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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 779 Session of  
2017

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INTRODUCED BY MCGINNIS, METCALFE, BLOOM, COX, DIAMOND, EVERETT,  
GREINER, IRVIN, JAMES, KAUFFMAN, KEEFER, F. KELLER, LAWRENCE,  
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SCHEMEL, WARD AND ZIMMERMAN, MARCH 9, 2017

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REFERRED TO COMMITTEE ON STATE GOVERNMENT, MARCH 9, 2017

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AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania  
2 Consolidated Statutes, providing for a unified retirement  
3 system for employees of the Commonwealth and its political  
4 subdivisions and other employers.

5 The General Assembly of the Commonwealth of Pennsylvania  
6 hereby enacts as follows:

7 Section 1. Title 71 of the Pennsylvania Consolidated  
8 Statutes is amended by adding a part to read:

9 PART XXVII

10 UNIFIED CONTRIBUTION PENSION PLAN

11 Chapter

12 71. Membership, Contributions and Benefits

13 CHAPTER 71

14 MEMBERSHIP, CONTRIBUTIONS AND BENEFITS

15 Sec.

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16 § 7101. Declaration of purpose.

17 In order to preserve the long-term fiscal stability and  
18 viability of this Commonwealth and its political subdivisions,  
19 the purpose of this chapter is to provide a unified retirement  
20 system for employees of the Commonwealth, its political  
21 subdivisions and all other employers to participate in and to  
22 provide retirement income security through a system of defined  
23 contribution authorized by the United States Internal Revenue  
24 Code, permitting the employees to obtain the advantages inherent  
25 in the plans relative to the income tax treatment of the  
26 contributions and disbursements made under defined contribution  
27 plans.

28 § 7102. Definitions.

29 The following words and phrases when used in this chapter  
30 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

2 "Active member." A public employee, or a member on leave  
3 without pay, for whom contributions are being made pursuant to  
4 the system established under this chapter.

5 "Board." The Public Employees' Retirement System Board.

6 "Compensation." The remuneration actually received as a  
7 public employee, excluding any of the following:

8 (1) Refunds for expenses, contingency and accountable  
9 expense allowances.

10 (2) Severance payments or payments for unused vacation  
11 or sick leave.

12 "Employer." Any governmental entity directly responsible for  
13 the employment and payment of a public employee.

14 "Fund." The Public Employees' Retirement Fund.

15 "Head of department." Any of the following:

16 (1) The chief administrative officer of a department.

17 (2) The chairperson or executive director of an agency,  
18 authority or independent board or commission.

19 (3) The Court Administrator of Pennsylvania.

20 (4) The Chief Clerk of the Senate.

21 (5) The Chief Clerk of the House of Representatives.

22 (6) A designee of any of the individuals listed under  
23 this definition who otherwise executes duties similar to that  
24 of a chief administrative officer of an employer or a  
25 department of any other employer.

26 (7) The director or similar person for any entity that  
27 employs a public employee.

28 "IRC." The Internal Revenue Code of 1986 (Public Law 99-514,  
29 26 U.S.C. § 1 et seq.). A reference in this part to "IRC § XXX"  
30 shall be deemed to refer to the identically numbered section and

1 subsection or other subdivision of the section in 26 U.S.C.  
2 (relating to Internal Revenue Code).

3 "Lifestyle funds." An investment fund featuring an asset mix  
4 determined by the level of risk and return that is appropriate  
5 for an individual active member.

6 "Member contributions." Regular contributions by members  
7 under section 7111 (relating to active member contributions).

8 "Municipal employee." A person holding an office or position  
9 under a municipality or a municipal government association and  
10 paid on a regular salary or per diem basis. The term shall not  
11 include officers and employees paid wholly on a fee basis.

12 "Municipality." Any of the following:

13 (1) A city, borough, town, township, county, county  
14 institution district or a newly created governmental unit.

15 (2) An authority created solely or jointly by a city,  
16 borough, town, township, county or county institution  
17 district.

18 (3) An institution supported and maintained by a  
19 municipality or a municipal government association.

