the fund as a collection fee:

6 (i) if the member obtaining the loan shall have been  
7 in default in required payments for a period of not less  
8 than two years; or

9 (ii) at such time as the Department of Banking shall  
10 require the credit union to charge the amount of the loan  
11 against the reserve fund of such credit union.

12 Any member who shall have pledged such rights as  
13 security for a loan from a credit union and, on whose  
14 behalf the board shall have made any payment by reason of  
15 that member's default, may not thereafter pledge or  
16 assign such rights to a credit union.

17 (3) In the case of a participant whose former spouse is  
18 an alternate payee of an equitable distribution of marital  
19 assets under an approved domestic relations order, a lump sum  
20 of the alternate payee's interest in the participant's  
21 accumulated total defined contributions. This paragraph shall  
22 apply without regard to whether the participant has not  
23 terminated, is terminating or has terminated State service.

24 § 5953.1. Approval of domestic relations orders.

25 (a) Certification regarding members.--A domestic relations  
26 order pertaining to a member of the system shall be certified as  
27 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) Requires the system to provide any type or form of

1 benefit or any option applicable to members already provided  
2 under this part.

3 (2) Requires the system to provide no more than the  
4 total amount of benefits than the member would otherwise  
5 receive (determined on the basis of actuarial value) unless  
6 increased benefits are paid to the member or alternate payee  
7 based upon cost-of-living increases or increases based on  
8 other than actuarial value.

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

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

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

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

24 (7) Requires the member to execute an authorization  
25 allowing each alternate payee to monitor the member's  
26 compliance with the terms of the domestic relations order  
27 through access to information concerning the member  
28 maintained by the system. An authorization granted pursuant  
29 to this section shall be construed as an authorization for  
30 the alternate payee to receive information concerning the

1 administration, calculation and payment of the alternate  
2 payee's share of the benefits payable pursuant to this part  
3 and not as an authorization to exercise the rights afforded  
4 to members or obtain information which is not related to the  
5 administration, calculation and payment of alternate payee's  
6 share of the benefits payable pursuant to this part.

7 (a.1) Certification regarding participants.--A domestic  
8 relations order pertaining to a participant shall be certified  
9 as an approved domestic relations order by the secretary of the  
10 board or his designated representative if that order meets all  
11 of the following:

12 (1) Does not require the plan to provide a type or form  
13 of benefit or an option applicable to members of the system  
14 or participants in the plan.

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

19 (3) Does not require the plan to recover or distribute  
20 funds which were distributed to the participant or at the  
21 participant's direction prior to the approval of the domestic  
22 relations order by the secretary of the board or his  
23 designated representative.

24 (4) Requires the plan to pay to the alternate payee no  
25 more than the lesser of the vested amount of the  
26 participant's individual investment account specified by the  
27 domestic relations order or the vested amount of the  
28 participant's individual investment account as of the date of  
29 the transfer of the alternate payee's share to the alternate  
30 payee.

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

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

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

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

18       (9) Requires the participant to execute an authorization  
19 allowing each alternate payee to monitor the participant's  
20 compliance with the terms of the domestic relations order  
21 through access to information concerning the participant  
22 maintained by the plan. An authorization granted pursuant to  
23 this section shall be construed as an authorization for the  
24 alternate payee to receive information concerning the  
25 participant which relates to the administration, calculation  
26 and payment of the alternate payee's share of the  
27 participant's account and not as an authorization to exercise  
28 the rights afforded to participants or obtain information  
29 which is not related to the administration, calculation and  
30 payment of alternate payee's share of the participant's



1 individual investment account.

2 (10) Requires the immediate distribution of the  
3 alternate payee's share of the participant's individual  
4 investment account, which may be by direct payment, eligible  
5 rollover or trustee-to-trustee transfer to another eligible  
6 plan or qualified account owned by the alternate payee,  
7 notwithstanding any other provision of this part or the plan  
8 that would require a distribution of accumulated employer  
9 defined contributions in the form of an annuity or to require  
10 the purchase of an annuity.

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

21 (b) Determination by secretary.--Within a reasonable period  
22 after receipt of a domestic relations order, the secretary of  
23 the board, or his designated representative, shall determine  
24 whether this order is an approved domestic relations order and  
25 notify the member or participant and each alternate payee of  
26 this determination. Notwithstanding any other provision of law,  
27 the exclusive remedy of any member, participant or alternate  
28 payee aggrieved by a decision of the secretary of the board, or  
29 his designated representative, shall be the right to an  
30 adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A

1 (relating to practice and procedure) with appeal therefrom to  
2 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to  
3 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct  
4 appeals from government agencies).

