
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 930 Session of
2017

INTRODUCED BY KAMPF, TOBASH, CUTLER, FEE, CHARLTON, DUNBAR,
GROVE, MILLARD, TOPPER, PHILLIPS-HILL, COX, GODSHALL,
A. HARRIS, GREINER, STAATS, SAYLOR, MENTZER, WHEELAND,
QUIGLEY, MUSTIO, HICKERNELL, WARD, TOEPEL, SACCONI, BLOOM,
ORTITAY, METCALFE, LAWRENCE, EVERETT, JAMES, ROTHMAN,
F. KELLER, OBERLANDER, CHRISTIANA, SONNEY, TURZAI, MASSER AND
REED, MARCH 22, 2017

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MARCH 22, 2017

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 as follows:
4 In Title 24:
5 for retirement for school employees, in the areas of
6 preliminary provisions, of membership, contributions and
7 benefits, of school employees' defined contribution plan
8 and of administration and miscellaneous provisions; and
9 for health insurance for retired school employees, in
10 the area of preliminary provisions.
11 In Title 51:
12 for employment preferences and pensions, in the area
13 of military leave of absence.
14 In Title 71:
15 for boards and offices, in the area of Independent
16 Fiscal Office; and
17 for retirement for State employees and officers, in
18 the areas of preliminary provisions, of membership,
19 credited service, classes of service and eligibility for
20 benefits, of contributions, of benefits, of State
21 employees' defined contribution plan and of
22 administration, funds, accounts, general provisions.
23 Providing, as to the revisions:
24 for construction and administration, for
25 applicability and for liability.

1 The General Assembly of the Commonwealth of Pennsylvania
2 hereby enacts as follows:

3 ARTICLE I

4 Section 101. The definitions of "alternate payee," "basic
5 contribution rate," "beneficiary," "class of service
6 multiplier," "compensation," "creditable nonschool service,"
7 "credited service," "date of termination of service,"
8 "distribution," "domestic relations order," "final average
9 salary," "inactive member," "intervening military service,"
10 "irrevocable beneficiary," "leave for service with a collective
11 bargaining organization," "reemployed from USERRA leave,"
12 "required beginning date," "salary deductions," "shared-risk
13 contribution rate," "standard single life annuity,"
14 "superannuation or normal retirement age," "valuation interest"
15 and "vestee" in section 8102 of Title 24 of the Pennsylvania
16 Consolidated Statutes are amended and the section is amended by
17 adding definitions to read:

18 § 8102. Definitions.

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

22 * * *

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

29 "Accumulated mandatory participant contributions." The total
30 of the mandatory pickup participant contributions paid into the

1 trust on account of a participant's school service, together
2 with any investment earnings and losses and adjustments for
3 fees, costs and expenses credited or charged thereon and reduced
4 by any distributions.

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

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

17 * * *

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

25 * * *

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 * * *

2 "Basic contribution rate." For Class T-A, T-B and T-C
3 service, the rate of 6 1/4%. For Class T-D service, the rate of
4 7 1/2%. For all active members on the effective date of this
5 provision who are currently paying 5 1/4% and elect Class T-D
6 service, the rate of 6 1/2%. For Class T-E service, the rate of
7 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
8 service, the rate of 5.5%. For Class T-H service, the rate of
9 4.5%.

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

18 * * *

19 "Class of service multiplier."

20	Class of service	Multiplier
21	T-A	.714
22	T-B	.625
23	T-C	1.000
24	T-D	1.000
25	T-E	1.000
26	T-F	1.000
27	<u>T-G</u>	<u>1.000</u>
28	<u>T-H</u>	<u>1.000</u>

29 * * *

30 "Compensation." Pickup contributions and mandatory pickup

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

1 System on or after July 1, 1996, and who by reason of such fact
2 is a noneligible member subject to the application of the
3 provisions of section 8325.1 (relating to annual compensation
4 limit under IRC § 401(a)(17)), and shall apply to each
5 participant pertaining to the participant's participation in the
6 plan.

7 * * *

8 "Creditable nonschool service." Service other than service
9 as a school employee for which an active member may obtain
10 credit in the system.

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

20 "Date of termination of service." The latest of the
21 following dates:

22 (1) The last [date] day of service for which pickup
23 contributions are made for an active member or[,] for which
24 the contributions otherwise required for service were not
25 made solely by reason of any provision of this part relating
26 to the limitations under section 401(a)(17) or 415 of the
27 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
28 401(a)(17) or 415); or

29 (2) in the case of an inactive member or an inactive
30 participant, the effective date of his resignation or the

1 date his employment is formally discontinued by his employer
2 or two years following the last day of service for which
3 contributions were made, whichever is earliest.

4 (3) Mandatory pickup participant contributions are made
5 for an active participant.

6 * * *

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

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

24 * * *

25 "Employer defined contributions." Contributions equal to
26 2.0% of an active participant's compensation that are made by an
27 employer to the trust, to be credited in the active
28 participant's individual investment account.

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

30 (1) For purposes of calculating annuities and benefits

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

25 (2) For purposes of calculating annuities and benefits
26 from the system attributable to Class T-G and Class T-H
27 service, the following shall apply:

28 (i) The highest average compensation received as an
29 active member during any five nonoverlapping periods of
30 12 consecutive months, with the compensation for part-

1 time service being annualized on the basis of the
2 fractional portion of the school year for which credit is
3 received shall be used or the calculation shall be made
4 in accordance with the following:

5 (A) If the employee was not a member for five
6 periods, the total compensation received as an active
7 member annualized in the case of part-time service
8 divided by the number of periods of membership.

9 (B) In the case of a member with multiple
10 service credit, the final average salary shall be
11 determined by reference to compensation received by
12 the member as a school employee or a State employee
13 or both.

14 (C) In the case of a noneligible member, subject
15 to the application of the provisions of section
16 8325.1.

17 (ii) Final average salary shall be determined by
18 including in compensation, payments deemed to have been
19 made to a member reemployed from USERRA leave to the
20 extent member contributions have been made as provided in
21 section 8302(d)(2) and payments made to a member on leave
22 of absence under 51 Pa.C.S. § 4102 as provided in section
23 8302(d)(6).

24 * * *

25 "Inactive member." A member for whom no pickup contributions
26 are being made to the fund, except in the case of an active
27 member for whom such contributions otherwise required for
28 current school service are not being made solely by reason of
29 any provision of this part relating to the limitations under
30 section 401(a)(17) or 415 of the Internal Revenue Code of 1986

1 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415) or because
2 the member is on USERRA leave, who has accumulated deductions
3 standing to his credit in the fund and for whom contributions
4 have been made within the last two school years or a multiple
5 service member who is active in the State Employees' Retirement
6 System.

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

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

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

1 * * *

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

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

13 * * *

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 participant,
24 including, but not limited to, salary, wages, pension and
25 retirement contributions and benefits, employer defined
26 contributions, other benefits and seniority, as if he were in
27 full-time active service; and that the employee organization
28 shall fully reimburse the employer for such salary, wages,
29 pension and retirement contributions and benefits, employer
30 defined contributions and other benefits and seniority.

1 "Mandatory pickup participant contributions." Contributions
2 equal to a percentage of compensation that are made by the
3 employer for active participants for current school service that
4 are picked up by the employer and credited in the plan as
5 follows:

6 (1) For Class T-G and Class T-H members, 3.0%.

7 (2) For Class DC participants, 7.5%.

8 * * *

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

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

16 * * *

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

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

24 * * *

25 "Reemployed from USERRA leave." Resumption of active
26 membership or active participation as a school employee after a
27 period of USERRA leave, if the resumption of active membership
28 or active participation was within the time period and under
29 conditions and circumstances such that the school employee was
30 entitled to reemployment rights under 38 U.S.C. Ch. 43 (relating

1 to employment and reemployment rights of members of the
2 uniformed services).

3 * * *

4 "Required beginning date." The [beginning] latest date by
5 which distributions of a member's interest must commence under
6 section 401(a)(9) of the Internal Revenue Code of 1986 (Public
7 Law 99-514, 26 U.S.C. § 401(a)(9)).

8 * * *

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

14 * * *

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

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

1 equal to 2.5% of the final average salary, multiplied by the
2 total number of years and fractional part of a year of credited
3 service of a member. For Class T-G credited service of a member,
4 an annuity equal to 1.25% of the final average salary,
5 multiplied by the total number of years and fractional part of a
6 year of credited service of a member. For Class T-H credited
7 service of a member, an annuity equal to 1.0% of the final
8 average salary, multiplied by the total number of years and
9 fractional parts of a year of credited service of a member.

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

14 * * *

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

19 * * *

20 "Superannuation or normal retirement age."

21 Class of service	Age
22 T-A	62 or any age upon accrual of
23	35 eligibility points
24 T-B	62
25 T-C and T-D	62 or age 60 provided the
26	member has at least 30
27	eligibility points or any
28	age upon accrual of 35
29	eligibility points
30 T-E and T-F	65 with accrual of at least

1 three eligibility points
2 or a combination of age
3 and eligibility points
4 totaling 92, provided the
5 member has accrued at
6 least 35 eligibility
7 points

8 T-G and T-H 67 with accrual of at least 3
9 eligibility points

10 * * *

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

14 * * *

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

18 "Vestee." A member with five or more eligibility points in a
19 class of service other than Class T-E, Class T-F, Class T-G or
20 Class T-H who has terminated school service, has left his
21 accumulated deductions in the fund and is deferring filing of an
22 application for receipt of an annuity. For Class T-E [and] Class
23 T-F, Class T-G and Class T-H members, a member with ten or more
24 eligibility points who has terminated school service, has left
25 his accumulated deductions in the fund and is deferring filing
26 of an application for receipt of an annuity.

27 "Voluntary contributions." Contributions made by a
28 participant to the trust and credited to the participant's
29 individual investment account in excess of the mandatory pickup
30 participant contributions, either by after-tax salary deductions

1 paid through the employer or by an eligible rollover or direct
2 trustee-to-trustee transfers.

3 Section 102. Section 8103 of Title 24 is amended by adding
4 subsections to read:

5 § 8103. Construction of part.

6 * * *

7 (f) Exclusive source of rights and benefits.--Regardless of
8 any other provision of law, pension and benefit rights of school
9 employees shall be determined solely by this part or an
10 amendment thereto, or the plan document established by the
11 board, and no collective bargaining agreement nor any
12 arbitration award between the employer and the employer's
13 employees or the employee's collective bargaining
14 representatives shall be construed to do any of the following:

15 (1) Change any of the provisions of this part.

16 (2) Require the board to administer pension or
17 retirement benefits not set forth in this part or not
18 established by the board in the plan document.

19 (3) Require the board to modify, amend or change any of
20 the terms and provisions of the plan document.

21 (4) Otherwise require action by any other government
22 body pertaining to pension or retirement benefits or rights
23 of school employees.

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

1 supplemented or supplanted on and after the effective date of
2 this section.

3 (h) Construction.--This part may not be construed to mean
4 any of the following:

5 (1) That the limitations on benefits or other
6 requirements under IRC § 401(a) or other applicable
7 provisions of the IRC that are applicable to participants in
8 the plan do not apply to the participants or to the members
9 of the system and the benefits payable under this part.

10 (2) That an interpretation or application of a provision
11 of this part or benefits available to members of the Public
12 School Employees' Retirement System was not in accordance
13 with the provisions of this part or other applicable law,
14 including the IRC and the Uniformed Services Employment and
15 Reemployment Rights Act of 1994 before the effective date of
16 this section.

17 (3) That the release or publicizing of a record,
18 material or data that would not constitute a public record
19 under section 8502(e) (2) (relating to administrative duties
20 of board) is a violation of the fiduciary duties of the
21 board.

22 Section 103. Title 24 is amended by adding a section to
23 read:

24 § 8103.2. Reference to Public School Employees' Retirement
25 System.

26 (a) General rule.--As of the effective date of this section,
27 unless the context clearly indicates otherwise, a reference to
28 the Public School Employees' Retirement System in a statutory
29 provision, other than this part and 71 Pa.C.S. Pt. XXV (relating
30 to retirement for State employees and officers), shall include a

1 reference to the plan, and a reference to the Public School
2 Employees' Retirement Fund shall include a reference to the
3 trust.

4 (b) Certain agreements.--The agreement of an employer to
5 make contributions to the fund or to enroll employees as members
6 in the system shall be deemed to be an agreement to make
7 contributions to the trust or to enroll employees in the plan.

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

9 § 8301. Mandatory and optional membership in the system and
10 participation in the plan.

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

14 (1) Any officer or employee of the Department of
15 Education, State-owned educational institutions, community
16 colleges, area vocational-technical schools, technical
17 institutes, or [the] The Pennsylvania State University and
18 who is a member of the State Employees' Retirement System or
19 a member of another retirement program approved by the
20 employer.

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

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

1 in such service.

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

6 (b) Prohibited membership.--The school employees categorized
7 in subsection (a) (1) and (2) shall not have the right to elect
8 membership in the system and shall not be eligible to
9 participate in the plan.

10 (c) Optional membership.--The school employees categorized
11 in subsection (a) (3) and, if otherwise eligible, subsection (a)
12 (4) shall have the right to elect membership in the system. Once
13 such election is exercised, membership shall commence from the
14 original date of eligibility and shall continue until the
15 termination of such service.

16 (d) Mandatory participation in the plan.--A school employee
17 who is a mandatory member of either Class T-G or Class T-H shall
18 also be a mandatory participant in the plan as of the effective
19 date of membership in the system.

20 Section 105. Section 8302(a), (c) and (d) of Title 24 are
21 amended and the section is amended by adding a subsection to
22 read:

23 § 8302. Credited school service.

24 (a) Computation of credited service.--In computing credited
25 school service of a member for the determination of benefits, a
26 full-time salaried school employee shall receive one year of
27 credit for each school year or the corresponding fraction
28 thereof, in accordance with the proportion of the full school
29 year for which the required regular member contributions have
30 been made to the fund, or for which such contributions otherwise

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

24 * * *

25 (c) Cancellation of credited service.--All credited service
26 in the system shall be cancelled if a member withdraws his
27 accumulated deductions[.], except that a partial or total
28 distribution of accumulated total defined contributions to a
29 participant who is also a member may not cancel service credited
30 in the system.

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

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

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

22 (i) A school employee who is reemployed from USERRA
23 leave as an active member of the system shall be treated
24 as not having incurred a break in school service by
25 reason of the USERRA leave and shall be granted
26 eligibility points as if the school employee had not been
27 on the USERRA leave. If a school employee who is
28 reemployed from USERRA leave as an active member of the
29 system subsequently makes regular member contributions,
30 shared-risk member contributions and any other member

1 contributions in the amounts and in the time periods
2 required by 38 U.S.C. Ch. 43 (relating to employment and
3 reemployment rights of members of the uniformed services)
4 and IRC § 414(u) as if the school employee had continued
5 in his school office or employment and performed school
6 service and been compensated during the period of USERRA
7 leave, then the school employee shall be granted school
8 service credit for the period of USERRA leave. The
9 employee shall have his benefits, rights and obligations
10 determined under this part as if he was an active member
11 who performed creditable school service during the USERRA
12 leave in the job position that he would have held had he
13 not been on USERRA leave and received the compensation on
14 which the member contributions to receive school service
15 credit for the USERRA leave were determined.

16 (ii) For purposes of determining whether a school
17 employee has made the required employee contributions for
18 school service credit for USERRA leave, if an employee
19 who is reemployed from USERRA leave as an active member
20 of the system terminates school service or dies in school
21 service before the expiration of the allowed payment
22 period, school service credit for the USERRA leave shall
23 be granted as if the required member contributions were
24 paid the day before termination or death. The amount of
25 the required member contributions shall be treated as an
26 incomplete payment subject to the provisions of section
27 8325 (relating to incomplete payments). Upon a subsequent
28 return to school service or to State service as a
29 multiple service member, the required member
30 contributions treated as incomplete payments shall be

1 treated as member contributions that were either
2 withdrawn in a lump sum at termination or paid as a lump
3 sum under section 8345(a)(4) (relating to member's
4 options). For this purpose, the exclusion of Class T-E
5 and Class T-F members from electing a form of payment
6 under section 8345(a)(4)(iii) shall be ignored.

7 (iii) A school employee who is reemployed from
8 USERRA leave as an active member of the system and who
9 does not make the required member contributions or makes
10 only part of the required member contributions within the
11 allowed payment period shall not be:

12 (A) Granted credited service for the period of
13 USERRA leave for which the required member
14 contributions were not timely made.

15 (B) Eligible to subsequently make contributions.

16 (C) Granted either school service credit or
17 nonschool service credit for the period of USERRA
18 leave for which the required member contributions
19 were not timely made.

20 (3) A school employee who is a member of the system and
21 performs USERRA leave from which the employee could have been
22 reemployed from USERRA leave had the school employee returned
23 to school service in the time frames required by 38 U.S.C.
24 Ch. 43 for reemployment rights, but did not do so, shall be
25 able to receive creditable nonschool service as
26 nonintervening military service for the period of USERRA
27 leave if the employee later returns to school service and is
28 otherwise eligible to purchase the service as nonintervening
29 military service.

30 (4) [A school employee] An active or inactive member

1 who, on or after the effective date of this subsection, is
2 granted a leave of absence under section 1178 of the Public
3 School Code, a leave of absence under 51 Pa.C.S. § 4102
4 (relating to leaves of absence for certain government
5 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
6 is not USERRA leave shall be able to receive creditable
7 nonschool service as nonintervening military service should
8 the employee return to school service as an active member of
9 the system and is otherwise eligible to purchase the service
10 as nonintervening military service.

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

18 (6) A school employee who is on a leave of absence from
19 his duties as a school employee and for which 51 Pa.C.S. §
20 4102 provides that he is not to suffer a loss of pay, time or
21 efficiency shall not be an active member, receive service
22 credit or make member contributions for the leave of absence
23 except as provided for in this part. Notwithstanding this
24 paragraph, any pay the member receives under section 1178 of
25 the Public School Code or 51 Pa.C.S. § 4102 shall be included
26 in the determination of final average salary and other
27 calculations in the system utilizing compensation as if the
28 payments were compensation under this part.

29 (e) Military service by a participant.--A participant who
30 has performed USERRA leave shall be treated and may make

1 contributions as follows:

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

25 (2) A participant who is reemployed from USERRA leave
26 and does not make the mandatory pickup participant
27 contributions or makes only part of the mandatory pickup
28 participant contributions within the allowed payment period
29 may not be eligible to make mandatory pickup participant
30 contributions and voluntary contributions at a later date for

1 the period of USERRA leave for which the mandatory pickup
2 participant contributions were not timely made.

3 (3) A participant who performs USERRA leave from which
4 the employee could have been reemployed from USERRA leave had
5 the school employee returned to school service in the time
6 frames required by 38 U.S.C. Ch. 43 for reemployment rights,
7 but did not do so, may not be eligible to make mandatory
8 pickup participant contributions or voluntary contributions
9 for the period of USERRA leave should the employee later
10 return to school service and be a participant in the plan.

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

26 (5) If a participant dies while performing USERRA leave,
27 then the beneficiaries or successor payees of the deceased
28 participant are entitled to any additional benefits, other
29 than benefit accruals relating to the period of qualified
30 military service, provided under this part had the

1 participant resumed and then terminated employment on account
2 of death.

3 Section 106. Section 8303(c) and (d) of Title 24 are amended
4 to read:

5 § 8303. Eligibility points for retention and reinstatement of
6 service credits.

7 * * *

8 (c) Purchase of previous creditable service.--Every active
9 member of the system or a multiple service member who is an
10 active member of the State Employees' Retirement System on or
11 after the effective date of this part may purchase credit and
12 receive eligibility points:

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

16 (2) as a member of Class T-D for previous creditable
17 school service, provided the member elects to become a Class
18 T-D member pursuant to section 8305.1 (relating to election
19 to become a Class T-D member);
20 upon written agreement by the member and the board as to the
21 manner of payment of the amount due for credit for such service;
22 except, that any purchase for reinstatement of service credit
23 shall be for all service previously credited.

24 (d) Purchase of previous noncreditable service.--Class T-C
25 and Class T-D members who are active members on the effective
26 date of this subsection shall have three years from the
27 effective date of this subsection to file a written application
28 with the board to purchase any previous noncreditable school
29 service. Class T-C and Class T-D members who are not active
30 members on the effective date of this subsection but who become

1 active members after the effective date of this subsection and
2 Class T-E [and class T-F], Class T-F, Class T-G and Class T-H
3 members shall have 365 days from entry into the system to file a
4 written application with the board to purchase any previous
5 noncreditable school service.

6 Section 107. Section 8305(c)(1) and (d) of Title 24 are
7 amended and the section is amended by adding subsections to
8 read:

9 § 8305. Classes of service.

10 * * *

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

12 (1) A person who becomes a school employee and an active
13 member, or a person who becomes a multiple service member who
14 is a State employee and a member of the State Employees'
15 Retirement System, on or after the effective date of this
16 subsection and before July 2011 shall be classified as a
17 Class T-D member upon payment of regular member
18 contributions. Any prior school service credited as Class T-C
19 service shall be credited as Class T-D service, subject to
20 the limitations contained in paragraph (4).

21 * * *

22 (d) Class T-E membership.--Notwithstanding any other
23 provision, a person who first becomes a school employee and an
24 active member, or a person who first becomes a multiple service
25 member who is a State employee and a member of the State
26 Employees' Retirement System, on or after the effective date of
27 this subsection and before July 1, 2018, shall be classified as
28 a Class T-E member upon payment of regular member contributions
29 and the shared-risk contributions.

30 * * *

1 (f) Class T-G membership.--A person who first becomes a
2 school employee and an active member on or after July 1, 2018,
3 shall be classified as a Class T-G member upon payment of
4 regular member contributions and the shared-risk contributions.

5 (g) Class T-H membership or Class DC participant.--A person
6 who first becomes a school employee and an active member on or
7 after July 1, 2018, and who is eligible to become a Class T-G
8 member shall have the right to elect to become one of the
9 following:

10 (1) a Class T-H member, provided the person elects to
11 become a Class T-H member pursuant to section 8305.3
12 (relating to election to become a Class T-H member), upon
13 written election filed with the board and payment of regular
14 member contributions and the shared-risk contributions; or

15 (2) a Class DC participant, provided the person elects
16 to become a Class DC participant pursuant to section 8305.4
17 (relating to election to become a Class DC participant), upon
18 written election filed with the board and payment of
19 mandatory pickup participant contributions.

20 Section 107.1. Title 24 is amended by adding sections to
21 read:

22 § 8305.3. Election to become a Class T-H member.

23 (a) General rule.--A person who first becomes a school
24 employee and an active member on or after the effective date of
25 this subsection and who is eligible to become a Class T-G member
26 may elect to become a member of Class T-H.

27 (b) Time for making election.--A member must elect to become
28 a Class T-H member by filing a written election with the board
29 within 90 days of notification by the board that such member is
30 eligible for such election. A school employee who is eligible to

1 elect to become a Class T-H member who begins USERRA leave
2 during the election period without having elected Class T-H
3 membership may make the election within 90 days after being
4 reemployed from USERRA leave.

5 (c) Effect of election.--An election to become a Class T-H
6 member shall be irrevocable and shall commence from the original
7 date of eligibility. A member who elects Class T-H membership
8 shall receive Class T-H service credit on any and all future
9 service, regardless of whether the member terminates service or
10 has a break in service.

11 (d) Effect of failure to make election.--If a member fails
12 to timely file an election to become a Class T-H member, and
13 does not elect to become a Class DC participant under section
14 8305.4 (relating to election to become a Class DC participant),
15 then the member shall be enrolled as a member of Class T-G, and
16 the member shall never be able to elect Class T-H service,
17 regardless of whether the member terminates service or has a
18 break in service.

19 § 8305.4. Election to become a Class DC participant.

20 (a) General rule.--A person who first becomes a school
21 employee and an active member on or after the effective date of
22 this subsection and who is eligible to become a Class T-G member
23 may elect to become a participant of Class DC.

24 (b) Time for making election.--A member must elect to become
25 a Class DC participant by filing a written election with the
26 board within 90 days of notification by the board that such
27 member is eligible for such election. A school employee who is
28 eligible to elect to become a Class DC participant who begins
29 USERRA leave during the election period without having elected
30 to become a Class DC participant may make the election within 90

1 days after being reemployed from USERRA leave.

2 (c) Effect of election.--An election to become a Class DC
3 participant shall be irrevocable and shall commence from the
4 original date of eligibility. A member who elects to become a
5 Class DC participant shall remain a Class DC participant on any
6 and all future service, regardless of whether the participant
7 terminates service or has a break in service.

8 (d) Effect of failure to make election.--If a member fails
9 to timely file an election to become a Class DC participant, and
10 does not elect to become a member of Class T-H under section
11 8305.3 (relating to election to become a Class T-H member), then
12 the member shall be enrolled as a member of Class T-G, and the
13 member shall never be able to elect to become a Class DC
14 participant, regardless of whether the member terminates service
15 or has a break in service.

16 Section 108. Sections 8306, 8307, 8308, 8310, 8321,
17 8322.1(a), 8323(a), (c) and (d)(1), 8324, 8325.1(a), 8326(a) and
18 (c), 8327, 8328(a), (b), (c), (e)(1) and (g) and 8330 of Title
19 24 are amended to read:

20 § 8306. Eligibility points.

21 (a) General rule.--An active member of the system shall
22 accrue one eligibility point for each year of credited service
23 as a member of the [school or State retirement system] system or
24 if a multiple service member, as a member of the State
25 Employees' Retirement System. A member shall accrue an
26 additional two-thirds of an eligibility point for each year of
27 Class D-3 credited service under the State Employees' Retirement
28 System. In the case of a fractional part of a year of credited
29 service, a member shall accrue the corresponding fractional
30 portion of an eligibility point.

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, USERRA leave or credited State
22 service as an active member of the State Employees'
23 Retirement System after June 30, 2001, shall be counted until
24 such member earns one eligibility point by performing
25 credited school service or, if a multiple service member,
26 credited State service after June 30, 2001, at which time all
27 eligibility points as determined under subsection (a) shall
28 be counted.

29 (2) A member subject to paragraph (1) shall be
30 considered to have satisfied any requirement for five

1 eligibility points contained in this part if the member has
2 at least ten eligibility points determined under subsection
3 (a).

4 § 8307. Eligibility for annuities.

5 (a) Superannuation annuity.--An active or an inactive member
6 who attains superannuation age shall be entitled to receive a
7 superannuation annuity upon termination of service and filing of
8 a proper application. All members must begin receiving a
9 superannuation annuity by the member's required beginning date.

10 (b) Withdrawal annuity.--

11 (1) A vestee in Class T-C or Class T-D with five or more
12 eligibility points or an active or inactive Class T-C or
13 Class T-D member who terminates school service having five or
14 more eligibility points shall, upon filing a proper
15 application, be entitled to receive an early annuity.

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

21 (3) A vestee in Class T-G or Class T-H with five or more
22 eligibility points or an active or inactive Class T-G or
23 Class T-H member who terminates school service having five or
24 more eligibility points shall, upon filing a proper
25 application, be entitled to receive an early annuity,
26 provided the member has attained the age of 62.

27 (c) Disability annuity.--An active or inactive member who
28 has credit for at least five years of service shall, upon filing
29 of a proper application, be entitled to a disability annuity if
30 he becomes mentally or physically incapable of continuing to

1 perform the duties for which he is employed and qualifies for an
2 annuity in accordance with the provisions of section 8505(c)(1)
3 (relating to duties of board regarding applications and
4 elections of members and participants).

5 § 8308. Eligibility for vesting.

6 Any Class T-C [or], Class T-D, Class T-G or Class T-H member
7 who terminates school service, or if a multiple service member
8 and an active member of the State Employees' Retirement System
9 who terminates State service, with five or more eligibility
10 points shall be entitled to vest his retirement benefits until
11 the member's required beginning date. Any Class T-E or Class T-F
12 member who terminates school service, or if a multiple service
13 member and an active member of the State Employees' Retirement
14 System who terminates State service, with ten or more
15 eligibility points shall be entitled to vest his retirement
16 benefits until his required beginning date.

17 § 8310. Eligibility for refunds.

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

22 § 8321. Regular member contributions for current service.

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

29 (b) Class T-E [and], Class T-F, Class T-G and Class T-H
30 shared-risk contributions.--

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

1 provided the total member contribution rate on the date of
2 the actuarial valuation is below the member's basic
3 contribution rate.

4 (2) Notwithstanding paragraph (1), the total member
5 contribution rate for Class T-E members shall not be less
6 than [7.5%] 5.5%, nor more than 9.5%. The total member
7 contribution rate for Class T-F members shall not be less
8 than [10.3%] 8.3%, nor more than 12.3%. The total member
9 contribution rate for Class T-G members shall not be less
10 than 3.5% nor more than 7.5%. The total member contribution
11 rate for Class T-H members shall not be less than 2.5% nor
12 more than 6.5%. Notwithstanding this subsection, if the
13 system's actuarial funded status is 100% or more as of the
14 date used for the comparison required under this subsection,
15 as determined in the current annual actuarial valuation, the
16 shared-risk contribution rate shall [be] not be greater than
17 zero. In the event that the annual interest rate adopted by
18 the board for the calculation of the normal contribution rate
19 is changed during the period used to determine the shared-
20 risk contribution rate, the board, with the advice of the
21 actuary, shall determine the applicable rate during the
22 entire period, expressed as an annual rate. The following
23 provisions apply:

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

29 [(2)] (ii) For any fiscal year in which the employer
30 contribution rate is lower than the final contribution

1 rate under section 8328(h) (relating to actuarial cost
2 method), the total member contribution rate for Class T-E
3 [and T-F], Class T-F, Class T-G and Class T-H members
4 shall be prospectively reset to the basic contribution
5 rate.

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

10 § 8322.1. Pickup contributions.

11 (a) Treatment for purposes of IRC § 414(h).--All
12 contributions to the fund required to be made under sections
13 8321 (relating to regular member contributions for current
14 service), 8322 (relating to joint coverage member contributions)
15 and 8305 (relating to classes of service), with respect to
16 current school service rendered by an active member on or after
17 January 1, 1983, shall be picked up by the employer and shall be
18 treated as the employer's contribution for purposes of IRC §
19 414(h).

20 * * *

21 § 8323. Member contributions for creditable school service.

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

1 contributions been made with full coverage at the rate of
2 contribution necessary to be credited as Class T-C service,
3 Class T-D service if the member is a Class T-D member, Class T-E
4 service if the member is a Class T-E member [or], Class T-F
5 service if the member is a Class T-F member, Class T-G service
6 if the member is a Class T-G member or Class T-H service if the
7 member is a Class T-H member and had such contributions been
8 credited with statutory interest during the period the
9 contributions would have been made and during all periods of
10 subsequent school and State service up to the date of purchase.

11 * * *

12 (c) Approved leave of absence other than sabbatical leave
13 and activated military service leave.--The contributions to be
14 paid by an active member for credit for an approved leave of
15 absence, other than sabbatical leave and activated military
16 service leave, shall be sufficient to transfer his membership to
17 Class T-C or to Class T-D if the member is a Class T-D member,
18 to Class T-E if the member is a Class T-E member [or], to Class
19 T-F if the member is a Class T-F member, to Class T-G service if
20 the member is a Class T-G member or to Class T-H service if the
21 member is a Class T-H member and further to provide an annuity
22 as a Class T-C member or Class T-D member if the member is a
23 Class T-D member, to Class T-E if the member is a Class T-E
24 member [or], to Class T-F if the member is a Class T-F member,
25 to Class T-G service if the member is a Class T-G member or to
26 Class T-H service if the member is a Class T-H member for such
27 additional credited service. Such amount shall be the sum of the
28 amount required in accordance with the provisions of subsection
29 (b) and an amount determined as the sum of the member's basic
30 contribution rate and the normal contribution rate as provided

1 in section 8328 (relating to actuarial cost method) during such
2 period multiplied by the compensation which was received or
3 which would have been received during such period and with
4 statutory interest during all periods of subsequent school and
5 State service up to the date of purchase.

6 * * *

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

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

29 * * *

30 § 8324. Contributions for purchase of credit for creditable

1 nonschool service and noncreditable school service.

2 (a) Source of contributions.--The total contributions to
3 purchase credit as a member of Class T-C, Class T-E [or], Class
4 T-F, Class T-G or Class T-H for creditable nonschool service of
5 an active member or an eligible State employee shall be paid
6 either by the member, the member's previous employer, the
7 Commonwealth, or a combination thereof, as provided by law.

8 (b) Nonintervening military service.--The amount due for the
9 purchase of credit for military service other than intervening
10 military service shall be determined by applying the member's
11 basic contribution rate plus the normal contribution rate as
12 provided in section 8328 (relating to actuarial cost method) at
13 the time of entry of the member into school service subsequent
14 to such military service to one-third of his total compensation
15 received during the first three years of such subsequent
16 credited school service and multiplying the product by the
17 number of years and fractional part of a year of creditable
18 nonintervening military service being purchased together with
19 statutory interest during all periods of subsequent school and
20 State service to date of purchase. Upon certification of the
21 amount due, payment may be made in a lump sum within 90 days or
22 in the case of an active member or an eligible State employee
23 who is an active member of the State Employees' Retirement
24 System it may be amortized with statutory interest through
25 salary deductions to the system in amounts agreed upon by the
26 member and the board. The salary deduction amortization plans
27 agreed to by members and the board may include a deferral of
28 payment amounts and statutory interest until the termination of
29 school service or State service as the board in its sole
30 discretion decides to allow. The board may limit salary

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

20 (c) Intervening military service.--Contributions on account
21 of credit for intervening military service shall be determined
22 by the member's basic contribution rate and compensation at the
23 time of entry of the member into active military service,
24 together with statutory interest during all periods of
25 subsequent school and State service to date of purchase. Upon
26 application for such credit the amount due shall be certified in
27 the case of each member by the board, in accordance with methods
28 approved by the actuary, and contributions may be made by one of
29 the following methods:

30 (1) Regular monthly payments during active military

1 service.

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

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

17 (d) Other creditable nonschool service and noncreditable
18 school service.--

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

1 in the case of purchase of credit for creditable nonschool
2 service as set forth in section 8304(b)(5) (relating to
3 creditable nonschool service) the member shall pay only the
4 employee's share unless otherwise provided by law. Upon
5 certification of the amount due, payment may be made in a
6 lump sum within 90 days or in the case of an active member or
7 an eligible State employee who is an active member of the
8 State Employees' Retirement System it may be amortized with
9 statutory interest through salary deductions to the system in
10 amounts agreed upon by the member and the board. The salary
11 deduction amortization plans agreed to by the members and the
12 board may include a deferral of payment amounts and statutory
13 interest until the termination of school service or State
14 service as the board in its sole discretion decides to allow.
15 The board may limit salary deduction amortization plans to
16 such terms as the board in its sole discretion determines. In
17 the case of an eligible State employee who is an active
18 member of the State Employees' Retirement System, the agreed
19 upon salary deductions shall be remitted to the State
20 Employees' Retirement Board, which shall certify and transfer
21 to the board the amounts paid.

22 (2) Contributions on account of Class T-E [or], Class T-
23 F, Class T-G or Class T-H credit for creditable nonschool
24 service other than military service shall be the present
25 value of the full actuarial cost of the increase in the
26 projected superannuation annuity caused by the additional
27 service credited on account of the purchase. Upon
28 certification of the amount due, payment may be made in a
29 lump sum within 90 days or, in the case of an active member
30 or an eligible State employee who is an active member of the

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

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

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

8 (e) Creditable work experience.--Contributions on account of
9 Class T-C, Class T-E [or], Class T-F, Class T-G or Class T-H
10 credit for creditable work experience pursuant to section
11 8304(b)(6) shall be the present value of the full actuarial cost
12 of the increase in the projected superannuation annuity caused
13 by the additional service credited on account of the purchase of
14 creditable work experience. The amount paid for the purchase of
15 credit for creditable work experience shall not be payable as a
16 lump sum under section 8345(a)(4)(iii) (relating to member's
17 options). Any individual eligible to receive an annuity,
18 excluding an annuity received under the Federal Social Security
19 Act (42 U.S.C. § 301 et seq.), in another pension system, other
20 than a military pension system, shall not be eligible to
21 purchase this service.

22 (f) Creditable maternity leave.--Contributions on account of
23 Class T-C, Class T-E or Class T-F credit for creditable
24 maternity leave pursuant to section 8304(b)(7) shall be
25 determined by applying the member's basic contribution rate plus
26 the normal contribution rate as provided in section 8328 at the
27 time of the member's return to school service to the total
28 compensation received during the first year of subsequent school
29 service and multiplying the product by the number of years and
30 fractional part of a year of creditable service being purchased,

1 together with statutory interest during all periods of
2 subsequent school or State service to the date of purchase. The
3 amount paid for the purchase of credit for creditable maternity
4 leave shall not be eligible for withdrawal as a lump sum under
5 section 8345(a)(4)(iii).