20 (4) An industrial development corporation as defined  
21 under section 2301 of the act of June 29, 1996 (P.L.434, No.  
22 67), known as the Job Enhancement Act, which has adopted  
23 bylaws and the governing body of the industrial development  
24 corporation is organized and holds regular public meetings.

25 "Pensionable earnings." Compensation minus any compensation  
26 received for the performance of overtime or compensation in the  
27 form of a bonus, regardless if the bonus is pro rata, lump sum  
28 or in any other method.

29 "Public employee." Any of the following employees that begin  
30 public service after November 30, 2017:

- 1           (1) A State employee.  
2           (2) A school employee.  
3           (3) A municipal employee.  
4           (4) An employee of a political subdivision of the  
5           Commonwealth.

6           "Public school." A class or school within this Commonwealth  
7           conducted under the order and superintendence of the Department  
8           of Education, including any of the following:

9           (1) All educational classes of an employer charged with  
10           the responsibility of public education within this  
11           Commonwealth as well as those classes financed wholly or in  
12           part by the Federal Government.

13           (2) State-owned colleges and universities, The  
14           Pennsylvania State University and community colleges.

15           (3) Area vocational-technical schools and intermediate  
16           units.

17           (4) The State Board of Education.

18           (5) Thaddeus Stevens College of Technology and the  
19           Pennsylvania Oral School for the Deaf.

20           "Public service." The service of a public employee during  
21           which the required member contributions have been made.

22           "School employee." A person engaged in work relating to a  
23           public school for any governmental entity and for which work the  
24           person is receiving regular remuneration as an officer,  
25           administrator or employee. The term does not include an  
26           independent contractor or a person compensated on a fee basis.

27           "State employee." A person holding a State office or  
28           position under the Commonwealth or employed by the Commonwealth  
29           in any capacity. The term shall not include an independent  
30           contractor, a person compensated on a fee basis or a person paid

1 directly by an entity other than a State Employees' Retirement  
2 System employer. The term shall include members of the General  
3 Assembly and any officer or employee of any of the following:

4 (1) The Pennsylvania Turnpike Commission, the Delaware  
5 River Port Authority, the Port Authority Transit Corporation,  
6 the Philadelphia Regional Port Authority, the Delaware River  
7 Joint Toll Bridge Commission, the State Public School  
8 Building Authority, the General State Authority, the State  
9 Highway and Bridge Authority, the Delaware Valley Regional  
10 Planning Commission and the Susquehanna River Basin  
11 Commission if the commission or authority makes employer  
12 contributions on behalf of employees under section 7112  
13 (relating to employer contributions).

14 (2) The Interstate Commission of the Delaware River  
15 Basin if the commission contributes to the fund the money  
16 required to build up the reserves necessary for the payment  
17 of the annuities of the officers and employees without any  
18 liability on the part of the Commonwealth to make  
19 appropriations for those purposes.

20 (3) A separate independent public corporation created by  
21 statute, except for a municipal or quasi-municipal  
22 corporation, if the following apply:

23 (i) The officer or employee remains an officer or  
24 employee of the public corporation.

25 (ii) The officer or employee of the public  
26 corporation was an employee of the Commonwealth  
27 immediately prior to employment by the public  
28 corporation.

29 (iii) The public corporation contributes to the fund  
30 the money required to build up the reserves necessary for

1 the payment of the annuities of the officers and  
2 employees without any liability on the part of the  
3 Commonwealth to make appropriations for those purposes.

4 "System." The Public Employees' Retirement System.

5 § 7103. Establishment.

6 (a) System establishment.--A public employees' retirement  
7 system is established for public employees.

8 (b) Fund establishment.--The Public Employees' Retirement  
9 Fund is established.

10 § 7104. Public Employees' Retirement System Board.

11 (a) Establishment.--The Public Employees' Retirement System  
12 Board is established for the purpose of administering and  
13 managing the system.

14 (b) Status and membership.--The board shall be an  
15 independent administrative board and shall consist of the  
16 following members:

17 (1) The State Treasurer, who shall be an ex officio  
18 member.

19 (2) Two members of the Senate or a designee.

20 (3) Two members of the House of Representatives or a  
21 designee.

22 (4) The Chairman of the State Employees' Retirement  
23 Board.