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

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

1 approval or disapproval shall be discharged.

2 § 5953.2. Irrevocable beneficiary.

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

17 § 5953.3. Irrevocable survivor annuitant.

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

1 be designated as a survivor annuitant may not be designated as  
2 an irrevocable survivor annuitant.

3 § 5953.4. Amendment of approved domestic relations orders.

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

10 \* \* \*

11 Section 436. Title 71 is amended by adding a section to  
12 read:

13 § 5953.6. Irrevocable successor payee.

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

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

26 (c) Certification.--A domestic relations order under  
27 subsection (b) may be certified as an approved domestic  
28 relations order by the secretary of the board or his designated  
29 representative. If a domestic relations order is certified under  
30 this subsection, the irrevocable successor payee named in such

1 order shall not be changed by the participant without approval  
2 by the court.

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

9 Section 437. Sections 5954, 5955 and 5957 of Title 71 are  
10 amended to read:

11 § 5954. Fraud and adjustment of errors.

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

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

1 § 5955. Construction of part.

2 (a) Exclusive source of rights and benefits.--Regardless of  
3 any other provision of law, pension and benefit rights of State  
4 employees shall be determined solely by this part or any  
5 amendment thereto or the plan document established by the board,  
6 and no collective bargaining agreement nor any arbitration award  
7 between the Commonwealth and [its] other employers and the  
8 Commonwealth's and other employer's employees or their  
9 collective bargaining representatives shall be construed to  
10 change any of the provisions herein, to require the board to  
11 administer pension or retirement benefits not set forth in this  
12 part or not established by the board in the plan document, to  
13 require the board to modify, amend or change any of the terms  
14 and provisions of the plan document, or otherwise require action  
15 by any other government body pertaining to pension or retirement  
16 benefits or rights of State employees. Notwithstanding the  
17 foregoing, any pension or retirement benefits or rights  
18 previously so established by or as a result of an arbitration  
19 award shall remain in effect after the expiration of the current  
20 collective bargaining agreement between the State employees so  
21 affected and the Commonwealth until the expiration of each of  
22 the collective bargaining agreements in effect on January 1,  
23 2011, at which time the classes of membership and resulting  
24 member contribution rates and contributions for creditable  
25 nonstate service, eligibility for vesting, withdrawal and  
26 superannuation annuities, optional modification of annuities and  
27 other terms and conditions related to class of membership shall  
28 be as determined by this part for employees covered by those and  
29 successor collective bargaining agreements. For purposes of  
30 administering this part, for those State employees who are

1 members of each such collective bargaining unit, the date  
2 January 1, 2011, contained in this part, except in this section,  
3 shall be replaced with the date of the day immediately following  
4 the expiration of each such collective bargaining agreement. The  
5 provisions of this part insofar as they are the same as those of  
6 existing law are intended as a continuation of such laws and not  
7 as new enactments. The provisions of this part shall not affect  
8 any act done, liability incurred, right accrued or vested, or  
9 any suit or prosecution pending or to be instituted to enforce  
10 any right or penalty or to punish any offense under the  
11 authority of any repealed laws.

12 (b) References.--References in this part to the Internal  
13 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.)  
14 or the Uniformed Services Employment and Reemployment Rights Act  
15 of 1994 (Public Law 103-353, 108 Stat. 3149), including  
16 administrative regulations promulgated under the Internal  
17 Revenue Code of 1986 or the Uniformed Services Employment and  
18 Reemployment Rights Act of 1994, are intended to include laws  
19 and regulations:

20 (1) In effect on the effective date of this subsection.

21 (2) Amended, supplemented or supplanted on and after the  
22 effective date of this subsection.

23 (c) Officer or member of the Pennsylvania State Police.--

24 (1) Notwithstanding a provision of subsection (a) or  
25 section 12.1 of Act 120 of 2010, regarding the continued  
26 effectiveness of pension or retirement benefits or rights  
27 previously established by or as a result of a binding  
28 arbitration award issued before July 1, 1989, pursuant to the  
29 act of June 24, 1968 (P.L.237, No.111), referred to as the  
30 Policemen and Firemen Collective Bargaining Act, and

1 implemented by the board, the pension or retirement benefits  
2 or rights of a State employee who is a current or former  
3 State police officer shall be as provided in this part as if  
4 the binding arbitration award was not issued, except as  
5 provided under this subsection.