6 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

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

27 * * *

28 § 8326. Contributions by the Commonwealth.

29 (a) Contributions on behalf of active members.--The
30 Commonwealth shall make contributions into the fund on behalf of

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

13 * * *

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

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

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

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

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

1 (i) For members and participants who are employees
2 of employers who are school entities, no Commonwealth
3 contributions shall be made.

4 (ii) For members and participants who are employees
5 of employers who are not school entities, the amount
6 computed under subsection (b).

7 * * *

8 § 8327. Payments by employers.

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

28 (b) Deduction from appropriations.--

29 (1) To facilitate the payment of amounts due from any
30 employer to the fund and the trust through the State

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

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

1 in payments to a chartering school district made pursuant to
2 this section shall be deducted from the amount due to the
3 charter school district pursuant to the Public School Code of
4 1949.

5 (c) Payments by employers after June 30, 1995, and before
6 June 30, 2018.--After June 30, 1995, and before June 30, 2018,
7 each employer, including the Commonwealth as employer of
8 employees of the Department of Education, State-owned colleges
9 and universities, Thaddeus Stevens College of Technology,
10 Western Pennsylvania School for the Deaf, Scotland School for
11 Veterans' Children and The Pennsylvania State University, shall
12 make payments to the fund and the trust each quarter in an
13 amount computed in the following manner:

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

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

30 (3) For any employer, whether or not a school entity, in

1 computing the amount of payment due each quarter, there shall
2 be excluded from the total compensation referred to in this
3 subsection and subsection (a) any amount of compensation of a
4 noneligible member on the basis of which member or
5 participant contributions have not been made by reason of the
6 limitation under IRC § 401(a)(17), except as otherwise
7 provided in this part. Any amount of contribution to the fund
8 paid by the employer on behalf of a noneligible member on the
9 basis of compensation which was subject to exclusion from
10 total compensation in accordance with the provisions of this
11 paragraph shall, upon the board's determination or upon
12 application by the employer, be returned to the employer with
13 valuation interest. Any amount of contribution to the trust
14 paid by the employer on behalf of a noneligible member on the
15 basis of compensation that was subject to exclusion from
16 total compensation in accordance with the provisions of this
17 paragraph shall, upon the board's determination or upon
18 application by the employer, be returned to the employer plus
19 interest and investment gains or losses on such amount but
20 minus investment fees and administrative charges.

21 (d) Payments by employers after June 30, 2018.--After June
22 30, 2018, each employer, including the Commonwealth as employer
23 of employees of the Department of Education, State-owned
24 colleges and universities, Thaddeus Stevens College of
25 Technology, Western Pennsylvania School for the Deaf, Scotland
26 School for Veterans' Children and The Pennsylvania State
27 University, shall make payments to the fund and the trust each
28 quarter in an amount computed in the following manner:

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

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

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

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

29 (e) Agreement.--The agreement of an employer listed in the
30 definition of school employee under section 8102 (relating to

1 definitions) or any other law to make contributions to the fund
2 or to enroll its employees as members in the system shall be
3 deemed to be an agreement to make contributions to the trust or
4 enroll its employees in the plan.

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

8 (g) Reemployed from USERRA leave.--When a school employee
9 reemployed from USERRA leave makes the member contributions
10 required to be granted school service credit for the USERRA
11 leave after June 30, 2018, either by actual payment or by
12 actuarial debt under section 8325 (relating to incomplete
13 payments), the employer that employed the school employee when
14 the member contributions are made, or the last employer before
15 termination in the case of payment under section 8325, shall
16 make the employer contributions that would have been made under
17 this section if the employee making the member contributions
18 after he is reemployed from USERRA leave continued to be
19 employed in his school office or position instead of performing
20 USERRA leave.

21 § 8328. Actuarial cost method.

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

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

8 (b) Normal contribution rate.--The normal contribution rate
9 shall be determined after each actuarial valuation. Until all
10 accrued liability contributions have been completed, the normal
11 contribution rate shall be determined, on the basis of an annual
12 interest rate and such mortality and other tables as shall be
13 adopted by the board in accordance with generally accepted
14 actuarial principles, as a level percentage of the compensation
15 of [the average new active member] all active members, which
16 percentage, if contributed from the start of their employment on
17 the basis of [his] their prospective compensation through [the]
18 their entire period of active school service, would be
19 sufficient to fund the liability for any prospective benefit
20 payable to [him] them, in excess of that portion funded by [his]
21 their prospective member contributions, excluding the shared-
22 risk contributions. In no case shall the employer's normal cost
23 be less than zero.

24 (c) Accrued liability contribution rate.--

25 (1) For the fiscal years beginning July 1, 2002, and
26 ending June 30, 2011, the accrued liability contribution rate
27 shall be computed as the rate of total compensation of all
28 active members which shall be certified by the actuary as
29 sufficient to fund over a period of ten years from July 1,
30 2002, the present value of the liabilities for all

1 prospective benefits of active members, except for the
2 supplemental benefits provided in sections 8348 (relating to
3 supplemental annuities), 8348.1 (relating to additional
4 supplemental annuities), 8348.2 (relating to further
5 additional supplemental annuities), 8348.3 (relating to
6 supplemental annuities commencing 1994), 8348.4 (relating to
7 special supplemental postretirement adjustment), 8348.5
8 (relating to supplemental annuities commencing 1998), 8348.6
9 (relating to supplemental annuities commencing 2002) and
10 8348.7 (relating to supplemental annuities commencing 2003),
11 in excess of the total assets in the fund (calculated by
12 recognizing the actuarially expected investment return
13 immediately and recognizing the difference between the actual
14 investment return and the actuarially expected investment
15 return over a five-year period), excluding the balance in the
16 annuity reserve account, and of the present value of normal
17 contributions and of member contributions payable with
18 respect to all active members on July 1, 2002, during the
19 remainder of their active service.

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

1 amount of such contribution for the first annual payment.

2 (3) Notwithstanding any other provision of law,
3 beginning July 1, 2004, and ending June 30, 2011, the
4 outstanding balance of the increase in accrued liability due
5 to the change in benefits enacted in 2001 and the outstanding
6 balance of the net actuarial loss incurred in fiscal year
7 2000-2001 shall be amortized in equal dollar annual
8 contributions over a period that ends 30 years after July 1,
9 2002, and the outstanding balance of the net actuarial loss
10 incurred in fiscal year 2001-2002 shall be amortized in equal
11 dollar annual contributions over a period that ends 30 years
12 after July 1, 2003. For fiscal years beginning on or after
13 July 1, 2004, if the accrued liability is increased by
14 legislation enacted subsequent to June 30, 2003, such
15 additional liability shall be funded in equal dollar annual
16 contributions over a period of ten years from the first day
17 of July coincident with or next following the effective date
18 of the increase.

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

1 installments over a ten-year period). In the event that the
2 accrued liability is increased by legislation enacted
3 subsequent to June 30, 2010, as a result of an increase in
4 benefits determined on a total plan basis, such additional
5 liability shall be funded as a level percentage of
6 compensation over a period of ten years from the July 1
7 second succeeding the date such legislation is enacted.

8 (5) For the fiscal year beginning on or after July 1,
9 2017, the actuarially calculated assets in the fund
10 determined in accordance with paragraph (4) shall be no less
11 than 70% and no more than 130% of market value.

12 * * *

13 (e) Experience adjustment factor.--

14 (1) For each fiscal year after the establishment of the
15 accrued liability contribution rate for the fiscal year
16 beginning July 1, 2011, any increase or decrease in the
17 unfunded accrued liability, excluding the gains or losses on
18 the assets of the health insurance account, due to actual
19 experience differing from assumed experience, changes in
20 actuarial assumptions, changes in contributions caused by the
21 final contribution rate being different from the actuarially
22 required contribution rate, active members making shared-risk
23 contributions or changes in the terms and conditions of the
24 benefits provided by the system by judicial, administrative
25 or other processes other than legislation, including, but not
26 limited to, reinterpretation of the provisions of this part,
27 shall be amortized as a level percentage of compensation over
28 a period of 24 years beginning with the July 1 second
29 succeeding the actuarial valuation determining said increases
30 or decreases.

1 * * *

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

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

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

22 * * *

23 (j) Additional contribution rate dedicated to pay off
24 unfunded accrued liability.--Until the system's actuarial funded
25 status is 100% or more as determined by the annual actuarial
26 evaluation, for each fiscal year beginning with July 1, 2027,
27 the total contribution rate as calculated according to this
28 section shall be increased annually in accordance with the
29 following schedule, notwithstanding any other provisions of this
30 section:

	<u>Fiscal year beginning:</u>	<u>Additional contribution rate:</u>
1		
2	<u>July 1, 2027</u>	<u>0.01</u>
3	<u>July 1, 2028</u>	<u>0.02</u>
4	<u>July 1, 2029</u>	<u>0.05</u>
5	<u>July 1, 2030</u>	<u>0.06</u>
6	<u>July 1, 2031</u>	<u>0.08</u>
7	<u>July 1, 2032</u>	<u>0.11</u>
8	<u>July 1, 2033</u>	<u>0.11</u>
9	<u>July 1, 2034</u>	<u>0.14</u>
10	<u>July 1, 2035</u>	<u>0.14</u>
11	<u>July 1, 2036</u>	<u>0.17</u>
12	<u>July 1, 2037</u>	<u>0.19</u>
13	<u>July 1, 2038</u>	<u>0.21</u>
14	<u>July 1, 2039</u>	<u>0.23</u>
15	<u>July 1, 2040</u>	<u>0.26</u>
16	<u>July 1, 2041</u>	<u>0.25</u>
17	<u>July 1, 2042</u>	<u>0.30</u>
18	<u>July 1, 2043</u>	<u>0.31</u>
19	<u>July 1, 2044</u>	<u>0.33</u>
20	<u>July 1, 2045</u>	<u>0.35</u>
21	<u>July 1, 2046</u>	<u>0.38</u>
22	<u>July 1, 2047</u>	<u>0.38</u>
23	<u>July 1, 2048</u>	<u>0.40</u>
24	<u>July 1, 2049</u>	<u>0.42</u>

25 § 8330. Appropriations by the Commonwealth.

26 (a) Annual submission of budget.--The board shall prepare
27 and through the Governor submit annually to the General Assembly
28 an itemized budget consisting of the amounts necessary to be
29 appropriated by the Commonwealth out of the General Fund
30 required to meet the separate obligations to the fund and the

1 trust accruing during the fiscal period beginning July 1 of the
2 following year.

3 (b) Appropriation and payment.--The General Assembly shall
4 make an appropriation sufficient to provide for the separate
5 obligations of the Commonwealth to the fund and the trust. Such
6 amount shall be paid by the State Treasurer through the
7 Department of Revenue into the fund or the trust within 30 days
8 of receipt of the requisition presented each quarter by the
9 board.

10 Section 109. Title 24 is amended by adding a section to
11 read:

12 § 8331. Employer funding mandate protection.

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

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

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

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

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

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

11 (3) to find facts or to expedite a final judgment in
12 connection with such a challenge or request for declaratory
13 relief.

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

19 (d) Attorney fees.--A member who prevails in a claim brought
20 under this part may be awarded reasonable attorney fees.

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

29 (f) Employer contributions.--Nothing in this section shall
30 be construed to supersede or conflict with the rights and

1 obligations set forth in section 8330 (relating to
2 appropriations by the Commonwealth).

3 Section 110. Section 8341 of Title 24 is amended to read:
4 § 8341. Return of accumulated deductions.

5 Any member upon termination of service may, in lieu of all
6 benefits payable from the system under this chapter to which he
7 may be entitled, elect to receive his accumulated deductions by
8 his required beginning date.

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

12 § 8342. Maximum single life annuity.

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

1 including a fraction of a month as a full month, by which the
2 effective date of retirement precedes superannuation age by
3 1/4%: Further provided, That on or after July 1, 2018, in the
4 case of any Class T-G or Class T-H member who has attained age
5 62 and has 25 or more eligibility points and who terminates
6 service on or after attaining age 55, such sum of single life
7 annuities shall be reduced by a percentage determined by
8 multiplying the number of months, including a fraction of a
9 month as a full month, by which the effective date of retirement
10 precedes superannuation age by 1/4%: Further provided, In no
11 event shall a Class T-E [or], Class T-F, Class T-G or Class T-H
12 member receive an annual benefit, calculated as of the effective
13 date of retirement, greater than the member's final average
14 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 and multiplied by
23 the ratio of total compensation received in the school system
24 during the period of concurrent service to the total
25 compensation received during such period.

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

30 * * *

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

6 § 8344. Disability annuities.

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

24
$$Y^*/Y \text{ or } 16.667/Y$$

25 where Y = total number of years of credited service and Y* =
26 total years of credited service if the member were to continue
27 as a school employee until attaining superannuation age, or if
28 the member has attained superannuation age then the number of
29 years of credited service. For purposes of calculating a
30 disability annuity for a member of Class T-G or Class T-H, the

1 standard single life annuity shall equal 2% of the final average
2 salary, multiplied by the total number of years and fractional
3 part of a year of service credited for such class of service. In
4 no event shall the disability annuity plus any cost-of-living
5 increases be less than \$100 for each full year of credited
6 service. The member shall be entitled to the election of a joint
7 and survivor annuity on that portion of the disability annuity
8 to which he is entitled under section 8342 (relating to maximum
9 single life annuity).

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

20 * * *

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

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

26 (2) is a Class T-E or Class T-F member with less than
27 ten eligibility points

28 and who] does not return to school service may file an
29 application with the board for an amount equal to the
30 accumulated deductions, shared-risk member contributions and

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

4 * * *

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

10 Section 112. Sections 8345(a), 8346(a), (a.1), (b), (b.1) (1)
11 and (d) (1) and (2), 8347(a) and (b) and 8349 heading, (a) and
12 (b) of Title 24 are amended to read:

13 § 8345. Member's options.

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

1 receive is less than 50% of the present value of his maximum
2 single life annuity and no member may elect a payment option
3 that would provide benefits that do not satisfy the minimum
4 distribution requirements or would violate the incidental death
5 benefit rules of IRC § 401(a)(9). In no event shall a Class T-E
6 or Class T-F member receive an annual benefit, calculated as of
7 the effective date of retirement, greater than the member's
8 final average salary.

9 (1) Option 1.--A life annuity to the member with a
10 guaranteed total payment equal to the present value of the
11 maximum single life annuity on the effective date of
12 retirement with the provision that, if, at his death, he has
13 received less than such present value, the unpaid balance
14 shall be payable to his beneficiary.

15 (2) Option 2.--A joint and survivor annuity payable
16 during the lifetime of the member with the full amount of
17 such annuity payable thereafter to his survivor annuitant, if
18 living at his death.

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

23 (4) Option 4.--Some other benefit which shall be
24 certified by the actuary to be actuarially equivalent to the
25 maximum single life annuity, subject to the following
26 restrictions:

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

29 (ii) The sum of all annuities payable to the
30 designated survivor annuitants shall not be greater than

1 the annuity payable to the member.

2 (iii) A portion of the benefit may be payable as a
3 lump sum, except that such lump sum payment shall not
4 exceed an amount equal to the accumulated deductions
5 standing to the credit of the member. The balance of the
6 present value of the maximum single life annuity adjusted
7 in accordance with section 8342(b) shall be paid in the
8 form of an annuity with a guaranteed total payment, a
9 single life annuity, or a joint and survivor annuity or
10 any combination thereof but subject to the restrictions
11 of subparagraphs (i) and (ii) of this paragraph. [This
12 subparagraph shall not apply to a Class T-E or Class T-F
13 member.] For purposes of this subparagraph, the term
14 "actuarially equivalent," as applied to any lump sum
15 withdrawal attributable to contributions credited to the
16 member's savings account of Class T-E, Class T-F, Class
17 T-G or Class T-H members, together with statutory
18 interest thereon, shall mean equal present values,
19 computed on the basis of the interest rate and such
20 mortality and other tables as adopted by the board
21 pursuant to section 8328(b) (relating to actuarial cost
22 method) in effect on the effective date of retirement of
23 the member.

24 * * *

25 § 8346. Termination of annuities.

26 (a) General rule.--If an annuitant returns to school service
27 or enters or has entered State service and elects multiple
28 service membership, any annuity payable to him under this part
29 shall cease effective upon the date of his return to school
30 service or entering State service without regard to whether he

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

21 (a.1) Return of benefits.--In the event an annuitant whose
22 annuity from the system ceases pursuant to this section receives
23 any annuity payment, including a lump sum payment pursuant to
24 section 8345 (relating to member's options) on or after the date
25 of his return to school service or entering State service, the
26 annuitant shall return to the board the amount so received from
27 the system plus statutory interest. The amount payable shall be
28 certified in each case by the board in accordance with methods
29 approved by the actuary and shall be paid in a lump sum within
30 90 days or in the case of an active member or a State employee

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

15 * * *

16 (b) Return to school service during emergency.--When, in the
17 judgment of the employer, an emergency creates an increase in
18 the work load such that there is serious impairment of service
19 to the public or in the event of a shortage of appropriate
20 subject certified teachers or other personnel, an annuitant or
21 participant receiving distributions may be returned to school
22 service for a period not to extend beyond the school year during
23 which the emergency or shortage occurs, without loss of his
24 annuity or distributions, provided that the annuitant meets the
25 conditions set forth in subsection (b.2). The annuitant or
26 participant receiving distributions shall not be entitled to
27 earn any credited service, and no contributions may be made to
28 the fund or the trust by the annuitant or participant receiving
29 distributions, the employer or the Commonwealth on account of
30 such employment. Such service shall not be subject to member or

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

5 (b.1) Return to school service in an extracurricular
6 position.--

7 (1) An annuitant or participant receiving distributions
8 may be employed under separate contract by a public school or
9 charter school in an extracurricular position performed
10 primarily outside regular instructional hours and not part of
11 mandated curriculum without loss of annuity, provided that
12 the annuitant meets the conditions set forth in subsection
13 (b.2). [Neither the annuitant nor] The annuitant, the
14 participant receiving distributions and the employer shall
15 not make contributions to the member's savings account, the
16 individual investment account or State accumulation account
17 respectively for such service. Further, such contract shall
18 contain a waiver whereby the annuitant waives any potential
19 retirement benefits that could arise from the contract and
20 releases the employer and the board from any liability for
21 such benefits. Such service shall not be subject to member or
22 participant contributions or be eligible for qualification as
23 creditable school service or for participation in the plan,
24 mandatory pickup participant contributions or employer
25 defined contributions.

26 * * *

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

28 (1) An annuitant who returns to school service as an
29 active member of the system and earns three eligibility
30 points by performing credited school service or reemployment

1 from USERRA leave following the most recent period of receipt
2 of an annuity under this part, or an annuitant who enters
3 State service and:

4 (i) is a multiple service member; or

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

19 (2) Upon subsequent discontinuance of service and the
20 filing of an application for an annuity from the system, a
21 former annuitant who qualifies to have the effect of a frozen
22 present value eliminated under this subsection shall be
23 entitled to receive the higher of either:

24 (i) an annuity (prior to optional modification)
25 calculated as if the freezing of the former annuitant's
26 account pursuant to subsection (a) had not occurred,
27 adjusted by crediting Class T-C school service as Class
28 T-D service as provided for in section 8305(c) (relating
29 to classes of service) and further adjusted according to
30 paragraph (3), provided that a former annuitant of the

1 system or a former annuitant of the State Employees'
2 Retirement System who retired under a provision of law
3 granting additional service credit if termination of
4 school or State service or retirement occurred during a
5 specific period of time shall not be permitted to retain
6 the additional service credit under the prior law when
7 the annuity is computed for his most recent retirement;
8 or

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

16 * * *

17 § 8347. Death benefits.

18 (a) Members eligible for annuities.--Any member or former
19 member on USERRA leave, other than an annuitant, who dies and
20 was eligible for an annuity in accordance with section 8307(a)
21 or (b) (relating to eligibility for annuities) shall be
22 considered as having applied for an annuity from the fund to
23 become effective the day before his death; and, in the event he
24 has not elected an option, it shall be assumed that he elected
25 Option 1 and assigned as beneficiary that person last designated
26 in writing to the board. For purposes of this section, a Class
27 T-G or Class T-H member with five or more eligibility points
28 shall be considered eligible for an annuity under section
29 8307(a) or (b) (relating to eligibility for annuities) and
30 eligible for a death benefit under section 8309 (relating to

1 eligibility for death benefits) even if the member had not
2 attained the age of 62.

3 (b) Members ineligible for annuities.--In the event of the
4 death of any member or former member on USERRA leave, other than
5 an annuitant, who is not entitled to a death benefit as provided
6 in subsection (a), his designated beneficiary shall be paid the
7 full amount of his accumulated deductions payable from the fund.

8 * * *

9 § 8349. Payment of benefits from the system.

10 (a) Annuities.--Any annuity granted under the provisions of
11 this part and paid from the fund shall be paid in equal monthly
12 installments commencing by the required beginning date.

13 (b) Death benefits.--If the amount of a death benefit
14 payable from the fund to a beneficiary of a member under section
15 8347 (relating to death benefits) or under the provisions of
16 Option 1 of section 8345(a)(1) (relating to member's options) is
17 \$10,000 or more, such beneficiary may elect to receive payment
18 according to one of the following options:

19 (1) A lump sum payment.

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

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

25 * * *

26 Section 113. Title 24 is amended by adding a chapter to
27 read:

28 CHAPTER 84

29 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

30 Sec.

- 1 8401. Establishment.
- 2 8402. Plan document.
- 3 8403. Individual investment accounts.
- 4 8404. Participant contributions.
- 5 8405. Mandatory pickup participant contributions.
- 6 8406. Employer defined contributions.
- 7 8407. Eligibility for benefits.
- 8 8408. Death benefits.
- 9 8409. Vesting.
- 10 8410. Termination of distributions.
- 11 8411. Powers and duties of board.
- 12 8411.1. Relation of administrators of School Employees' Defined
- 13 Contribution Plan to providers of 403(b) plans.
- 14 8412. Responsibility for investment loss.
- 15 8413. Investments based on participant's investment allocation
- 16 choices.
- 17 8414. Expenses.
- 18 8415. Tax qualification.
- 19 § 8401. Establishment.

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

29 (b) School Employees' Defined Contribution Trust.--The
30 School Employees' Defined Contribution Trust is established as

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

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

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

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

6 § 8402. Plan document.

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

18 § 8403. Individual investment accounts.

19 The board:

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

28 (2) Shall separately track participant contributions,
29 including investment gains and losses, and employer
30 contributions, including investment gains and losses, but all

1 interest, investment gains and losses and administrative
2 fees, costs and expenses shall be allocated proportionately.

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

8 § 8404. Participant contributions.

9 (a) Mandatory contributions.--A participant shall make
10 mandatory pickup participant contributions through payroll
11 deductions to the participant's individual investment account
12 for school service required to be credited in the plan. The
13 employer shall cause those contributions for service required to
14 be credited in the plan to be made and deducted from each
15 payroll or on such schedule as established by the board.

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

24 (c) Prohibition on contributions.--No contributions shall be
25 allowed that would cause a violation of the limitations related
26 to contributions applicable to governmental plans contained in
27 IRC § 415 or in other provisions of law. In the event that any
28 disallowed contributions are made, any participant contributions
29 in excess of the limitations and investment earnings on those
30 contributions, minus investment fees and charges, shall be

1 refunded to the participant by the board.

2 § 8405. Mandatory pickup participant contributions.

3 (a) Treatment for purposes of IRC § 414(h).--The
4 contributions to the trust required to be made under section
5 8404(a) (relating to participant contributions) with respect to
6 school service rendered by an active participant shall be picked
7 up by the employer and shall be treated as the employer's
8 contribution for purposes of IRC § 414(h). After the effective
9 date of this section, an employer employing a participant in the
10 plan shall pick up the required mandatory participant
11 contributions by a reduction in the compensation of the
12 participant.

13 (b) Treatment for other purposes.--For all other purposes
14 under this part and otherwise, mandatory pickup participant
15 contributions shall be treated as contributions made by a
16 participant in the same manner and to the same extent as if the
17 contributions were made directly by the participant and not
18 picked up.

19 § 8406. Employer defined contributions.

20 (a) Contributions for service.--The employer of a
21 participant shall make employer defined contributions for
22 service of an active participant that shall be credited to the
23 active participant's individual investment account. Employer
24 defined contributions must be recorded and accounted for
25 separately from participant contributions.

26 (b) Contributions resulting from participants reemployed
27 from USERRA leave.--When a school employee reemployed from
28 USERRA leave makes the mandatory pickup participant
29 contributions permitted to be made for the USERRA leave, the
30 employer by whom the school employee is employed at the time the

1 participant contributions are made shall make whatever employer
2 defined contributions would have been made under this section
3 had the employee making the participant contributions after
4 being reemployed from USERRA leave continued to be employed in
5 the employee's school position instead of performing USERRA
6 leave. The employer defined contributions shall be placed in the
7 participant's individual investment account as otherwise
8 provided by this part.

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

17 (a) Termination of service.--A participant who terminates
18 school service shall be eligible to withdraw the vested
19 accumulated total defined contributions standing to the
20 participant's credit in the participant's individual investment
21 account or a lesser amount as the participant may request.
22 Payment shall be made in a lump sum unless the board has
23 established other forms of distribution in the plan document. A
24 participant who withdraws the vested accumulated total defined
25 contributions shall no longer be a participant in the plan,
26 notwithstanding that the former school employee may continue to
27 be a member of the system with Class T-G or Class T-H service
28 credit, or may contract to receive an annuity or other form of
29 payment from a provider retained by the board for such purposes.

30 (b) Required distributions.--All payments under this section

1 shall start and be made in compliance with the minimum
2 distribution requirements and incidental death benefit rules of
3 IRC § 401(a) (9). The board shall take any action and make any
4 distributions it may determine are necessary to comply with
5 those requirements.

6 (c) Prohibited distributions.--A school employee must be
7 terminated from all positions that result in either membership
8 in the system or participation in the plan to be eligible to
9 receive a distribution.

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

14 (e) Small individual investment accounts.--A participant who
15 terminates school service and whose vested accumulated total
16 defined contributions are below the threshold established by law
17 as of the date of termination of service may be paid the vested
18 accumulated total defined contributions in a lump sum as
19 provided in IRC § 401(a) (31).

20 § 8408. Death benefits.

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

27 (b) Death of participant receiving distributions.--In the
28 event of the death of a participant receiving distributions, the
29 board shall pay to the participant's beneficiary the vested
30 balance in the participant's individual investment account in a

1 lump sum or in such other manner as the board may establish in
2 the plan document or, if the board has established alternative
3 methods of distribution in the plan document under which the
4 participant was receiving distributions, to the participant's
5 beneficiary or successor payee as provided in the plan document.

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

11 § 8409. Vesting.

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

21 (b) Employer defined contributions.--

22 (1) Subject to the forfeiture and attachment provisions
23 of section 8533 or otherwise as provided by law, a
24 participant shall be vested with respect to employer defined
25 contributions paid to the participant's individual investment
26 account in the trust plus interest and investment gains or
27 losses on the employer defined contributions but minus
28 investment fees and administrative charges according to the
29 following schedule:

30 (i) until such time as the participant has earned

1 three eligibility points as a member of the plan, 0%; or
2 (ii) at and after the attainment of three
3 eligibility points as a member of the plan, 100%.

4 (2) For purposes of this subsection, all eligibility
5 points credited to a member of the system in any class of
6 service shall be used for determining vested status in the
7 plan even if the employee was not a participant in the plan
8 at the time the eligibility points were earned.

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

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

18 § 8410. Termination of distributions.

19 (a) Return to school service.--

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

27 (2) This subsection shall not apply to a distribution
28 that the participant has received or used to purchase an
29 annuity from a provider contracted by the board.

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

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

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

17 § 8411. Powers and duties of board.

18 The board, in addition to its powers and duties set forth in
19 Chapter 85 (relating to administration and miscellaneous
20 provisions), shall have the following powers and duties to
21 establish the plan and trust and to administer the provisions of
22 this part:

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

25 (2) The board shall pay all administrative fees, costs
26 and expenses of managing, investing and administering the
27 plan, the trust and the individual investment accounts from
28 the balance of such individual investment accounts, except as
29 otherwise provided in this part or as the General Assembly
30 otherwise provides through appropriations from the General

1 Fund.

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

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

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

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

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

19 (8) The board may allow an inactive participant to
20 maintain the participant's individual investment account
21 within the plan.

22 (9) The board shall administer or ensure the
23 administration of the plan in compliance with the
24 qualification and other rules of IRC.

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

27 (11) The board shall determine what constitutes a
28 termination of school service.

29 (12) The board may establish procedures for
30 distributions of small accounts as required or permitted by

1 IRC.

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

6 (i) Procedures by which eligible participants may
7 change voluntary contribution amounts or their investment
8 choices on a periodic basis or make other elections
9 regarding their participation in the plan.

10 (ii) Procedures for deducting mandatory pickup
11 participant contributions and voluntary contributions
12 from a participant's compensation.

13 (iii) Procedures for rollovers and trustee-to-
14 trustee transfers allowed under the IRC and permitted by
15 the board as part of the plan.

16 (iv) Standards and criteria for providing not less
17 than ten options which are offered by three or more
18 providers of investment options to eligible individuals
19 regarding investments of amounts deferred under the plan.
20 The standards and criteria must provide for a variety of
21 investment options and shall be reviewed in accordance
22 with criteria established by the board.

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 costs and expenses of administering
28 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 by
9 law. Any duties or responsibilities of the board not required
10 by law to be performed by the board may be delegated to a
11 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 (18) The board may establish procedures in the plan
19 document for automatic increases in a participant's voluntary
20 contributions, whether or not the participant is then making
21 voluntary contributions, and procedures for a participant to
22 elect not to have increased voluntary contributions.

23 § 8411.1. Relation of administrators of School Employees'
24 Defined Contribution Plan to providers of 403(b)
25 plans.

26 (a) General rule.--A financial institution or pension
27 management organization entering into a written agreement under
28 section 8411 (relating to powers and duties of board) may offer
29 or provide services to any plan established or maintained by a
30 school district under IRC § 403(b) or 457 if the written

1 agreement for the administration of the School Employees'
2 Defined Contribution Plan is not combined with any other written
3 agreement for the administration of a school district's 403(b)
4 plan or 457 plan. Each school district that provides a 403(b)
5 plan shall make available, in the manner provided by subsection
6 (c), to participants, multiple financial institutions or pension
7 management organizations that have not entered into a written
8 agreement to section 8411 and which provide services to the
9 school district's 403(b) plan or 457 plan.

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

14 (1) enter into an agreement with the school district or
15 the school district's independent compliance administrator
16 that shall require the financial institution or pension
17 management organization to provide in an electronic format
18 all data necessary for the administration of the 403(b) plan
19 or 457 plan as determined by the school district or the
20 school district's compliance administrator; and

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

26 (c) Provider selection.--A school district that establishes
27 or maintains a plan under IRC § 403(b) or 457 shall select a
28 minimum of four financial institutions or pension management
29 organizations, in addition to the financial institution or
30 pension management organization that entered into an agreement

1 under section 8411, to provide services to the 403(b) plan or
2 457 plan. If fewer than four such additional financial
3 institutions or pension management organizations are determined
4 to be available or able to meet the requirements established in
5 this section, then the school district shall select the number
6 of available providers able to meet the school district's
7 requirements. A financial institution or pension management
8 organization shall be designated a 403(b) plan or 457 plan
9 provider if the financial institution or pension management
10 organization enters into an agreement in accordance with
11 subsection (b).

12 § 8412. Responsibility for investment loss.

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

20 § 8413. Investments based on participant's investment
21 allocation choices.

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

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

13 § 8414. Expenses.

14 All expenses, fees and costs of administering the plan and
15 the trust and investing the assets of the trust shall be borne
16 by the participants and paid from assessments against the
17 balances of the individual investment accounts as established by
18 the board, except that for fiscal years 2016-2017 and 2017-2018,
19 the expenses, fees and costs of establishing and administering
20 the plan and trust shall be paid by the Commonwealth through
21 annual appropriations.

22 § 8415. Tax qualification.

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

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

28 (1) (i) Except as provided under subparagraph (ii) and
29 notwithstanding a provision of this part, a contribution
30 or benefit related to the plan may not exceed a

1 limitation under IRC § 415 with respect to a governmental
2 plan that is in effect on the date the contribution or
3 benefit payment takes effect.

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

7 (iii) For the purposes of this paragraph, the term
8 "government plan" shall have the same meaning as in IRC §
9 414(d).

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

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

23 Section 114. Sections 8501(a), (c), (d) and (e) and 8502(a),
24 (b), (c), (e), (h), (i), (j), (k), (m), (n) and (o) of Title 24
25 are amended and the sections are amended by adding subsections
26 to read:

27 § 8501. Public School Employees' Retirement Board.

28 (a) Status and membership.--The board shall be an
29 independent administrative board and shall consist of 15
30 members: the Secretary of Education, ex officio; the State

1 Treasurer, ex officio; the Secretary of Banking and Securities,
2 ex officio; two Senators; two members of the House of
3 Representatives; the executive secretary of the Pennsylvania
4 School Boards Association, ex officio; [two] one to be appointed
5 by the Governor[, at least one of whom shall not be a school
6 employee or an officer or employee of the State]; three to be
7 elected by the active professional members of the system and
8 active professional participants of the plan from among their
9 number; one to be elected by annuitants or participants of the
10 plan who have terminated school service and are receiving or are
11 eligible to receive distributions from among their number; one
12 to be elected by the active nonprofessional members of the
13 system or active nonprofessional participants of the plan from
14 among their number; and one to be elected by members of
15 Pennsylvania public school boards from among their number. The
16 appointments made by the Governor shall be confirmed by the
17 Senate and each election shall be conducted in a manner approved
18 by the board. The terms of the appointed and nonlegislative
19 elected members shall be three years. The members from the
20 Senate shall be appointed by the President pro tempore of the
21 Senate and shall consist of one member from the majority and one
22 member from the minority. The members from the House of
23 Representatives shall be appointed by the Speaker of the House
24 of Representatives and shall consist of one member from the
25 majority and one member from the minority. The legislative
26 members shall serve on the board for the duration of their
27 legislative terms and shall continue to serve until 30 days
28 after the convening of the next regular session of the General
29 Assembly after the expiration of their respective legislative
30 terms or until a successor is appointed for the new term,

1 whichever occurs first. The chairman of the board shall be
2 elected by the board members. Each ex officio member of the
3 board and each legislative member of the board may appoint a
4 duly authorized designee to act in his stead. In the event that
5 a board member, who is designated as an active participant or as
6 the participant in the plan who is receiving or is eligible to
7 receive distributions, receives a total distribution of the
8 board member's interest in the plan, that board member may
9 continue to serve on the board for the remainder of his term.

10 * * *

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

20 (d) Compensation and expenses.--The members of the board who
21 are members of the system or participants in the plan shall
22 serve without compensation. Members of the board who are members
23 of the system or participants in the plan and who are employed
24 by a governmental entity shall not suffer loss of salary or
25 wages through serving on the board. The board, on request of the
26 employer of any member of the board who is an active
27 professional or nonprofessional member of the system or active
28 professional or nonprofessional participant in the plan, may
29 reimburse such employer for the salary or wages of the member or
30 participant, or for the cost of employing a substitute for such

1 member or participant, while the member or participant is
2 necessarily absent from employment to execute the duties of the
3 board. The employer of any such member shall provide leave to
4 allow such member to execute the duties of the board, including
5 but not limited to, attendance at the location of all regular
6 and special board and committee meetings. The members of the
7 board who are not members of either the school system or the
8 State Employees' Retirement System may be paid \$100 per day when
9 attending meetings and all board members shall be reimbursed for
10 any necessary expenses. However, when the duties of the board as
11 mandated are not executed, no compensation or reimbursement for
12 expenses of board members shall be paid or payable during the
13 period in which such duties are not executed.

14 (e) Corporate power and legal advisor.--For the purposes of
15 this part, the board shall possess the power and privileges of a
16 corporation. [The Attorney General of the Commonwealth shall be
17 the legal advisor of the board.] Legal counsel to the board
18 shall serve independently from the Governor's Office of General
19 Counsel, the General Assembly and the Attorney General.

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

24 § 8502. Administrative duties of board.

25 (a) Employees.--

26 (1) Effective 30 days after the effective date of this
27 paragraph, the positions of secretary, assistant secretary
28 and investment professional shall be placed under the
29 unclassified service provisions of the act of August 5, 1941
30 (P.L.752, No.286), known as the Civil Service Act, as those

1 positions are vacated. All other positions of the board shall
2 be placed in either the classified or unclassified service
3 according to the definition of the terms under the Civil
4 Service Act.