24 (5) The Chairman of the Public School Employees'  
25 Retirement Board.

26 (6) The Chairman of the Pennsylvania Municipal  
27 Retirement Board.

28 (7) Three members appointed by the Governor. One of the  
29 members first appointed by the Governor shall be appointed  
30 for a term which shall expire on June 30, 2022, one member

1 for a term which shall expire on June 30, 2022, and one  
2 member for a term which shall expire on June 30, 2023.

3 (c) Terms and qualifications.--Except as provided under  
4 subsection (d), members shall serve for terms of four years.  
5 Members appointed by the Governor may not be or have been a  
6 public employee on or before the effective date of this section,  
7 nor may be a current or former member of the State Employees'  
8 Retirement System, the Public School Employees' Retirement  
9 System, the Pennsylvania Municipal Retirement System or any  
10 other Pennsylvania public retirement system and shall be subject  
11 to confirmation by the Senate.

12 (d) Legislative members.--The members of the Senate shall be  
13 appointed by the President pro tempore of the Senate and shall  
14 consist of a majority member and a minority member. One member  
15 of the House of Representatives shall be appointed by the  
16 Majority Leader of the House of Representatives. One member of  
17 the House of Representatives shall be appointed by the Minority  
18 Leader of the House of Representatives. The legislative members  
19 shall serve on the board for the duration of their legislative  
20 terms and shall continue to serve until 30 days after the  
21 convening of the next regular session of the General Assembly  
22 after the expiration of their respective legislative terms or  
23 until a successor is appointed for the new term, whichever  
24 occurs first. A vacancy occurring during the term of an  
25 appointed member shall be filled for the unexpired term by the  
26 appointment and confirmation of a successor in the same manner  
27 as the member's predecessor. Legislative members shall be  
28 precluded from being appointed to the board if they have  
29 previously or are currently serving in a capacity with any other  
30 retirement board or system.



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

10 (f) Compensation and expenses.--All board members shall be  
11 reimbursed for any necessary expenses and shall not suffer loss  
12 of salary or wages through serving on the board except that if  
13 duties the board has mandated are not executed, no compensation  
14 or reimbursement for necessary expenses of board members shall  
15 be paid or payable during the period in which the duties are not  
16 executed.

17 (g) Corporate power and legal advisor.--The board shall  
18 possess the powers and privileges of a corporation. The Attorney  
19 General shall be the legal advisor of the board.

20 § 7105. Duties of the board.

21 (a) Employees.--The following shall apply:

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

29 (2) Notwithstanding any other provision of law, the  
30 compensation of investment professionals shall be established

1 by the board. The compensation of all other officers and  
2 employees of the board who are not covered by a collective  
3 bargaining agreement shall be established by the board  
4 consistent with the standards of compensation established by  
5 the Executive Board of the Commonwealth.

6 (b) Secretary.--The secretary shall act as chief  
7 administrative officer for the board. In addition to other  
8 powers and duties conferred upon and delegated to the secretary  
9 by the board, the secretary shall do all of the following:

10 (1) Serve as the administrative agent of the board.

11 (2) Serve as liaison between the board and applicable  
12 legislative committees, the Treasury Department, the  
13 Department of the Auditor General and between the board and  
14 the investment counsel and the mortgage supervisor in  
15 arranging for investments to secure maximum returns to the  
16 fund.

17 (3) Review and analyze proposed legislation and  
18 legislative developments affecting the system and present  
19 findings to the board, legislative committees and other  
20 interested groups or individuals.

21 (4) Direct the maintenance of files and records and  
22 preparations or periodic reports.

23 (5) Receive inquiries and requests for information  
24 concerning the system from the press, Commonwealth officials,  
25 State employees, the general public, research organizations  
26 and officials and organizations from other states and provide  
27 information as authorized by the board.

28 (6) Supervise a staff of administrative, technical and  
29 clerical employees engaged in recordkeeping and clerical  
30 processing activities in maintaining files of members,

1 accounting for contributions, processing payments to  
2 annuitants, preparing required reports and retirement  
3 counseling.

4 (c) Specific duties.--In order to establish and administer  
5 the system, the powers and duties of the board shall include the  
6 following:

7 (1) Providing to active members a defined contribution  
8 retirement plan that is compliant with the IRC and the  
9 requirements of this chapter.