6 (2) A State employee who is a current or former State  
7 police officer who terminates State service before January 1,  
8 2016, shall be eligible to receive the maximum single life  
9 annuity, before optional modification under section 5705  
10 (relating to member's options), which the State employee  
11 would have been eligible to receive if paragraph (1) had not  
12 been enacted.

13 (3) A State employee who meets the following shall be  
14 eligible to receive the maximum single life annuity, before  
15 optional modification under section 5705, which the State  
16 employee would have been eligible to receive if paragraph (1)  
17 had not been enacted:

- 18 (i) is a current or former State police officer;
- 19 (ii) has 20 or more qualifying eligibility points;
- 20 (iii) does not have service credited in Class CB;

21 and

- 22 (iv) terminates State service on or after January 1,  
23 2016.

24 (4) A State employee who meets all of the requirements  
25 in paragraph (3) other than the requirement in paragraph (3)  
26 (iii) shall be able to receive an annuity calculated under  
27 section 5702(a)(7) in addition to the maximum single life  
28 annuity, before optional modification under section 5705,  
29 which the State employee would have been eligible to receive  
30 if paragraph (1) had not been enacted.



1       (5) A State employee who is a current or former State  
2 police officer who does not have 20 or more qualifying  
3 eligibility points shall be eligible to receive a maximum  
4 single life annuity before optional modification under  
5 section 5705 equal to the maximum single life annuity that  
6 the State employee is eligible to receive under this part,  
7 including an annuity calculated under section 5702(a)(7).

8       (6) To the extent that any officer or member of the  
9 Pennsylvania State Police who is eligible to retire after  
10 June 30, 1989, as provided in a binding arbitration award  
11 issued before July 1, 1989, under the act of June 24, 1968  
12 (P.L.237, No.111), referred to as the Policemen and Firemen  
13 Collective Bargaining Act, as implemented by the board, with  
14 a benefit based on 50% of highest year salary upon accruing  
15 at least 20 years of credited State service or nonstate  
16 service in the system or based on 75% of highest year salary  
17 upon accruing at least 25 years of credited State or nonstate  
18 service in the system, the eligibility shall be determined  
19 solely on service credited, compensation paid and  
20 contributions made as a member of the system other than as a  
21 member of Class CB.

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 or as a member of Class CB  
28 shall not be included in determining eligibility for and the  
29 amount of benefits provided from the system, except as  
30 provided in paragraphs (4) and (5), provided that actual

1 payment and receipt of benefits is subject to the provisions  
2 of this part regarding employment and termination as a State  
3 employee. Any benefit resulting from participation in the  
4 plan shall be in addition to any benefit a State police  
5 officer may be eligible to receive as a member of the system.

6 (8) For the purposes of this subsection, the following  
7 terms shall have the meanings given to them in this  
8 paragraph:

9 "Act 120 of 2010." The act of November 23, 2010  
10 (P.L.1269, No.120), entitled "An act amending Titles 24  
11 (Education) and 71 (State Government) of the Pennsylvania  
12 Consolidated Statutes, in Title 24, further providing for  
13 definitions, for mandatory and optional membership, for  
14 contributions by the Commonwealth, for payments by employers,  
15 for actuarial cost method, for additional supplemental  
16 annuities, for further additional supplemental annuities, for  
17 supplemental annuities commencing 1994, for supplemental  
18 annuities commencing 1998, for supplemental annuities  
19 commencing 2002, for supplemental annuities commencing 2003,  
20 for administrative duties of board, for payments to school  
21 entities by Commonwealth, for eligibility points for  
22 retention and reinstatement of service credits and for  
23 creditable nonschool service; providing for election to  
24 become a Class T-F member; further providing for classes of  
25 service, for eligibility for annuities, for eligibility for  
26 vesting, for regular member contributions, for member  
27 contributions for creditable school service, for  
28 contributions for purchase of credit for creditable nonschool  
29 service, for maximum single life annuity, for disability  
30 annuities, for member's options, for duties of board