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

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

17 (b) Professional personnel.--

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

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

27 (c) Expenses.--

28 (1) The board shall, through the Governor, submit to the
29 General Assembly annually a budget covering the
30 administrative expenses of [this part.] the system and a

1 separate budget covering the administrative expenses of the
2 plan. The separate budgets shall include those expenses
3 necessary to establish the plan and trust.

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

7 (3) For fiscal years beginning on or after July 1, 2018,
8 the expenses of the plan as approved by the General Assembly
9 shall be paid from interest, under section 8413(b) (relating
10 to investments based on participant's investment allocation
11 choices) or assessments on the balances of the participants'
12 individual investment accounts or as otherwise provided in
13 this part.

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

24 * * *

25 (e) Records.--

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

30 (2) Any record, material or data received, prepared,

1 used or retained by the board or its employees, investment
2 professionals or agents relating to an investment shall not
3 constitute a public record subject to public [inspection]
4 access under the act of [June 21, 1957 (P.L.390, No.212),
5 referred to] February 14, 2008 (P.L.6, No.3), known as the
6 Right-to-Know Law, if, in the reasonable judgment of the
7 board, the [inspection] access would:

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

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

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

22 (3) The following apply:

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

30 (ii) The sensitive investment or financial

1 information excluded from [inspection] access under
2 paragraph (2)(ii), to the extent not otherwise excluded
3 from [inspection] access, shall constitute a public
4 record subject to public [inspection] access under the
5 Right-to-Know Law once:

6 (A) the [inspection] access no longer causes
7 substantial competitive harm to the person from whom
8 the information was received; or

9 (B) the entity in which the investment was made
10 is liquidated;

11 whichever is later.

12 (iii) The sensitive investment or financial
13 information excluded from [inspection] access under
14 paragraph (2)(iii), 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 has a
19 substantial detrimental impact on the value of an
20 investment of the fund or trust and would not cause a
21 breach of the standard of care or fiduciary duty set
22 forth in this part; or

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

25 whichever is later.

26 (4) Except for the provisions of paragraph (3), nothing
27 in this subsection shall be construed to designate any
28 record, material or data received, prepared, used or retained
29 by the board or its employees, investment professionals or
30 agents relating to an investment as a public record subject

1 to public [inspection] access under the Right-to-Know Law.

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

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

8 (ii) The identity of the manager of the alternative
9 investment vehicle.

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

12 (iv) The dollar amount of cash contributions made by
13 the system or plan to the alternative investment vehicle
14 since inception.

15 (v) The dollar amount of cash distributions received
16 by the system or plan from the alternative investment
17 vehicle since inception.

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

27 (vii) The aggregate value of the remaining portfolio
28 assets attributable to the system's or plan's investment
29 in the alternative investment vehicle, provided that the
30 system or plan shall not be required to disclose the

1 value under circumstances in which, because of the
2 limited number of portfolio assets remaining in the
3 alternative investment vehicle, the disclosure could
4 reveal the values of specifically identifiable remaining
5 portfolio assets to the detriment of the alternative
6 investment.

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

10 (6) Any record, material or data received, prepared,
11 used or retained by the board or its employees or agents
12 relating to the contributions, account value or benefits
13 payable to or on account of a participant shall not
14 constitute a public record subject to public access under the
15 Right-to-Know Law, if, in the reasonable judgment of the
16 board, the access would disclose any of the following:

17 (i) The existence, date, amount and any other
18 information pertaining to the voluntary contributions,
19 including rollover contributions and trustee-to-trustee
20 transfers, of any participant.

21 (ii) The investment option selections of any
22 participant.

23 (iii) The balance of a participant's individual
24 investment account, including the amount distributed to
25 the participant, and any investment gains or losses, or
26 rates of return.

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

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

30 (7) The following shall apply:

1 (i) Nothing in this part shall be construed to mean
2 that the release or publicizing of a record, material or
3 data that would not constitute a public record under this
4 subsection shall be a violation of the board's fiduciary
5 duties.

6 (ii) This subsection shall apply to a record,
7 material or data under this subsection, notwithstanding
8 whether:

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

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

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

19 * * *

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

1 necessary for the calculation of annuities and other benefits,
2 shall be as effective as if fully set forth in this part. Any
3 actuarial assumption specified in or underlying any such rule,
4 regulation or computational procedure and utilized as a basis
5 for determining any benefit shall be applied in a uniform
6 manner.

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

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

1 in accordance with the provisions of 45 Pa.C.S. § 725(a)
2 (relating to additional contents of Pennsylvania Bulletin) and,
3 unless the board specifies therein a later effective date, such
4 tables shall become effective on such publication. The board
5 shall include a report on the significant facts, recommendations
6 and data developed in each five-year actuarial investigation and
7 evaluation of the system in the annual financial statement
8 published pursuant to the requirements of subsection (n) for the
9 fiscal year in which such investigation and evaluation were
10 concluded.

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

1 under section 8321(b) (relating to regular member contributions
2 for current service), which shall be paid to the fund and
3 credited to the appropriate accounts. These certifications shall
4 be regarded as final and not subject to modification by the
5 Secretary of the Budget.

6 * * *

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

28 (n) Annual financial [statement] statements.--The board
29 shall prepare and have published, on or before January 1 of each
30 year, [a financial statement] financial statements as of the

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

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

18 * * *

19 (g) Participant and employer contributions to trust.--The
20 board shall, each year in addition to any fees and itemized
21 budget required under section 8330, certify, as a percentage of
22 each participant's compensation, the employer defined
23 contributions, which shall be paid to the trust and credited to
24 each participant's individual investment account. These
25 certifications shall be regarded as final and not subject to
26 modification by the Secretary of the Budget. The board shall
27 cause all mandatory pickup participant contributions made on
28 behalf of a participant and all voluntary contributions made by
29 a participant to be credited to the participant's individual
30 investment account.

1 Section 115. Section 8502.2(a) of Title 24 is amended to
2 read:

3 § 8502.2. Health insurance.

4 (a) Authority.--The board may sponsor a participant-funded
5 group health insurance program for annuitants, participants
6 receiving distributions, spouses of annuitants and participants
7 receiving distributions, survivor annuitants and their
8 dependents. The board may promulgate regulations regarding the
9 prudent and efficient operation of the program, including, but
10 not limited to:

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

13 (2) Determination of the benefits structure.

14 (3) Determination of enrollment procedures.

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

17 (5) Contracting for goods, equipment, services,
18 consultants and other professional personnel as needed to
19 operate the program.

20 * * *

21 Section 116. Sections 8503 heading and (b), 8505 heading,
22 (h) and (i), 8506 (a), (d), (e), (f), (i) and (k) and 8507
23 heading, (a), (e), (f) and (i) of Title 24 are amended and the
24 sections are amended by adding subsections to read:

25 § 8503. Duties of board to advise and report to employers [and
26 members], members and participants.

27 * * *

28 (b) Member status statements.--The board shall furnish
29 annually on or before December 31, a statement to each member
30 showing the accumulated deductions standing to the credit of the

1 member and the number of years and fractional part of a year of
2 service credited in each class of service, as applicable, as of
3 June 30 of that year. Each member's statement shall include a
4 request that the member make any necessary corrections or
5 revisions regarding his designated beneficiary, whose name at
6 the request of the member shall remain confidential and not
7 appear on this statement.

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

18 * * *

19 § 8505. Duties of board regarding applications and elections of
20 members and participants.

21 * * *

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

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

4 * * *

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

13 * * *

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

19 (h) Death benefits.--Upon receipt of notification of the
20 death of a member or former member on USERRA leave or an active
21 participant, an inactive participant or a former participant
22 performing USERRA leave, the board shall notify the designated
23 beneficiary or survivor annuitant of the benefits to which he is
24 entitled and shall make the first payment to the beneficiary
25 under the [plan] benefits elected by the beneficiary within 60
26 days of receipt of certification of death and other necessary
27 data. If no beneficiary designation is in effect at the date of
28 the member's or participant's death or no notice has been filed
29 with the board to pay the amount of such benefits to the
30 member's or participant's estate, the board is authorized to pay

1 such benefits to the executor, administrator, surviving spouse
2 or next-of-kin of the deceased member or participant, and
3 payment pursuant hereto shall fully discharge the fund or plan
4 from any further liability to make payment of such benefits to
5 any other person.

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

20 * * *

21 § 8506. Duties of employers.

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

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

1 leave;

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

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

11 * * *

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

30 (d) New employees subject to mandatory membership or

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

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

26 (f) Advising members of duties.--The employer shall advise
27 his employees of their duties as members of the system and
28 participants of the plan. Local school districts shall be held
29 harmless from decisions made by the employee in this regard.

30 * * *

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

9 (1) An application for the return of accumulated
10 deductions.

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

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

21 * * *

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

25 (1) Any school employee who:

26 (i) ceases to be an active member or active
27 participant to perform USERRA service; or

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

1 under 51 Pa.C.S. § 7302 (relating to granting military
2 leaves of absence).

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

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

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

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

17 § 8507. Rights and duties of school employees [and members],
18 members and participants.

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

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

10 * * *

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

23 (d.3) Voluntary contributions by a participant.--Any
24 participant who desires to make voluntary contributions to be
25 credited to his individual investment account shall notify the
26 board and, upon compliance with the requirements, procedures and
27 limitations established by the board in the plan document, may
28 do so subject to the limitations under IRC §§ 401(a) and 415 and
29 other applicable law.

30 (e) Beneficiary for death benefits from system.--Every

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

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

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

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

27 (1) Withdraw his accumulated deductions.

28 (2) Vest his retirement rights, if eligible, and if he
29 is a joint coverage member, and so desires, elect to become a
30 full coverage member and agree to pay within 30 days of the

1 date of termination of service the lump sum required.

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

6 * * *

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

15 * * *

16 (i) Failure to apply for annuity.--If a member is eligible
17 to receive an annuity from the system and does not file a proper
18 application within 90 days of termination of service, he shall
19 be deemed to have elected to vest, and his annuity will become
20 effective as of the date an application is filed with the board
21 or the date designated on the application whichever is later,
22 provided that in no event shall a member begin receiving
23 benefits on a date later than the required beginning date.

24 * * *

25 Section 117. Sections 8521(b), 8522, 8524, 8525 and 8531 of
26 Title 24 are amended to read:

27 § 8521. Management of fund and accounts.

28 * * *

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

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

16 * * *

17 § 8522. Public School Employees' Retirement Fund.

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

1 health insurance account).

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

10 § 8524. State accumulation account.

11 The State accumulation account shall be the ledger account to
12 which shall be credited all contributions of the Commonwealth
13 and other employers as well as the earnings of the fund, except
14 the premium assistance contributions and earnings thereon in the
15 health insurance account. Valuation interest shall be allowed on
16 the total amount of such account less any earnings of the fund
17 credited during the year. The reserves necessary for the payment
18 of annuities and death benefits resulting from membership in the
19 system as approved by the board and as provided in Chapter 83
20 (relating to membership, contributions and benefits) shall be
21 transferred from the State accumulation account to the annuity
22 reserve account. At the end of each year the required interest
23 shall be transferred from the State accumulation account to the
24 credit of the members' savings account and the annuity reserve
25 account. The administrative expenses of the board shall be
26 charged to the State accumulation account. Employer defined
27 contributions, mandatory pickup contributions and a
28 participant's voluntary contributions, together with any income
29 or interest earned thereon, may be temporarily placed into the
30 State accumulation account pending allocation or distribution

1 to the participant's individual investment account.

2 § 8525. Annuity reserve account.

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

24 (b) Transfers from account.--Should an annuitant be
25 subsequently restored to active service either as a member of
26 the system or participant in the plan, the present value of his
27 member's annuity at the time of reentry into school service
28 shall be transferred from the annuity reserve account and placed
29 to his individual credit in the members' savings account. In
30 addition, the actuarial reserve for his annuity less the amount

1 transferred to the members' savings account shall be transferred
2 from the annuity reserve account to the State accumulation
3 account.

4 § 8531. State guarantee regarding the system.

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

15 Section 118. Section 8533(a), (b) and (d) of Title 24 are
16 amended and the section is amended by adding a subsection to
17 read:

18 § 8533. Taxation, attachment and assignment of funds.

19 (a) General rule.--Except as provided in subsections (b),
20 (c) and (d), the right of a person to a member's annuity, a
21 State annuity, or retirement allowance, to the return of
22 contributions, any benefit or right accrued or accruing to any
23 person under the provisions of this part, and the moneys in the
24 fund and the trust are hereby exempt from any State or municipal
25 tax, [and exempt from] levy and sale, garnishment, attachment,
26 the provisions of Article XIII.1 of the act of April 9, 1929
27 (P.L.343, No.176), known as The Fiscal Code, or any other
28 process whatsoever, and shall be unassignable.

29 (a.1) Individual investment accounts and distributions.--No
30 participant or beneficiary, successor payee or alternate payee

1 of a participant shall have the ability to commute, sell,
2 assign, alienate, anticipate, mortgage, pledge, hypothecate,
3 commutate or otherwise transfer or convey any benefit or
4 interest in an individual investment account or rights to
5 receive or direct distributions under this part or under
6 agreements entered into under this part except as otherwise
7 provided in this part and in the case of either a member or a
8 participant.

9 (b) Forfeiture.--

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

16 (2) In accordance with section 16(b) of Article V of the
17 Constitution of Pennsylvania and notwithstanding paragraph
18 (1), the Public Employee Pension Forfeiture Act or 42 Pa.C.S.
19 § 3352 (relating to pension rights), the accumulated
20 mandatory participant contributions and accumulated voluntary
21 contributions standing to the credit of a participant shall
22 not be forfeited but shall be available for payment of fines
23 and restitution as provided by law. Amounts in the trust that
24 have been ordered to be distributed to an alternate payee as
25 the result of an equitable distribution of marital property
26 as part of an approved domestic relations order entered
27 before the date of the order or action in a court or other
28 tribunal resulting in a forfeiture of a participant's
29 interest in the trust shall not be subject to the Public
30 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any

1 accumulated employer defined contributions forfeited as a
2 result of this subsection or other law shall be retained by
3 the board and used for the payment of expenses of the plan.

4 * * *

5 (d) Direct rollover.--Effective with distributions made on
6 or after January 1, 1993, and notwithstanding any other
7 provision of this part to the contrary, a distributee may elect,
8 at the time and in the manner prescribed by the board, to have
9 any portion of an eligible rollover distribution paid directly
10 to an eligible retirement plan by way of a direct rollover. For
11 purposes of this subsection, a "distributee" includes a member
12 [and], a participant, a member's surviving spouse [and], a
13 participant's surviving spouse, a member's former spouse who is
14 an alternate payee under an approved domestic relations
15 order[.], a participant's former spouse who is an alternate
16 payee under an approved domestic relations order and anyone else
17 authorized under IRC and the plan terms approved by the board to
18 have an eligible rollover distribution paid directly to an
19 eligible retirement plan by way of a direct rollover. For
20 purposes of this subsection, the term "eligible rollover
21 distribution" has the meaning given such term by IRC § 402(f)(2)
22 (A) and "eligible retirement plan" has the meaning given such
23 term by IRC § 402(c)(8)(B), except that a qualified trust shall
24 be considered an eligible retirement plan only if it accepts the
25 distributee's eligible rollover distribution; however, in the
26 case of an eligible rollover distribution to a surviving spouse,
27 an eligible retirement plan is an "individual retirement
28 account" or an "individual retirement annuity" as those terms
29 are defined in IRC § 408(a) and (b).

30 Section 119. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)

1 of Title 24 are amended to read:

2 § 8533.1. Approval of domestic relations orders.

3 (a) Certification regarding members.--A domestic relations
4 order pertaining to a member of the system shall be certified as
5 an approved domestic relations order by the secretary of the
6 board, or his designated representative, only if such order
7 meets all of the following:

8 (1) Requires the system to provide any type or form of
9 benefit or any option applicable to members already provided
10 under this part.

11 (2) Requires the system to provide no more than the
12 total amount of benefits than the member would otherwise
13 receive (determined on the basis of actuarial value) unless
14 increased benefits are paid to the member or alternate payee
15 based upon cost-of-living increases or increases based on
16 other than actuarial value.

17 (3) Specifies the amount or percentage of the member's
18 benefits to be paid by the system to each such alternate
19 payee or the manner in which the amount or percentage is to
20 be determined.

21 (4) Specifies the retirement option to be selected by
22 the member upon retirement or states that the member may
23 select any retirement option offered by this part upon
24 retirement.

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

30 (6) Does not grant an alternate payee any of the rights,

1 options or privileges of a member under this part.

2 (7) Requires the member to execute an authorization
3 allowing each alternate payee to monitor the member's
4 compliance with the terms of the domestic relations order
5 through access to information concerning the member
6 maintained by the system. An authorization granted under this
7 section shall be construed as an authorization for the
8 alternate payee to receive information concerning the
9 administration, calculation and payment of the alternate
10 payee's share of the benefits payable under this part and not
11 as an authorization to exercise the rights afforded to
12 members or obtain information that is not related to the
13 administration, calculation and payment of alternate payee's
14 share of the benefits payable under this part.

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

20 (1) Does not require the plan to provide any type or
21 form of benefit or any option applicable to members of the
22 system or participants in the plan.

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

27 (3) Does not require the plan to recover or distribute
28 any funds that were distributed to the participant or at the
29 participant's direction prior to the approval of the domestic
30 relations order by the secretary of the board or his

1 designated representative.

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

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

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

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

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

26 (9) Requires the participant to execute an authorization
27 allowing each alternate payee to monitor the participant's
28 compliance with the terms of the domestic relations order
29 through access to information concerning the participant
30 maintained by the plan. Any authorization granted under this

1 section shall be construed as an authorization for the
2 alternate payee to receive information concerning the
3 participant that relates to the administration, calculation
4 and payment of the alternate payee's share of the
5 participant's account and not as an authorization to exercise
6 the rights afforded to participants or obtain information
7 that is not related to the administration, calculation and
8 payment of alternate payee's share of the participant's
9 individual investment account.

10 (10) Requires the immediate distribution of the
11 alternate payee's share of the participant's individual
12 investment account, which may be made by direct payment,
13 eligible rollover or trustee-to-trustee transfer to another
14 eligible plan or qualified account owned by the alternate
15 payee.

16 (11) In the case of a participant who is currently
17 receiving distributions from the plan as of the date the
18 domestic relations order is approved by the secretary of the
19 board or his designated representative, may not order the
20 board to pay the alternate payee more than the vested balance
21 available in the participant's individual investment account
22 as of the date the order is approved or require that
23 distributions continue to the alternate payee after the death
24 of the participant and final settlement of the participant's
25 individual investment account.

26 (b) Determination by secretary.--Within a reasonable period
27 of time after receipt of a domestic relations order, the
28 secretary of the board, or his designated representative, shall
29 determine whether this order is an approved domestic relations
30 order and notify the member or participant and each alternate

1 payee of this determination. Notwithstanding any other provision
2 of law, the exclusive remedy of any member, participant or
3 alternate payee aggrieved by a decision of the secretary of the
4 board, or his designated representative, shall be the right to
5 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to
6 practice and procedure) with appeal therefrom to the
7 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial
8 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals
9 from government agencies).

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

29 (d) Obligation discharged.--Only the requirements of this
30 part and any regulations promulgated hereunder shall be used to

1 govern the approval or disapproval of a domestic relations
2 order. Therefore, if the secretary of the board, or his
3 designated representative, acts in accordance with the
4 provisions of this part and any promulgated regulations in
5 approving or disapproving a domestic relations order, then the
6 obligations of the system or plan with respect to such approval
7 or disapproval shall be discharged.

8 § 8533.2. Irrevocable beneficiary.

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

23 § 8533.3. Irrevocable survivor annuitant.

24 Notwithstanding any other provisions of this part, a domestic
25 relations order may provide for an irrevocable survivor
26 annuitant pertaining to a member. A domestic relations order
27 requiring the designation of an irrevocable survivor annuitant
28 of a member of the fund shall be deemed to be one that requires
29 a member to designate an alternate payee as a survivor annuitant
30 and that prohibits the removal or change of that survivor

1 annuitant for benefits payable from the fund without approval of
2 a court of competent jurisdiction, except by operation of law.
3 Such a domestic relations order may be certified as an approved
4 domestic relations order by the secretary of the board, or his
5 designated representative, in which case the irrevocable
6 survivor annuitant so ordered by the court cannot be changed by
7 the member without approval by the court. A person ineligible to
8 be designated as a survivor annuitant may not be designated an
9 irrevocable survivor annuitant.

10 § 8533.4. Amendment of approved domestic relations orders.

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

17 * * *

18 Section 120. Title 24 is amended by adding a section to
19 read:

20 § 8533.5. Irrevocable successor payee.

21 (a) Condition.--Notwithstanding any other provisions of this
22 part, a domestic relations order pertaining to a participant may
23 provide for an irrevocable successor payee only if the
24 participant is receiving a payment under a payment option
25 provided by the board that allows for a successor payee.

26 (b) Determination.--A domestic relations order requiring the
27 designation of an irrevocable successor payee shall be deemed to
28 be one that requires a participant who is receiving payments
29 from an annuity or other distribution option to designate an
30 alternate payee as a successor payee and that prohibits the

1 removal or change of that successor payee without approval of a
2 court of competent jurisdiction, except by operation of law.

3 (c) Certification.--A domestic relations order under
4 subsection (b) may be certified as an approved domestic
5 relations order by the secretary of the board, or his designated
6 representative, in which case the irrevocable successor payee so
7 ordered by the court cannot be changed by the participant
8 without approval by the court.

9 (d) Ineligibility.--A person ineligible to be designated as
10 a successor payee may not be designated as an irrevocable
11 successor payee. A court may not name an irrevocable successor
12 payee if the alternate payee is eligible to receive a lump sum
13 distribution of the alternate payee's portion of the marital
14 portion of the pension benefit.

15 Section 121. Sections 8534 and 8535 of Title 24 are amended
16 to read:

17 § 8534. Fraud and adjustment of errors.

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

23 (b) Adjustment of errors.--Should any change or mistake in
24 records result in any member, participant, beneficiary, [or]
25 survivor annuitant or successor payee receiving from the system
26 or plan more or less than he would have been entitled to receive
27 had the records been correct, then regardless of the intentional
28 or unintentional nature of the error and upon the discovery of
29 such error, the board shall correct the error and if the error
30 affects contributions to or payments from the system, then so

1 far as practicable shall adjust the payments which may be made
2 for and to such person in such a manner that the actuarial
3 equivalent of the benefit to which he was correctly entitled
4 shall be paid. If the error affects contributions to or payments
5 from the plan, the board shall take such action as shall be
6 provided for in the plan document.

7 § 8535. Payments to school entities by Commonwealth.

8 For each school year beginning with the 1995-1996 school year
9 and ending with the 2017-2018 school year, each school entity
10 shall be paid by the Commonwealth for contributions based upon
11 school service of active members of the system after June 30,
12 1995, as follows:

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

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

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

21 Section 122. Title 24 is amended by adding sections to read:

22 § 8535.1. Payments to school entities by Commonwealth
23 commencing with the 2018-2019 school year.

24 For each school year, beginning with the 2018-2019 school
25 year, each school entity shall be paid by the Commonwealth for
26 contributions based upon school service of active members of the
27 system and active participants of the plan after June 30, 2017,
28 as follows:

29 (1) The Commonwealth shall pay each school entity for
30 contributions made to the fund or the trust based upon school

1 service of all active members or active participants,
2 including members or participants on activated or USERRA
3 military service leave, whose effective dates of employment
4 with their school entities are after June 30, 1994, and who
5 also had not previously been employed by any school entity
6 within this Commonwealth, an amount equal to the amount
7 certified by the board as necessary to provide, together with
8 the members' and participants' contributions, reserves on
9 account of prospective annuities, supplemental annuities and
10 the premium assistance program as provided in this part in
11 accordance with section 8328 (relating to actuarial cost
12 method), multiplied by the market value/income aid ratio of
13 the school entity. For no school year shall any school entity
14 receive 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 was 0.50.

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

28 (3) School entities shall have up to five days after
29 receipt of the Commonwealth's portion of the employer's
30 liability to forward the payment to the fund or the trust.

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

7 (4) Employers whose payments to the Public School
8 Employees' Retirement Fund are delinquent shall be charged
9 interest by the Public School Employees' Retirement Fund at
10 the annual interest rate adopted by the board under section
11 8328 (relating to actuarial cost method) in effect in the
12 fiscal year in which the payments are required to be paid.

13 § 8537. Internal Revenue Code limitations.

14 Notwithstanding any provisions of this part to the contrary,
15 no contribution or benefit related to the School Employees'
16 Defined Contribution Plan may be made or payable to the extent
17 that the contribution or benefit exceeds a limitation under IRC
18 § 415 in effect with respect to a "governmental plan" as defined
19 in IRC § 414(d) on the date the contribution or benefit payment
20 becomes effective. An increase in a limitation under IRC § 415
21 shall be applicable to all current and future participants.

22 § 8538. Public Pension Management and Asset Investment Review
23 Commission.

24 (a) Establishment.--A Public Pension Management and Asset
25 Investment Review Commission shall be established, which shall
26 be composed of five appointees, one appointed by each of the
27 following:

28 (1) The Governor.

29 (2) The President pro tempore of the Senate.

30 (3) The Minority Leader of the Senate.

1 (4) The Speaker of the House of Representatives.

2 (5) The Minority Leader of the House of Representatives.

3 The appointees shall be investment professionals and retirement
4 advisors and shall be appointed within 90 days of the effective
5 date of this section.

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

8 (1) Study the performance of current investment
9 strategies and procedures of the Public School Employees'
10 Retirement System, comparing realized rates of return to
11 established benchmarks and considering associated fees paid
12 for active and passive management.

13 (2) Study the costs and benefits of both active and
14 passive investment strategies in relation to future
15 investment activities of the Public School Employees'
16 Retirement System.

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

20 (3.1) The commission shall evaluate and make
21 recommendations on:

22 (i) Improving investment fee transparency on
23 alternative investments as specified in the Standardized
24 Reporting Guidelines of the Institutional Limited
25 Partners Association.

26 (ii) Implementing the recommendations of the Society
27 of Actuaries Blue Ribbon Panel on stress testing, to test
28 the ability of the plan to withstand a period of
29 investment returns above or below the level of assumed
30 return.

1 (4) Publish extensive and detailed findings online,
2 including findings about:

3 (i) Assets.

4 (ii) Returns.

5 (iii) Financial managers.

6 (iv) Consultants.

7 (v) Requests for proposals.

8 (vi) Investment performance measured against
9 benchmarks.

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

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

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

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

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

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

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

28 (e) Information gathering.--The Public Pension Management
29 and Asset Investment Review Commission may conduct hearings and
30 otherwise gather pertinent information and analysis that it

1 considers appropriate and necessary to fulfill its duties.

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

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

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

13 Section 123. The definition of "eligible person" in section
14 8702(a) of Title 24 is amended to read:

15 § 8702. Definitions.

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

22 "Eligible person." An individual who is:

23 (1) an annuitant or survivor annuitant or the spouse or
24 dependent of an annuitant or survivor annuitant[.]; or

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

28 * * *

29 ARTICLE II

30 Section 201. Section 7306(a) introductory paragraph of Title

1 51 is amended and the section is amended by adding a subsection
2 to read:

3 § 7306. Retirement rights.

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

15 * * *

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

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

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

ARTICLE III

Section 301. (Reserved).

Section 302. The definitions of "alternate payee," "average noncovered salary," "beneficiary," "class of service multiplier," "compensation," "creditable nonstate service," "credited service," "date of termination of service," "distribution," "domestic relations order," "eligibility points," "final average salary," "inactive member," "intervening military service," "irrevocable beneficiary," "reemployed from USERRA leave," "regular member contributions," "required beginning date," "retirement counselor," "salary deductions," "shared-risk member contributions," "special vestee," "standard single life annuity," "State employee," "superannuation age," "valuation interest" and "vestee" in section 5102 of Title 71 are amended and the section is amended by adding definitions to read:

§ 5102. Definitions.

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

* * *

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

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

1 any investment earnings and losses and adjustments for fees,
2 costs and expenses credited or charged thereon and reduced by
3 any distributions.

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

16 * * *

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

24 * * *

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

30 * * *

1 "Average noncovered salary." The average of the amounts of
2 compensation received as an active member each calendar year
3 since January 1, 1956, exclusive of the amount which was or
4 could have been covered by the Federal Social Security Act[, 42
5 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et seq.), during that
6 portion of the member's service since January 1, 1956, for which
7 he has received social security integration credit.

8 * * *

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

17 * * *

18 "Class A-5 exempt employee." Any of the following:

19 (1) A sworn police officer.

20 (2) An enforcement officer.

21 (3) A wildlife conservation officer or other

22 commissioned law enforcement personnel employed by the

23 Pennsylvania Game Commission who has and exercises the same

24 law enforcement powers as a wildlife conservation officer.

25 The term shall not include a deputy wildlife conservation

26 officer.

27 (4) A Delaware River Port Authority policeman.

28 (5) A park ranger.

29 (6) A Capitol Police officer.

30 (7) A campus police officer employed by a State-owned

1 educational institution, community college or The
2 Pennsylvania State University.

3 (8) An installation police officer at Fort Indiantown
4 Gap or other designated Commonwealth military installation or
5 facility commissioned under 51 Pa.C.S. § 711 (relating to
6 installation of police officers for Fort Indiantown Gap and
7 other designated Commonwealth military installations and
8 facilities).

9 (9) A correction officer.

10 "Class of service multiplier."

11	Class of Service		Multiplier
12	A		1
13	AA	for all purposes	
14		except	
15		calculating	
16		regular member	
17		contributions on	
18		compensation	
19		paid prior to	
20		January 1, 2002	1.25
21	AA	for purposes of	
22		calculating	
23		regular member	
24		contributions	
25		on compensation	
26		paid prior to	
27		January 1, 2002	1
28	A-3	for all purposes	
29		except the	
30		calculation of	

1		regular member	
2		contributions	
3		and	
4		contributions	
5		for creditable	
6		nonstate service	1
7	A-3	for purposes of	
8		calculating	
9		regular member	
10		contributions	
11		and	
12		contributions	
13		for creditable	
14		nonstate service	1.25
15	A-4	for all purposes	
16		except the	
17		calculation of	
18		regular member	
19		contributions	1.25
20	A-4	for purposes of	
21		calculating	
22		regular member	
23		contributions	1.86
24	<u>A-5</u>	<u>for all purposes</u>	
25		<u>except the</u>	
26		<u>calculation of</u>	
27		<u>regular member</u>	
28		<u>contributions</u>	<u>.625</u>
29	<u>A-5</u>	<u>for purposes of</u>	
30		<u>calculating</u>	

1		<u>regular member</u>		
2		<u>contributions</u>		<u>1</u>
3	<u>A-6</u>	<u>for all purposes</u>		
4		<u>except the</u>		
5		<u>calculation of</u>		
6		<u>regular member</u>		
7		<u>contributions</u>		<u>.5</u>
8	<u>A-6</u>	<u>for purposes of</u>		
9		<u>calculating</u>		
10		<u>regular member</u>		
11		<u>contributions</u>		<u>.8</u>
12	B			.625
13	C			1
14	D			1.25
15	D-1	prior to January		
16		1, 1973		1.875
17	D-1	on and		
18		subsequent to		
19		January 1, 1973		1.731
20	D-2	prior to January		
21		1, 1973		2.5
22	D-2	on and		
23		subsequent to		
24		January 1, 1973		1.731
25	D-3	prior to January		
26		1, 1973		3.75
27	D-3	on and		
28		subsequent to		
29		January 1, 1973		1.731
30				except prior to December 1, 1974

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

1				of judicial
2				service
3	E, E-1	on and		
4		subsequent to		
5		January 1, 1973	1.50	for each of the
6				first ten years
7				of judicial
8				service and
9			1.125	for each
10				subsequent year
11				of judicial
12				service
13	E-2	prior to		
14		September 1,		
15		1973	1.5	
16	E-2	on and		
17		subsequent to		
18		September 1,		
19		1973	1.125	
20	G		0.417	
21	H		0.500	
22	I		0.625	
23	J		0.714	
24	K		0.834	
25	L		1.000	
26	M		1.100	
27	N		1.250	
28	T-C (Public School			
29	Employees'			
30	Retirement Code)		1	

1 T-E (Public School
 2 Employees'
 3 Retirement Code) 1
 4 T-F (Public School
 5 Employees'
 6 Retirement Code) 1
 7 T-G (Public School
 8 Employees'
 9 Retirement Code) 1
 10 T-H (Public School
 11 Employees'
 12 Retirement Code) 1

13 * * *

14 "Compensation." Pickup contributions and mandatory pickup
 15 participant contributions plus remuneration actually received as
 16 a State employee excluding refunds for expenses, contingency and
 17 accountable expense allowances; excluding any severance payments
 18 or payments for unused vacation or sick leave; and excluding
 19 payments for military leave and any other payments made by an
 20 employer while on USERRA leave, leave of absence granted under
 21 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
 22 government employees), military leave of absence granted under
 23 51 Pa.C.S. § 7302 (relating to granting military leaves of
 24 absence) or other types of military leave, including other types
 25 of leave payments, stipends, differential wage payments as
 26 defined in IRC § 414(u) (12) and any other payments: Provided,
 27 however, That for purposes of determining member and employer
 28 contributions to the system and for calculating annuities and
 29 benefits from the system resulting from service performed as a
 30 Class A-5 exempt employee who first became a member on or after

1 January 1, 2018, compensation shall not include remuneration
2 received in any pay period for voluntary overtime service or
3 duty that exceeds 10% of a Class A-5 exempt employee's base
4 salary or wages in that pay period, notwithstanding the
5 provisions of a binding arbitration award issued before July 1,
6 1989, under the act of June 24, 1968 (P.L.237, No.111), referred
7 to as the Policemen and Firemen Collective Bargaining Act, and
8 implemented by the board: Provided further, That compensation
9 received prior to January 1, 1973, shall be subject to the
10 limitations for retirement purposes in effect December 31, 1972,
11 if any: Provided further, That the limitation under section
12 401(a) (17) of the Internal Revenue Code of 1986 (Public Law 99-
13 514, 26 U.S.C. § 401(a) (17)) taken into account for the purpose
14 of member contributions, including any additional member
15 contributions in addition to regular or joint coverage member
16 contributions and Social Security integration contributions,
17 regardless of class of service, shall apply to each member who
18 first became a member of the State Employees' Retirement System
19 on or after January 1, 1996, and who by reason of such fact is a
20 noneligible member subject to the application of the provisions
21 of section 5506.1(a) (relating to annual compensation limit
22 under IRC § 401(a) (17)) and shall apply to each participant
23 pertaining to his participation in the plan.

24 * * *

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

- 27 (1) service as a State employee;
- 28 (2) service converted to State service pursuant to
29 section 5303.1 (relating to election to convert county
30 service to State service); or

1 (3) school service converted to State service pursuant
2 to section 5303.2 (relating to election to convert school
3 service to State service) [for which an active member may
4 obtain credit].

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

16 "Date of termination of service." The latest of the
17 following dates:

18 (1) the last day of service for which pickup
19 contributions are made for an active member or for which the
20 contributions otherwise required for such service are not
21 made solely by reason of any provision of this part relating
22 to the limitations under section 401(a)(17) or 415 of the
23 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
24 401(a)(17) or 415);

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

29 (3) mandatory pickup participant contributions are made
30 for an active participant.

1 * * *

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

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

19 * * *

20 "Eligibility points." Points which are accrued by an active
21 member, active participant or a multiple service member who is
22 an active member in the Public School Employees' Retirement
23 System for credited service or a member who has been reemployed
24 from USERRA leave or a member who dies while performing USERRA
25 leave and are used in the determination of eligibility for
26 benefits.

27 "Employer defined contributions." Contributions equal to a
28 percentage of an active participant's compensation that are made
29 by the Commonwealth or other employer to the trust to be
30 credited in an active participant's individual investment

1 account as follows:

2 (1) 2% of compensation for service credited as a Class
3 A-5 member;

4 (2) 2% of compensation for service credited as a Class
5 A-6 member; and

6 (3) 3.5% of compensation for service performed solely as
7 a participant.