10 (2) Entering into written agreements with financial or  
11 other organizations to administer the system for an active  
12 member and to invest funds held pursuant to the system. The  
13 system and any written agreement shall comply with the IRC.

14 (3) Establishing procedures whereby public employees  
15 shall participate in the system and may change their  
16 investment choices on a periodic basis, as determined by the  
17 board, which shall not be less frequently than once per  
18 calendar month.

19 (4) Arranging for a deduction, from the compensation of  
20 public employees, of employee contributions to the system.

21 (5) Establishing criteria for selection by the board of  
22 the financial institutions, insurance companies or other  
23 organizations that may be qualified as managers, on behalf of  
24 the board, of funds accumulated under the system on behalf of  
25 any active member.

26 (6) Establishing standards or criteria for the providing  
27 of options to an active member concerning the method of  
28 investing amounts accumulated under the system if the options  
29 include a diversified mix of low-cost investment products  
30 that span the risk-return spectrum.

1           (7) Establishing standards or criteria for informing  
2 active members of specific options offered by qualified  
3 managers.

4           (8) Designing a comprehensive, balanced and impartial  
5 educational program to assist active members in their choice  
6 of investment options under the system, which shall include  
7 retirement planning education and financial planning guidance  
8 on matters such as investment diversification, investment  
9 risks, investment costs and asset allocation.

10           (9) Establishing standards and criteria for the  
11 disclosure to active members of the anticipated and actual  
12 income attributable to the amounts, property and rights and  
13 all fees, costs and charges to be made against the amounts  
14 accumulated to cover the costs of administering and managing  
15 the funds.

16           (10) Establishing processes for participation in the  
17 system. The election period shall begin on the date that an  
18 individual becomes a qualified employee and shall end 90 days  
19 from that date.

20           (11) Performing an annual review of any qualified fund  
21 manager for the purpose of assuring it continues to meet all  
22 standards and criteria established.

23           (12) Establishing procedures whereby an active member  
24 may do one of the following:

25           (i) Withdraw accumulated amounts in cases of  
26 financial hardship or separation of an active member from  
27 State service or as otherwise permitted under the IRC.

28           (ii) Dispose of an active member's account pursuant  
29 to a domestic relations order unless in conflict with the  
30 IRC.

1           (13) Administering the system in compliance with the  
2           IRC.

3           (14) Promulgating regulations necessary to administer  
4           this chapter.

5           (d) Prohibited interests.--No member or employee of the  
6           board shall have a direct or indirect interest in the gains or  
7           profits of an investment made by the board.

8           (e) Professional personnel.--The board shall contract for  
9           the services of investment advisors and counselors and any other  
10           professional personnel as it deems advisable. The board may,  
11           with the approval of the Attorney General, contract for legal  
12           services.

13           (f) Expenses.--The board shall, through the Governor, submit  
14           to the General Assembly annually a budget covering the  
15           administrative expenses of this part. The expenses as approved  
16           by the General Assembly in an appropriation bill shall be paid  
17           in whole or in part from nonvested forfeitures. Concurrently  
18           with its administrative budget, the board shall also submit to  
19           the General Assembly annually a list of proposed expenditures  
20           which the board intends to pay through the use of directed  
21           commissions, together with a list of actual expenditures from  
22           the past year actually paid by the board through the use of  
23           directed commissions. All directed commission expenditures shall  
24           be made by the board for the exclusive benefit of the system and  
25           its members.

26           (g) Meetings.--The board shall hold at least six regular  
27           public meetings annually and any other public meetings as it may  
28           deem necessary. A majority of the board shall constitute a  
29           quorum for the transaction of business at a public meeting of  
30           the board.

1 (h) Records.--The following shall apply:

2 (1) The board shall keep a record of all its proceedings  
3 which shall be open to inspection by the public.