1 regarding applications and elections of members and for  
2 rights and duties of school employees and members; providing  
3 for Independent Fiscal Office study; in Title 71,  
4 establishing an independent fiscal office and making a  
5 related repeal; further providing for definitions, for  
6 credited State service, for retention and reinstatement of  
7 service credits, for creditable nonstate service and for  
8 classes of service; providing for election to become a Class  
9 A-4 member; further providing for eligibility for annuities  
10 and for eligibility for vesting; providing for shared-risk  
11 member contributions for Class A-3 and Class A-4 service;  
12 further providing for waiver of regular member contributions  
13 and Social Security integration member contributions, for  
14 member contributions for purchase of credit for previous  
15 State service or to become a full coverage member, for  
16 contributions for the purchase of credit for creditable  
17 nonstate service, for contributions by the Commonwealth and  
18 other employers, for actuarial cost method, for maximum  
19 single life annuity, for disability annuities and for  
20 member's options; providing for payment of accumulated  
21 deductions resulting from Class A-3 service; further  
22 providing for additional supplemental annuities, for further  
23 additional supplemental annuities, for supplemental annuities  
24 commencing 1994, for supplemental annuities commencing 1998,  
25 for supplemental annuities commencing 2002, for supplemental  
26 annuities commencing 2003, for special supplemental  
27 postretirement adjustment of 2002, for administrative duties  
28 of the board, for duties of board to advise and report to  
29 heads of departments and members, for duties of board  
30 regarding applications and elections of members, for

1 installment payments of accumulated deductions, for rights  
2 and duties of State employees and members, for members'  
3 savings account, for State accumulation account, for State  
4 Police Benefit Account, for Enforcement Officers' Benefit  
5 Account, for supplemental annuity account and for  
6 construction of part; and providing for Independent Fiscal  
7 Office study, for retirement eligibility of Pennsylvania  
8 State Police officers or members, for a prohibition on the  
9 issuance of pension obligation bonds, for holding certain  
10 public officials harmless, for construction of calculation or  
11 actuarial method, for applicability and for certain  
12 operational provisions."

13 "Binding arbitration award." A binding arbitration award  
14 issued before July 1, 1989, pursuant to the act of June 24,  
15 1968 (P.L.237, No.111), referred to as the Policemen and  
16 Firemen Collective Bargaining Act, and was implemented by the  
17 State Employees' Retirement Board.

18 "Qualifying eligibility points." Eligibility points as a  
19 result of State service in a class of service other than  
20 class CB, nonstate service or being reemployed from USERRA  
21 leave.

22 (d) Adverse inference.--Nothing in this part shall be  
23 construed to mean that the limitations on benefits or other  
24 requirements under IRC § 401(a) or other applicable provisions  
25 of the IRC which are applicable to participants in the plan do  
26 not apply to the participants or to members of the system and  
27 the benefits payable under this part.

28 (e) Applicability.--The amendment of this part regarding the  
29 establishment of and participation in the plan shall apply to an  
30 elected officer who is elected or reelected to a term of office

1 that begins on or after January 1, 2016, notwithstanding that  
2 either immediately or at any time prior to beginning a term of  
3 office on or after January 1, 2016, the elected officer was an  
4 active member of the system or inactive member on leave without  
5 pay. An individual who is elected or reelected to a term of  
6 office as a member of the General Assembly that begins on or  
7 after January 1, 2016:

8 (1) does so with the knowledge of the provisions, terms  
9 and conditions of this part, including those provisions,  
10 terms and conditions establishing the plan and determining  
11 participation in the plan and membership in the system; and

12 (2) expressly consents to those provisions, terms and  
13 conditions and the resulting contributions, obligations,  
14 benefits and rights, or lack of contributions, obligations,  
15 benefits and rights in the system and the plan.

16 (f) Furloughs.--For purposes of sections 5301(a)(17)  
17 (relating to credited State service), 5306 (relating to classes  
18 of service) and this section, a State employee who is furloughed  
19 under section 802 of the act of August 5, 1941 (P.L.752,  
20 No.286), known as the Civil Service Act, and reemployed pursuant  
21 to the Civil Service Act in any class of service or civil  
22 service status which was previously held, shall not be treated  
23 as having been terminated from State service and beginning a new  
24 period of State service.

25 § 5957. Independent Fiscal Office study.

26 The Independent Fiscal Office shall study and analyze the  
27 implementation of shared-risk contributions under section 5501.1  
28 (relating to shared-risk member contributions [for Class A-3 and  
29 Class A-4 service] and shared-gain adjustments to regular member  
30 contributions for Class A-3 and Class A-4 service) and its

1 impact on the system. The study shall be completed by December  
2 31, 2015, and shall be transmitted to the Appropriations  
3 Committee and the Finance Committee of the Senate, the  
4 Appropriations Committee and the Finance Committee of the House  
5 of Representatives and to the Governor.