8 * * *

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

10 (1) For members with an effective date of retirement
11 before January 1, 2018, and for purposes of calculating
12 standard single life annuities and benefits resulting from
13 credited service other than Class A-5 service and Class A-6
14 service regardless of the effective date of retirement, the
15 highest average compensation received as a member during any
16 three nonoverlapping periods of four consecutive calendar
17 quarters during which the member was a State employee, with
18 the compensation for part-time service being annualized on
19 the basis of the fractional portion of the year for which
20 credit is received; except if the employee was not a member
21 for three nonoverlapping periods of four consecutive calendar
22 quarters, the total compensation received as a member,
23 annualized in the case of part-time service, divided by the
24 number of nonoverlapping periods of four consecutive calendar
25 quarters of membership[;].

26 (2) For purposes of calculating standard single life
27 annuities and benefits from the system attributable to
28 service as a member of Class A-5 or Class A-6, the highest
29 average compensation received as a member during any five
30 calendar years during which the member was a State employee,

1 with the compensation for part-time service or for any
2 partial year of credit annualized on the basis of the
3 fractional portion of the year for which credit is received;
4 except if the employee was not a member during five calendar
5 years, the average of the number of calendar years during
6 which the employee was an active member.

7 (3) For all members and for the calculation of all
8 standard single life annuities without regard to class of
9 membership and credited service, in the case of a member with
10 multiple service, the final average salary shall be
11 determined on the basis of the compensation received by him
12 as a [State employee or as a school employee] member of the
13 system or as a member of the Public School Employees'
14 Retirement System, or both[;], and, in the case of a member
15 with [Class A-3 or Class A-4 service and] service in more
16 than one [or more other classes] class of service, the final
17 average salary for purposes of calculating annuities and
18 benefits from all classes of service shall be determined on
19 the basis of the compensation received by him in all classes
20 of State service credited in the system; and, in the case of
21 a member who first became a member on or after January 1,
22 1996, the final average salary shall be determined as
23 hereinabove provided but subject to the application of the
24 provisions of section 5506.1(a) (relating to annual
25 compensation limit under IRC § 401(a)(17)). Final average
26 salary shall be determined by including in compensation
27 payments deemed to have been made to a member reemployed from
28 USERRA leave to the extent member contributions have been
29 made as provided in section 5302(f)(2) (relating to credited
30 State service) and payments made to a member on leave of

1 absence under 51 Pa.C.S. § 4102 (relating to leaves of
2 absence for certain government employees) as provided in
3 section 5302(f)(6).

4 * * *

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

18 "Inactive member on leave without pay." The term does not
19 include a State employee who is performing service solely as a
20 participant in the plan unless the participant concurrently is
21 employed as a Class A-5 exempt employee and on leave without
22 pay.

23 "Inactive participant." A participant for whom no mandatory
24 pickup participant contributions are being made to the trust,
25 except in the case of an active participant for whom such
26 contributions otherwise required for current State service are
27 not being made solely by reason of any provision of this part
28 relating to limitations under section 401(a)(17) or 415 of the
29 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
30 401(a)(17) or 415), but who has vested accumulated total defined

1 contributions standing to his credit in the trust and who has
2 not filed an application for a distribution.

3 "Inactive participant on leave without pay." The term does
4 not include a Class A-5 exempt employee who is an active member
5 on leave without pay unless the Class A-5 exempt employee
6 concurrently is employed in an office or position in which the
7 Class A-5 exempt employee is a participant in the plan and on
8 leave without pay.

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

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

22 * * *

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

30 "Irrevocable successor payee." The person permanently

1 designated by a participant receiving distributions in writing
2 to the board pursuant to an approved domestic relations order to
3 receive one or more distributions from the plan upon the death
4 of the participant.

5 * * *

6 "Mandatory pickup participant contributions." Contributions
7 equal to a percentage of compensation that are made by the
8 Commonwealth or other employer for active participants for
9 current State service that are picked up by the employer and
10 credited in the plan as follows:

11 (1) 3.5% of compensation for service credited as a Class
12 A-5 member;

13 (2) 3.5% of compensation for service credited as a Class
14 A-6 member; and

15 (3) 7.5% of compensation for service performed solely as
16 a participant.

17 * * *

18 "Member's annuity." The single life annuity which is
19 actuarially equivalent, at the effective date of retirement and
20 taking into account any delay in the receipt of the portion of
21 the annuity based on Class A-5 service or Class A-6 service, if
22 the effective date of retirement is under the age at which the
23 member can receive a withdrawal annuity based on Class A-5
24 service or Class A-6 service, to the sum of the regular
25 accumulated deductions, shared-risk accumulated deductions, the
26 additional accumulated deductions and the social security
27 integration accumulated deductions standing to the member's
28 credit in the members' savings account.

29 * * *

30 "Participant." An active participant, inactive participant

1 or participant receiving distributions.

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

7 * * *

8 "Plan." The State Employees' Defined Contribution Plan as
9 established under the provisions of this part and the board.

10 "Plan document." The documents created by the board under
11 section 5802 (relating to plan document) that contain the terms
12 and provisions of the plan and trust as established by the board
13 regarding the establishment, administration and investment of
14 the plan and trust.

15 * * *

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

24 * * *

25 "Regular member contributions." The product of the basic
26 contribution rate, the class of service multiplier [if greater
27 than one] and the compensation of the member[.], subject to any
28 adjustment under section 5501.1(c) (relating to shared-risk
29 member contributions and shared-gain adjustments to regular
30 member contributions).

1 "Required beginning date." The latest date by which
2 distributions of a member's interest or a participant's interest
3 in his individual investment account must commence under section
4 401(a)(9) of the Internal Revenue Code of 1986 (Public Law 99-
5 514, 26 U.S.C. § 401(a)(9)).

6 "Retirement counselor." The State Employees' Retirement
7 [System] Board employee whose duty it shall be to advise each
8 employee of his rights and duties as a member of the system or
9 as a participant of the plan.

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

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

18 * * *

19 "Shared-risk member contributions." The product of the
20 applicable shared-risk contribution rate and the compensation of
21 a member [for service credited as Class A-3 or Class A-4] who is
22 required to make shared-risk member contributions.

23 * * *

24 "Special vestee." An employee of The Pennsylvania State
25 University who is a member of the State Employees' Retirement
26 System with five or more but less than ten eligibility points
27 and who has a date of termination of service from The
28 Pennsylvania State University of June 30, 1997, because of the
29 transfer of his job position or duties to a controlled
30 organization of the Penn State Geisinger Health System or

1 because of the elimination of his job position or duties due to
2 the transfer of other job positions or duties to a controlled
3 organization of the Penn State Geisinger Health System, provided
4 that:

5 (1) subsequent to termination of State service as an
6 employee of The Pennsylvania State University, the member has
7 not returned to State service in any other capacity or
8 position as a State employee;

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

11 (3) the member files an application to vest the member's
12 retirement rights under section 5907(f) (relating to rights
13 and duties of State employees [and], members and
14 participants) on or before September 30, 1997; and

15 (4) the member elects to leave the member's total
16 accumulated deductions in the fund and to defer receipt of an
17 annuity until attainment of superannuation age or the
18 member's required beginning date.

19 "Standard single life annuity." An annuity equal to 2% of
20 the final average salary, multiplied by the total number of
21 years and fractional part of a year of credited service of a
22 member in each class of service.

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

1 (1) (i) The Department of Education.

2 (ii) State-owned educational institutions.

3 (iii) Community colleges.

4 (iv) The Pennsylvania State University, except an
5 employee in the College of Agriculture who is paid wholly
6 from Federal funds or an employee who is participating in
7 the Federal Civil Service Retirement System. The
8 university shall be totally responsible for all employer
9 contributions under section 5507 (relating to
10 contributions to the system by the Commonwealth and other
11 employers) and all employer defined contributions to the
12 trust under section 5806 (relating to employer defined
13 contributions).

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

1 shall have been a member of the system for at least ten years
2 prior to January 1, 1963.

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

16 * * *

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

21 "Superannuation age." For classes of service in the system
22 other than Class A-3 [and], Class A-4, Class A-5 and Class A-6,
23 any age upon accrual of 35 eligibility points or age 60, except
24 for a member of the General Assembly who has no service as a
25 member of the General Assembly in Class A-3, Class A-4, Class A-
26 5 or Class A-6, an enforcement officer, a correction officer, a
27 psychiatric security aide, a Delaware River Port Authority
28 policeman or an officer of the Pennsylvania State Police, age
29 50, and, except for a member with Class G, Class H, Class I,
30 Class J, Class K, Class L, Class M or Class N service, age 55

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

17 * * *

18 "Sworn police officer." A State police officer who is
19 employed and serving as an officer of the Pennsylvania State
20 Police.

21 * * *

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

25 * * *

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

29 "Vestee." A member with:

30 (1) five or more eligibility points in a class of

1 service other than Class A-3 [or], Class A-4, Class A-5 or
2 Class A-6 or Class T-E or Class T-F in the Public School
3 Employees' Retirement System[, a member with];

4 (2) Class G, Class H, Class I, Class J, Class K, Class
5 L, Class M or Class N service with five or more eligibility
6 points[, or a member with]; or

7 (3) Class A-3 [or], Class A-4, Class A-5 or Class A-6
8 service with ten or more eligibility points

9 and who has terminated State service and has elected to leave
10 his total accumulated deductions in the fund and to defer
11 receipt of an annuity.

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

18 Section 303. Section 5103 of Title 71 is amended to read:
19 § 5103. Notice to members and participants.

20 Notice by publication, including, without being limited to,
21 newsletters, newspapers, forms, first class mail, letters,
22 manuals and, to the extent authorized by a policy adopted by the
23 board, electronically, including, without being limited to, e-
24 mail or [World Wide Web sites] Internet websites, distributed or
25 made available to members and participants in a manner
26 reasonably calculated to give actual notice of [those sections
27 of the State Employees' Retirement Code] the provisions of this
28 part that require notice to members or participants shall be
29 deemed sufficient notice for all purposes.

30 Section 304. Title 71 is amended by adding a section to

1 read:

2 § 5104. Reference to State Employees' Retirement System.

3 (a) Construction.--As of the effective date of this section,
4 unless the context clearly indicates otherwise, any reference to
5 the State Employees' Retirement System in a statutory provision
6 other than this part and 24 Pa.C.S. Pt. IV (relating to
7 retirement for school employees) shall include a reference to
8 the State Employees' Defined Contribution Plan and any reference
9 to the State Employees' Retirement Fund shall include a
10 reference to the State Employees' Defined Contribution Trust.

11 (b) Agreement.--The agreement of an employer listed in the
12 definition of "State employee" or any other law to make
13 contributions to the fund or to enroll its employees as members
14 in the system shall be deemed to be an agreement to make
15 contributions to the trust or to enroll its employees in the
16 plan.

17 Section 305. Section 5301 heading, (a), (b), (c) and (d) of
18 Title 71 are amended and the section is amended by adding
19 subsections to read:

20 § 5301. Mandatory and optional membership in the system and
21 participation in the plan.

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

- 25 (1) Governor.
- 26 (2) Lieutenant Governor.
- 27 (3) Members of the General Assembly.
- 28 (4) Heads or deputy heads of administrative departments.
- 29 (5) Members of any independent administrative board or
30 commission.

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

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

3 (8) Secretary to the Governor.

4 (9) Budget Secretary.

5 (10) Legislative employees.

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

8 (12) School employees who have elected membership in an
9 independent retirement program approved by the employer,
10 provided that in no case, except as hereinafter provided,
11 shall the employer contribute on account of such elected
12 membership at a rate greater than the employer normal
13 contribution rate as determined in section 5508(b) (relating
14 to actuarial cost method). For the fiscal year 1986-1987 an
15 employer may contribute on account of such elected membership
16 at a rate which is the greater of 7% or the employer normal
17 contribution rate as determined in section 5508(b) and for
18 the fiscal year 1992-1993 and all fiscal years after that at
19 a rate of 9.29%.

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

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

27 (15) Employees of the Philadelphia Regional Port
28 Authority who have elected to retain membership in the
29 pension plan or retirement system in which they were enrolled
30 as employees of the predecessor Philadelphia Port Corporation

1 prior to the creation of the Philadelphia Regional Port
2 Authority.

3 (16) Employees of the Juvenile Court Judges' Commission
4 who, before the effective date of this paragraph, were
5 transferred from the State System of Higher Education to the
6 Juvenile Court Judges' Commission as a result of an
7 interagency transfer of staff approved by the Office of
8 Administration and who, while employees of the State System
9 of Higher Education, had elected membership in an independent
10 retirement program approved by the employer.

11 (17) State employees, other than any Class A-5 exempt
12 employees performing service as Class A-5 exempt employees,
13 whose first period of State service starts on or after
14 January 1, 2018.

15 (a.1) Mandatory participation in the plan.--A State employee
16 who is a member of the system as a member of Class A-5 or Class
17 A-6 shall be a mandatory participant in the plan for that same
18 service as of the effective date of Class A-5 or Class A-6
19 membership in the system except for service as a Class A-5
20 exempt employee. A State employee who elected to be solely a
21 participant in the plan shall be a mandatory participant in the
22 plan for all service except for service as a Class A-5 exempt
23 employee.

24 (b) Optional membership in the system.--The State employees
25 listed in subsection (a) (1) through (11) shall have the right to
26 elect membership in the system; once such election is exercised,
27 membership shall continue until the termination of State
28 service. State employees listed in subsection (a) (17) shall have
29 the right to elect membership in Class A-5 or Class A-6 provided
30 they have not previously elected to be solely participants in

1 the plan.

2 (b.1) Optional participation in the plan.--The State
3 employees who are optional members of the system as a member of
4 Class A-5 or Class A-6 also are optional participants in the
5 plan. The State employees who elect membership in the system as
6 members of Class A-5 or Class A-6 also automatically elect
7 participation in the plan as of the date they elect membership
8 in the system, except for service as a Class A-5 exempt
9 employee. A State employee can elect participation in the plan
10 without also electing membership in the system under section
11 5306.4 (relating to election to become a Class A-6 member or
12 solely a participant in the plan).

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

16 (c.1) Prohibited participation in the plan.--The State
17 employees listed in subsection (a) (11), (12), (13), (14) and
18 (15) or who first become a member of the system before January
19 1, 2018, or who could have elected membership in the system but
20 did not do so in the required time period shall not be eligible
21 to be active participants in the plan. Class A-5 exempt
22 employees shall not be eligible to participate in the plan for
23 service performed as a Class A-5 exempt employee. State
24 employees who are not mandatory participants in the plan under
25 subsection (a.1) or eligible for optional participation in the
26 plan under subsection (b.1) shall not be eligible to participate
27 in the plan.

28 (d) Return to service.--

29 (1) An annuitant who returns to service as a State
30 employee before January 1, 2018, or returns to State service

1 as a Class A-5 exempt employee after December 31, 2017, shall
2 resume active membership in the system as of the effective
3 date of employment, except as otherwise provided in section
4 5706(a) (relating to termination of annuities), regardless of
5 the optional membership category of the position.

6 (2) An annuitant or a participant receiving
7 distributions who returns to service as a State employee on
8 or after January 1, 2018, shall resume active membership in
9 the system and, if an active member of Class A-5 or Class A-
10 6, shall be an active participant in the plan as of the
11 effective date of employment, except as otherwise provided in
12 section 5706(a), regardless of the optional membership or
13 participation category of the position: Provided, however,
14 That a participant or former participant who previously
15 elected to be solely a participant under section 5306.4 shall
16 be a participant in the plan except for service as a Class A-
17 5 exempt employee.

18 * * *

19 Section 306. Sections 5302(a), (b), (e) and (f), 5303(b)(1)
20 and (2), (d)(1) and (e)(1) and (4), 5303.2(a), 5304(a) and (b),
21 5305(b) and 5305.1 of Title 71 are amended to read:

22 § 5302. Credited State service.

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

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

26 (b) Creditable leaves of absence.--

27 (1) A member on leave without pay who is studying under
28 a Federal grant approved by the head of his department or who
29 is engaged up to a maximum of two years of temporary service
30 with the United States Government, another state or a local

1 government under the Intergovernmental Personnel Act of 1970
2 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
3 be eligible for credit for such service: Provided, That
4 contributions are made in accordance with sections 5501
5 (relating to regular member contributions for current
6 service), 5501.1 (relating to shared-risk member
7 contributions [for Class A-3 and Class A-4 service] and
8 shared-gain adjustments to regular member contributions),
9 5505.1 (relating to additional member contributions) and 5507
10 (relating to contributions to the system by the Commonwealth
11 and other employers), the member returns from leave without
12 pay to active State service as a member of the system for a
13 period of at least one year, and he is not entitled to
14 retirement benefits for such service under a retirement
15 system administered by any other governmental agency.

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

1 consecutive terms of the same office; that the employer shall
2 fully compensate the member or participant, including, but
3 not limited to, salary, wages, pension and retirement
4 contributions and benefits, other benefits and seniority, as
5 if he were in full-time active service; and that the
6 Statewide employee organization shall fully reimburse the
7 employer for all expenses and costs of such paid leave,
8 including, but not limited to, contributions and payment in
9 accordance with sections 5501, 5501.1, 5505.1 [and], 5507,
10 5804 (relating to participant contributions), 5805 (relating
11 to mandatory pickup participant contributions) and 5806
12 (relating to employer defined contributions), if the employee
13 organization either directly pays, or reimburses the
14 Commonwealth or other employer for, contributions made in
15 accordance with [section 5507] sections 5507, 5804, 5805 and
16 5806.

17 * * *

18 (e) Cancellation of credited service.--

19 (1) All credited service in the system shall be
20 cancelled if a member withdraws his total accumulated
21 deductions, except that a member with Class A-3 [or], Class
22 A-4, Class A-5 or Class A-6 service credit and one or more
23 other classes of service credit shall not have his service
24 credit as a member of any classes of service other than as a
25 member of Class A-3 [or], Class A-4, Class A-5 or Class A-6
26 cancelled when the member receives a lump sum payment of
27 accumulated deductions resulting from Class A-3 [or], Class
28 A-4, Class A-5 or Class A-6 service pursuant to section
29 5705.1 (relating to payment of accumulated deductions
30 resulting from [Class A-3 and Class A-4] more than one class

1 of service).

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

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

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

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

24 (1.2) State employees may not participate in the plan or
25 exercise the options under 51 Pa.C.S. § 7306 for military
26 leaves that begin on or after the effective date of this
27 paragraph, except as otherwise provided by this subsection.

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

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

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

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

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

28 (2.1) (i) A participant who is reemployed from USERRA
29 leave shall be treated as not having incurred a break in
30 State service by reason of the USERRA leave and shall be

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

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

28 (3) A State employee who is a member of the system and
29 performs USERRA leave from which the employee could have been
30 reemployed from USERRA leave had the State employee returned

1 to State service in the time frames required by 38 U.S.C. Ch.
2 43 for reemployment rights, but did not do so, shall be able
3 to receive creditable nonstate service as nonintervening
4 military service for the period of USERRA leave should the
5 employee later return to State service as an active member of
6 the system and is otherwise eligible to purchase the service
7 as nonintervening military service.

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

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

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

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

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

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

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

1 Pa.C.S. § 4102 shall be included in the determination of
2 final average salary and other calculations in the system
3 utilizing compensation as if the payments were compensation
4 under this part.

5 § 5303. Retention and reinstatement of service credits.

6 * * *

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

8 (1) Every active member of the system or a multiple
9 service member who is a school employee and a member of the
10 Public School Employees' Retirement System on or after the
11 effective date of this part shall receive eligibility points
12 in accordance with section 5307 for current State service,
13 previous State service, or creditable nonstate service upon
14 compliance with sections 5501 (relating to regular member
15 contributions for current service), 5501.1 (relating to
16 shared-risk member contributions [for Class A-3 and Class A-4
17 service] and shared-gain adjustments to regular member
18 contributions), 5504 (relating to member contributions for
19 the purchase of credit for previous State service or to
20 become a full coverage member), 5505 (relating to
21 contributions for the purchase of credit for creditable
22 nonstate service), 5505.1 (relating to additional member
23 contributions) or 5506 (relating to incomplete payments).
24 Subject to the limitations in sections 5306.1 (relating to
25 election to become a Class AA member) and 5306.2 (relating to
26 elections by members of the General Assembly), the class or
27 classes of service in which the member may be credited for
28 previous State service prior to the effective date of this
29 part shall be the class or classes in which he was or could
30 have at any time elected to be credited for such service,

1 except that a State employee who first becomes a member of
2 the system on or after January 1, 2011, or on or after
3 December 1, 2010, as a member of the General Assembly and:

4 (i) is credited with Class A-3 service for such
5 membership and is not a member of Class A-5, shall be
6 credited only with Class A-3 service for previous State
7 service performed before January 1, 2011, that was not
8 previously credited in the system; [or]

9 (ii) is credited with Class A-4 service for such
10 membership and is not a member of Class A-5, shall be
11 credited only with Class A-4 service for previous State
12 service performed before January 1, 2011, that was not
13 previously credited in the system[.];

14 (iii) is credited with Class A-5 service for such
15 membership, shall be credited only with Class A-5 service
16 for previous State service, performed before January 1,
17 2018, other than service as a Class A-5 exempt employee,
18 that was not previously credited in the system; or

19 (iv) is credited with Class A-6 service for such
20 membership, shall be credited only with Class A-6 service
21 for previous State service, performed before January 1,
22 2018, other than service as a Class A-5 exempt employee,
23 which was not previously credited in the system.

24 The class of service in which a member shall be credited for
25 service subsequent to the effective date of this part shall
26 be determined in accordance with section 5306 (relating to
27 classes of service).

28 * * *

29 (2) A special vestee or person otherwise eligible to be
30 a special vestee who returns to State service, other than

1 solely as a participant in the plan, or withdraws his
2 accumulated deductions pursuant to section 5311 (relating to
3 eligibility for refunds) or 5701 (relating to return of total
4 accumulated deductions) shall receive or retain eligibility
5 points in accordance with paragraph (1) but upon subsequent
6 termination of State service shall only be eligible to be an
7 annuitant vestee or inactive member without regard to
8 previous status as a special vestee and without regard to the
9 provisions of this part providing for special vestees.

10 * * *

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

12 (1) Any person who was an employee of any county in this
13 Commonwealth on the personal staff of an appellate court
14 judge prior to September 9, 1985, and who had that employment
15 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
16 (relating to local chamber facilities) shall be a member of
17 the system for all service rendered as an employee of the
18 Commonwealth on the personal staff of an appellate court
19 judge subsequent to the date of the transfer unless
20 specifically prohibited pursuant to section 5301(c) (relating
21 to mandatory and optional membership in the system and
22 participation in the plan). The employee shall be entitled to
23 have any prior service credit in that county or other
24 municipal pension plan or retirement system transferred to
25 the system and deemed to be State service for all purposes
26 under this part. However, for those employees who were in
27 continuous county employment which commenced prior to July
28 22, 1983, section 5505.1 shall not apply. The transfer of
29 prior service credit to the system shall occur upon the
30 transfer, by the member, county or other municipal pension

1 plan or retirement system, to the system of the amount of
2 accumulated member contributions, pick-up contributions and
3 credited interest standing in the employee's county or
4 municipal pension plan or retirement system account as of the
5 date that these funds are transferred to the system. In the
6 event that these funds have been refunded to the member, the
7 transfer of service credit shall occur when the member
8 transfers an amount equal to either the refund which the
9 member received from the county or municipal pension plan or
10 retirement system or the amount due under section 5504, if
11 less. In the case of a transfer by the member, the transfer
12 shall occur by December 31, 1987, in order for the member to
13 receive credit for the prior service. In the case of a
14 transfer by the county or other municipal pension plan or
15 retirement system, the transfer shall also occur by December
16 31, 1987. If the amount transferred to the system by the
17 member of a county or municipal pension plan or retirement
18 system is greater than the amount that would have accumulated
19 in the member's account if the employee had been a member of
20 the system, all excess funds shall be returned to the
21 employee within 90 days of the date on which such funds are
22 credited to the member's account in the system. Within 60
23 days of receipt of written notice that an employee has
24 elected to transfer credits under the provisions of this
25 subsection, the county or other municipal pension plans or
26 retirement systems shall be required to transfer to the
27 system an amount, excluding contributions due under section
28 5504(a), equal to the liability of the prior service in
29 accordance with county or other municipal pension plan or
30 retirement system benefit provisions, multiplied by the ratio

1 of system actuarial value of assets for active members to the
2 system actuarial accrued liability for active members. The
3 Public Employee Retirement Study Commission shall determine
4 the appropriate amount of employer contributions to be
5 transferred to the system by the county or other municipal
6 pension plans or retirement systems.

7 * * *

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

10 (1) Any employee of the Philadelphia Regional Port
11 Authority who becomes a State employee, as defined in section
12 5102 (relating to definitions), and an active member of the
13 system shall be eligible to obtain retirement credit for
14 prior uncredited service with the Philadelphia Port
15 Corporation, a Pennsylvania not-for-profit corporation
16 ("predecessor corporation"), provided that the Commonwealth
17 does not incur any liability for the funding of the annuities
18 attributable to the prior, uncredited "predecessor
19 corporation" service, the cost of which shall be determined
20 according to paragraph (2).

21 * * *

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

30 * * *

1 § 5303.2. Election to convert school service to State service.

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

24 * * *

25 § 5304. Creditable nonstate service.

26 (a) Eligibility.--

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

1 before December 1, 2010, as a member of the General Assembly,
2 and who is a school employee and an active member of the
3 Public School Employees' Retirement System shall be eligible
4 for Class A service credit for creditable nonstate service as
5 set forth in subsections (b) and (c) except that intervening
6 military service shall be credited in the class of service
7 for which the member was eligible at the time of entering
8 into military service and for which he makes the required
9 contributions to the fund and except that a multiple service
10 member who is a school employee and an active member of the
11 Public School Employees' Retirement System shall not be
12 eligible to purchase service credit for creditable nonstate
13 service set forth in subsection (c) (5).

14 (2) An active member who first becomes an active member
15 on or after January 1, 2011, or on or after December 1, 2010,
16 as a member of the General Assembly and is an active member
17 of a class of service other than Class A-5 or Class A-6, or a
18 multiple service member who first becomes an active member on
19 or after January 1, 2011, or on or after December 1, 2010, as
20 a member of the General Assembly in a class of service other
21 than Class A-5 or Class A-6, and [who] is a school employee
22 and an active member of the Public School Employees'
23 Retirement System shall be eligible for Class A-3 service
24 credit for creditable nonstate service as set forth in
25 subsections (b) and (c) except that intervening military
26 service shall be credited in the class of service for which
27 the member was eligible at the time of entering into military
28 service and for which he makes the required contributions to
29 the fund and except that a multiple service member who is a
30 school employee and an active member of the Public School

1 Employees' Retirement System shall not be eligible to
2 purchase service credit for creditable nonstate service set
3 forth in subsection (c) (5).

4 (3) An active member of Class A-5 or Class A-6 or a
5 multiple service member who has service credited only as
6 Class A-5 or Class A-6 and is a school employee and an active
7 member of the Public School Employees' Retirement System
8 shall be eligible for Class A-5 service credit if a Class A-5
9 member and Class A-6 service credit if a Class A-6 member for
10 creditable nonstate service as set forth in subsections (b)
11 and (c) for which the member makes the required contributions
12 to the fund.

13 * * *

14 (b) Limitations on eligibility.--An active member or a
15 multiple service member who is a school employee and an active
16 member of the Public School Employees' Retirement System shall
17 be eligible as provided under subsection (a) to receive credit
18 for nonstate service provided that he does not have credit for
19 such service in the system or in the [school system] Public
20 School Employees' Retirement System and is not entitled to
21 receive, eligible to receive now or in the future, or is
22 receiving retirement benefits for such service in the system or
23 under a retirement system administered and wholly or partially
24 paid for by any other governmental agency or by any private
25 employer, or a retirement program approved by the employer in
26 accordance with section 5301(a) (12) (relating to mandatory and
27 optional membership in the system and participation in the
28 plan), and further provided, that such service is certified by
29 the previous employer and contributions are agreed upon and made
30 in accordance with section 5505 (relating to contributions for

1 the purchase of credit for creditable nonstate service).

2 * * *

3 § 5305. Social security integration credits.

4 * * *

5 (b) Accrual of subsequent credits.--Any active member who
6 has social security integration accumulated deductions to his
7 credit or is receiving a benefit on account of social security
8 integration credits may accrue one social security integration
9 credit for each year of service as a State employee on or
10 subsequent to March 1, 1974₁, and a fractional credit for a
11 corresponding fractional year of service provided that
12 contributions are made to the fund, or would have been made to
13 the fund but for section 5502.1 (relating to waiver of regular
14 member contributions and Social Security integration member
15 contributions) or the limitations under IRC § 401(a)(17) or 415,
16 except as otherwise provided in this part, in accordance with
17 section 5502 (relating to Social Security integration member
18 contributions), and he:

19 (1) continues subsequent to March 1, 1974₁, as an active
20 member in either the [State or school] system or, if a
21 multiple service member, as an active member in the Public
22 School Employees' Retirement System;

23 (2) terminates such continuous service in the [State or
24 school] system or the Public School Employees' Retirement
25 System and returns to active membership in the [State] system
26 within six months; or

27 (3) terminates his status as a vestee or an annuitant
28 and returns to State service as an active member of the
29 system.

30 * * *

1 § 5305.1. Eligibility for actuarial increase factor.

2 A person who is:

3 (1) an active member;

4 (2) an inactive member on leave without pay; [or]

5 (3) a multiple service member who is a school employee
6 and an active member of the Public School Employees'
7 Retirement System; or

8 (4) an active participant or an inactive participant on
9 leave without pay;

10 who terminates State service or school service, as the case may
11 be, after attaining age 70 and who applies for a superannuation
12 annuity with an effective date of retirement the day after the
13 date of termination of State service or school service shall
14 have that person's maximum single life annuity calculated
15 pursuant to section 5702(a.1) (relating to maximum single life
16 annuity).

17 Section 307. Section 5306(a), (a.1), (a.2), (a.3) and (b)(2)
18 of Title 71 are amended, subsection (a) is amended by adding a
19 paragraph and the section is amended by adding subsections to
20 read:

21 § 5306. Classes of service.

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

23 (1) A State employee who is a member of Class A on the
24 effective date of this part or who first becomes a member of
25 the system subsequent to the effective date of this part and
26 before January 1, 2011, or before December 1, 2010, as a
27 member of the General Assembly, shall be classified as a
28 Class A member and receive credit for Class A service upon
29 payment of regular and additional member contributions for
30 Class A service, provided that the State employee does not

1 become a member of Class AA pursuant to subsection (a.1) or a
2 member of Class D-4 pursuant to subsection (a.2).

3 (2) A State employee who first becomes a member of the
4 system on or after January 1, 2011, or on or after December
5 1, 2010, as a member of the General Assembly and before
6 January 1, 2018, shall be classified as a Class A-3 member
7 and receive credit for Class A-3 service upon payment of
8 regular member contributions and shared-risk member
9 contributions for Class A-3 service provided that the State
10 employee does not become a member of Class A-4 pursuant to
11 subsection (a.3), except that a member of the judiciary shall
12 be classified as a member of such other class of service for
13 which the member of the judiciary is eligible, shall elect
14 and make regular member contributions.

15 (3) A State employee who first becomes a member of the
16 system on or after January 1, 2011, or on or after December
17 1, 2010, as a member of the General Assembly, and a Class A-5
18 exempt employee on or after January 1, 2018, shall receive
19 credit for all service as a Class A-5 exempt employee as a
20 member of Class A-3 upon payment of the required member
21 contributions and shall not be eligible to be a member of
22 Class A-5 or Class A-6 or a participant in the plan for such
23 service. Notwithstanding the provisions of a binding
24 arbitration award issued before July 1, 1989, under the act
25 of June 24, 1968 (P.L.237, No.111), referred to as the
26 Policemen and Firemen Collective Bargaining Act, and
27 implemented by the board, for a member who first becomes an
28 officer of the Pennsylvania State Police on or after January
29 1, 2018, all other State service shall be credited in the
30 system or in the plan as otherwise provided under this part.

1 Class A-3 service provided for under this paragraph shall be
2 subject to an election to be credited as Class A-4 provided
3 that the State employee has not previously had the
4 opportunity to elect Class A-3 service and failed to do so.

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

6 (1) A person who becomes a State employee and an active
7 member of the system after June 30, 2001, and who first
8 became an active member before January 1, 2011, or before
9 December 1, 2010, as a member of the General Assembly, and
10 who is not a State police officer and not employed in a
11 position for which a class of service other than Class A is
12 credited or could be elected shall be classified as a Class
13 AA member and receive credit for Class AA State service upon
14 payment of regular member contributions for Class AA service
15 and, subject to the limitations contained in paragraph (7),
16 if previously a member of Class A or previously employed in a
17 position for which Class A service could have been earned,
18 shall have all Class A State service (other than State
19 service performed as a State police officer or for which a
20 class of service other than Class A was earned or could have
21 been elected) classified as Class AA service.

22 (2) A person who is a State employee on June 30, 2001,
23 and July 1, 2001, but is not an active member of the system
24 because membership in the system is optional or prohibited
25 pursuant to section 5301 (relating to mandatory and optional
26 membership in the system and participation in the plan) and
27 who first becomes an active member after June 30, 2001, and
28 before January 1, 2011, or before December 1, 2010, as a
29 member of the General Assembly, and who is not a State police
30 officer and not employed in a position for which a class of

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

12 (3) Provided that an election to become a Class AA
13 member is made pursuant to section 5306.1 (relating to
14 election to become a Class AA member), a State employee,
15 other than a State employee who is a State police officer on
16 or after July 1, 1989, who on June 30, 2001, and July 1,
17 2001, is:

18 (i) a member of Class A, other than a member of
19 Class A who could have elected membership in a Class C,
20 Class D-3, Class E-1 or Class E-2; or

21 (ii) an inactive member on a leave without pay from
22 a position in which the State employee would be a Class A
23 active member if the employee was not on leave without
24 pay, other than a position in which the State employee
25 could elect membership in Class C, Class D-3, Class E-1
26 or Class E-2;

27 shall be classified as a Class AA member and receive
28 credit for Class AA State service performed after June 30,
29 2001, upon payment of regular member contributions for Class
30 AA service and, subject to the limitations contained in

1 paragraph (7), shall receive Class AA service credit for all
2 Class A State service, other than State service performed as
3 a State police officer or as a State employee in a position
4 for which the member could have elected membership in Class
5 C, Class D-3, Class E-1 or Class E-2, performed before July
6 1, 2001.

7 (4) Provided that an election to become a Class AA
8 member is made pursuant to section 5306.1, a former State
9 employee, other than a former State employee who was a State
10 police officer on or after July 1, 1989, who on June 30,
11 2001, and July 1, 2001, is a multiple service member and a
12 school employee and a member of the Public School Employees'
13 Retirement System, subject to the limitations contained in
14 paragraph (7), shall receive Class AA service credit for all
15 Class A State service, other than State service performed as
16 a State police officer or as a State employee in a position
17 in which the former State employee could have elected a class
18 of service other than Class A, performed before July 1, 2001.

19 (5) A former State employee who first becomes a member
20 before January 1, 2011, or before December 1, 2010, as a
21 member of the General Assembly, other than a former State
22 employee who was a State police officer on or after July 1,
23 1989, who is a school employee and who on or after July 1,
24 2001, becomes a multiple service member, subject to the
25 limitations contained in paragraph (7), shall receive Class
26 AA service credit for all Class A State service other than
27 State service performed as a State employee in a position in
28 which the former State employee could have elected a class of
29 service other than Class A.

30 (6) A State employee who after June 30, 2001, becomes a

1 State police officer or [who is employed in a position in
2 which the member could elect membership in a class of service
3 other than Class AA or Class D-4] a member of the judiciary
4 shall retain any Class AA service credited prior to becoming
5 a State police officer or being so employed but shall be
6 ineligible to receive Class AA credit thereafter and instead
7 shall receive Class A credit for service as a member of the
8 judiciary if the State employee first becomes a member of the
9 system before January 1, 2018, or if he first became a member
10 before January 1, 2011, or December 1, 2010, as a member of
11 the General Assembly, or Class A-3 credit for service other
12 than as a member of the judiciary and he first became a
13 member on or after January 1, 2011, or December 1, 2010, as a
14 member of the General Assembly, if the nonjudicial service is
15 service as a Class A-5 exempt employee, or Class A-5 service
16 credit, Class A-6 service credit or solely as a participant
17 in the plan if the State employee first became a member on or
18 after January 1, 2018, and the service is not as a Class A-5
19 exempt employee, unless a class of membership other than
20 Class A is elected.

21 (7) (i) State service performed as Class A service
22 before July 1, 2001, and State service for which Class A
23 service could have been credited but was not credited
24 because membership in the system was optional or
25 prohibited pursuant to section 5301 shall be credited as
26 Class AA service only upon the completion of all acts
27 necessary for the State service to be credited as Class A
28 service had this subsection not been enacted and upon
29 payment of required Class AA member contributions as
30 provided in section 5504 (relating to member

1 contributions for the purchase of credit for previous
2 State service or to become a full coverage member).