4 (2) Any record, material or data received, prepared,  
5 used or retained by the board or its employees, investment  
6 professionals or agents relating to an investment shall not  
7 constitute a public record subject to public inspection under  
8 the act of February 14, 2008 (P.L.6, No.3), known as the  
9 Right-to-Know Law, if, in the reasonable judgment of the  
10 board, the inspection would do one of the following:

11 (i) In the case of an alternative investment or  
12 alternative investment vehicle, involve the release of  
13 sensitive investment or financial information relating to  
14 the alternative investment or alternative investment  
15 vehicle which the fund was able to obtain only upon  
16 agreeing to maintain its confidentiality.

17 (ii) Cause substantial competitive harm to the  
18 person from whom sensitive investment or financial  
19 information relating to the investment was received.

20 (iii) Have a substantial detrimental impact on the  
21 value of an investment to be acquired, held or disposed  
22 of by the fund or would cause a breach of the standard of  
23 care or fiduciary duty set forth under this chapter.

24 (3) The following shall apply:

25 (i) The sensitive investment or financial  
26 information excluded from inspection under paragraph (2)  
27 (i), to the extent not otherwise excluded from  
28 inspection, shall constitute a public record subject to  
29 public inspection under the Right-to-Know Law once the  
30 board is no longer required by its agreement to maintain

1 confidentiality.

2 (ii) The sensitive investment or financial  
3 information excluded from inspection under paragraph (2)  
4 (ii), to the extent not otherwise excluded from  
5 inspection, shall constitute a public record subject to  
6 public inspection under the Right-to-Know Law once the  
7 latter of one of the following occurs:

8 (A) The inspection no longer causes substantial  
9 competitive harm to the person from whom the  
10 information was received.

11 (B) The entity in which the investment was made  
12 is liquidated.

13 (iii) The sensitive investment or financial  
14 information excluded from inspection under paragraph (2)  
15 (iii), to the extent not otherwise excluded from  
16 inspection, shall constitute a public record subject to  
17 public inspection under the Right-to-Know Law once the  
18 latter of one of the following occurs:

19 (A) The inspection no longer has a substantial  
20 detrimental impact on the value of an investment of  
21 the fund and would not cause a breach of the standard  
22 of care or fiduciary duty under this chapter.

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

25 (i) Functions.--The board shall perform any other functions  
26 as are required for the execution of the provisions of this  
27 chapter.

28 (j) Performance of departmental duties.--If the head of  
29 department fails to comply with the procedures mandated under  
30 section 7115 (relating to duties of heads of departments), the

1 board shall perform the duties and bill the department for the  
2 cost of the same.

3 (k) Regulations and procedures.--The board shall, with the  
4 advice of the Attorney General, adopt and promulgate rules and  
5 regulations for the uniform administration of the system.

6 (l) Annual financial statement.--The board shall prepare and  
7 have published, on or before July 1 of each year, a financial  
8 statement as of the calendar year ending December 31 of the  
9 previous year showing the condition of the fund and the various  
10 accounts, including the board's accrual and expenditure of  
11 directed commissions, and setting forth any other facts,  
12 recommendations and data as may be of use in the advancement of  
13 knowledge concerning annuities and other benefits provided under  
14 this chapter. The board shall submit the financial statement to  
15 the Governor and the General Assembly and shall file copies with  
16 the head of each department for the use of the State employees  
17 and the public.

18 (m) Independent audit.--The board shall provide for an  
19 annual audit of the system by an independent certified public  
20 accountant, which shall include the board's accrual and  
21 expenditure of directed commissions.

22 § 7106. Administration and investment options.

23 (a) Administration.--The board shall administer the system  
24 as a defined contribution retirement system under the IRC under  
25 which benefits will be provided for active members. The benefits  
26 to be provided for or on behalf of active members in the system  
27 shall be provided through active member-directed investments in  
28 accordance with IRC § 401(a) (relating to qualified pension,  
29 profit-sharing, and stock bonus plans). Active members and  
30 employers shall contribute to the system in accordance with



1 sections 7111 (relating to active member contributions) and 7112  
2 (relating to employer contributions).

3 (b) Investment options.--The system shall provide a variety  
4 of investment options. The investment options shall include  
5 lifestyle funds that are based upon age and projected  
6 retirement.

7 (c) Additional investment options.--The system shall make  
8 available investment options that represent a broad cross  
9 section of asset classes and risk profiles. To the extent  
10 practical, a composite fund may be offered to participants which  
11 represents the entire portfolio return under management within  
12 the Public School Employees' Retirement System or the State  
13 Employees' Retirement System.