6 Section 438. Title 71 is amended by adding a section to  
7 read:

8 § 5958. Public Pension Management and Asset Investment Review  
9 Commission.

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

13 (1) Governor;

14 (2) President Pro tempore of the Senate; and

15 (3) Speaker of the House of Representatives.

16 The appointees shall be investment professionals and retirement  
17 advisors and shall be appointed within 90 days of the effective  
18 date of this section.

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

21 (1) Study the performance of current investment  
22 strategies and procedures of the State Employees' Retirement  
23 System, comparing realized rates of return to established  
24 benchmarks and considering associated fees paid for active  
25 and passive management.

26 (2) Study the costs and benefits of both active and  
27 passive investment strategies in relation to future  
28 investment activities of the State Employees' Retirement  
29 System.

30 (3) Study alternative future investment strategies with

1 available assets of the State Employees' Retirement System  
2 that will maximize future rates of return net of fees.

3 (4) Publish extensive and detailed findings on-line,  
4 including findings about:

5 (i) assets;

6 (ii) returns;

7 (iii) financial managers;

8 (iv) consultants;

9 (v) requests for proposals; and

10 (vi) investment performance measured against  
11 benchmarks.

12 (5) Report its findings and recommendations to the  
13 Governor and the General Assembly within six months of its  
14 first organizational meeting.

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

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

22 (1) The act of July 19, 1957 (P.L.1017, No.451), known  
23 as the State Adverse Interest Act.

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

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

28 (4) The act of February 14, 2008 (P.L.6, No.3), known as  
29 the Right-to-Know Law.

30 (e) Information gathering.--The Public Pension Management

1 and Asset Investment Review Commission may conduct hearings and  
2 otherwise gather pertinent information and analysis that it  
3 considers appropriate and necessary to fulfill its duties.

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

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

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

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

19 ARTICLE V

20 Section 501. The following shall apply:

21 (1) The following provisions shall not create in a  
22 member of the Public School Employees' Retirement System, a  
23 participant in the School Employees' Defined Contribution  
24 Plan or another person claiming an interest in the account of  
25 a member or participant an express or implied contractual  
26 right in the provisions nor in a construction of 24 Pa.C.S.  
27 Pt. IV, 51 Pa.C.S. or regulations adopted under 24 Pa.C.S.  
28 Pt. IV or 51 Pa.C.S.:

29 (i) A provision of this act which amends 51 Pa.C.S.  
30 or 24 Pa.C.S. Pt. IV in relation to requirements for any



1 of the following:

2 (A) (Reserved).

3 (B) Qualification of the School Employees'  
4 Defined Contribution Plan as a qualified pension plan  
5 under the Internal Revenue Code of 1986 (Public Law  
6 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or  
7 compliance with the Uniformed Services Employment and  
8 Reemployment Rights Act of 1994 (Public Law 103-353,  
9 108 Stat. 3149).

10 (C) Contributions to, participation in or  
11 benefits from the School Employees' Defined  
12 Contribution Plan or School Employees' Defined  
13 Contribution Trust.

14 (D) Domestic relations orders regarding  
15 alternate payees of participants in the School  
16 Employees' Defined Contribution Plan.

17 (ii) A construction of 24 Pa.C.S. Pt. IV or 51  
18 Pa.C.S. or regulations adopted under 24 Pa.C.S. Pt. IV or  
19 51 Pa.C.S. or a term or provision of the School  
20 Employees' Defined Contribution Plan or School Employees'  
21 Defined Contribution Trust, established by statute or in  
22 the plan document or trust declaration.

23 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain  
24 subject to the Internal Revenue Code of 1986 and the  
25 Uniformed Services Employment and Reemployment Rights Act of  
26 1994 (Public Law 103-353, 108 Stat. 3149), and regulations  
27 under those statutes, and the General Assembly reserves to  
28 itself the further exercise of its legislative power to amend  
29 or supplement the provisions as may be required in order to  
30 maintain the qualification of the system as a qualified

1 pension plan under section 401(a) and other applicable  
2 provisions of the Internal Revenue Code of 1986 and the  
3 Uniformed Services Employment and Reemployment Rights Act of  
4 1994 (Public Law 103-353, 108 Stat. 3149).