3 (ii) A person who is not a State employee or a
4 school employee on June 30, 2001, and July 1, 2001, and
5 who has previous State service (except a disability
6 annuitant who returns to State service after June 30,
7 2001, upon termination of the disability annuity) shall
8 not receive Class AA service credit for State service
9 performed before July 1, 2001, until such person becomes
10 an active member, or an active member of the Public
11 School Employees' Retirement System and a multiple
12 service member, and earns three eligibility points by
13 performing credited State service or credited school
14 service after June 30, 2001.

15 (a.2) Class of membership for members of the General
16 Assembly.--

17 (1) A person who:

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

21 (ii) is a member of the General Assembly on July 1,
22 2001, but is not an active member of the system because
23 membership in the system is optional pursuant to section
24 5301 and who becomes an active member after June 30,
25 2001, and before December 1, 2010;

26 and who was not a State police officer on or after July 1,
27 1989, shall be classified as a Class D-4 member and receive
28 credit as a Class D-4 member for all State service as a
29 member of the system as a member of the General Assembly upon
30 payment of regular member contributions for Class D-4 service

1 and, subject to the limitations contained in subsection (a.1)
2 (7), if previously a member of Class A or employed in a
3 position for which Class A service could have been earned,
4 shall receive Class AA service credit for all Class A State
5 service, other than State service performed as a State police
6 officer or for which a class of service other than Class A or
7 Class D-4 was or could have been elected or credited.

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

25 (3) A member of the General Assembly who after June 30,
26 2001, becomes a State police officer shall retain any Class
27 AA service or Class D-4 service credited prior to becoming a
28 State police officer or being so employed but shall be
29 ineligible to receive Class AA or Class D-4 credit thereafter
30 and instead shall receive Class A credit or Class A-3 credit

1 if he first becomes a member of the system on or after
2 January 1, 2011[.], and before January 1, 2018, or as a Class
3 A-5 exempt employee, and Class A-5 or Class A-6 credit if he
4 first becomes a member of the system on or after January 1,
5 2018, and is not a Class A-5 exempt employee.

6 (4) Notwithstanding the provisions of this subsection,
7 no service as a member of the General Assembly performed
8 before December 1, 2010, that is not credited as Class D-4
9 service on November 30, 2010, shall be credited as Class D-4
10 service, unless such service was previously credited in the
11 system as Class D-4 service and the member withdrew his total
12 accumulated deductions as provided in section 5311 (relating
13 to eligibility for refunds) or 5701 (relating to return of
14 total accumulated deductions). No service as a member of the
15 General Assembly performed on or after December 1, 2010,
16 shall be credited as Class D-4 service unless the member
17 previously was credited with Class D-4 service credits.

18 (a.3) Class A-4 membership.--Provided that an election to
19 become a Class A-4 member is made pursuant to section 5306.3
20 (relating to election to become a Class A-4 member), a State
21 employee who first becomes a member before January 1, 2018, or
22 is a Class A-5 exempt employee who otherwise would be a member
23 of Class A-3 shall be classified as a Class A-4 member and
24 receive Class A-4 credit for all creditable State service
25 performed after the effective date of membership in the system,
26 except as a member of the judiciary, and for all creditable
27 State service performed as a Class A-5 exempt employee if the
28 employee first becomes a member on or after January 1, 2018,
29 upon payment of regular member contributions and shared-risk
30 member contributions for Class A-4 service.

1 (a.4) Class A-5 membership.--A State employee who first
2 becomes a member of the system on or after January 1, 2018,
3 other than as a Class A-5 exempt employee, and who does not make
4 an election to be a member of Class A-6 or an election to be
5 solely a participant in the plan under section 5306.4 (relating
6 to election to become a Class A-6 member or solely a participant
7 in the plan), shall be classified as a Class A-5 member and
8 receive credit for Class A-5 service for service other than as a
9 Class A-5 exempt employee upon payment of regular member
10 contributions and shared-risk member contributions for Class A-5
11 service. A Class A-5 exempt employee who first becomes a member
12 of the system on or after January 1, 2018, shall be classified
13 in the applicable class other than Class A-5 for service
14 performed as a Class A-5 exempt employee and classified as a
15 Class A-5 member for any service performed in a position or
16 office other than as a Class A-5 exempt employee.

17 (a.5) Class A-6 membership.--Provided that an election to
18 become a Class A-6 member is made pursuant to section 5306.4, a
19 State employee who otherwise would be a member of Class A-5
20 shall be classified as a Class A-6 member and receive Class A-6
21 credit for all creditable State service performed after the
22 effective date of membership in the system, except as a Class A-
23 5 exempt employee, upon payment of regular member contributions
24 and shared-risk member contributions for Class A-6 service.

25 (a.6) Notwithstanding the provisions of a binding
26 arbitration award issued before July 1, 1989, under the
27 Policemen and Firemen Collective Bargaining Act, and implemented
28 by the board, for a member who first becomes an officer of the
29 Pennsylvania State Police on or after January 1, 2018, other
30 service performed before or after service as an officer of the

1 Pennsylvania State Police, shall be credited in the class of
2 service provided under this part.

3 (b) Other class membership.--

4 * * *

5 (2) Notwithstanding any other provision of this section,
6 a State employee [who] whose first period of State service
7 began before January 1, 2018, is appointed [bail
8 commissioner] an arraignment court magistrate of the
9 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
10 (relating to jurisdiction and venue) and is eligible to be a
11 member of the system as an arraignment court magistrate may,
12 within 30 days of the effective date of this sentence or
13 within 30 days of his initial appointment as [a bail
14 commissioner] an arraignment court magistrate, whichever is
15 later, elect Class E-2 service credit for service performed
16 as [a bail commissioner] an arraignment court magistrate
17 until the termination of State service. [This] The class of
18 service multiplier for E-2 service as [a bail commissioner]
19 an arraignment court magistrate shall be 1.5.

20 * * *

21 (e) Ineligibility for classes of service.--An individual who
22 is a State employee on January 1, 2018, but is not a member of
23 the system or who first becomes a State employee on or after
24 January 1, 2018, shall be ineligible for active membership in
25 the system other than as a member of Class A-5 or Class A-6, or
26 the several classes of State service for service performed as a
27 Class A-5 exempt employee as otherwise provided for under this
28 section. Any such State employee, if eligible, may be a
29 participant in the plan as a result of such State service.

30 Section 308. Sections 5306.1(c), 5306.2(b) and 5306.3(b),

1 (c) and (d) of Title 71 are amended to read:

2 § 5306.1. Election to become a Class AA member.

3 * * *

4 (c) Effect of election.--An election to become a Class AA
5 member shall become effective the later of July 1, 2001, or the
6 date when the election is filed with the board and shall remain
7 in effect until the termination of employment. Upon termination
8 and subsequent reemployment, the member's class of service shall
9 be credited in the class of service otherwise provided for in
10 this part and the State employee's eligibility for participation
11 in the plan shall be as provided in this part.

12 * * *

13 § 5306.2. Elections by members of the General Assembly.

14 * * *

15 (b) Effect of election.--Membership as a Class D-4 member
16 shall become effective on July 1, 2001, and shall remain in
17 effect until the termination of service as a member of the
18 General Assembly. Upon termination and a subsequent
19 reemployment, the member's class of service shall be credited in
20 the class of service otherwise provided for in this part and the
21 State employee's eligibility for participation in the plan shall
22 be as provided in this part.

23 * * *

24 § 5306.3. Election to become a Class A-4 member.

25 * * *

26 (b) Time for making election.--The election to become a
27 Class A-4 member must be made by the member filing written
28 notice with the board in a form and manner determined by the
29 board no later than 45 days after notice from the board of the
30 member's eligibility to elect Class A-4 membership. A State

1 employee who is eligible to elect to become a Class A-4 member
2 who begins USERRA leave during the election period without
3 having elected Class A-4 membership [may make the election
4 within 45 days after being reemployed from] shall have the
5 election period extended by the number of days on USERRA leave.

6 (c) Effect of election.--An election to become a Class A-4
7 member shall be irrevocable and shall become effective on the
8 effective date of membership in the system and shall remain in
9 effect for all future [creditable] State service creditable to
10 the system, other than service performed as a member of the
11 judiciary[.], but shall not apply to service not performed as a
12 Class A-5 exempt employee if the State employee first becomes a
13 member of the system on or after January 1, 2018. Payment of
14 regular member contributions and shared-risk member
15 contributions for Class A-4 State service performed prior to the
16 election of Class A-4 membership shall be made in a form, manner
17 and time determined by the board. Upon termination of State
18 service and subsequent reemployment, a member who elected Class
19 A-4 membership shall be credited as a Class A-4 member for
20 creditable State service performed after reemployment, except as
21 a member of the judiciary, provided that if the State employee
22 first becomes a member of the system on or after January 1,
23 2018, the reemployment is as a Class A-5 exempt employee,
24 regardless of termination of employment, termination of
25 membership by withdrawal of accumulated deductions or status as
26 an annuitant, vestee or inactive member after the termination of
27 service.

28 (d) Effect of failure to make election.--Failure to elect to
29 become a Class A-4 member within the election period set forth
30 in subsection (b) shall result in all of the member's State

1 service, other than service performed as a member of the
2 judiciary, or if the State employee first becomes a member of
3 the system on or after January 1, 2018, all service as a Class
4 A-5 exempt employee, being credited as Class A-3 service and not
5 subject to further election or crediting as Class A-4 service.
6 Upon termination and subsequent employment, a member who failed
7 to elect to become a Class A-4 member shall not be eligible to
8 make another election to become a Class A-4 member for either
9 past or future State service.

10 Section 309. Title 71 is amended by adding a section to
11 read:

12 § 5306.4. Election to become a Class A-6 member or solely a
13 participant in the plan.

14 (a) General rule.--A State employee who otherwise is
15 eligible for Class A-5 membership who has not previously elected
16 or declined to elect Class A-6 membership or to be solely a
17 participant in the plan may elect to become either a member of
18 Class A-6 or solely a participant in the plan.

19 (b) Time for making election.--The election to become a
20 Class A-6 member or solely a participant in the plan must be
21 made by the member filing written notice with the board in a
22 form and manner determined by the board no later than 45 days
23 after notice from the board of the member's eligibility to elect
24 Class A-6 membership or to be solely a participant in the plan.
25 This notice shall be given upon a State employee first beginning
26 State service in a position eligible to be a member of the
27 system that is not as a Class A-5 exempt employee. A State
28 employee who is eligible to elect to become a Class A-6 member
29 or solely a participant in the plan who begins USERRA leave
30 during the election period without having elected Class A-6

1 membership or to be solely a participant in the plan will have
2 the election period extended by the number of days on USERRA
3 leave.

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

20 (d) Effect of election to be solely a participant in the
21 plan.--An election to become solely a participant in the plan
22 shall be irrevocable and shall become effective on the date that
23 membership in the system would have been effective had the
24 election not been made and shall remain in effect for all future
25 State service, other than service performed as a Class A-5
26 exempt employee. Payment of mandatory participant pickup
27 contributions for service solely as a participant in the plan
28 performed prior to the election shall be made in a form, manner
29 and time determined by the board. Upon termination and
30 subsequent reemployment, a State employee who elected to be

1 solely a participant in the plan shall resume active
2 participation for State service performed after reemployment,
3 except as a Class A-5 exempt employee, regardless of termination
4 of employment, termination of participation by a partial or
5 total distribution of vested total defined contributions or
6 status as an annuitant, vestee or inactive member of the system
7 as a Class A-5 exempt employee after the termination of service.

8 (e) Effect of failure to make election.--Failure to elect to
9 become a Class A-6 member or solely a participant in the plan
10 within the election period set forth in subsection (b) shall
11 result in all of the member's State service being credited as
12 Class A-5 service and not subject to further election or
13 crediting as Class A-6 service or solely as a participant in the
14 plan. Upon termination and subsequent employment, a member who
15 failed to elect to become a Class A-6 member or solely a
16 participant in the plan shall not be eligible to make another
17 election to become a Class A-6 member or solely a participant in
18 the plan for either past or future State service.

19 Section 310. Sections 5307, 5308, 5308.1 introductory
20 paragraph and (1), 5309, 5310, 5311(a), 5501.1, 5502, 5503.1(a)
21 and 5504 of Title 71 are amended to read:

22 § 5307. Eligibility points.

23 (a) General rule.--An active member of the system shall
24 accrue one eligibility point for each year of credited service
25 as a member of the [State or] system and if a multiple service
26 member as a member of the Public School Employees' Retirement
27 System. A member shall accrue an additional two-thirds of an
28 eligibility point for each year of Class D-3 credited service.
29 In the case of a fractional part of a year of credited service,
30 a member shall accrue the corresponding fractional portion of

1 eligibility points to which the class of service entitles him. A
2 State employee who is performing State service solely as a
3 participant in the plan shall accrue eligibility points at the
4 same rate and manner as if the State employee was performing
5 State service credited as a member of Class A-5. No eligibility
6 points shall accrue in the system or the plan for service as a
7 school employee credited as Class DC service in the Public
8 School Employees' Retirement System.

9 (a.1) USERRA leave.--A member of the system or participant
10 in the plan who is reemployed from USERRA leave or who dies
11 while performing USERRA leave shall be granted the eligibility
12 points that he would have accrued had he continued in his State
13 office or employment instead of performing USERRA leave. In the
14 event that a State employee who is reemployed from USERRA leave
15 makes the member contributions or mandatory pickup participant
16 contributions to be granted State service credit for the USERRA
17 leave, no additional eligibility points will be granted.

18 (b) Transitional rule.--

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

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

7 (2) Any member to whom paragraph (1) applies shall be
8 considered to have satisfied any requirement for five
9 eligibility points contained in this part if the member:

10 (i) has ten or more eligibility points as determined
11 pursuant to subsection (a); or

12 (ii) has Class G, Class H, Class I, Class J, Class
13 L, Class M or Class N service and has eight or more
14 eligibility points as determined pursuant to subsection
15 (a).

16 (c) Application of eligibility points.--Eligibility points
17 accrued for service as either member of the system or
18 participant in the plan may be used to determine the eligibility
19 for benefits from either the system or the plan unless the
20 provision is restricted to eligibility points accrued from
21 specific types of State service. Eligibility points accrued from
22 service as an active member of the Public School Employees'
23 Retirement System shall apply only if a State employee has
24 elected multiple service. Eligibility points accrued by a State
25 employee for service solely as a participant in the plan for
26 which he received a total distribution of accumulated total
27 defined contributions shall not apply when determining
28 eligibility for benefits from the system or the plan resulting
29 from any State service subsequently credited in the system or
30 performed after the total distribution.

1 § 5308. Eligibility for annuities.

2 (a) Superannuation annuity.--Attainment of superannuation
3 age by an active member [or], an inactive member on leave
4 without pay or a participant with service credited as a member
5 of the system with three or more eligibility points other than
6 eligibility points resulting from nonstate service or nonschool
7 service shall entitle him to receive a superannuation annuity
8 upon termination of State service and compliance with section
9 5907(f) (relating to rights and duties of State employees [and
10 members], members and participants).

11 (b) Withdrawal annuity.--

12 (1) Any vestee or any active member [or], inactive
13 member on leave without pay or participant with service
14 credited as a member of the system who terminates State
15 service having five or more eligibility points and who does
16 not have Class A-3 [or], Class A-4, Class A-5 or Class A-6
17 service credit or, if a multiple service member, Class T-E or
18 Class T-F service credit in the Public School Employees'
19 Retirement System, or who has Class G, Class H, Class I,
20 Class J, Class K, Class L, Class M or Class N service and
21 terminates State service having five or more eligibility
22 points, upon compliance with section 5907(f), (g) or (h)
23 shall be entitled to receive an annuity.

24 (2) Any vestee, active member [or], inactive member on
25 leave without pay or participant with service credited as a
26 member of the system who has Class A-3 [or], Class A-4, Class
27 A-5 or Class A-6 service credit or, if a multiple service
28 member, Class T-E or Class T-F service credit in the Public
29 School Employees' Retirement System who terminates State
30 service having ten or more eligibility points, upon

1 compliance with section 5907(f), (g) or (h), shall be
2 entitled to receive an annuity.

3 (3) Any vestee, active member or inactive member on
4 leave without pay or participant with service credited as a
5 member of the system who has either Class A-3 [or], Class A-
6 4, Class A-5 or Class A-6 service credit or, if a multiple
7 service member, Class T-E or Class T-F service credit in the
8 Public School Employees' Retirement System and also has
9 service credited in the system in one or more other classes
10 of service who has five or more, but fewer than ten,
11 eligibility points, upon compliance with section 5907(f), (g)
12 or (h), shall be eligible to receive an annuity calculated on
13 his service credited in classes of service other than Class
14 A-3 [or], Class A-4, Class A-5 or Class A-6, provided that
15 the member has five or more eligibility points resulting from
16 service in classes other than Class A-3 [or], Class A-4,
17 Class A-5 or Class A-6 or Class T-E or Class T-F service in
18 the Public School Employees' Retirement System.

19 (4) Notwithstanding paragraphs (2) and (3), no single
20 life annuity determined on service credited as Class A-5 or
21 Class A-6 shall be paid before a member attains age 62. In
22 the event that a member is eligible to receive an annuity on
23 service credited in classes other than Class A-5 or Class A-
24 6, the member may receive an annuity before attaining age 62
25 on classes of service other than Class A-5 and A-6, with
26 payment of an annuity on service credited in Class A-5 and
27 Class A-6, other than a payment of a lump sum under section
28 5705(a.1) (relating to member's options), deferred until the
29 annuitant attains age 62 as provided under sections 5702
30 (relating to maximum single life annuity) and 5705.

1 (c) Disability annuity.--An active member or inactive member
2 on leave without pay who has five or more eligibility points
3 other than eligibility points resulting from membership in the
4 Public School Employees' Retirement System or any active member
5 or inactive member on leave without pay who is an officer of the
6 Pennsylvania State Police or an enforcement officer shall, upon
7 compliance with section 5907(k), be entitled to a disability
8 annuity if he becomes mentally or physically incapable of
9 continuing to perform the duties for which he is employed and
10 qualifies in accordance with the provisions of section 5905(c)
11 (1) (relating to duties of the board regarding applications and
12 elections of members and participants).

13 (d) Required beginning date.--Members eligible for an
14 annuity must commence receiving the annuity by the member's
15 required beginning date.

16 § 5308.1. Eligibility for special early retirement.

17 Notwithstanding any provisions of this title to the contrary,
18 the following special early retirement provisions shall be
19 applicable to specified eligible members [as follows]:

20 (1) During the period of July 1, 1985, to September 30,
21 1991, an active member who has attained the age of at least
22 53 years and has accrued at least 30 eligibility points shall
23 be entitled, upon termination of State service and compliance
24 with section 5907(f) (relating to rights and duties of State
25 employees [and], members and participants), to receive a
26 maximum single life annuity calculated under section 5702
27 (relating to maximum single life annuity) without a reduction
28 by virtue of an effective date of retirement which is under
29 the superannuation age.

30 * * *

1 § 5309. Eligibility for vesting.

2 Any member who:

3 (1) Does not have Class A-3 [or], Class A-4, Class A-5
4 or Class A-6 service credit or, if a multiple service member,
5 Class T-E or Class T-F service credit in the Public School
6 Employees' Retirement System and terminates State service, or
7 if a multiple service member and an active member of the
8 Public School Employees' Retirement System terminates school
9 service, with five or more eligibility points, or any member
10 with Class G, Class H, Class I, Class J, Class K, Class L,
11 Class M or Class N service with five or more eligibility
12 points, shall be eligible until his required beginning date
13 to vest his retirement benefits.

14 (2) Has only Class A-3 [or], Class A-4, Class A-5 or
15 Class A-6 service credit [or] and, if a multiple service
16 member, only Class T-E or Class T-F service credit in the
17 Public School Employees' Retirement System and terminates
18 State service, or if a multiple service member and an active
19 member of the Public School Employees' Retirement System
20 terminates school service, with ten or more eligibility
21 points shall be eligible until his required beginning date to
22 vest his retirement benefits.

23 (3) Has either Class A-3 [or], Class A-4, Class A-5 or
24 Class A-6 service credit [or] and, if a multiple service
25 member, Class T-E or Class T-F service credit in the Public
26 School Employees' Retirement System, also has service
27 credited in the system in one or more other classes of
28 service and has five or more, but fewer than ten, eligibility
29 points and terminates State service, or if a multiple service
30 member and an active member of the Public School Employees'

1 Retirement System terminates school service, shall be
2 eligible until his required beginning date to vest his
3 retirement benefits calculated on his service credited in
4 classes of service other than Class A-3 [or], Class A-4,
5 Class A-5 or Class A-6 and to be credited with statutory
6 interest on total accumulated deductions, regardless of
7 whether or not any part of his accumulated deductions are a
8 result of Class A-3 [or], Class A-4, Class A-5 or Class A-6
9 service credit.

10 § 5310. Eligibility for death benefits.

11 In the event of the death of a member who is eligible for an
12 annuity in accordance with section 5308(a) or (b) (relating to
13 eligibility for annuities), his beneficiary shall be entitled to
14 a death benefit. For purposes of this section, a member with ten
15 or more eligibility points shall be considered eligible for an
16 annuity based on Class A-5 service or Class A-6 service even if
17 under superannuation age.

18 § 5311. Eligibility for refunds.

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

24 * * *

25 § 5501.1. Shared-risk member contributions [for Class A-3 and
26 Class A-4 service] and shared-gain adjustments to
27 regular member contributions.

28 (a) General.--Shared-risk member contributions shall be made
29 to the fund on behalf of each member of Class A-3 [or], Class A-
30 4, Class A-5 or Class A-6 for current service credited [as Class

1 A-3 or Class A-4] in each such class of service as provided
2 under this section, except for any period of current service in
3 which the making of the contributions has ceased solely by
4 reason of any provision of this part relating to the limitations
5 under IRC § 401(a)(17) or 415. Shared-risk member contributions
6 shall be credited to the members' savings account. A shared-gain
7 adjustment to regular member contributions for Class A-3, Class
8 A-4, Class A-5 and Class A-6 shall be made as provided under
9 this section.

10 (b) Determination of shared-risk contribution rate[.--] for
11 Class A-3, Class A-4, Class A-5 and Class A-6 service.--The
12 shared-risk contribution for Class A-3, Class A-4, Class A-5 and
13 Class A-6 service shall be determined as follows:

14 (1) For the period from the effective date of this
15 section until June 30, 2014, the shared-risk contribution
16 rate for Class A-3, Class A-4, Class A-5 and Class A-6 shall
17 be zero.

18 (2) For the period from July 1, 2014, to June 30, 2017,
19 if the annual interest rate adopted by the board for use
20 during the period from January 1, 2011, to December 31, 2013,
21 for the calculation of the normal contribution rate is more
22 than 1% greater than the actual rate of return, net of fees,
23 of the investments of the fund based on market value over the
24 period, the shared-risk contribution rate shall be .5%. In
25 all other situations, the shared-risk contribution rate shall
26 be zero.

27 (3) For each subsequent three-year period, if the
28 shared-gain adjustment to regular member contributions is
29 zero, the shared-risk contribution rate shall be increased by
30 .5% if the annual interest rate adopted by the board for use

1 during the previous ten-year period for the calculation of
2 the normal contribution rate is more than 1% greater than the
3 actual rate of return, net of fees, of the investments of the
4 fund based on market value over the period. The shared-risk
5 contribution rate shall be decreased by .5% if the annual
6 interest rate adopted by the board for use during the
7 previous ten-year period for the calculation of the normal
8 contribution rate is equal to or less than the actual rate of
9 return, net of fees, of the investments of the fund based on
10 market value over that period.

11 (4) Notwithstanding paragraphs (2) and (3), the shared-
12 risk contribution rate shall not be less than zero and shall
13 not be more than the experience adjustment factor resulting
14 from investment gains or losses during the determination
15 period in effect on the first day when the new rate would be
16 applied, expressed as a percentage of member compensation,
17 and shall not be more than 2%. For the determination of the
18 shared-risk contribution rate to be effective July 1, 2017,
19 the determination period shall be January 1, 2011, through
20 December 31, 2016. For the determination of the shared-risk
21 contribution rate to be effective July 1, 2020, the
22 determination period shall be January 1, 2011, through
23 December 31, 2019.

24 (5) The shared-risk contribution rate and the factors
25 entering into its calculation shall be certified by the
26 actuary as part of the annual valuations and the actuarial
27 investigation and evaluation of the system conducted every
28 five years under section 5902(j) (relating to administrative
29 duties of the board).

30 (6) In the event that the annual interest rate adopted

1 by the board for the calculation is changed during the period
2 used to determine the shared-risk contribution rate, the
3 board, with the advice of the actuary, shall determine the
4 applicable rate during the entire period, expressed as an
5 annual rate.

6 (7) For any fiscal year in which the actual
7 contributions by the Commonwealth or an employer are lower
8 than those required to be made under section 5507(d)
9 (relating to contributions to the system by the Commonwealth
10 and other employers), the prospective shared-risk
11 contribution rate for those employees whose employers are not
12 making the contributions required by section 5507(d) shall be
13 zero and shall not subsequently be increased, except as
14 otherwise provided in this section.

15 (8) If the actuary certifies that the accrued liability
16 contributions calculated in accordance with the actuarial
17 cost method provided in section 5508(b) (relating to
18 actuarial cost method), as adjusted by the experience
19 adjustment factor, are zero or less, then the shared-risk
20 contribution rate for the next fiscal year shall be zero and
21 shall not subsequently be increased, except as otherwise
22 provided in this section.

23 (c) Determination of shared-gain adjustment to regular
24 member contributions for Class A-3, Class A-4, Class A-5 and
25 Class A-6 service.--The regular member contributions for Class
26 A-3, Class A-4, Class A-5 and Class A-6 service shall be
27 determined as follows:

28 (1) For the period from the effective date of this
29 section until June 30, 2017, the regular member contributions
30 for Class A-3, Class A-4, Class A-5 and Class A-6 service

1 shall be determined as otherwise provided in this part.

2 (2) For the period from July 1, 2017, to June 30, 2020,
3 if the shared-risk contribution rate for Class A-3, Class A-
4 4, Class A-5 and Class A-6 service is zero and annual
5 interest rate adopted by the board for use during the period
6 from January 1, 2011, to December 31, 2016, for the
7 calculation of the normal contribution rate is more than 1%
8 lower than the actual rate of return, net of fees, of the
9 investments of the fund based on market value over the
10 period, then the regular member contribution rate of each
11 member for Class A-3, Class A-4, Class A-5 or Class A-6
12 service shall be reduced by .5%. In all other situations, the
13 regular member contributions shall be determined as otherwise
14 provided in this part.

15 (3) For each subsequent three-year period, the regular
16 member contribution rate shall be decreased by .5% if the
17 annual interest rate adopted by the board for use during the
18 previous ten-year period for the calculation of the normal
19 contribution rate is more than 1% lower than the actual rate
20 of return, net of fees, of the investments of the fund based
21 on market value over the period. The regular member
22 contribution rate shall be increased by .5% if the annual
23 interest rate adopted by the board for use during the
24 previous ten-year period for the calculation of the normal
25 contribution rate is equal to or greater than the actual rate
26 of return, net of fees, of the investments of the fund based
27 on market value over that period.

28 (4) Notwithstanding paragraphs (2) and (3), the regular
29 member contribution rate may not be greater than the product
30 of the basic contribution rate and the class of service

1 multiplier; and the amount of the adjustment to a lower
2 regular member contribution rate may not be greater than the
3 reduction in the actuarially required contribution rate by
4 the experience adjustment factor resulting from investment
5 gains or losses during the determination period in effect on
6 the first day when the new rate would be applied, expressed
7 as a percentage of member compensation. In no event may the
8 adjustment to the regular member contribution rate be more
9 than 2%. For the determination of the regular member
10 contribution rate to be effective July 1, 2020, the
11 determination period shall be January 1, 2011, through
12 December 31, 2019.

13 (5) The shared-gain adjustment to the regular member
14 contribution rate and the factors entering into its
15 calculation shall be certified by the actuary as part of the
16 annual valuations and the actuarial investigation and
17 evaluation of the system conducted every five years under
18 section 5902(j).

19 (6) If the annual interest rate adopted by the board for
20 the calculation is changed during the period used to
21 determine the shared-gain adjustment to the regular member
22 contribution rate, the board, with the advice of the actuary,
23 shall determine the applicable rate during the entire period,
24 expressed as an annual rate.

25 (d) Calculation of regular member contribution rate.--For
26 purposes of this section, the regular member contribution rate
27 for each member is the product of the basic contribution rate
28 and the class of service multiplier used to determine the
29 regular member contributions for each member.

30 § 5502. Social Security integration member contributions.

1 Except for any period of current service in which the making
2 of regular member contributions has ceased solely by reason of
3 section 5502.1 (relating to waiver of regular member
4 contributions and Social Security integration member
5 contributions) or any provision of this part relating to
6 limitations under IRC § 401(a)(17) or 415, contributions shall
7 be made on behalf of [a] an active member of any class who prior
8 to March 1, 1974, has elected Social Security integration
9 coverage. The amount of such contributions shall be 6 1/4% of
10 that portion of his compensation as an active member in excess
11 of the maximum wages taxable under the provisions of the Social
12 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
13 addition to the regular member contributions which, after such
14 election, shall be determined on the basis of the basic
15 contribution rate of 5% and the additional member contribution
16 of 1 1/4%: Provided, That a member may elect to discontinue
17 Social Security integration coverage and shall thereafter be
18 ineligible to accrue any further Social Security integration
19 credits or any additional benefits on account of Social Security
20 integration membership.

21 § 5503.1. Pickup contributions.

22 (a) Treatment for purposes of IRC § 414(h).--All
23 contributions to the fund required to be made under sections
24 5501 (relating to regular 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), 5502 (relating to
28 Social Security integration member contributions), 5503
29 (relating to joint coverage member contributions) and [section]
30 5505.1 (relating to additional member contributions), with

1 respect to current State service rendered by an active member on
2 or after January 1, 1982, shall be picked up by the Commonwealth
3 or other employer and shall be treated as the employer's
4 contribution for purposes of IRC § 414(h).

5 * * *

6 § 5504. Member contributions for the purchase of credit for
7 previous State service or to become a full coverage
8 member.

9 (a) Amount of contributions for service in other than Class
10 G through N.--

11 (1) The contributions to be paid by an active member or
12 eligible school employee for credit in the system for the
13 portion of total previous State service other than service in
14 Class G, Class H, Class I, Class J, Class K, Class L, Class M
15 and Class N that a member is eligible to have credited or to
16 become a full coverage member shall be sufficient to provide
17 an amount equal to the regular accumulated deductions,
18 shared-risk accumulated deductions and additional accumulated
19 deductions which would have been standing to the credit of
20 the member for such service had regular accumulated
21 deductions, shared-risk accumulated deductions and additional
22 member contributions been made with full coverage in the
23 class of service and at the rate of contribution applicable
24 during such period of previous service and had his regular
25 and additional accumulated deductions been credited with
26 statutory interest during all periods of subsequent State and
27 school service up to the date of purchase.

28 (2) Notwithstanding paragraph (1), members [with Class
29 A-3 State service] who are performing State service credited
30 in Class A-3, Class A-4, Class A-5 or Class A-6 shall make

1 contributions and receive credit as if [the previous]
2 previously uncredited State service was [Class A-3 service,
3 and members with Class A-4 State service shall make
4 contributions and receive credit as if the previous State
5 service was Class A-4 service,] performed in the class in
6 which they are an active member at the time the service is
7 credited even if it would have been credited as a different
8 class of service had the State employee been a member of the
9 system at the time the service was performed unless it was
10 mandatory that the State employee be an active member of the
11 system and the previous State service is being credited as
12 the result of a mandatory active membership requirement.
13 Notwithstanding section 5303(b) (relating to retention and
14 reinstatement of service credits) a State employee who is an
15 active member of the system as a result of concurrently
16 performing service in more than one position or office at the
17 time previously uncredited State service is credited shall
18 elect which position or office is used for the determination
19 of required contributions and crediting and classification of
20 the previously uncredited service.

21 (a.1) Converted county service.--No contributions shall be
22 required to restore credit for previously credited State service
23 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
24 and Class N. Such service shall be restored upon the
25 commencement of payment of the contributions required to restore
26 credit in the system for all other previous State service.

27 (b) Certification and method of payment.--

28 (1) The amount payable shall be certified in each case
29 by the board in accordance with methods approved by the
30 actuary and shall be paid in a lump sum within 30 days or in

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

17 (2) No payments for service or coverage shall be allowed
18 for which the required contributions would cause a violation
19 of the limitation related to contributions applicable to
20 governmental plans contained in IRC § 415. In the event that
21 any service credit or coverage based on such disallowed
22 contributions is granted after the effective date of this
23 paragraph, then such service credit shall be canceled and
24 benefits calculated without regard to such service or
25 contributions and any member contributions in excess of the
26 limitations and statutory interest credited on those
27 contributions shall be refunded to the member by the board.

28 Section 311. Section 5505(b), (c), (d) and (i)(2) and (4) of
29 Title 71 are amended and the section is amended by adding a
30 subsection to read:

1 § 5505. Contributions for the purchase of credit for creditable
2 nonstate service.

3 * * *

4 (b) Nonintervening military service.--

5 (1) The amount due for the purchase of credit for
6 military service other than intervening military service
7 shall be determined by applying the member's basic
8 contribution rate, the additional contribution rate plus the
9 Commonwealth normal contribution rate for active members at
10 the time of entry, subsequent to such military service, of
11 the member into State service to his average annual rate of
12 compensation as a member of the system over the first three
13 years of such subsequent State service and multiplying the
14 result by the number of years and fractional part of a year
15 of creditable nonintervening military service being purchased
16 together with statutory interest during all periods of
17 subsequent State and school service to date of purchase. Upon
18 application for credit for such service, payment shall be
19 made in a lump sum within 30 days or in the case of an active
20 member or eligible school employee who is an active member of
21 the Public School Employees' Retirement System it may be
22 amortized with statutory interest through salary deductions
23 to the system in amounts agreed upon by the member and the
24 board. The salary deduction amortization plans agreed to by
25 members and the board may include a deferral of payment
26 amounts and statutory interest until the termination of
27 school service or State service as the board in its sole
28 discretion decides to allow. The board may limit salary
29 deduction amortization plans to such terms as the board in
30 its sole discretion determines. In the case of an eligible

1 school employee who is an active member of the Public School
2 Employees' Retirement System, the agreed upon salary
3 deductions shall be remitted to the Public School Employees'
4 Retirement Board, which shall certify and transfer to the
5 board the amounts paid. Application may be filed for all such
6 military service credit upon completion of three years of
7 subsequent State service as a member of the system and shall
8 be credited as Class A service except as provided in section
9 5304(a).

10 (1.1) In the case of an active member who is purchasing
11 the military service as Class A-3 service, for purposes of
12 paragraph (1), the Commonwealth normal contribution rate for
13 active members at the time of entry, subsequent to the
14 military service, shall be determined using only the average
15 new Class A-3 member.

16 (1.2) In the case of an active member who is purchasing
17 the military service as Class A-5 service, for purposes of
18 paragraph (1), the Commonwealth normal contribution rate for
19 active members at the time of entry, subsequent to the
20 military service, shall be determined using only the average
21 new Class A-5 member, and the member's basic contribution
22 rate shall be multiplied by the class of service multiplier
23 used to calculated regular member contributions for Class A-5
24 service.

25 (1.3) In the case of an active member who is purchasing
26 the military service as Class A-6 service, for purposes of
27 paragraph (1), the Commonwealth normal contribution rate for
28 active members at the time of entry, subsequent to the
29 military service, shall be determined using only the average
30 new Class A-6 member, and the member's basic contribution

1 rate shall be multiplied by the class of service multiplier
2 used to calculate regular member contributions for Class A-6
3 service.

4 (2) Applicants may purchase credit as follows:

5 (i) one purchase of the total amount of creditable
6 nonintervening military service; or

7 (ii) one purchase per 12-month period of a portion
8 of creditable nonintervening military service.

9 The amount of each purchase shall be not less than one year
10 of creditable nonintervening military service.

11 (c) Intervening military service.--Contributions on account
12 of credit for intervening military service shall be determined
13 by the member's regular contribution rate, shared-risk
14 contribution rate, Social Security integration contribution
15 rate, the additional contribution rate which shall be applied
16 only to those members who began service on or after the
17 effective date of this amendatory act and compensation as a
18 member of the system at the time of entry of the member into
19 active military service, together with statutory interest during
20 all periods of subsequent State and school service to date of
21 purchase. Upon application for such credit the amount due shall
22 be certified in the case of each member by the board in
23 accordance with methods approved by the actuary, and
24 contributions may be made by:

25 (1) regular monthly payments during active military
26 service; or

27 (2) a lump sum payment within 30 days of certification;
28 or

29 (3) salary deductions to the system in amounts agreed
30 upon by the member or eligible school employee who is an

1 active member of the Public School Employees' Retirement
2 System and the board.