14 (d) Default investment option.--The system shall provide a  
15 default investment option to an active member who does not  
16 affirmatively elect a specific investment option. The default  
17 investment option shall be the lifestyle fund which most closely  
18 represents the current demographic of the active member and the  
19 projected retirement of the active member. The active member  
20 contribution in the default investment option shall be 5% of the  
21 active member's total pensionable earnings.

22 (e) Investment guidance.--The system shall make available  
23 investment guidance in accordance with pension industry  
24 standards.

25 (f) Membership.--Membership in the system shall consist of  
26 public employees occupying permanent positions with an employer.  
27 § 7107. Plan structure.

28 (a) Duties.--In developing and making available the system,  
29 the board shall do all of the following:

30 (1) Implement competitive bidding practices for

1 processes that govern the daily operations of the system.

2 (2) Provide consistency in the plan for all active  
3 members.

4 (3) Effectively leverage the existing administrative and  
5 financial capabilities of the State Employees' Retirement  
6 System and the Public School Employees' Retirement System,  
7 provided that this requirement shall not implicitly preclude  
8 the board from contracting with or utilizing the services of  
9 existing entities providing retirement or financial services.

10 (4) Provide participants with a broad range of low-cost  
11 investment alternatives.

12 (5) Allow for online administration and daily  
13 valuations.

14 (6) Allow for rollovers into this plan from plans of  
15 other public employers.

16 (7) Provide active members with the necessary financial  
17 planning resources to allow active members to make adequate  
18 portfolio allocation decisions.

19 (8) Allow an active member who is no longer a public  
20 employee to maintain their account within the system.

21 (9) Benchmark the system continually against the best  
22 demonstrated practices within the entire industry.

23 (b) Prohibitions.--In developing and making available the  
24 system, the board shall not do any of the following:

25 (1) Provide any additional benefit beyond that provided  
26 under this chapter that results in an increased cost to any  
27 taxpayer of this Commonwealth.

28 (2) Implement or administer any loan provisions unless  
29 required by law.

30 (c) Costs.--Any administrative costs, overhead costs or

1 nonrecurring, start-up costs shall be paid by the board with an  
2 annual appropriation to the board for administrative costs. Any  
3 other costs may be charged against participant accounts.

4 § 7108. Investments and expenses.

5 The board shall not be responsible for an investment loss  
6 incurred in the system or for failure of an investment to earn  
7 any specific or expected return or to earn as much as any other  
8 investment opportunity, whether or not the other investment  
9 opportunity was offered to active members in the system. The  
10 board shall bear the expenses arising from allowing public  
11 employees to elect to participate in the system and active  
12 members to choose a fund manager which are deducted from  
13 compensation amounts contributed under the system and  
14 transferred to the fund manager. All other expenses arising from  
15 the administration of the system shall be assessed against the  
16 accounts created on behalf of active members either by the fund  
17 managers or by the board.

18 § 7109. Attachment.

19 Notwithstanding any other provision of law, a benefit or  
20 interest available under the system, a right to receive or  
21 direct payments under the system or a distribution of payment  
22 made under the system shall not, except as expressly specified  
23 by the system, be subject to assignment, alienation,  
24 garnishment, attachment, transfer, anticipation, sale, mortgage,  
25 pledge, hypothecation, commutation, execution or levy, whether  
26 by voluntary or involuntary act of an interested person.

27 § 7110. Investments.

28 Investment of contributions by a corporation, institution,  
29 insurance company or custodial bank that the board has approved  
30 shall not be unreasonably delayed, and in no case shall the

1 investment of contributions be delayed more than 30 days from  
2 the date of payroll deduction to the date that funds are  
3 invested. An interest earned on the funds pending investment  
4 shall be allocated to the Commonwealth and credited to the  
5 accounts of active members who are then participating in the  
6 system unless the interest is used to defray administrative  
7 costs and fees that would otherwise be required to be borne by  
8 active members who are then participating in the system.

9 § 7111. Active member contributions.