5 (3) The following provisions shall not create in a  
6 member of the State Employees' Retirement System, a  
7 participant in the State Employees' Defined Contribution Plan  
8 or another person claiming an interest in the account of a  
9 member or participant an express or implied contractual right  
10 in the provisions nor in a construction of 51 Pa.C.S. § 7306,  
11 71 Pa.C.S. Pt. XXV, or regulations adopted under 51 Pa.C.S. §  
12 7306 or 71 Pa.C.S. Pt. XXV:

13 (i) A provision of this act which amends 51 Pa.C.S.  
14 § 7306 or 71 Pa.C.S. Pt. XXV in relation to requirements  
15 for any of the following:

16 (A) (Reserved)

17 (B) Qualification of the State Employees'  
18 Defined Contribution Plan as a qualified pension plan  
19 under the Internal Revenue Code of 1986 (Public Law  
20 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance  
21 with the Uniformed Services Employment and  
22 Reemployment Rights Act of 1994 (Public Law 103-353,  
23 108 Stat. 3149).

24 (C) Contributions to, participation in or  
25 benefits from the State Employees' Defined  
26 Contribution Plan or State Employees' Defined  
27 Contribution Trust.

28 (D) Domestic relations orders regarding  
29 alternate payees of participants in the State  
30 Employees' Defined Contribution Plan.

1           (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.  
2           XXV or regulations adopted under 51 Pa.C.S. or 71 Pa.C.S.  
3           Pt. XXV or a term or provision of the State Employees'  
4           Defined Contribution Plan or State Employees' Defined  
5           Contribution Trust, established by statute or in the plan  
6           document or trust declaration.

7           (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain  
8           subject to the Internal Revenue Code of 1986 and the  
9           Uniformed Services Employment and Reemployment Rights Act of  
10          1994 (Public Law 103-353, 108 Stat. 3149), and regulations  
11          under those statutes, and the General Assembly reserves to  
12          itself the further exercise of its legislative power to amend  
13          or supplement the provisions as may be required in order to  
14          maintain the qualification of the system as a qualified  
15          pension plan under section 401(a) and other applicable  
16          provisions of the Internal Revenue Code of 1986 and the  
17          Uniformed Services Employment and Reemployment Rights Act of  
18          1994 (Public Law 103-353, 108 Stat. 3149).  
19          Section 502. The following shall apply:

20          (1) Nothing in this act shall be construed to mean that  
21          a calculation or actuarial method used by the School  
22          Employees' Retirement Board, its actuaries or the Public  
23          School Employees' Retirement System was not in accordance  
24          with the provisions of 24 Pa.C.S. Pt. IV or other applicable  
25          law prior to the effective date of this section.

26          (2) Nothing in this act shall be construed to mean that  
27          a calculation or actuarial method used by the State  
28          Employees' Retirement Board, its actuaries or the State  
29          Employees' Retirement System was not in accordance with the  
30          provisions of 71 Pa.C.S. Pt. XXV or other applicable law

1 prior to the effective date of this section.

2 Section 503. The following shall apply:

3 (1) (i) Payments required to fund a change in accrued  
4 liability resulting from this act shall be subject to  
5 limits imposed under 24 Pa.C.S. § 8328(g) on employer  
6 contributions to the Public School Employees' Retirement  
7 System.

8 (ii) For purposes of 24 Pa.C.S. §§ 8326, 8327, and  
9 8328, changes under this act shall not be considered to  
10 be costs added by legislation.

11 (2) Notwithstanding any other provision of law, a change  
12 in accrued liability of the State Employees' Retirement  
13 System created under this act as a result of changes in  
14 benefits shall be funded in equal dollar installments over a  
15 period of 30 years beginning July 1, 2016.

16 (3) (Reserved).

17 (4) Payments required to fund a change in accrued  
18 liability resulting from this act shall be subject to limits  
19 imposed under 71 Pa.C.S. § 5508(h) on employer contributions  
20 to the State Employees' Retirement System.

21 (5) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,  
22 changes under this act shall not be considered to be costs  
23 added by legislation.

24 Section 504. The following shall apply:

25 (1) This act shall be construed and administered in such  
26 a manner that the Public School Employees' Retirement System  
27 and the School Employees' Defined Contribution Plan shall  
28 satisfy the requirements necessary to qualify as a qualified  
29 pension plan under section 401(a) of the Internal Revenue  
30 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other

1 applicable provisions of the Internal Revenue Code of 1986  
2 and the Uniformed Services Employment and Reemployment Rights  
3 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,  
4 regulations and procedures adopted and promulgated by the  
5 Public School Employees' Retirement Board and the terms and  
6 conditions of the plan document and trust declaration adopted  
7 by the Public School Employees' Retirement Board may include  
8 provisions necessary to accomplish the purpose of this  
9 section.