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

14 (d) Nonmilitary and nonmagisterial service.--Contributions
15 on account of credit for creditable nonstate service other than
16 military and magisterial service by State employees who first
17 become members of the system before January 1, 2011, or before
18 December 1, 2010, as a member of the General Assembly shall be
19 determined by applying the member's basic contribution rate, the
20 additional contribution rate plus the Commonwealth normal
21 contribution rate for active members at the time of entry
22 subsequent to such creditable nonstate service of the member
23 into State service to his compensation as a member of the system
24 at the time of entry into State service and multiplying the
25 result by the number of years and fractional part of a year of
26 creditable nonstate service being purchased together with
27 statutory interest during all periods of subsequent State and
28 school service to the date of purchase. Upon application for
29 credit for such service payment shall be made in a lump sum
30 within 30 days or in the case of an active member or eligible

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

16 * * *

17 (i) Purchases of nonstate service credit by State employees
18 who first became members of the system on or after December 1,
19 2010.--

20 * * *

21 (2) The full actuarial cost of the increased benefit
22 attributable to the purchased nonstate service credit shall
23 be the difference between:

24 (i) the present value of a standard single life
25 annuity, beginning at the earliest possible
26 superannuation age assuming Class A-3 service credit for
27 the nonstate service to be purchased[; and] by a member
28 of Class A-3 or Class A-4 who first becomes a member of
29 the system before January 1, 2018, and assuming Class A-5
30 service credit for the nonstate service to be purchased

1 by a member of Class A-5 and assuming Class A-6 service
2 credit for the nonstate service to be purchased by a
3 member of Class A-6; and

4 (ii) the present value of a standard single life
5 annuity, beginning at the earliest possible
6 superannuation age, excluding the nonstate service credit
7 to be purchased.

8 * * *

9 (4) The payment for credit purchased under this
10 subsection shall be certified in each case by the board in
11 accordance with methods approved by the actuary and shall be
12 paid in a lump sum within 30 days or in the case of an active
13 member or eligible school employee who is an active member of
14 the Public School Employees' Retirement System may be
15 amortized with statutory interest through salary deductions
16 to the system in amounts agreed upon by the member and the
17 board. The salary deduction amortization plans agreed to by
18 members and the board may include a deferral of payment
19 amounts and interest until the termination of school service
20 or State service as the board in its sole discretion decides
21 to allow. The board may limit the salary deduction
22 amortization plans to such terms as the board in its sole
23 discretion determines. In the case of an eligible school
24 employee who is an active member of the Public School
25 Employees' Retirement System, the agreed upon salary
26 deductions shall be remitted to the Public School Employees'
27 Retirement Board, which shall certify and transfer to the
28 board the amounts paid.

29 * * *

30 (k) Inapplicability of election and adjustments.--If a

1 member is purchasing creditable nonstate service, the regular
2 member contribution rate used to determine the contributions
3 necessary to purchase such credit shall be determined without
4 regard to any adjustments applicable under section 5501.1(c)
5 (relating to shared-risk member contributions and shared-gain
6 adjustments to regular member contributions).

7 Section 312. Section 5506.1(a) of Title 71 is amended to
8 read:

9 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

30 * * *

1 Section 313. Section 5507(a), (b) and (d) of Title 71 are
2 amended and the section is amended by adding subsections to
3 read:

4 § 5507. Contributions to the system by the Commonwealth and
5 other employers.

6 (a) Contributions on behalf of active members.--The
7 Commonwealth and other employers whose employees are members of
8 the system or participants in the plan shall make contributions
9 to the fund on behalf of all active members in such amounts as
10 shall be certified by the board as necessary to provide,
11 together with the members' total accumulated deductions, annuity
12 reserves on account of prospective annuities other than those
13 provided in sections 5708 (relating to supplemental annuities),
14 5708.1 (relating to additional supplemental annuities), 5708.2
15 (relating to further additional supplemental annuities), 5708.3
16 (relating to supplemental annuities commencing 1994), 5708.4
17 (relating to special supplemental postretirement adjustment),
18 5708.5 (relating to supplemental annuities commencing 1998),
19 5708.6 (relating to supplemental annuities commencing 2002),
20 5708.7 (relating to supplemental annuities commencing 2003) and
21 5708.8 (relating to special supplemental postretirement
22 adjustment of 2002), in accordance with the actuarial cost
23 method provided in section 5508(a), (b), (c), (d) and (f)
24 (relating to actuarial cost method).

25 (b) Contributions on behalf of annuitants.--The Commonwealth
26 and other employers whose employees are members of the system or
27 participants in the plan shall make contributions on behalf of
28 annuitants in such amounts as shall be certified by the board as
29 necessary to fund the liabilities for supplemental annuities in
30 accordance with the actuarial cost method provided in section

1 5508(e) [(relating to actuarial cost method)].

2 (b.1) Payment of employer contributions to the system.--

3 (1) Payment of employer normal contributions shall be as
4 a percentage of compensation of active members.

5 (2) Payment of accrued liability contributions as
6 modified by the experience adjustment factor and supplemental
7 annuity contributions shall be as a percentage of
8 compensation of active members and active participants.

9 * * *

10 (d) Payment of final contribution rate.--Notwithstanding the
11 calculation of the actuarially required contribution rate and
12 the provisions of subsections (a) and (b), the Commonwealth and
13 other employers whose employees are members of the system or
14 participants in the plan shall make contributions to the fund on
15 behalf of all active members and annuitants in such amounts as
16 shall be certified by the board in accordance with section
17 5508(i).

18 * * *

19 (g) Payment of additional accrued liability contributions.--
20 In addition to all other contributions required under this
21 section and sections 5508 and 5941, the Commonwealth and other
22 employers whose employees are members of the system or
23 participants in the plan shall make contributions as certified
24 by the board as a percentage of the compensation of each member
25 and each participant as provided in this subsection, unless the
26 actuary certifies that the accrued liability contribution rate
27 determined under section 5508(c) is zero or less for that fiscal
28 year. Additional accrued liability contributions received by the
29 board as a result of this subsection shall be recognized as part
30 of the experience adjustment factor under section 5508(f).

<u>Fiscal year</u>	<u>Additional accrued liability</u>
<u>beginning date</u>	<u>contribution rate</u>
<u>July 1, 2017</u>	<u>0.00%</u>
<u>July 1, 2018</u>	<u>0.68%</u>
<u>July 1, 2019</u>	<u>0.64%</u>
<u>July 1, 2020</u>	<u>0.61%</u>
<u>July 1, 2021</u>	<u>0.58%</u>
<u>July 1, 2022</u>	<u>0.00%</u>
<u>July 1, 2023</u>	<u>0.00%</u>
<u>July 1, 2024</u>	<u>0.00%</u>
<u>July 1, 2025</u>	<u>0.00%</u>
<u>July 1, 2026</u>	<u>0.00%</u>
<u>July 1, 2027</u>	<u>0.00%</u>
<u>July 1, 2028</u>	<u>0.00%</u>
<u>July 1, 2029</u>	<u>0.00%</u>
<u>July 1, 2030</u>	<u>0.06%</u>
<u>July 1, 2031</u>	<u>0.19%</u>
<u>July 1, 2032</u>	<u>0.31%</u>
<u>July 1, 2033</u>	<u>0.42%</u>
<u>July 1, 2034</u>	<u>0.53%</u>
<u>July 1, 2035</u>	<u>0.63%</u>
<u>July 1, 2036</u>	<u>0.73%</u>
<u>July 1, 2037</u>	<u>0.82%</u>
<u>July 1, 2038</u>	<u>0.90%</u>
<u>July 1, 2039</u>	<u>0.98%</u>
<u>July 1, 2040</u>	<u>1.05%</u>

27 Section 314. Section 5508(a), (b), (c)(1), (e)(2), (f) and
28 (h) of Title 71 are amended and subsection (c) is amended by
29 adding a paragraph to read:

30 § 5508. Actuarial cost method.

1 (a) Employer contribution rate on behalf of active
2 members.--[The] For each fiscal year, the amount of the
3 Commonwealth and other employer contributions on behalf of all
4 active members shall be computed by the actuary as a percentage
5 of the total compensation of all active members during the
6 period for which the amount is determined and shall be so
7 certified by the board. The actuarially required contribution
8 rate on behalf of all active members shall consist of the
9 employer normal contribution rate, as defined in subsection (b),
10 and the accrued liability contribution rate as defined in
11 subsection (c). The actuarially required contribution rate on
12 behalf of all active members shall be modified by the experience
13 adjustment factor as calculated in subsection (f).

14 (b) Employer normal contribution rate.--The employer normal
15 contribution rate shall be determined after each actuarial
16 valuation on the basis of an annual interest rate and such
17 mortality and other tables as shall be adopted by the board in
18 accordance with generally accepted actuarial principles. The
19 employer normal contribution rate shall be determined as [a
20 level percentage of the compensation of the average new active
21 member, which percentage, if contributed on the basis of his
22 prospective compensation through his entire period of active
23 State service, would be sufficient to fund the liability for any
24 prospective benefit payable to him in excess of that portion
25 funded by his prospective member contributions, excluding
26 shared-risk member contributions.] follows:

27 (1) For fiscal years through fiscal year 2021-2022, as a
28 level percentage of the compensation of the average new
29 active member, which percentage, if contributed on the basis
30 of his prospective compensation through his entire period of

1 active State service, would be sufficient to fund the
2 liability for any prospective benefit payable to him in
3 excess of that portion funded by his prospective member
4 contributions, excluding shared-risk member contributions and
5 shared-gain adjustments to regular member contributions. In
6 no case shall the employer normal contribution rate in the
7 aggregate or for each class of service separately be less
8 than zero.

9 (2) For fiscal year 2022-2023 and each fiscal year
10 thereafter, as a level percentage of the compensation of all
11 active members, which percentage, if contributed from the
12 start of their employment on the basis of their prospective
13 compensation through their entire period of active State
14 service, would be sufficient to fund the liability for any
15 prospective benefit payable to them in excess of that portion
16 funded by their prospective member contributions, excluding
17 shared-risk member contributions and shared-gain adjustments
18 to regular member contributions. In no case shall the
19 employer normal contribution rate in the aggregate or for
20 each class of service separately be less than zero.

21 (c) Accrued liability contribution rate.--

22 (1) For the fiscal years beginning July 1, 2002, and
23 July 1, 2003, the accrued liability contribution rate shall
24 be computed as the rate of total compensation of all active
25 members which shall be certified by the actuary as sufficient
26 to fund over a period of ten years from July 1, 2002, the
27 present value of the liabilities for all prospective
28 benefits, except for the supplemental benefits as provided in
29 sections 5708 (relating to supplemental annuities), 5708.1
30 (relating to additional supplemental annuities), 5708.2

1 (relating to further additional supplemental annuities),
2 5708.3 (relating to supplemental annuities commencing 1994),
3 5708.4 (relating to special supplemental postretirement
4 adjustment), 5708.5 (relating to supplemental annuities
5 commencing 1998), 5708.6 (relating to supplemental annuities
6 commencing 2002), 5708.7 (relating to supplemental annuities
7 commencing 2003) and 5708.8 (relating to special supplemental
8 postretirement adjustment of 2002), in excess of the total
9 assets in the fund (calculated recognizing all investment
10 gains and losses over a five-year period), excluding the
11 balance in the supplemental annuity account, and the present
12 value of employer normal contributions and of member
13 contributions payable with respect to all active members on
14 December 31, 2001, and excluding contributions to be
15 transferred by county retirement systems or pension plans
16 pursuant to section 5507(c) (relating to contributions to the
17 system by the Commonwealth and other employers). The amount
18 of each annual accrued liability contribution shall be equal
19 to the amount of such contribution for the fiscal year
20 beginning July 1, 2002, except that, if the accrued liability
21 is increased by legislation enacted subsequent to June 30,
22 2002, but before July 1, 2003, such additional liability
23 shall be funded over a period of ten years from the first day
24 of July, coincident with or next following the effective date
25 of the increase. The amount of each annual accrued liability
26 contribution for such additional legislative liabilities
27 shall be equal to the amount of such contribution for the
28 first annual payment.

29 * * *

30 (4) For fiscal years beginning on or after July 1, 2017,

1 the accrued liability contribution rate shall be computed as
2 provided for under this section, except that the rate shall
3 be computed as a rate of total compensation of all active
4 members and active participants for the applicable period. If
5 the accrued liability is changed by legislation enacted
6 subsequent to December 31, 2015, such change in liability
7 shall be funded in equal dollar installments as a percentage
8 of compensation of all active members and active participants
9 over a period of ten years from the first day of July
10 following the valuation date coincident with or next
11 following the date such legislation is enacted. In addition
12 to any employer defined contributions made to the trust, the
13 Commonwealth and other employers of participants shall make
14 the accrued liability contributions to the fund certified by
15 the board.

16 * * *

17 (e) Supplemental annuity contribution rate.--

18 * * *

19 (2) For fiscal years beginning on or after July 1, 2010,
20 contributions from the Commonwealth and other employers whose
21 employees are members of the system required to provide for
22 the payment of supplemental annuities as provided in sections
23 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
24 and 5708.8 shall be paid as part of the accrued liability
25 contribution rate as provided for in subsection (c) (3), and
26 there shall not be a separate supplemental annuity
27 contribution rate attributable to those supplemental
28 annuities. In the event that supplemental annuities are
29 increased by legislation enacted subsequent to December 31,
30 2009, the additional liability for the increase in benefits

1 shall be funded in equal dollar installments as a percentage
2 of compensation of all active members and active participants
3 over a period of ten years from the first day of July
4 following the valuation date coincident with or next
5 following the date such legislation is enacted.

6 (f) Experience adjustment factor.--

7 (1) For each fiscal year after the establishment of the
8 accrued liability contribution rate and the supplemental
9 annuity contribution rate for the fiscal year beginning July
10 1, 2010, any increase or decrease in the unfunded accrued
11 liability and any increase or decrease in the liabilities and
12 funding for supplemental annuities, due to actual experience
13 differing from assumed experience (recognizing all realized
14 and unrealized investment gains and losses over a five-year
15 period), changes in contributions caused by the final
16 contribution rate being different from the actuarially
17 required contribution rate, State employees making shared-
18 risk member contributions or having shared-gain adjustments
19 to their regular member contributions, payment of additional
20 accrued liability contributions under section 5507 (g),
21 changes in actuarial assumptions or changes in the terms and
22 conditions of the benefits provided by the system by
23 judicial, administrative or other processes other than
24 legislation, including, but not limited to, reinterpretation
25 of the provisions of this part, shall be amortized in equal
26 dollar annual contributions as a percentage of compensation
27 of all active members and active participants over a period
28 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 * * *

25 Section 315. Section 5509 of Title 71 is amended to read:

26 § 5509. Appropriations and assessments by the Commonwealth.

27 (a) Annual submission of budget.--The board shall prepare
28 and submit annually an itemized budget consisting of the amounts
29 necessary to be appropriated by the Commonwealth out of the
30 General Fund and special operating funds and the amounts to be

1 assessed the other employers required to meet the separate
2 obligations to the fund and the trust accruing during the fiscal
3 period beginning the first day of July of the following year.

4 (b) Appropriation and payment.--The General Assembly shall
5 make an appropriation sufficient to provide for the separate
6 obligations of the Commonwealth to the fund and the trust. Such
7 amount shall be paid by the State Treasurer through the
8 Department of Revenue into the fund or trust in accordance with
9 requisitions presented by the board. The contributions to the
10 system by the Commonwealth on behalf of active members who are
11 officers of the Pennsylvania State Police shall be charged to
12 the General Fund and to the Motor License Fund in the same
13 ratios as used to apportion the appropriations for salaries of
14 members of the Pennsylvania State Police. The contributions to
15 the system by the Commonwealth on behalf of active members who
16 are enforcement officers and investigators of the Pennsylvania
17 Liquor Control Board shall be charged to the General Fund and to
18 the State Stores Fund.

19 (c) Contributions from funds other than General Fund.--The
20 amounts assessed other employers who are required to make the
21 necessary separate contributions to the fund and the trust out
22 of funds other than the General Fund shall be paid by such
23 employers into the fund or trust in accordance with requisitions
24 presented by the board. The General Fund of the Commonwealth
25 shall not be held liable to appropriate the moneys required to
26 build up the reserves in the fund necessary for the payment of
27 benefits from the system to employees or to make the employer
28 defined contributions for employees of such other employers. In
29 case any such other employer shall fail to provide to the fund
30 the moneys necessary for such purpose, then the service of such

1 members of the system for such period for which money is not so
2 provided shall be credited and pickup contributions with respect
3 to such members shall continue to be credited to the members'
4 savings account. The annuity to which such member is entitled
5 shall be determined as actuarially equivalent to the present
6 value of the maximum single life annuity of each such member
7 reduced by the amount of employer contributions to the system
8 payable on account and attributable to his compensation during
9 such service, except that no reduction shall be made as a result
10 of the failure of an employer to make contributions required for
11 a period of USERRA leave.

12 Section 316. Title 71 is amended by adding a section to
13 read:

14 § 5510. Employer funding mandate protection.

15 (a) Limited expansion of contractual right to funding.--

16 Commencing on the July 1 following the actuarial valuation in
17 which the actuary certifies that the final contribution rate is
18 the actuarially required contribution, each active member shall
19 have a contractual right to the timely payment of the annual
20 actuarially required contributions under sections 5508 (relating
21 to actuarial cost method) and 5902(k) (relating to
22 administrative duties of the board) by such member's employer.

23 The following apply:

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

27 (2) Any claim of contract impairment shall be brought
28 against the employer of the member for whom contributions
29 were not paid, and neither the board nor the system or their
30 employees or agents shall be a defendant in any such action

1 or liable for any payments or damages arising from such
2 impairment.

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

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

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

14 (3) find facts or expedite a final judgment in
15 connection with such a challenge or request for declaratory
16 relief.

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

22 (d) Attorney fees.--A member who prevails in a claim brought
23 under this part may be awarded reasonable attorney fees.

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

1 contributions.

2 (f) Employer contributions.--Nothing in this section shall
3 be deemed to supersede or conflict with the rights and
4 obligations set forth in section 5509 (relating to
5 appropriations and assessments by the Commonwealth).

6 Section 317. Sections 5701 and 5701.1 of Title 71 are
7 amended to read:

8 § 5701. Return of total accumulated deductions.

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

13 § 5701.1. Transfer of accumulated deductions.

14 When an employee of the Juvenile Court Judges' Commission
15 elects membership in an independent retirement program pursuant
16 to section 5301(f) (relating to mandatory and optional
17 membership in the system and participation in the plan), the
18 board shall transfer directly to the trustee or administrator of
19 the independent retirement program all accumulated deductions
20 resulting from service credited while an employee of the
21 Juvenile Court Judges' Commission.

22 Section 318. Sections 5702(a)(1), (4) and (6), (b) and (c),
23 5704(a), (c), (e) and (f) and 5705(a) of Title 71 are amended
24 and the sections are amended by adding subsections to read:

25 § 5702. Maximum single life annuity.

26 (a) General rule.--Any full coverage member who is eligible
27 to receive an annuity pursuant to the provisions of section
28 5308(a) or (b) (relating to eligibility for annuities) who
29 terminates State service, or if a multiple service member who is
30 a school employee who is an active member of the Public School

1 Employees' Retirement System who terminates school service,
2 before attaining age 70 shall be entitled to receive a maximum
3 single life annuity attributable to his credited service and
4 equal to the sum of the following single life annuities
5 beginning at the effective date of retirement:

6 (1) A single life annuity that is the sum of the
7 standard single life [annuity multiplied by the sum of the
8 products,] annuities determined separately for each class of
9 service[, obtained by multiplying] multiplied by the
10 appropriate class of service multiplier [by the ratio of
11 years of service credited in that class to the total credited
12 service] applicable to each standard single life annuity. In
13 case the member on the effective date of retirement is under
14 superannuation age for any service, a reduction factor
15 calculated to provide benefits actuarially equivalent to an
16 annuity starting at superannuation age shall be applied to
17 the product determined for that service[.]: Provided,
18 however, That any standard single life annuity resulting from
19 Class A-5 service or Class A-6 service shall be reduced by a
20 percentage determined by multiplying the number of months,
21 including a fraction of a month as a full month, by which the
22 effective date of retirement precedes superannuation age by
23 0.25% if the effective date of retirement is on or after the
24 date the member has attained age 62 and the member has 25 or
25 more eligibility points. The class of service multiplier for
26 any period of concurrent service shall be multiplied by the
27 proportion of total State and school compensation during such
28 period attributable to State service as a member of the
29 system. In the event a member has two multipliers for one
30 class of service [the class of service multiplier to be used

1 for calculating benefits for that class shall be the average
2 of the two multipliers weighted by the proportion of
3 compensation attributable to each multiplier during the three
4 years of highest annual compensation in that class of
5 service: Provided, That in the case of a member of Class E-1,
6 a portion but not all of whose three years of highest annual
7 judicial compensation is prior to January 1, 1973, two class
8 of service multipliers shall be calculated on the basis of
9 his entire judicial service, the one applying the judicial
10 class of service multipliers effective prior to January 1,
11 1973 and the second applying the class of service multipliers
12 effective subsequent to January 1, 1973. The average class of
13 service multiplier to be used for calculating benefits for
14 his judicial service shall be the average of the two
15 calculated multipliers weighted by the proportion of
16 compensation attributable to each of the calculated
17 multipliers during the three years of highest annual
18 compensation in that class of service.], separate standard
19 single life annuities shall be calculated for the portion of
20 service in such class applicable to each class of service
21 multiplier. In the case of a member with Class A-5 service
22 credit or Class A-6 service credit and credit in one or more
23 other classes of service who has not attained age 62 on the
24 effective date of retirement but who is otherwise eligible
25 for an annuity resulting from his Class A-5 service or Class
26 A-6 service, and who commences receipt of a superannuation
27 annuity or withdrawal annuity based on the other classes of
28 service, no annuity based on the member's Class A-5 service
29 credit or Class A-6 service credit shall be paid until the
30 attainment of age 62.

1 * * *

2 (4) If eligible, a single life annuity which is
3 actuarially equivalent to the amount by which his regular and
4 additional accumulated deductions attributable to any
5 credited service other than as a member of Class A-3, Class
6 A-4, Class A-5, Class A-6 and Class C are greater than one-
7 half of the actuarially equivalent value on the effective
8 date of retirement of the annuity as provided in paragraph
9 (1) attributable to service other than Class A-3, Class A-4,
10 Class A-5, Class A-6 and Class C for which regular or joint
11 coverage member contributions were made. [This paragraph
12 shall not apply to any member with State service credited as
13 Class A-3 or Class A-4.]

14 * * *

15 (6) If eligible, a single life annuity sufficient
16 together with the annuity provided for in paragraph (1) as a
17 Class A, Class AA, Class A-3 [and], Class A-4, Class A-5 or
18 Class A-6 member and the highest annuity provided for in
19 paragraph (2) to which he is entitled, or at his option could
20 have been entitled, to produce that percentage of [a] the
21 sums of the standard single life [annuity] annuities adjusted
22 by the application of the class of service multiplier for
23 Class A, Class AA, Class A-3 [or], Class A-4, Class A-5 or
24 Class A-6 as set forth in paragraph (1) in the case where any
25 service is credited as a member of Class A, Class AA, Class
26 A-3 [or], Class A-4, Class A-5 or Class A-6 on the effective
27 date of retirement as determined by his total years of
28 credited service as a member of Class A, Class AA, Class A-3
29 [and], Class A-4, Class A-5 or Class A-6 and by the following
30 table:

1	Total Years of	Percentage of <u>Sums of</u>
2	Credited Service	Standard
3	as a Member of	Single Life
4	Class A,	[Annuity] <u>Annuities</u> Adjusted for
5	Class AA, Class A-3	Class A, Class AA,
6	[and], <u>Class A-4, Class A-5</u>	Class A-3 [and], <u>Class A-4,</u>
7	<u>and Class A-6</u>	<u>Class A-5 and Class A-6</u>
8		Class of
9		Service Multipliers
10	35-40	100%
11	41	102%
12	42	104%
13	43	106%
14	44	108%
15	45 or more	110%

16 * * *

17 (b) Present value of annuity.--The present value of the
18 maximum single life annuity as calculated in accordance with
19 subsection (a) of this section shall be determined by
20 multiplying the maximum single life annuity by the cost of a
21 dollar annuity on the effective date of retirement[.], which
22 shall take into account any delay in the receipt of the portion
23 of the annuity based on Class A-5 service or Class A-6 service
24 if the effective date of retirement is before the member attains
25 age 62. Such present value shall be decreased only as required
26 under the provisions of section 5506 (relating to incomplete
27 payments), 5509(c) (relating to appropriations and assessments
28 by the Commonwealth) or 5703 (relating to reduction of annuities
29 on account of social security old-age insurance benefits).

30 (c) Limitation on amount of annuity.--The annuity paid to a

1 member under subsection (a) and reduced in accordance with the
2 option elected under section 5705 (relating to member's options)
3 shall not exceed the highest compensation received as a member
4 of the system during any period of twelve consecutive months of
5 credited service. No limit on the total annuity paid to a member
6 with Class D-3 service shall be applied in the case of a member
7 who served as a constitutional officer of the General Assembly.

8 * * *

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

14 § 5704. Disability annuities.

15 (a) Amount of annuity.--A member who has made application
16 for a disability annuity and has been found to be eligible in
17 accordance with the provisions of section 5905(c)(1) (relating
18 to duties of the board regarding applications and elections of
19 members and participants) shall receive a disability annuity
20 payable from the effective date of disability as determined by
21 the board and continued until a subsequent determination by the
22 board that the annuitant is no longer entitled to a disability
23 annuity. [The] If the sum of the products of the number of years
24 and fractional part of a year of credited service in each class
25 and the appropriate class of service multiplier is greater than
26 16.667, the disability annuity shall be a single life annuity
27 that is equal to [a] the sum of the standard single life
28 [annuity] annuities determined separately for each class of
29 service multiplied by the appropriate class of service
30 multiplier [applicable to the class of service at the time of

1 disability if the product of such class of service multiplier
2 and the total number of years of credited service is greater
3 than 16.667, otherwise the], otherwise each standard single life
4 annuity shall be multiplied by the lesser of the following
5 ratios:

6 MY^*/Y or $16.667/Y$

7 [where] Where $Y =$ total number of years of credited service[,];
8 Y^* = total years of credited service if the member were to
9 continue as a State employee until attaining superannuation age
10 as applicable to that class of service at the time of
11 disability, or if the member has attained superannuation age, as
12 applicable to that class of service at the time of disability,
13 then the number of years of credited service and $M =$ the class
14 of service multiplier as applicable to that class of service at
15 the effective date of disability. A member of Class C shall
16 receive, in addition, any annuity to which he may be eligible
17 under section 5702(a)(3) (relating to maximum single life
18 annuity). The member shall be entitled to the election of a
19 joint and survivor annuity on that portion of the disability
20 annuity to which he is entitled under section 5702.

21 * * *

22 (c) Reduction on account of earned income.--Subsequent to
23 January 1, 1972, payments on account of disability shall be
24 reduced by that amount by which the earned income of the
25 annuitant, as reported in accordance with section 5908(b)
26 (relating to rights and duties of annuitants), for the preceding
27 calendar year together with the disability annuity payments
28 provided in this section other than subsection (b), for the
29 year, exceeds the product of:

30 [(i)] (1) the last year's salary of the annuitant as a

1 [State employee] member of the system; and

2 [(ii)] (2) the ratio of the current monthly payment to
3 the monthly payment at the effective date of disability;

4 Provided, That the annuitant shall not receive less than his
5 member's annuity or the amount to which he may be entitled under
6 section 5702 whichever is greater.

7 * * *

8 (e) Termination of State service.--Upon termination of
9 disability annuity payments in excess of an annuity calculated
10 in accordance with section 5702, a disability annuitant who[:

11 (1) does not have Class A-3 or Class A-4 service credit;

12 or

13 (2) has Class A-3 or Class A-4 service credit and fewer
14 than ten eligibility points;

15 and who] does not return to State service may file an
16 application with the board for an amount equal to the excess, if
17 any, of the sum of the shared-risk accumulated deductions plus
18 the regular and additional accumulated deductions standing to
19 his credit at the effective date of disability over one-third of
20 the total disability annuity payments received. If the annuitant
21 on the date of termination of service was eligible for an
22 annuity as provided in section 5308(a) or (b) (relating to
23 eligibility for annuities), he may file an application with the
24 board for an election of an optional modification of his
25 annuity.

26 (f) Supplement for service connected disability.--

27 (1) If a member has been found to be eligible for a
28 disability annuity and if the disability has been found to be
29 a service connected disability and if the member is receiving
30 workers' compensation payments for other than medical

1 benefits, such member shall receive a supplement equal to
2 [70% of his final average salary] the amount determined under
3 paragraph (2) less the sum of the annuity as determined under
4 subsection (a) and any payments paid or payable on account of
5 such disability under the act of June 2, 1915 (P.L.736,
6 No.338), known as the Workers' Compensation Act, the act of
7 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
8 Occupational Disease Act, and the Social Security Act (49
9 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
10 continue as long as he is determined to be disabled and is
11 receiving workers' compensation payments for other than
12 medical benefits on account of his service connected
13 disability in accordance with the Workers' Compensation Act
14 or The Pennsylvania Occupational Disease Act. If the member
15 has received a lump sum workers' compensation payment in lieu
16 of future weekly compensation payments, the length in weeks
17 and calculation of the service connected disability
18 supplement shall be determined by dividing the lump sum
19 payment by the average weekly wage as determined by the
20 Workers' Compensation Board.

21 (2) For a member who does not have Class A-5 or Class A-
22 6 service, the amount to be used to determine eligibility for
23 the supplement under paragraph (1) shall be 70% of the
24 member's final average salary. For a member who has Class A-5
25 or Class A-6 service, the amount to be used to determine
26 eligibility for the supplement under paragraph (1) shall be
27 calculated according to the following formula:

$$28 \quad A = .7 \left[\frac{(Y^W \text{ MULTIPLIED BY FAS}^W)}{Y^T} + \frac{(Y^P \text{ MULTIPLIED BY FAS}^P)}{Y^T} \right]$$

29
30 (3) The following apply to the formula in paragraph (2):

1 (i) A equals the amount used to determine the
2 supplement;

3 (ii) Y^T equals total years of credited service;

4 (iii) Y^W equals years of credited service that are
5 not Class A-5 or Class A-6 service;

6 (iv) FAS^W equals final average salary calculated for
7 credited service other than Class A-5 or Class A-6
8 service;

9 (v) Y^P equals years of service credited as Class A-5
10 or Class A-6 service; and

11 (vi) FAS^P equals final average salary calculated for
12 service credited as Class A-5 or Class A-6 service.

13 * * *

14 (h) Coordination of benefits.--The determination and payment
15 of a disability annuity under this section is in addition to any
16 payments a member may be entitled to receive, has received or is
17 receiving as a result of being a participant in the plan.

18 § 5705. Member's options.

19 (a) General rule.--Any special vestee [who has attained
20 superannuation age, any vestee who does not have Class A-3 or
21 Class A-4 service credit having five or more eligibility points
22 for service other than Class T-E or Class T-F service in the
23 Public School Employees' Retirement System, or vestee who has
24 Class A-3 or Class A-4 service credit having ten or more
25 eligibility points, any member with Class G, Class H, Class I,
26 Class J, Class K, Class L, Class M or Class N service having
27 five or more eligibility points or any other eligible member
28 upon termination of State service who has not withdrawn his
29 total accumulated deductions as provided in section 5701
30 (relating to return of total accumulated deductions)], vestee or

1 any other member upon termination of State service who is
2 eligible to receive an annuity as provided in section 5308(a) or
3 (b) (relating to eligibility for annuities) may apply for and
4 elect to receive either a maximum single life annuity, as
5 calculated in accordance with the provisions of section 5702
6 (relating to maximum single life annuity), or a reduced annuity
7 certified by the actuary to be actuarially equivalent to the
8 maximum single life annuity payable after reduction under
9 subsection (a.1) and in accordance with one of the following
10 options; except that no member shall elect an annuity payable to
11 one or more survivor annuitants other than his spouse or
12 alternate payee of such a magnitude that the present value of
13 the annuity payable to him for life plus any lump sum payment
14 under this subsection and subsection (a.1) he may have elected
15 to receive is less than 50% of the present value of his maximum
16 single life annuity and no member may elect a payment option
17 that would provide benefits that do not satisfy the minimum
18 distribution requirements or would violate the incidental death
19 benefit rules of IRC § 401(a)(9):

20 (1) Option 1.--A life annuity to the member with a
21 guaranteed total payment equal to the present value of the
22 maximum single life annuity on the effective date of
23 retirement with the provision that, if, at his death, he has
24 received less than such present value, the unpaid balance
25 shall be payable to his beneficiary.

26 (2) Option 2.--A joint and survivor annuity payable
27 during the lifetime of the member with the full amount of
28 such annuity payable thereafter to his survivor annuitant, if
29 living at his death.

30 (3) Option 3.--A joint and fifty percent (50%) survivor

1 annuity payable during the lifetime of the member with one-
2 half of such annuity payable thereafter to his survivor
3 annuitant, if living at his death.

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

8 (i) any annuity shall be payable without reduction
9 during the lifetime of the member;

10 (ii) the sum of all annuities payable to the
11 designated survivor annuitants shall not be greater than
12 one and one-half times the annuity payable to the member;
13 and

14 (iii) a portion of the benefit may be payable as a
15 lump sum, except that such lump sum payment shall not
16 exceed an amount equal to the total accumulated
17 deductions standing to the credit of the member that are
18 not the result of contributions and statutory interest
19 made or credited as a result of Class A-3 [or], Class A-
20 4, Class A-5 or Class A-6 service. The balance of the
21 present value of the maximum single life annuity adjusted
22 in accordance with section 5702(b) shall be paid in the
23 form of an annuity with a guaranteed total payment, a
24 single life annuity, or a joint and survivor annuity or
25 any combination thereof but subject to the restrictions
26 of subparagraphs (i) and (ii) under this option.

27 (a.1) Additional lump sum withdrawal.--The following shall
28 apply:

29 (1) If a member has an effective date of retirement
30 after December 31, 2017, and has elected to have the full

1 amount allowed under subsection (a)(4)(iii) paid in lump sum,
2 or is not eligible to have any money paid under subsection
3 (a)(4)(iii), then the member may elect to receive an
4 additional amount payable in a lump sum at the same time as
5 the payment elected under subsection (a)(4)(iii), if any.

6 (2) The additional amount payable in a lump sum may not
7 exceed an amount equal to total accumulated deductions
8 standing to the credit of the member on the effective date of
9 retirement related to service credited as Class A-3, Class A-
10 4, Class A-5 or Class A-6.

11 (3) If a member elects to be paid an additional lump sum
12 amount under this subsection, then the maximum single life
13 annuity calculated under section 5702 and payable under
14 subsection (a) shall be reduced by the additional amount
15 withdrawn divided by the cost of a dollar annuity on the
16 effective date of retirement computed on the basis of the
17 annual interest rate adopted for that fiscal year by the
18 board for the calculation of the employer normal contribution
19 rate under section 5508(b) (relating to actuarial cost
20 method) and the mortality tables adopted by the board for the
21 determination of actuarially equivalent benefits under this
22 part. The reduction in the maximum single life annuity under
23 this paragraph shall apply before the election and
24 calculation of any reduced annuities payable under subsection
25 (a).

26 * * *

27 Section 319. Sections 5705.1 and 5706(a), (a.2), (a.5), (b)
28 and (c.1) of Title 71 are amended to read:

29 § 5705.1. Payment of accumulated deductions resulting from
30 [Class A-3 and Class A-4] more than one class of

1 service.

2 Any superannuation or withdrawal annuitant who:

3 (1) has Class A-3 [or], Class A-4, Class A-5 or Class A-
4 6 service credit;

5 (2) has service credited in one or more classes of
6 service; and

7 (3) because he has five or more, but fewer than ten,
8 eligibility points is not eligible to receive an annuity on
9 his Class A-3 [or], Class A-4, Class A-5 or Class A-6 service
10 shall receive in a lump sum at the time of his retirement, in
11 addition to any other annuity or lump sum payment which he may
12 elect, his accumulated deductions resulting from his Class A-3
13 [or], Class A-4, Class A-5 or Class A-6 service credit. Payment
14 of these accumulated deductions resulting from Class A-3 [or],
15 Class A-4, Class A-5 or Class A-6 service credit shall not be
16 eligible for installment payments pursuant to section 5905.1
17 (relating to installment payments of accumulated deductions) but
18 shall be considered a lump sum payment for purposes of section
19 5905.1(d).