10 Regular active member contributions shall be made to the  
11 system on behalf of each active member for current service in an  
12 amount equal to a percentage of the active member's pensionable  
13 earnings. The employer shall cause active member contributions  
14 for current service to be made and deducted from each payroll.  
15 Active members may elect to contribute to the system on their  
16 behalf to the extent permitted by law.

17 § 7112. Employer contributions.

18 (a) Contributions.--The Commonwealth or any other employer  
19 shall make payments to the trust fund on behalf of the active  
20 member. The amount of the payments shall match the contribution  
21 made by an active member dollar for dollar under section 7111  
22 (relating to active member contributions) but shall not exceed  
23 5% of the active member's pensionable earnings.

24 (b) Disability.--In the event an active member becomes  
25 totally and permanently disabled, the employer shall continue to  
26 make employer contributions in the same amount as the employer's  
27 previous contribution on behalf of the active member as provided  
28 under subsection (a) until the active member has attained 65  
29 years of age. A contribution under this subsection shall be made  
30 regardless of the level of the active member's contributions or

1 the absence thereof.

2 § 7113. Vesting.

3 (a) Forfeiture.--The following shall apply:

4 (1) Except as provided under paragraph (2), an active  
5 member shall be vested after completing three years of  
6 service during which the person is an active member in the  
7 system with respect to employer contributions paid on behalf  
8 of the active member to the system plus interest and earnings  
9 on the employer contributions but minus investment fees and  
10 administrative charges.

11 (2) An active member that is considered part time shall  
12 only be vested if the member is compensated for at least  
13 1,000 hours per year.

14 (b) Forfeiture.--The following shall apply:

15 (1) If an active member or a beneficiary entitled to a  
16 payment cannot be located, the related accounts shall be  
17 forfeited as of the date the active member or the beneficiary  
18 cannot be located. The active member's vested account balance  
19 that is so forfeited shall be restored to the active member's  
20 account if the active member or beneficiary entitled to the  
21 payment later submits a written election of method of  
22 payment.

23 (2) An unvested portion of an active member's accounts  
24 shall be forfeited and may be applied as provided under  
25 section 7105(f) (relating to duties of the board) upon the  
26 death or other termination of public service of the active  
27 member.

28 § 7114. Duties of the board to advise and report to heads of  
29 departments and members.

30 (a) Manual of regulations.--The board shall, with the advice

1 of the Attorney General, prepare and provide, within 90 days of  
2 the effective date of this section, a manual incorporating rules  
3 and regulations consistent with the provisions of this chapter  
4 to the heads of departments who shall provide the information to  
5 newly hired public employees who are active members and shall  
6 make the information contained in the manual available to the  
7 general membership. The board shall thereafter advise the heads  
8 of departments within 90 days of any changes in the rules and  
9 regulations due to changes in the law or due to changes in  
10 administrative policies.

11 (b) Member status statements and certifications.--The board  
12 shall furnish annually to the head of each department, on or  
13 before April 1, a statement for each member employed in the  
14 department showing the total accumulated deductions standing to  
15 his credit as of December 31 of the previous year and requesting  
16 the member to make any necessary corrections or revisions  
17 regarding his designated beneficiary. In addition, for each  
18 member employed in a department and for whom the department has  
19 furnished the necessary information, the board shall certify the  
20 number of years and fractional part of a year of credited  
21 service.

22 § 7115. Duties of heads of departments.

23 (a) Status of members.--The head of department shall, at the  
24 end of each pay period, notify the board in a manner prescribed  
25 by the board of salary changes effective during that period for  
26 any members of the department, the date of all removals from the  
27 payroll and the type of leave of any members of the department  
28 who have been removed from the payroll for any time during that  
29 period. The following shall apply:

30 (1) If the removal is due to leave without pay, the head

1 of department shall furnish the board with the date of  
2 beginning of leave and of return to service and the reason  
3 for leave.

4 (2) If the removal is due to a transfer to another  
5 department, the head of department shall furnish the  
6 department and the board with a complete public service  
7 record, including past public service.

8 (3) If the removal is due to termination of public  
9 service, the head of department shall furnish the board with  
10 a complete public service record. The following shall apply:

11 (i) In the case of death of the member, the head of  
12 department shall notify the board.