10 (2) This act shall be construed and administered in a  
11 manner that the State Employees' Retirement System and the  
12 State Employees' Defined Contribution Plan shall satisfy the  
13 requirements necessary to qualify as a qualified pension plan  
14 under section 401(a) of the Internal Revenue Code of 1986  
15 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable  
16 provisions of the Internal Revenue Code of 1986 and the  
17 Uniformed Services Employment and Reemployment Rights Act of  
18 1994 (Public Law 103-353, 108 Stat. 3149). The rules,  
19 regulations and procedures adopted and promulgated by the  
20 State Employees' Retirement Board and the terms and  
21 conditions of the plan document and trust declaration adopted  
22 by the State Employees' Retirement Board may include  
23 provisions necessary to accomplish the purpose of this  
24 section.

25 Section 505. The following shall apply:

26 (1) Notwithstanding any other provision of law,  
27 fiduciary requirement, actuarial standard of practice or  
28 other requirement, the members of the Public School  
29 Employees' Retirement Board, the actuary and employees and  
30 officials of the Public School Employees' Retirement System

1 may not be held liable or in breach or violation of a law or  
2 standard as individuals, in their official capacity or as a  
3 governmental or corporate entity, for an action or  
4 calculation related to calculating and certifying a final  
5 contribution rate as provided under this act that is  
6 different from the actuarially required contribution rate as  
7 appropriately calculated under 24 Pa.C.S. Pt. IV.

8 (2) Notwithstanding any other provision of law,  
9 fiduciary requirement, actuarial standard of practice or  
10 other requirement, the members of the State Employees'  
11 Retirement Board, the actuary and other employees and  
12 officials of the State Employees' Retirement System may not  
13 be held liable or in breach or violation of a law or standard  
14 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 71 Pa.C.S. Pt. XXV.

20 Section 506. Nothing in this act shall be deemed to permit  
21 the restoration of service credit or retirement benefits which:

22 (1) were or are subject to section 16 of Article V of  
23 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

24 (2) were or are the subject of an order of forfeiture  
25 under the act of July 8, 1978 (P.L.752, No.140), known as the  
26 Public Employee Pension Forfeiture Act.

27 Section 507. (Reserved).

28 Section 508. If a provision of this act or its application  
29 to any person or circumstance is held invalid, the invalidity  
30 shall not affect other provisions or applications of this act

1 that can be given effect without the invalid provision or  
2 application.

3 Section 509. Nothing in this act shall be construed to mean  
4 that an interpretation or application of 71 Pa.C.S. Pt. XXV or  
5 benefits available to members of the State Employees' Retirement  
6 System was not in accordance with 71 Pa.C.S. Pt. XXV or other  
7 applicable law, including the Internal Revenue Code of 1986  
8 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed  
9 Services Employment and Reemployment Rights Act of 1994 (Public  
10 Law 103-353, 108 Stat. 3149) before the effective date of this  
11 section.

12 Section 510. Notwithstanding the provisions of 71 Pa.C.S. §  
13 5903(b), the statement for each member prepared by the State  
14 Employees' Retirement Board for the period ending December 31,  
15 2015, and any other statements or estimates of benefits prepared  
16 by the board pursuant to the provisions of 71 Pa.C.S. Pt. XXV  
17 from the effective date of this section to June 30, 2016, shall  
18 not be required to reflect the provisions of this act.

19 Section 511. Notwithstanding the provisions of 71 Pa.C.S.  
20 Pt. XXV, the obligation of the State Employees' Retirement Board  
21 to make payments to any individual whose rights, benefits and  
22 obligations are affected by this act within specified time  
23 periods of the receipt of applications for benefits or other  
24 information shall not apply from the effective date of this  
25 section to June 30, 2016.

26 Section 512. Section 502 of the act of October 15, 1980  
27 (P.L.950, No.164), known as the Commonwealth Attorneys Act, is  
28 repealed insofar as it is inconsistent with the amendment of 24  
29 Pa.C.S. § 8501 and 71 Pa.C.S. § 5901.

30 Section 513. This act shall take effect immediately.