20 § 5706. Termination of annuities.

21 (a) General rule.--

22 (1) If the annuitant returns to State service or enters
23 or has entered school service and elects multiple service
24 membership, any annuity payable to him under this part shall
25 cease effective upon the date of his return to State service
26 or entering school service without regard to whether he is a
27 mandatory, optional or prohibited member of the system or
28 participant in the plan or, if a multiple service member,
29 whether he is a mandatory, optional or prohibited member or
30 participant of the Public School Employees' Retirement System

1 or School Employees' Defined Contribution Plan; and, in the
2 case of an annuity other than a disability annuity the
3 present value of such annuity, adjusted for full coverage in
4 the case of a joint coverage member who makes the appropriate
5 back contributions for full coverage, shall be frozen as of
6 the date such annuity ceases. An annuitant who is credited
7 with an additional 10% of Class A and Class C service as
8 provided in section 5302(c) (relating to credited State
9 service) and who returns to State service shall forfeit such
10 credited service and shall have his frozen present value
11 adjusted as if his 10% retirement incentive had not been
12 applied to his account. In the event that the cost-of-living
13 increase enacted December 18, 1979 occurred during the period
14 of such State or school employment, the frozen present value
15 shall be increased, on or after the member attains
16 superannuation age, by the percent applicable had he not
17 returned to service.

18 (2) This subsection shall not apply in the case of any
19 annuitant who:

20 (i) may render services to the Commonwealth in the
21 capacity of an independent contractor; or

22 (ii) is over normal retirement age or who has been
23 an annuitant for more than one year and who may render
24 service to the Commonwealth:

25 (A) as a member of an independent board or
26 commission or as a member of a departmental
27 administrative or advisory board or commission when
28 such members of independent or departmental boards or
29 commissions are compensated on a per diem basis for
30 not more than 150 days per calendar year; or

1 (B) as a member of an independent board or
2 commission requiring appointment by the Governor,
3 with advice and consent of the Senate, where the
4 annual salary payable to the member does not exceed
5 \$35,000 and where the member has been an annuitant
6 for at least six months immediately preceding the
7 appointment.

8 * * *

9 (a.2) Return of benefits.--In the event an annuitant whose
10 annuity from the system ceases pursuant to this section receives
11 any annuity payment, including a lump sum payment pursuant to
12 section 5705 (relating to member's options) on or after the date
13 of his return to State service or entering school service, the
14 annuitant shall return to the board the amount so received from
15 the system plus statutory interest. The amount payable shall be
16 certified in each case by the board in accordance with methods
17 approved by the actuary and shall be paid in a lump sum within
18 30 days or in the case of an active member or school employee
19 who is an active member of the Public School Employees'
20 Retirement System may be amortized with statutory interest
21 through salary deductions to the system in amounts agreed upon
22 by the member and the board. The salary deduction amortization
23 plans agreed to by the member and the board may include a
24 deferral of payment amounts and statutory interest until the
25 termination of school service or State service as the board in
26 its sole discretion decides to allow. The board may limit salary
27 deduction amortization plans to such terms as the board in its
28 sole discretion determines. In the case of a school employee who
29 is an active member of the Public School Employees' Retirement
30 System, the agreed upon salary deductions shall be remitted to

1 the Public School Employees' Retirement Board, which shall
2 certify and transfer to the board the amounts paid.

3 * * *

4 (a.5) No contributions or credited service.--The service of
5 an annuitant whose annuity does not cease upon his return to
6 State or school service shall not be subject to member
7 contributions or eligible for qualification as creditable State
8 service[.] and shall not be eligible for participation in the
9 plan, mandatory pickup participant contributions, voluntary
10 contributions or employer defined contributions.

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

25 (c) Elimination of the effect of frozen present value.--

26 (1) An annuitant who returns to State service as an
27 active member of the system and earns three eligibility
28 points as a member of the system by performing credited State
29 service following the most recent period of receipt of an
30 annuity under this part, or an annuitant who enters school

1 service other than as a Class DC participant and:

2 (i) is a multiple service member; or

3 (ii) who elects multiple service membership, and
4 earns three eligibility points by performing credited State
5 service as a member of the system or credited school service
6 following the most recent period of receipt of an annuity
7 under this part, and who had the present value of his annuity
8 frozen in accordance with subsection (a), shall qualify to
9 have the effect of the frozen present value resulting from
10 all previous periods of retirement eliminated, provided that
11 all lump sum payments under Option 4 or under section
12 5705(a.1) and annuity payments payable during previous
13 periods of retirement plus interest as set forth in paragraph
14 (3) shall be returned to the fund in the form of an actuarial
15 adjustment to his subsequent benefits or in such form as the
16 board may otherwise direct.

17 * * *

18 Section 320. Sections 5707(a), (b) and (f) and 5709 heading,
19 (a) and (b) of Title 71 are amended and the sections are amended
20 by adding subsections to read:

21 § 5707. Death benefits.

22 (a) Members eligible for annuities.--Any active member,
23 inactive member [on leave without pay], vestee or current or
24 former State employee performing USERRA leave who dies and was
25 eligible for an annuity in accordance with section 5308(a) or
26 (b) (relating to eligibility for annuities) or special vestee
27 who has attained superannuation age and dies before applying for
28 a superannuation annuity shall be considered as having applied
29 for an annuity to become effective the day before his death and
30 in the event he has not elected an option or such election has

1 not been approved prior to his death, it shall be assumed that
2 he elected Option 1. For purposes of this subsection, a member
3 with Class A-5 service or Class A-6 service who has ten or more
4 eligibility points shall be considered eligible for an annuity
5 based on Class A-5 or Class A-6 service even if the member had
6 not attained age 62.

7 (b) Members ineligible for annuities.--In the event of the
8 death of a special vestee, an active member, an inactive member
9 [on leave without pay] or a current or former State employee
10 performing USERRA leave who is not entitled to a death benefit
11 as provided in subsection (a), his designated beneficiary shall
12 be paid the full amount of his total accumulated deductions.

13 (b.1) Members eligible for annuities in some classes of
14 service and ineligible in other classes of service.--In the
15 event of the death of a member who is eligible for an annuity
16 based on service credited in some classes of service and
17 ineligible for an annuity for service credited in other classes
18 of service, a benefit shall be paid under subsection (a) based
19 on the service for which an annuity is deemed payable in
20 addition to payment under subsection (b) of the accumulated
21 deductions attributable to service for which the member was not
22 eligible for an annuity.

23 * * *

24 (f) Members subject to limitations under section 5702(c).--
25 Subject to the limitations contained in section 401(a)(9) of the
26 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
27 401(a)(9)), the present value of any annuity in excess of that
28 payable under section 5702 (relating to maximum single life
29 annuity) that is not subject to the limitations under section
30 415(b) of the Internal Revenue Code of 1986 shall be paid in a

1 lump sum to the beneficiary designated by the member after the
2 death of the member. A beneficiary receiving a benefit under
3 this subsection shall not be able to elect a payment method
4 otherwise allowed under section 5709(b) (2) and (3) (relating to
5 payment of benefits from the system).

6 * * *

7 § 5709. Payment of benefits from the system.

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

11 (b) Death benefits.--If the amount of a death benefit
12 payable from the fund to a beneficiary of a member under section
13 5707 (relating to death benefits) or under the provisions of
14 Option 1 of section 5705(a) (1) (relating to member's options) is
15 \$10,000 or more, such beneficiary may elect to receive payment
16 according to one of the following options:

17 (1) a lump sum payment;

18 (2) an annuity actuarially equivalent to the amount
19 payable; or

20 (3) a lump sum payment and an annuity such that the
21 annuity is actuarially equivalent to the amount payable less
22 the lump sum payment specified by the beneficiary.

23 * * *

24 (e) Members with Class A-5 or Class A-6 service and service
25 in one or more other classes of service.--An annuitant whose
26 receipt of the portion of his annuity attributable to Class A-5
27 service or Class A-6 service has been delayed to the attainment
28 of age 62 shall have his annuity increased upon attainment of
29 the applicable superannuation age under the terms and conditions
30 of the annuity payment option selected at the time of retirement

1 or if applicable under section 5907(j) (relating to rights and
2 duties of State employees, members and participants). In the
3 event such a member selected a joint and survivor annuity and
4 died prior to attaining age 62, the annuity of his survivor
5 annuitant, if surviving, will be increased at the time the
6 member would have attained age 62.

7 Section 321. Title 71 is amended by adding a chapter to
8 read:

9 CHAPTER 58

10 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

11 Sec.

12 5801. Establishment.

13 5802. Plan document.

14 5803. Individual investment accounts.

15 5804. Participant contributions.

16 5805. Mandatory pickup participant contributions.

17 5806. Employer defined contributions.

18 5807. Eligibility for benefits.

19 5808. Death benefits.

20 5809. Vesting.

21 5810. Termination of distributions.

22 5811. (Reserved).

23 5812. Powers and duties of board.

24 5813. Responsibility for investment loss.

25 5814. Investments based on participant's investment allocation
26 choices.

27 5815. Expenses.

28 5816. Tax qualification.

29 § 5801. Establishment.

30 (a) State Employees' Defined Contribution Plan.--The State

1 Employees' Defined Contribution Plan is established. The board
2 shall administer and manage the plan which shall be a defined
3 contribution plan exclusively for the benefit of those State
4 employees who participate in the plan and their beneficiaries
5 within the meaning of and in conformity with IRC § 401(a). The
6 board shall determine the terms and provisions of the plan not
7 inconsistent with this part, the IRC or other applicable law and
8 shall provide for the plan's administration.

9 (b) State Employees' Defined Contribution Trust.--The State
10 Employees' Defined Contribution Trust is established as part of
11 the plan. The trust shall be comprised of the individual
12 investment accounts and all assets and money in those accounts,
13 and any assets and money held by the board as part of the plan
14 that are not allocated to individual investment accounts. The
15 members of the board shall be the trustees of the trust, which
16 shall be administered exclusively for the benefit of those State
17 employees who participate in the plan and their beneficiaries
18 within the meaning of and in conformity with IRC § 401(a). The
19 board shall determine the terms and provisions of the trust not
20 inconsistent with this part, the IRC or other applicable law and
21 shall provide for the investment and administration of the
22 trust.

23 (c) Assets held in trust.--All assets and income in the plan
24 that have been or shall be withheld or contributed by the
25 participants, the Commonwealth and other employers in accordance
26 with this part shall be held in trust in any funding vehicle
27 permitted by the applicable provisions of the IRC for the
28 exclusive benefit of the participants and their beneficiaries
29 until such time as the funds are distributed to the participants
30 or their beneficiaries in accordance with the terms of the plan

1 document. The assets of the plan held in trust for the exclusive
2 benefit of the participants and their beneficiaries may be used
3 for the payment of the fees, costs and expenses related to the
4 administration and investment of the plan and the trust.

5 (d) Name for transacting business.--All of the business of
6 the plan shall be transacted, the trust invested, all
7 requisitions for money drawn and payments made and all of its
8 cash and securities and other property shall be held by the name
9 of the "State Employees' Defined Contribution Plan."

10 Notwithstanding any other law to the contrary, the board may
11 establish a nominee registration procedure for the purpose of
12 registering securities to facilitate the purchase, sale or other
13 disposition of securities under the provisions of this part.

14 § 5802. Plan document.

15 The board shall set forth the terms and provisions of the
16 plan and trust in a document containing the terms and conditions
17 of the plan and in a trust declaration that shall be published
18 in the Pennsylvania Bulletin. Any amendments to the plan and
19 trust declaration also shall be published. The creation of the
20 document containing the terms and conditions of the plan and the
21 trust declaration and the establishment of the terms and
22 provisions of the plan and the trust need not be promulgated by
23 regulation or formal rulemaking and shall not be subject to the
24 act of July 31, 1968 (P.L.769, No.240), referred to as the
25 Commonwealth Documents Law. A reference in this part or other
26 law to the plan shall include the plan document unless the
27 context clearly indicates otherwise.

28 § 5803. Individual investment accounts.

29 The board shall establish in the trust an individual
30 investment account for each participant in the plan. All

1 contributions by a participant or an employer for or on behalf
2 of a participant shall be credited to the participant's
3 individual investment account, together with all interest and
4 investment earnings and losses. Investment and administrative
5 fees, costs and expenses shall be charged to the participants'
6 individual investment accounts except as otherwise provided
7 under this part or as the General Assembly otherwise provides by
8 appropriations from the General Fund. Employer defined
9 contributions shall be recorded and accounted for separately
10 from participant contributions, but all interest, investment
11 earnings and losses, and investment and administrative fees,
12 costs and expenses shall be allocated proportionately.

13 § 5804. Participant contributions.

14 (a) Mandatory contributions.--A participant shall make
15 mandatory pickup participant contributions through payroll
16 deductions to the participant's individual investment account
17 equal to 3.5% of compensation for current State service credited
18 as a Class A-5 member or as a Class A-6 member and 7.5% of
19 compensation for current service performed solely as a
20 participant. The employer shall cause those contributions for
21 current service to be made and deducted from each payroll or on
22 such schedule as established by the board.

23 (b) Voluntary contributions.--A participant may make
24 voluntary contributions through payroll deductions, through
25 direct trustee-to-trustee transfers, or through transfers of
26 money received in an eligible rollover into the trust to the
27 extent allowed by IRC § 402. The rollovers shall be made in a
28 form and manner as determined by the board, shall be credited to
29 the participant's individual investment account and shall be
30 separately accounted for by the board.

1 (c) Prohibited contributions.--No contributions may be
2 allowed that would cause a violation of the limitations related
3 to contributions applicable to governmental plans contained in
4 IRC § 415 or in other provisions of law. In the event that any
5 disallowed contributions are made, any participant contributions
6 in excess of the limitations and investment earnings on those
7 contributions, but minus investment fees and administrative
8 charges, shall be refunded to the participant by the board.
9 § 5805. Mandatory pickup participant contributions.

10 (a) Treatment for purposes of IRC § 414(h).--The
11 contributions to the trust required to be made under section
12 5804(a) (relating to participant contributions) with respect to
13 State service rendered by an active participant shall be picked
14 up by the Commonwealth or other employer and shall be treated as
15 the employer's contribution for purposes of IRC § 414(h). After
16 the effective date of this section, an employer employing a
17 participant in the plan shall pick up the required mandatory
18 participant contributions by a reduction in the compensation of
19 the participant.

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

26 § 5806. Employer defined contributions.

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

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

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

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

25 § 5807. Eligibility for benefits.

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

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

9 (b) 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). The board shall take any action and make any
13 distributions it may determine are necessary to comply with
14 those requirements.

15 (c) (Reserved).

16 (d) Prohibited distributions.--A State employee must be
17 terminated from all positions that result in either membership
18 in the system or participation in the plan to be eligible to
19 receive a distribution. No distribution shall be allowed that
20 would be an in-service distribution prohibited by the IRC.

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

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

1 § 5808. Death benefits.

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

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

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

23 § 5809. Vesting.

24 (a) Participant and voluntary contributions.--Subject to the
25 forfeiture and attachment provisions of section 5953 (relating
26 to taxation, attachment and assignment of funds) or otherwise as
27 provided by law, a participant shall be vested immediately with
28 respect to all mandatory pickup participant contributions and
29 voluntary contributions paid by or on behalf of the participant
30 to the trust in addition to interest and investment gains or

1 losses on the participant contributions but minus investment
2 fees and administrative charges.

3 (b) Employer defined contributions.--

4 (1) Subject to the forfeiture and attachment provisions
5 of section 5953 or otherwise as provided by law, a
6 participant shall be vested with respect to all employer
7 defined contributions paid to the participant's individual
8 investment account in the trust in addition to interest and
9 investment gains and losses on the employer defined
10 contributions but minus investment fees and administrative
11 charges according to the following schedule:

12 (i) Until such time as a participant has earned
13 three eligibility points as a member of the system or
14 participant in the plan, 0%;

15 (ii) At and after the attainment of three
16 eligibility points as a member of the system or
17 participant in the plan, 100%.

18 (2) For purposes of this subsection, all eligibility
19 points credited to a member of the system in any class of
20 service shall be used for determining vested status in the
21 plan even if the employee was not a participant in the plan
22 at the time the eligibility points were earned.

23 (3) Nonvested employer defined contributions and the
24 interest and investment gains and losses on the nonvested
25 employer defined contributions that are forfeited when a
26 participant terminates State service before accruing three
27 eligibility points as provided under section 5307(c)(3)
28 (relating to eligibility points) are credited to the
29 participant's most recent employer's future obligation
30 assessed under section 5509 (relating to appropriations and

1 assessments by the Commonwealth).

2 (c) USERRA leave and eligibility points.--A participant in
3 the plan who is reemployed from USERRA leave or who dies while
4 performing USERRA leave shall receive eligibility points under
5 this section for the State service that would have been
6 performed had the member not performed USERRA leave.

7 § 5810. Termination of distributions.

8 (a) Return to State service.--

9 (1) A participant receiving distributions or an inactive
10 participant who returns to State service shall cease
11 receiving distributions and shall not be eligible to receive
12 distributions until the participant subsequently terminates
13 State service, without regard to whether the participant is a
14 mandatory, optional or prohibited member of the system or
15 participant in the plan.

16 (2) This subsection shall not apply to distributions
17 that the participant has received or used to purchase an
18 annuity from a provider contracted by the board.

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

20 (1) If a former State employee is reemployed from USERRA
21 leave and received any distributions from the plan during the
22 USERRA leave, the employee shall return to the board the
23 amount so received plus interest as provided in the plan
24 document.

25 (2) The amount payable shall be certified in each case
26 by the board in accordance with methods approved by the
27 actuary and shall be paid in a lump sum within 30 days or in
28 the case of an active participant may be amortized with
29 interest as provided in the plan document through salary
30 deductions to the trust in amounts agreed upon by the active

1 participant and the board, but for not longer than a period
2 that starts with the date of reemployment and continues for
3 up to three times the length of the active participant's
4 immediate past period of USERRA leave. The repayment period
5 shall not exceed five years.

6 § 5811. (Reserved).

7 § 5812. Powers and duties of board.

8 The board, in addition to its powers and duties set forth in
9 Chapter 59 (relating to administration, funds, accounts, general
10 provisions), shall have the following powers and duties to
11 establish the plan and trust and administer the provisions of
12 this chapter and part:

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

15 (2) The board shall pay all administrative fees, costs
16 and expenses of managing, investing and administering the
17 plan, the trust and the individual investment accounts from
18 the balance of such individual investment accounts except as
19 otherwise provided under this part or as the General Assembly
20 otherwise provides by appropriations from the General Fund.

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

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

27 (5) The board may establish a process for election to
28 participate in the plan by those State employees eligible to
29 do so for whom participation is not mandatory.

30 (6) The board may perform an annual or more frequent

1 review of any qualified fund manager for the purpose of
2 assuring that the fund manager continues to meet all
3 standards and criteria established.

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

8 (8) The board may allow an inactive participant to
9 maintain the participant's individual investment account
10 within the plan.

11 (9) The board shall administer or ensure the
12 administration of the plan in compliance with the
13 qualifications and other rules of the IRC.

14 (10) The board may establish procedures to provide for
15 the lawful payment of benefits, including, but not limited
16 to, alternate payees as set forth in sections 5953 (relating
17 to taxation, attachment and assignment of funds) through
18 5953.6 (relating to irrevocable successor payee).

19 (11) The board shall determine, after reviewing
20 applicable law, what constitutes a termination of State
21 service.

22 (12) The board may establish procedures for
23 distributions of small accounts as required or permitted by
24 the IRC.

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

29 (i) Procedures for eligible participants to change
30 voluntary contribution amounts or their investment

1 choices on a periodic basis or make other elections
2 regarding their participation in the plan.

3 (ii) Procedures for deducting mandatory pickup
4 participant contributions and voluntary contributions
5 from a participant's compensation.

6 (iii) Procedures for rollovers and trustee-to-
7 trustee transfers allowed under the IRC and permitted as
8 part of the plan.

9 (iv) Standards and criteria for providing not less
10 than ten options which are offered by three or more
11 providers of investment options to eligible individuals
12 regarding investments of amounts deferred under the plan.
13 The standards and criteria must provide for a variety of
14 investment options and shall be reviewed in accordance
15 with criteria established by the board.

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

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

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

30 (15) The board may contract any services and duties in

1 lieu of staff, except final adjudications and as prohibited
2 by law. Any duties or responsibilities of the board not
3 required by law to be performed by the board can be delegated
4 to a third-party provider subject to appeal to the board.

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

8 (17) The board shall ensure that participants are
9 provided with educational materials about investment options
10 and choices.

11 (18) The board may establish procedures in the plan
12 document for automatic increases in a participant's voluntary
13 contributions, whether or not the participant is then making
14 voluntary contributions, and procedures for a participant to
15 elect not to have increased voluntary contributions.

16 (19) The provisions and restrictions of the act of July
17 2, 2010 (P.L.266, No.44), known as the Protecting
18 Pennsylvania's Investments Act, shall not apply to the
19 participants' individual investment accounts or the moneys
20 and investments therein, but the board is authorized to offer
21 to the plan participants investment vehicles that would be
22 permitted under the Protecting Pennsylvania's Investments
23 Act.

24 § 5813. Responsibility for investment loss.

25 The board, the Commonwealth, an employer or other political
26 subdivision shall not be responsible for any investment or other
27 loss incurred under the plan or for the failure of any
28 investment to earn any specific or expected return or to earn as
29 much as any other investment opportunity or to cost less than
30 any other investment opportunity, whether or not the other

1 opportunity was offered to participants in the plan.
2 § 5814. Investments based on participant's investment
3 allocation choices.

4 (a) Investment by participant.--All contributions, interest
5 and investment earnings shall be invested based on a
6 participant's investment allocation choices, provided that the
7 board may provide for a default investment option. All
8 investment allocation choices shall be credited proportionally
9 between participant contributions and employer defined
10 contributions. Each participant shall be credited individually
11 with the amount of contributions, interest and investment
12 earnings.

13 (b) Investment of contributions made by entities other than
14 the Commonwealth.--Investment of contributions by any
15 corporation, institution, insurance company, custodial bank or
16 other entity that the board has approved shall not be
17 unreasonably delayed, and in no case may the investment of
18 contributions be delayed more than 30 days from the date of
19 payroll deduction or the date voluntary contributions are made
20 to the date that funds are invested. Any interest earned on the
21 funds pending investment shall be used to pay administrative
22 costs and fees that would otherwise be required to be borne by
23 participants who are then participating in the plan or paid by
24 appropriations from the General Fund.

25 § 5815. Expenses.

26 All fees, costs and expenses of establishing and
27 administering the plan and the trust and investing the assets of
28 the trust shall be borne by the participants and paid from
29 assessments against the balances of the individual investment
30 accounts as established by the board, except that for fiscal

1 years 2016-2017, 2017-2018 and 2018-2019 and for any additional
2 fiscal years as the General Assembly may provide, the fees,
3 costs and expenses of establishing and administering the plan
4 and the trust shall be paid by the Commonwealth through annual
5 appropriations, made on the basis of estimates from the board.
6 § 5816. Tax qualification.

7 (a) Required distributions.--All payments under this chapter
8 shall start and be made in compliance with the required
9 beginning date, minimum distribution requirements and incidental
10 death benefit rules of IRC § 401(a).

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

12 (1) (i) Except as provided under subparagraph (ii) and
13 notwithstanding a provision of this part, a contribution
14 or benefit related to the plan may not exceed any
15 limitation under IRC § 415 with respect to a governmental
16 plan which is in effect on the date the contribution or
17 benefit payment takes effect.

18 (ii) An increase in a limitation under IRC § 415
19 shall apply to all participants on and after the
20 effective date of this section.

21 (iii) For the purposes of this paragraph, the term
22 "governmental plan" shall have the same meaning as the
23 term has in IRC § 414(d).

24 (2) (i) Except as provided under subparagraph (ii), an
25 amendment of this part on or after the effective date of
26 this section that increases contributions or benefits for
27 active participants, inactive participants or
28 participants receiving distributions shall not be deemed
29 to provide for a contribution or benefit in excess of any
30 limitation, adjusted on or after the effective date of

1 this section, under IRC § 415 unless specifically
2 provided by legislation.

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

7 Section 322. Sections 5901(a), (c), (d) and (e), 5902(a)(2),
8 (a.1), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n) and
9 5903 heading of Title 71 are amended and the sections are
10 amended by adding subsections to read:

11 § 5901. The State Employees' Retirement Board.

12 (a) Status and membership.--The board shall be an
13 independent administrative board and consist of 11 members: the
14 State Treasurer, ex officio, the Secretary of Banking and
15 Securities, ex officio, two Senators, two members of the House
16 of Representatives and [six] five members appointed by the
17 Governor, one of whom shall be an annuitant of the system or a
18 participant in the plan who has terminated State service and is
19 receiving or is eligible to receive distributions, for terms of
20 four years, subject to confirmation by the Senate. At least five
21 board members shall be active members of the system or active
22 participants in the plan, and at least two shall have ten or
23 more years of credited State service[.] or shall have been
24 active participants in the plan for ten calendar years or have a
25 combination of years of credited State service in the system and
26 calendar years as active participants in the plan equal to ten
27 or more years. The chairman of the board shall be designated by
28 the Governor from among the members of the board. Each member of
29 the board who is a member of the General Assembly may appoint a
30 duly authorized designee to act in his stead. In the event that

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

6 * * *

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

16 (d) Compensation and expenses.--The members of the board who
17 are members of the system or participants in the plan shall
18 serve without compensation but shall not suffer loss of salary
19 or wages through serving on the board. The members of the board
20 who are not members of the system or participants in the plan
21 shall receive \$100 per day when attending meetings and all board
22 members shall be reimbursed for any necessary expenses. However,
23 when the duties of the board as mandated are not executed, no
24 compensation or reimbursement for expenses of board members
25 shall be paid or payable during the period in which such duties
26 are not executed.

27 (e) Corporate power and legal advisor.--For the purposes of
28 this part, the board shall possess the power and privileges of a
29 corporation. [The Attorney General of the Commonwealth shall be
30 the legal advisor of the board.] The board shall be an

1 independent agency under the act of October 15, 1980 (P.L.950,
2 No.164), known as the Commonwealth Attorneys Act. Legal counsel
3 to the board shall serve independently from the Governor's
4 Office of General Counsel, the General Assembly and the Attorney
5 General.

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

10 § 5902. Administrative duties of the board.

11 (a) Employees.--

12 * * *

13 (2) Notwithstanding any other provisions of law, the
14 compensation of investment professionals and legal counsel
15 shall be established by the board. The compensation of all
16 other officers and employees of the board who are not covered
17 by a collective bargaining agreement shall be established by
18 the board consistent with the standards of compensation
19 established by the Executive Board of the Commonwealth.

20 (a.1) Secretary.--The secretary shall act as chief
21 administrative officer for the board with respect to both the
22 system and the plan. In addition to other powers and duties
23 conferred upon and delegated to the secretary by the board, the
24 secretary shall:

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

26 (2) Serve as liaison between the board and applicable
27 legislative committees, the Treasury Department, the
28 Department of the Auditor General, and between the board and
29 the investment counsel and the mortgage supervisor in
30 arranging for investments to secure maximum returns to the

1 fund.

2 (3) Review and analyze proposed legislation and
3 legislative developments affecting the system or the plan and
4 present findings to the board, legislative committees, and
5 other interested groups or individuals.

6 (4) Direct the maintenance of files and records and
7 preparation of periodic reports required for actuarial
8 evaluation studies.

9 (5) Receive inquiries and requests for information
10 concerning the system or the plan from the press,
11 Commonwealth officials, State employees, the general public,
12 research organizations, and officials and organizations from
13 other states, and provide information as authorized by the
14 board.

15 (6) (i) Supervise a staff of administrative, technical,
16 and clerical employees engaged in record-keeping and
17 clerical processing activities for both the system and
18 the plan in maintaining files of members and
19 participants, accounting for contributions, processing
20 payments to annuitants and terminated participants,
21 preparing required reports, and retirement counseling.

22 (ii) The board may utilize the staff of employees
23 provided for under this paragraph for both the system and
24 the plan but shall allocate the fees, costs and expenses
25 incurred under this paragraph between the system and the
26 plan as appropriate.

27 (b) Professional personnel.--

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

1 advisable. The board may[, with the approval of the Attorney
2 General,] contract for legal services.

3 (2) The board may utilize the same individuals and firms
4 contracted under this subsection for both the system and the
5 plan but shall allocate the fees, costs and expenses incurred
6 under this subsection between the system and the plan as
7 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 on or before June 30, 2019,
19 and for any additional fiscal years as the General Assembly
20 may provide, such expenses of the plan as approved by the
21 General Assembly in an appropriation bill shall be paid from
22 the General Fund. For fiscal years beginning on or after July
23 1, 2019, such expenses of the plan as approved by the General
24 Assembly shall be paid from interest under section 5814(b)
25 (relating to investments based on participants' investment
26 allocation choices) or assessments on the balances of the
27 participants' individual investment accounts or as otherwise
28 provided in this part except as the General Assembly
29 otherwise provides by appropriations from the General Fund.

30 (4) Concurrently with its administrative budget, the

1 board shall also submit to the General Assembly annually a
2 list of proposed expenditures which the board intends to pay
3 through the use of directed commissions, together with a list
4 of the actual expenditures from the past year actually paid
5 by the board through the use of directed commissions. All
6 such directed commission expenditures shall be made by the
7 board for the exclusive benefit of the system and its
8 members.

9 * * *

10 (e) Records.--

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

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

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

29 (ii) cause substantial competitive harm to the
30 person from whom sensitive investment or financial

1 information relating to the investment was received; or
2 (iii) have a substantial detrimental impact on the
3 value of an investment to be acquired, held or disposed
4 of by the fund or trust or would cause a breach of the
5 standard of care or fiduciary duty set forth in this
6 part.

7 (3) The following apply:

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

15 (ii) The sensitive investment or financial
16 information excluded from [inspection] access under
17 paragraph (2)(ii), 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:

21 (A) the [inspection] access no longer causes
22 substantial competitive harm to the person from whom
23 the information was received; or

24 (B) the entity in which the investment was made
25 is liquidated;
26 whichever is later.

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

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

3 (A) the [inspection] access no longer has a
4 substantial detrimental impact on the value of an
5 investment of the fund or trust and would not cause a
6 breach of the standard of care or fiduciary duty set
7 forth in this part; or

8 (B) the entity in which the investment was made
9 is liquidated;

10 whichever is later.

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

17 (5) Any record, material or data received, prepared,
18 used or retained by the board or its employees, or agents
19 relating to the contributions, account value or benefits
20 payable to or on account of a participant shall not
21 constitute a public record subject to public access under the
22 Right-to-Know Law if, in the reasonable judgment of the
23 board, the access would disclose any of the following:

24 (i) The existence, date, amount and any other
25 information pertaining to the voluntary contributions,
26 including rollover contributions or trustee-to-trustee
27 transfers, of any participant.

28 (ii) The investment option selections of any
29 participant.

30 (iii) The balance of a participant's individual

1 investment account, including the amount distributed to
2 the participant, investment gains or losses or rates of
3 return.

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

6 (v) The form of distribution of a participant's
7 account.

8 (6) Nothing in this subsection shall be construed to
9 designate any record, material or data received, prepared,
10 used or retained by the board or its employees, or agents
11 relating to the contributions, account value or benefits
12 payable to or on account of a participant as a public record
13 subject to public access under the Right-to-Know Law.

14 (7) The following apply:

15 (i) Nothing in this part shall be construed to mean
16 that the release or publicizing of a record, material or
17 data which would not constitute a public record under
18 this subsection shall be a violation of the board's
19 fiduciary duties.

20 (ii) This subsection shall apply to a record,
21 material or data under this subsection, notwithstanding
22 any of the following:

23 (A) Whether the record, material or data was
24 created, generated or stored before the effective
25 date of this paragraph.

26 (B) Whether the record, material or data was
27 previously released or made public.

28 (C) Whether a request for the record, material
29 or data was made or is pending final response under
30 the Right-to-Know Law.

1 * * *

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

18 (i) Data.--The board shall keep in convenient form such data
19 as are stipulated by the actuary in order that an annual
20 actuarial valuation of the various accounts of the fund can be
21 completed within six months of the close of each calendar year.

22 (j) Actuarial investigation and valuation.--The board shall
23 have the actuary make an annual valuation of the various
24 accounts of the fund within six months of the close of each
25 calendar year. In the year 1975 and in every fifth year
26 thereafter the board shall have the actuary conduct an actuarial
27 investigation and evaluation of the system based on data
28 including the mortality, service, and compensation experience
29 provided by the board annually during the preceding five years
30 concerning the members and beneficiaries of the system. The

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

18 (k) Certification of employer contributions to fund.--The
19 board shall, each year in addition to the itemized budget
20 required under section 5509 (relating to appropriations and
21 assessments by the Commonwealth), certify, as a percentage of
22 the members' payroll, the shared-risk contribution rate, the
23 shared-gain adjustment to the regular member contribution rate,
24 the employers' contributions as determined pursuant to section
25 5508 (relating to actuarial cost method) necessary for the
26 funding of prospective annuities for active members and the
27 annuities of annuitants and certify the rates and amounts of the
28 employers' normal contributions as determined pursuant to
29 section 5508(b), accrued liability contributions as determined
30 pursuant to section 5508(c), supplemental annuities contribution

1 rate as determined pursuant to section 5508(e), the experience
2 adjustment factor as determined pursuant to section 5508(f), the
3 collared contribution rate pursuant to section 5508(h) and the
4 final contribution rate pursuant to section 5508(i), which shall
5 be paid to the fund and credited to the appropriate accounts.
6 The board may allocate the final contribution rate and certify
7 various employer contribution rates and amounts based upon the
8 different benefit eligibility, class of service multiplier,
9 superannuation age, final average salary calculation,
10 compensation limits and other benefit differences resulting from
11 State service credited for individual members even though such
12 allocated employer contribution rate on behalf of any given
13 member may be more or less than 5% of the member's compensation
14 for the period from July 1, 2010, to June 30, 2011, or may
15 differ from the prior year's contribution for that member by
16 more or less than the percentages used to calculate the collared
17 contribution rate for that year and may be below any minimum
18 contribution rate established for the collared contribution rate
19 or final contribution rate. These certifications shall be
20 regarded as final and not subject to modification by the
21 Secretary of the Budget.

22 (1) Member contributions.--The board shall cause all pickup
23 contributions made on behalf of a member to be credited to the
24 account of the member and credit to his account any other
25 payment made by such member, including, but not limited to,
26 amounts collected by the Public School Employees' Retirement
27 System for the reinstatement of previous State service or
28 creditable nonstate service and amounts paid to return benefits
29 paid after the date of return to State service or entering
30 school service representing lump sum payments made pursuant to

1 section 5705(a)(4)(iii) or (a.1) (relating to member's options)
2 and member's annuity payments, but not including other benefits
3 returned pursuant to section 5706(a.2) or (a.3) (relating to
4 termination of annuities), and shall pay all such amounts into
5 the fund.

6 (m) Annual financial statement.--The board shall prepare and
7 have published, on or before July 1 of each year, [a financial
8 statement] financial statements as of the calendar year ending
9 December 31 of the previous year showing the condition of the
10 fund, the trust and the various accounts, including, but not
11 limited to, the board's accrual and expenditure of directed
12 commissions, and setting forth such other facts,
13 recommendations, and data as may be of use in the advancement of
14 knowledge concerning annuities and other benefits provided by
15 this part. The board shall submit said financial [statement]
16 statements to the Governor and shall file copies with the head
17 of each department for the use of the State employees and the
18 public.

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

26 * * *

27 (p) Participant and employer contributions to trust.--The
28 board shall, each year in addition to any fees and itemized
29 budget required under section 5509, certify, as a percentage of
30 each participant's compensation, the employer defined

1 contributions, which shall be paid to the trust and credited to
2 each participant's individual investment account. Certifications
3 under this subsection shall be regarded as final and not subject
4 to modification by the Secretary of the Budget. The board shall
5 cause all mandatory pickup participant contributions made on
6 behalf of a participant and all voluntary contributions made by
7 a participant to be credited to the participant's individual
8 investment account.

9 § 5903. Duties of the board to advise and report to heads of
10 departments [and], members and participants.