13 (ii) In the case of a service connected disability,  
14 the head of department shall, to the best of his or her  
15 ability, investigate the circumstances surrounding the  
16 disablement of the member and submit in writing to the  
17 board information which shall include the date, place and  
18 time of disablement to the extent ascertainable, the  
19 nature of duties being performed at the time and whether  
20 or not the duties being performed were authorized and  
21 included among the member's regular duties. The head of  
22 department shall furnish in writing to the board any  
23 other information as may be related to the member's  
24 disablement.

25 (b) Records and information.--At any time at the request of  
26 the board and at termination of service of a member, the head of  
27 department shall furnish service and compensation records and  
28 any other information as the board may require and shall  
29 maintain and preserve the records as the board may direct for  
30 the expeditious discharge of its duties.

1     (c) Employer contributions.--The head of department shall  
2 cause the required employer contributions to be made and  
3 deducted under section 7110 (relating to investments). The head  
4 of department shall certify to the State Treasurer the amounts  
5 deducted and shall send the total amount picked up and deducted,  
6 together with a duplicate of the voucher, to the secretary of  
7 the board every pay period. On or before January 31, 2018, and  
8 on or before each January 31 thereafter, the head of department  
9 shall, at the time when the income and withholding information  
10 required by law is furnished to each member, also furnish the  
11 amount of employer contributions made on his behalf.

12     (d) Mandatory membership.--Each public employee who enters  
13 into public service for the first time after November 30, 2017,  
14 shall be subject to mandatory membership in the system. Upon the  
15 assumption of public service of each new public employee whose  
16 membership in the system is mandatory, the head of department  
17 shall cause an application for membership and a nomination of  
18 beneficiary to be made by the public employee and filed with the  
19 board and shall make employer contributions from the effective  
20 date of public service.

21     (e) Annual statement to active members.--Annually, upon  
22 receipt from the board, the head of department shall furnish to  
23 each active member the statement specified under section 7114(b)  
24 (relating to duties of the board to advise and report to heads  
25 of departments and members).

26     (f) Termination of service.--The head of department shall,  
27 in the case of an active member terminating public service who  
28 is ineligible for an annuity before attainment of superannuation  
29 age, advise the member in writing of any benefits to which the  
30 member may be entitled under this chapter and shall have the



1 member prepare, on or before the date of termination of public  
2 service, an application for the return of total accumulated  
3 deductions.

4 (g) Date of application for benefits.--An application  
5 properly executed and filed under subsection (f) with the  
6 department and not filed with the board within 30 days shall be  
7 deemed to have been filed with the board on the date filed with  
8 the department, and in such case all required data shall be  
9 furnished to the board immediately.

10 § 7116. Administration.

11 For purposes of administering the system, an individual  
12 account shall be maintained in the name of each public employee.

13 § 7117. Applicability.

14 (1) Except as provided in paragraph (2), this chapter  
15 shall apply to public employees entering into public service  
16 after November 30, 2017, or upon the expiration of a  
17 collective bargaining agreement an employer has entered  
18 providing retirement benefits to a public employee, whichever  
19 is later, and shall not be construed to affect a person who  
20 is a public school employee, State employee or municipal  
21 employee on or before November 30, 2017.

22 (2) This chapter shall apply to a person who is a public  
23 school employee, State employee or municipal employee before  
24 November 30, 2017, and who is not a public employee on  
25 November 30, 2017, but reenters public service after November  
26 30, 2017.

27 Section 2. The following shall apply:

28 (1) The provisions of the act of February 1, 1974 (P.L.  
29 34, No.15), known as the Pennsylvania Municipal Retirement  
30 Law, shall not apply to municipal employees employed after

1 November 30, 2017.

2 (2) The provisions of 24 Pa.C.S. Pt. IV shall not apply  
3 to public school employees employed after November 30, 2017.

4 (3) The provisions of 71 Pa.C.S. Pt. XXV shall not apply  
5 to State employees employed after November 30, 2017.

6 (4) The provisions of any statute that provides for  
7 local retirement benefits shall not apply to a public  
8 employee employed after November 30, 2017.

9 Section 3. This act shall take effect in 60 days.