11 * * *

12 (b.1) Participant status statements.--The board shall
13 furnish annually to each participant, on or before April 1 and
14 more frequently as the board may agree or as required by law, a
15 statement showing the accumulated total defined contributions
16 credited to the participant's individual investment account, the
17 nature and type of investments and the investment allocation of
18 future contributions as of December 31 of the previous year, and
19 shall request the participant to make any necessary correction
20 or revision regarding the designated beneficiary.

21 * * *

22 Section 323. Section 5904(c) of Title 71 is amended to read:

23 § 5904. Duties of the board to report to the Public School
24 Employees' Retirement Board.

25 * * *

26 (c) Applications for benefits for school employees.--Upon
27 receipt of notification and the required data from the Public
28 School Employees' Retirement Board that a former State employee
29 who elected multiple service has applied for a public school
30 employees' retirement benefit or, in the event of his death, his

1 legally constituted representative has applied for such benefit,
2 the board shall:

3 (1) certify to the Public School Employees' Retirement
4 Board;

5 (i) the salary history as a member of the State
6 Employees' Retirement System and the final average salary
7 as calculated on the basis of the compensation received
8 as a [State and school employee] member of the system and
9 as a member of the Public School Employees' Retirement
10 System; and

11 (ii) the annuity or benefit to which the member or
12 his beneficiary is entitled as modified according to the
13 option selected; and

14 (2) transfer to the Public School Employees' Retirement
15 Fund the total accumulated deductions standing to such
16 member's credit and the actuarial reserve required on account
17 of years of credited service in the State system, final
18 average salary determined on the basis of his compensation as
19 a member in both systems and the average noncovered salary to
20 be charged to the State accumulation account, the State
21 Police benefit account or the enforcement officers' benefit
22 account, as each case may require.

23 * * *

24 Section 324. Section 5905 heading, (c.1) and (g) of Title 71
25 are amended and the section is amended by adding subsections to
26 read:

27 § 5905. Duties of the board regarding applications and
28 elections of members and participants.

29 * * *

30 (c.1) Termination of service by a member.--In the case of

1 any member terminating State service who is entitled to an
2 annuity and who is not then a disability annuitant, the board
3 shall advise such member in writing of any benefits from the
4 system to which he may be entitled under the provisions of this
5 part and shall have the member prepare, on or before the date of
6 termination of State service, one of the following three forms,
7 a copy of which shall be given to the member and the original of
8 which shall be filed with the board:

9 (1) an application for the return of total accumulated
10 deductions;

11 (2) if eligible, an election to vest his retirement
12 rights and, if he is a joint coverage member and so desires,
13 elect to become a full coverage member and agree to pay
14 within 30 days of the date of termination of service the lump
15 sum required; or

16 (3) if eligible, an application for an immediate annuity
17 and, if he desires:

18 (i) an election to convert his medical, major
19 medical and hospitalization insurance coverage to the
20 plan for State annuitants; and

21 (ii) if he is a joint coverage member, an election
22 to become a full coverage member and an agreement to pay
23 within 30 days of date of termination of service the lump
24 sum required.

25 (c.2) Termination of service by participant.--In the case of
26 a participant terminating State service, the board shall advise
27 the participant in writing of the vested accumulated total
28 defined contributions credited to the participant's individual
29 investment account as of the date stated in the writing, any
30 notices regarding rollover or other matters required by IRC or

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

7 * * *

8 (e.2) Notification to inactive participants approaching
9 required beginning date.--The board shall notify in writing each
10 inactive participant who has terminated State service and has
11 not commenced distribution by 90 days before the participant's
12 required beginning date that the inactive participant has an
13 obligation to commence distributions by the required beginning
14 date in a form and manner required by IRC § 401(a)(9) and other
15 applicable provisions of the IRC.

16 * * *

17 (f.1) Initial payment to participants.--The board shall make
18 the initial payment to a participant who has applied for a
19 distribution within 60 days of the receipt of all information
20 necessary to process the application for a distribution.

21 (g) Death benefits.--Upon receipt of notification from the
22 head of a department of the death of an active member, a member
23 performing USERRA leave [or], a member on leave without pay, an
24 active participant, an inactive participant on leave without pay
25 or a former participant performing USERRA leave, the board shall
26 advise the designated beneficiary of the benefits to which he is
27 entitled, and shall make the first payment to the beneficiary
28 within 60 days of receipt of certification of death and other
29 necessary data. If no beneficiary designation is in effect at
30 the date of the member's death or no notice has been filed with

1 the board to pay the amount of the benefits to the member's
2 estate, the board is authorized to pay the benefits to the
3 executor, administrator, surviving spouse or next of kin of the
4 deceased member, and payment pursuant [hereto] to this
5 subsection shall fully discharge the fund from any further
6 liability to make payment of such benefits to any other person.
7 If no beneficiary designation is in effect at the date of a
8 participant's death or no notice has been filed with the board
9 to pay the amount of the benefits to the participant's estate,
10 the board may pay the benefits as established in the plan
11 document, and payment pursuant to this subsection shall fully
12 discharge the trust from any further liability to make payment
13 of such benefits to any other person.

14 * * *

15 Section 325. Section 5905.1(a), (b) and (d) of Title 71 are
16 amended to read:

17 § 5905.1. Installment payments of accumulated deductions.

18 (a) General rule.--Notwithstanding any other provision of
19 this part, whenever a member elects to withdraw his total
20 accumulated deductions pursuant to section 5311(a) (relating to
21 eligibility for refunds) or 5701 (relating to return of total
22 accumulated deductions) or elects to receive a portion of his
23 benefit payable as a lump sum pursuant to section 5705(a)(4)
24 (iii) or (a.1) (relating to member's options), the member may
25 elect to receive the amount in not more than four installments.

26 (b) Payment of first installment.--The payment of the first
27 installment shall be made in the amount and within seven days of
28 the date specified by the member, except as follows:

29 (1) Upon receipt of a member's application to withdraw
30 his total accumulated deductions as provided in section

1 5311(a) or 5701 and upon receipt of all required data from
2 the head of the department and, if the member has Class G,
3 Class H, Class I, Class J, Class K, Class L, Class M or Class
4 N service, any data required from the county retirement
5 system or pension plan to which the member was a contributor
6 before being transferred to State employment, the board shall
7 not be required to pay the first installment prior to 45 days
8 after the filing of the application and the receipt of the
9 data or the date of termination of service, whichever is
10 later.

11 (2) In the case of an election as provided in section
12 5705(a)(4)(iii) or (a.1) by a member terminating service
13 within 60 days prior to the end of a calendar year and upon
14 receipt of all required data from the head of the department
15 and, if the member has Class G, Class H, Class I, Class J,
16 Class K, Class L, Class M or Class N service, any data
17 required from the county retirement system or pension plan to
18 which the member was a contributor before being transferred
19 to State employment, the board shall not be required to pay
20 the first installment prior to 21 days after the later of the
21 filing of the application and the receipt of the data or the
22 date of termination of service, but, unless otherwise
23 directed by the member, the payment shall be made no later
24 than 45 days after the filing of the application and the
25 receipt of the data or the date of termination of service,
26 whichever is later.

27 (3) In the case of an election as provided in section
28 5705(a)(4)(iii) or (a.1) by a member who is not terminating
29 service within 60 days prior to the end of a calendar year
30 and upon receipt of all required data from the head of the

1 department and, if the member has Class G, Class H, Class I,
2 Class J, Class K, Class L, Class M or Class N service, any
3 data required from the county retirement system or pension
4 plan to which the member was a contributor before being
5 transferred to State employment, the board shall not be
6 required to pay the first installment prior to 45 days after
7 the filing of the application and the receipt of the data or
8 the date of termination of service, whichever is later.

9 * * *

10 (d) Statutory interest.--Any lump sum, including a lump sum
11 payable pursuant to section 5705.1 (relating to payment of
12 accumulated deductions resulting from [Class A-3 and Class A-4]
13 more than one class of service), or installment payable shall
14 include statutory interest credited to the date of payment,
15 except in the case of a member, other than a vestee or special
16 vestee, who has not filed his application prior to 90 days
17 following his termination of service.

18 Section 326. Section 5906(a), (b), (d), (e), (g), (h) (i)
19 and (l) of Title 71 are amended and the section is amended by
20 adding subsections to read:

21 § 5906. Duties of heads of departments.

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

30 (1) if the removal is due to leave without pay, he shall

1 furnish the board with the date of beginning leave and the
2 date of return to service, and the reason for leave; or

3 (2) if the removal is due to a transfer to another
4 department, he shall furnish such department and the board
5 with a complete State service record, including past State
6 service in other departments or agencies, or creditable
7 nonstate service; or

8 (3) if the removal is due to termination of State
9 service, he shall furnish the board with a complete State
10 service record, including service in other departments or
11 agencies, or creditable nonstate service and;

12 (i) in the case of death of the member or
13 participant, the head of the department shall so notify
14 the board;

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

28 (iii) in the case of a member terminating from The
29 Pennsylvania State University who is a member of the
30 system with five or more but less than ten eligibility

1 points and who has terminated State service on June 30,
2 1997, because of the transfer of his job position or
3 duties to a controlled organization of the Penn State
4 Geisinger Health System or because of the elimination of
5 his job position or duties due to the transfer of other
6 job positions or duties to a controlled organization of
7 the Penn State Geisinger Health System, the head of the
8 department shall so certify to the board.

9 (b) Records and information regarding members and
10 participants.--At any time at the request of the board and at
11 termination of service of a member or participant, the head of
12 department shall furnish service and compensation records and
13 such other information as the board may require and shall
14 maintain and preserve such records as the board may direct for
15 the expeditious discharge of its duties.

16 * * *

17 (c.1) Participant and employer defined contributions.--The
18 head of department shall:

19 (1) Cause to be made:

20 (i) the mandatory pickup participant contributions
21 on behalf of a participant;

22 (ii) the deduction of any voluntary contributions
23 authorized by a participant; and

24 (iii) the employer defined contributions on behalf
25 of a participant.

26 (2) Notify the board at times and in a manner prescribed
27 by the board of the compensation of any participant to whom
28 the limitation under IRC § 401(a)(17) either applies or is
29 expected to apply and cause the participant's contributions
30 to be deducted from payroll to cease at the limitation under

1 IRC § 401(a)(17) on the payroll date if and when such limit
2 shall be reached.

3 (3) Certify to the State Treasurer the amounts picked up
4 and deducted and the employer defined contributions being
5 made and send the total amount picked up, deducted and
6 contributed together with a duplicate of the voucher to the
7 secretary of the board every pay period or on such schedule
8 as established by the board.

9 (d) New employees subject to mandatory membership or
10 participation.--Upon the assumption of duties of each new State
11 employee whose membership in the system or plan is mandatory,
12 the head of department shall cause an application for membership
13 or participation and a nomination of beneficiary to be made by
14 such employee and filed with the board and shall make pickup
15 contributions or mandatory pickup participant contributions from
16 the effective date of State employment.

17 (e) New employees subject to optional membership or
18 participation.--The head of department shall, upon the
19 employment or entering into office of any State employee whose
20 membership in the system or participation in the plan is not
21 mandatory, inform such employee of his opportunity to become a
22 member of the system or a participant in the plan. If such
23 employee so elects, the head of department shall cause an
24 application for membership or participation and a nomination of
25 beneficiary to be made by him and filed with the board and shall
26 cause proper contributions to be made from the effective date of
27 membership or participation.

28 * * *

29 (g) Former school employee contributors.--The head of
30 department shall, upon the employment of a former contributor to

1 the Public School Employees' Retirement System who is not an
2 annuitant of the Public School Employees' Retirement System,
3 advise such employee [of his] if he has a right to elect within
4 365 days of entry into the system to become a multiple service
5 member, and in the case of any such employee who so elects and
6 has withdrawn his accumulated deductions, require him to
7 reinstate his credit in the Public School Employees' Retirement
8 System. The head of the department shall advise the board of
9 such election.

10 (h) Former school employee annuitants.--The head of
11 department shall, upon the employment of an annuitant of the
12 Public School Employees' Retirement System who applies for
13 membership in the system, advise such employee [that] if he may
14 elect multiple service membership within 365 days of entry into
15 the system and if he so elects his public school employee's
16 annuity will be discontinued effective upon the date of his
17 return to State service and, upon termination of State service
18 and application for an annuity, the annuity will be adjusted in
19 accordance with section 5706 (relating to termination of
20 annuities). The head of department shall advise the board of
21 such election.

22 (i) Annual statement to members.--Annually, upon receipt
23 from the board, the head of department shall furnish to each
24 member the statement specified in section 5903(b) (relating to
25 duties of the board to advise and report to heads of departments
26 [and], members and participants).

27 * * *

28 (l) State employees performing USERRA or military-related
29 leave of absence.--The head of department shall report to the
30 board any State employee who ceases to be an active member or

1 active participant to perform USERRA service, or who is granted
2 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
3 of absence for certain government employees) or a military leave
4 of absence under 51 Pa.C.S. § 7302 (relating to granting
5 military leaves of absence), the date on which the USERRA
6 service, leave of absence or military leave of absence began,
7 the date on which the State employee is reemployed from USERRA
8 leave or returns after the leave of absence or military leave of
9 absence, if the event occurs, and any other information the
10 board may require or direct.

11 * * *

12 (n) Employees receiving payments for overtime service or
13 duties.--The head of the department shall report to the board in
14 a form and manner established by the board any payments made to,
15 and hours worked by, a Class A-5 exempt employee for overtime
16 service or duties and identify which of those payments and hours
17 were for voluntary overtime.

18 Section 327. Section 5907 heading, (a), (b)(1), (d), (e),
19 (f), (g) and (h) of Title 71 are amended and the section is
20 amended by adding subsections to read:

21 § 5907. Rights and duties of State employees [and], members and
22 participants.

23 (a) Information on new employees.--Upon his assumption of
24 duties each new State employee shall furnish the head of
25 department with a complete record of his previous State service,
26 his school service or creditable nonstate service, and proof of
27 his date of birth and current status in the system and the plan
28 and in the Public School Employees' Retirement System and the
29 School Employees' Defined Contribution Plan. Willful failure to
30 provide the information required by this subsection to the

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

10 (b) Application for membership.--

11 (1) In the case of a new employee who is not currently a
12 member of the system, and whose membership is mandatory or in
13 the case of a new employee whose membership in the system is
14 not mandatory but is permitted and who desires to become a
15 member of the system, the new employee shall execute an
16 application for membership and a nomination of beneficiary.

17 * * *

18 (b.1) Application for participation.--On or after January 1,
19 2018, the following types of employees shall execute an
20 application for participation and a nomination of a beneficiary:

21 (1) An employee who is not currently a participant in
22 the plan and whose participation is mandatory.

23 (2) An employee whose participation is not mandatory but
24 is permitted and who desires to become a participant in the
25 plan.

26 * * *

27 (d) Credit for previous service or change in membership
28 status.--Any active member or eligible school employee who
29 desires to receive credit for the portion of his total previous
30 State service or creditable nonstate service to which he is

1 entitled, or a joint coverage member who desires to become a
2 full coverage member, shall so notify the board and upon written
3 agreement by the member and the board as to the manner of
4 payment of the amount due, the member shall receive credit for
5 such service as of the date of such agreement subject to the
6 provisions in this part relating to the limitations under IRC §
7 415.

8 * * *

9 (d.2) Contributions for USERRA leave.--Any active
10 participant or inactive participant on leave without pay or
11 former participant who was reemployed from USERRA leave who
12 desires to make mandatory pickup participant contributions and
13 voluntary contributions for his USERRA leave shall notify the
14 board within the time period required under 38 U.S.C. Ch. 43
15 (relating to employment and reemployment rights of members of
16 the uniformed services) and IRC § 414(u) of his desire to make
17 such contributions. Upon the participant making the permitted
18 mandatory pickup participant contributions within the allowed
19 time period, the head of department shall make the corresponding
20 employer defined contributions at the same time.

21 (d.3) Voluntary contributions by a participant.--Any
22 participant who desires to make voluntary contributions to be
23 credited to his individual investment account shall notify the
24 board and, upon compliance with the requirements, procedures and
25 limitations established by the board in the plan document, may
26 do so subject to the limitations under IRC §§ 401(a) and 415 and
27 other applicable law.

28 (e) Beneficiary for death benefits from system.--Every
29 member shall nominate a beneficiary by written designation filed
30 with the board as provided in section 5906(d) or (e) (relating

1 to duties of heads of departments) to receive the death benefit
2 payable under section 5707 (relating to death benefits) or the
3 benefit payable under the provisions of Option 1 of section
4 5705(a) (1) (relating to member's options). Such nomination may
5 be changed at any time by the member by written designation
6 filed with the board. A member may also nominate a contingent
7 beneficiary or beneficiaries to receive the death benefit
8 provided under section 5707 or the benefit payable under the
9 provisions of Option 1 of section 5705(a) (1).

10 (e.1) Beneficiary for death benefits from the plan.--Every
11 participant shall nominate a beneficiary by written designation
12 filed with the board as provided in section 5906(d) or (e) to
13 receive the death benefit payable under section 5808 (relating
14 to death benefits). A participant may also nominate a contingent
15 beneficiary or beneficiaries to receive the death benefit
16 provided under section 5808. Such nominations may be changed at
17 any time by the participant by written designation filed with
18 the board.

19 (e.2) Beneficiaries for employees who are members and
20 participants.--A State employee who is both a member of the
21 system and a participant in the plan may designate or nominate
22 different persons to be beneficiaries, survivor annuitants and
23 successor payees for his benefits from the system and the plan.

24 (f) Termination of service by members.--Each member who
25 terminates State service and who is not then a disability
26 annuitant shall execute on or before the date of termination of
27 service the appropriate application, duly attested by the member
28 or his legally constituted representative, electing to:

- 29 (1) withdraw his total accumulated deductions; or
30 (2) if eligible, vest his retirement rights; and if he

1 is a joint coverage member, and so desires, elect to become a
2 full coverage member and agree to pay within 30 days of the
3 date of termination of service the lump sum required; or

4 (3) if eligible, receive an immediate annuity and may,

5 (i) if eligible, elect to convert his medical, major
6 medical, and hospitalization coverage to the plan for
7 State annuitants; and

8 (ii) if he is a joint coverage member, elect to
9 become a full coverage member and agree to pay within 30
10 days of date of termination of service the lump sum
11 required.

12 (g) Vesting of retirement rights.--If a member elects to
13 vest his retirement rights he shall nominate a beneficiary by
14 written designation filed with the board and he may anytime
15 thereafter, but no later than his required beginning date,
16 withdraw the total accumulated deductions standing to his credit
17 or apply for an annuity[.], provided, however, that no annuity
18 resulting from Class A-5 service or Class A-6 service shall be
19 paid before the member attains age 62.

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

27 (h) Vestees and special vestees attaining superannuation
28 age.--Upon attainment of superannuation age a vestee or special
29 vestee shall execute and file an application for an annuity. Any
30 such application filed within 90 days after attaining

1 superannuation age shall be effective as of the date of
2 attainment of superannuation age. Any application filed after
3 such period shall be filed by the member's required beginning
4 date and shall be effective as of the date it is filed with the
5 board, subject to the provisions of section 5905(f) (relating to
6 duties of the board regarding applications and elections of
7 members and participants).

8 * * *

9 Section 328. Sections 5931(b), 5932, 5933(a), 5934, 5935,
10 5936, 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
11 5953.4(a) of Title 71 are amended to read:

12 § 5931. Management of fund and accounts.

13 * * *

14 (b) Crediting of interest.--The board, annually, shall allow
15 the required interest on the mean amount for the preceding year
16 to the credit of each of the accounts other than the individual
17 investment accounts. The amount so allowed shall be credited
18 thereto by the board and transferred from the interest reserve
19 account.

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).

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

16 § 5933. Members' savings account.

17 (a) Credits to account.--The members' savings account shall
18 be the ledger account to which shall be credited the amounts of
19 the pickup contributions made by the Commonwealth or other
20 employer and contributions or lump sum payments made by active
21 members in accordance with the provisions of sections 5501
22 (relating to regular member contributions for current service),
23 5501.1 (relating to shared-risk member contributions [for Class
24 A-3 and Class A-4 service] and shared-gain adjustments to
25 regular member contributions), 5502 (relating to social security
26 integration member contributions), 5503 (relating to joint
27 coverage member contributions), 5504 (relating to member
28 contributions for the purchase of credit for previous State
29 service or to become a full coverage member), 5505.1 (relating
30 to additional member contributions) and 5505 (relating to

1 contributions for the purchase of credit for creditable nonstate
2 service) and transferred from the members' savings account of
3 the Public School Employees' Retirement System in accordance
4 with the provisions of section 5303.2 (relating to election to
5 convert school service to State service).

6 * * *

7 § 5934. State accumulation account.

8 The State accumulation account shall be the ledger account to
9 which shall be credited all contributions of the Commonwealth or
10 other employers whose employees are members of the system and
11 made in accordance with the provisions of section 5507(a) or (d)
12 (relating to contributions to the system by the Commonwealth and
13 other employers) except that the amounts received under the
14 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
15 amounts received under the provisions of the Liquor Code, act of
16 April 12, 1951 (P.L.90, No.21), shall be credited to the State
17 Police benefit account or the enforcement officers' benefit
18 account as the case may be. All amounts transferred to the fund
19 by county retirement systems or pension plans in accordance with
20 the provisions of section 5507(c) also shall be credited to the
21 State accumulation account. All amounts transferred to the fund
22 by the Public School Employees' Retirement System in accordance
23 with section 5303.2(e) (relating to election to convert school
24 service to State service), except amounts credited to the
25 members' savings account, and all amounts paid by the Department
26 of Corrections in accordance with section 5303.2(f) also shall
27 be credited to the State accumulation account. The State
28 accumulation account shall be credited with valuation interest.
29 The reserves necessary for the payment of annuities and death
30 benefits resulting from membership in the system as approved by

1 the board and as provided in Chapter 57 (relating to benefits)
2 shall be transferred from the State accumulation account to the
3 annuity reserve account provided for in section 5935 (relating
4 to annuity reserve account), except that the reserves necessary
5 on account of a member who is an officer of the Pennsylvania
6 State Police or an enforcement officer shall be transferred from
7 the State accumulation account to the State Police benefit
8 account provided for in section 5936 (relating to State Police
9 benefit account) or to the enforcement officers' benefit account
10 as provided for in section 5937 (relating to enforcement
11 officers' benefit account) as the case may be. The reserves
12 necessary for the payment of supplemental annuities in excess of
13 those reserves credited to the supplemental annuity account on
14 June 30, 2010, shall be transferred from the State accumulation
15 account to the supplemental annuity account. In the event that
16 supplemental annuities are increased by legislation enacted
17 after December 31, 2009, the necessary reserves shall be
18 transferred from the State accumulation account to the
19 supplemental annuity account.

20 § 5935. Annuity reserve account.

21 (a) Credits and charges to account.--The annuity reserve
22 account shall be the ledger account to which shall be credited
23 the reserves held for payment of annuities and death benefits on
24 account of all annuitants except in the case of members who are
25 officers of the Pennsylvania State Police or enforcement
26 officers. The annuity reserve account shall be credited with
27 valuation interest. After the transfers provided in sections
28 5933 (relating to members' savings account), 5934 (relating to
29 State accumulation account) and 5938 (relating to supplemental
30 annuity account), all annuity and death benefit payments

1 resulting from membership in the system except those payable to
2 any member who retires as an officer of the Pennsylvania State
3 Police or an enforcement officer shall be charged to the annuity
4 reserve account and paid from the fund.

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

16 § 5936. State Police benefit account.

17 (a) Credits and charges to account.--The State Police
18 benefit account shall be the ledger account to which shall be
19 credited all contributions received under the provisions of the
20 act of May 12, 1943 (P.L.259, No.120), referred to as the
21 Foreign Casualty Insurance Premium Tax Allocation Law, and any
22 additional Commonwealth or other employer contributions provided
23 for in section 5507 (relating to contributions to the system by
24 the Commonwealth and other employers) which are creditable to
25 the State Police benefit account. The State Police 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 officer of the Pennsylvania State Police, the
29 total accumulated deductions standing to the credit of the
30 member in the members' savings account and the necessary

1 reserves from the State accumulation account shall be
2 transferred to the State Police benefit account. Thereafter, the
3 total annuity of such annuitant shall be charged to the State
4 Police benefit account and paid from the fund.

5 (b) Transfers from account.--Should the said annuitant be
6 subsequently restored to active service as a member of the
7 system or as a participant in the plan, the present value of the
8 member's annuity at the time of reentry into State service shall
9 be transferred from the State Police benefit account and placed
10 to his individual credit in the members' savings account. In
11 addition, the actuarial reserve for his annuity calculated as if
12 he had been a member of Class A if he has Class A or Class C
13 service credited; as if he had been a member of Class A-3 if the
14 annuitant has Class A-3 State service credited; [or] as if he
15 had been a member of Class A-4 if the annuitant has Class A-4
16 service credited; as if he had been a member of Class A-5 if the
17 annuitant has Class A-5 service credited; or as if he had been a
18 member of Class A-6 if the annuitant has Class A-6 service
19 credited, less the amount transferred to the members' savings
20 account shall be transferred from the State Police benefit
21 account to the State accumulation account. Upon subsequent
22 retirement other than as an officer of the Pennsylvania State
23 Police the actuarial reserve remaining in the State Police
24 benefit account shall be transferred to the appropriate reserve
25 account.

26 § 5937. Enforcement officers' benefit account.

27 (a) Credits and charges to account.--The enforcement
28 officers' benefit account shall be the ledger account to which
29 shall be credited moneys transferred from the enforcement
30 officers' retirement account in the State Stores Fund according

1 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
2 known as the Liquor Code, and any additional Commonwealth or
3 other employer contributions provided for in section 5507
4 (relating to contributions to the system by the Commonwealth and
5 other employers) which are creditable to the enforcement
6 officers' benefit account. The enforcement officers' benefit
7 account shall be credited with the required interest. In
8 addition, upon the filing of an application for an annuity by a
9 member who is an enforcement officer of the Pennsylvania Liquor
10 Control Board, the total accumulated deductions standing to the
11 credit of the member in the members' savings account and the
12 necessary reserves from the State accumulation account shall be
13 transferred to the enforcement officers' benefit account.
14 Thereafter, the total annuity of such annuitant shall be charged
15 to the enforcement officers' benefit account and paid from the
16 fund.

17 (b) Transfers from account.--Should the said annuitant be
18 subsequently restored to active service as a member of the
19 system or as a participant in the plan, the present value of the
20 member's annuity at the time of reentry into State service shall
21 be transferred from the enforcement officers' benefit account
22 and placed to his individual credit in the members' savings
23 account. In addition, the actuarial reserve for his annuity
24 calculated as if he had been a member of Class A if the
25 annuitant does not have any Class AA, Class A-3 [or], Class A-4,
26 Class A-5 or Class A-6 service credited; as if he had been a
27 member of Class AA if the annuitant does have Class AA service
28 credited; as if he had been a member of Class A-3 if the
29 annuitant has Class A-3 State service credited; [or] as if he
30 had been a member of Class A-4 if the annuitant has Class A-4

1 service credited; as if he had been a member of Class A-5 if the
2 annuitant has Class A-5 service credited; or as if he had been a
3 member of Class A-6 if the annuitant has Class A-6 service
4 credited, less the amount transferred to the members' savings
5 account shall be transferred from the enforcement officers'
6 benefit account to the State accumulation account. Upon
7 subsequent retirement other than as an enforcement officer the
8 actuarial reserve remaining in the enforcement officers' benefit
9 account shall be transferred to the appropriate reserve account.
10 § 5938. Supplemental annuity account.

11 The supplemental annuity account shall be the ledger account
12 to which shall be credited all contributions from the
13 Commonwealth and other employers in accordance with section
14 5507(b) (relating to contributions to the system by the
15 Commonwealth and other employers) for the payment of the
16 supplemental annuities provided in sections 5708 (relating to
17 supplemental annuities), 5708.1 (relating to additional
18 supplemental annuities), 5708.2 (relating to further additional
19 supplemental annuities), 5708.3 (relating to supplemental
20 annuities commencing 1994), 5708.4 (relating to special
21 supplemental postretirement adjustment), 5708.5 (relating to
22 supplemental annuities commencing 1998), 5708.6 (relating to
23 supplemental annuities commencing 2002), 5708.7 (relating to
24 supplemental annuities commencing 2003) and 5708.8 (relating to
25 special supplemental postretirement adjustment of 2002) made
26 before July 1, 2010, the amount transferred from the State
27 accumulation account to provide all additional reserves
28 necessary as of June 30, 2010, to pay such supplemental
29 annuities and adjustments, and the amounts transferred from the
30 State accumulation account to provide all additional reserves

1 necessary as a result of supplemental annuities enacted after
2 December 31, 2009. The supplemental annuity account shall be
3 credited with valuation interest. The reserves necessary for the
4 payment of such supplemental annuities shall be transferred from
5 the supplemental annuity account to the annuity reserve account
6 as provided in section 5935 (relating to annuity reserve
7 account).

8 § 5939. Interest reserve account.

9 The interest reserve account shall be the ledger account to
10 which shall be credited all income earned by the fund and to
11 which shall be charged all administrative and investment
12 expenses incurred by the fund. At the end of each year the
13 required interest shall be transferred from the interest reserve
14 account to the credit of each of the accounts of the fund in
15 accordance with the provisions of this subchapter. In addition,
16 at the end of each accounting period, the interest reserve
17 account shall be credited or charged with all recognized changes
18 in the market valuation of the investments of the fund. The
19 administrative and investment expenses of the board relating to
20 the administration of the system and investments of the fund
21 shall be paid from the fund out of earnings. Any surplus or
22 deficit in the interest reserve account at the end of each year
23 shall be transferred to the State accumulation account.

24 § 5951. State guarantee regarding the system.

25 The required interest charges payable, the maintenance of
26 reserves in the fund, and the payment of all annuities and other
27 benefits granted by the board from the system under the
28 provisions of this part relating to the establishment and
29 administration of the system are hereby made obligations of the
30 Commonwealth. All income, interest, and dividends derived from

1 deposits and investments of the system authorized by this part
2 shall be used for the payment of the said obligations of the
3 Commonwealth and shall not be used for any obligation of the
4 plan or trust.

5 § 5953. Taxation, attachment and assignment of funds.

6 (a) General rule.--

7 (1) Except as provided in paragraphs (2), (3) and (4),
8 the right of a person to any benefit or right accrued or
9 accruing under the provisions of this part and the moneys in
10 the fund and the trust are hereby exempt from any State or
11 municipal tax, levy and sale, garnishment, attachment,
12 spouse's election, the provisions of Article XIII.1 of the
13 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
14 Code, or any other process whatsoever, and no participant or
15 beneficiary, successor payee or alternate payee of a
16 participant shall have the ability to commute, sell, assign,
17 alienate, anticipate, mortgage, pledge, hypothecate,
18 commutate or otherwise transfer or convey any benefit or
19 interest in an individual investment account or rights to
20 receive or direct distributions under this part or under
21 agreements entered into under this part except as provided in
22 this part, and in the case of either a member or a
23 participant except for a set-off by the Commonwealth in the
24 case provided in this paragraph, and shall be unassignable
25 except to the Commonwealth in the case of a member or
26 participant who is terminating State service and has been
27 determined to be obligated to the Commonwealth for the
28 repayment of money owed on account of his employment.

29 (2) (i) Rights under this part shall be subject to
30 forfeiture as provided by the act of July 8, 1978

1 (P.L.752, No.140), known as the Public Employee Pension
2 Forfeiture Act, and by or pursuant to section 16(b) of
3 Article V of the Constitution of Pennsylvania.

4 Forfeitures under this subsection or under any other
5 provision of law may not be applied to increase the
6 benefits that any member would otherwise receive under
7 this part.

8 (ii) In accordance with section 16(b) of Article V
9 of the Constitution of Pennsylvania and notwithstanding
10 this paragraph, the act of July 8, 1978 (P.L.752,
11 No.140), known as the Public Employee Pension Forfeiture
12 Act, or 42 Pa.C.S. § 3352 (relating to pension rights),
13 the accumulated mandatory participant contributions and
14 accumulated voluntary contributions standing to the
15 credit of a participant shall not be forfeited but shall
16 be available for payment of fines and restitution as
17 provided by law. In accordance with section 16(b) of
18 Article V of the Constitution of Pennsylvania, amounts in
19 the trust that have been ordered to be distributed to an
20 alternate payee as the result of an equitable
21 distribution of marital property as part of an approved
22 domestic relations order entered before the date of the
23 order or action in a court or other tribunal resulting in
24 a forfeiture of a participant's interest in the trust
25 shall not be subject to the provisions of the Public
26 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
27 accumulated employer defined contributions forfeited as a
28 result of this paragraph or other law shall be retained
29 by the board and notwithstanding sections 5812(2)
30 (relating to powers and duties of board), 5815 (relating

1 to expenses) and 5902(c) (relating to administrative
2 duties of the board) used for the payment of expenses of
3 the plan.

4 (3) Rights under this part shall be subject to
5 attachment in favor of an alternate payee as set forth in an
6 approved domestic relations order.

7 (4) Effective with distributions made on or after
8 January 1, 1993, and notwithstanding any other provision of
9 this part to the contrary, a distributee may elect, at the
10 time and in the manner prescribed by the board, to have any
11 portion of an eligible rollover distribution paid directly to
12 an eligible retirement plan by way of a direct rollover. For
13 purposes of this paragraph, a "distributee" includes a member
14 [and], a participant, a member's surviving spouse [and], a
15 participant's surviving spouse, a member's former spouse who
16 is an alternate payee under an approved domestic relations
17 order[.], a participant's former spouse who is an alternate
18 payee under an approved domestic relations order and anyone
19 else authorized under the IRC and the plan terms approved by
20 the board to have an eligible rollover distribution paid
21 directly to an eligible retirement plan by way of a direct
22 rollover. For purposes of this paragraph, the term "eligible
23 rollover distribution" has the meaning given such term by IRC
24 § 402(f) (2) (A), and "eligible retirement plan" has the
25 meaning given such term by IRC § 402(c) (8) (B), except that a
26 qualified trust shall be considered an eligible retirement
27 plan only if it accepts the distributee's eligible rollover
28 distribution; however, in the case of an eligible rollover
29 distribution to a surviving spouse, an eligible retirement
30 plan is an "individual retirement account" or an "individual

1 retirement annuity" as those terms are defined in IRC §
2 408(a) and (b).

3 (b) Authorized payments from fund and trust.--

4 (1) The board shall be authorized to pay from the fund
5 and the trust in the case of a member or participant who is
6 terminating service, the amount determined after
7 certification by the head of the department that the member
8 or participant is so obligated, and after review and approval
9 by the department or agency's legal representative or upon
10 receipt of an assignment from the member or participant in
11 the amount so certified[.], except that no payment shall be
12 made from the individual investment account of a participant
13 until the participant otherwise applies for and receives a
14 distribution and shall not exceed the amount of the
15 distribution.

16 (2) In the case of a participant whose former spouse is
17 an alternate payee of an equitable distribution of marital
18 assets under an approved domestic relations order, a lump sum
19 of the alternate payee's interest in the participant's vested
20 accumulated total defined contributions. This paragraph shall
21 apply without regard to whether the participant has not
22 terminated, is terminating or has terminated State service.

23 § 5953.1. Approval of domestic relations orders.

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

29 (1) Requires the system to provide any type or form of
30 benefit or any option applicable to members already provided

1 under this part.

2 (2) Requires the system to provide no more than the
3 total amount of benefits than the member would otherwise
4 receive (determined on the basis of actuarial value) unless
5 increased benefits are paid to the member or alternate payee
6 based upon cost-of-living increases or increases based on
7 other than actuarial value.

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

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

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

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

23 (7) Requires the member to execute an authorization
24 allowing each alternate payee to monitor the member's
25 compliance with the terms of the domestic relations order
26 through access to information concerning the member
27 maintained by the system. An authorization granted under this
28 section shall be construed as an authorization for the
29 alternate payee to receive information concerning the
30 administration, calculation and payment of the alternate

1 payee's share of the benefits payable under this part and not
2 as an authorization to exercise the rights afforded to
3 members or obtain information which is not related to the
4 administration, calculation and payment of alternate payee's
5 share of the benefits payable under this part.

6 (a.1) Certification regarding participants.--A domestic
7 relations order pertaining to a participant shall be certified
8 as an approved domestic relations order by the secretary of the
9 board, or his designated representative, only if the order meets
10 all of the following:

11 (1) Does not require the plan to provide a type or form
12 of benefit or an option applicable to members of the system
13 or participants in the plan.

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

18 (3) Does not require the plan to recover or distribute
19 any funds that were distributed to the participant or at the
20 participant's direction prior to the approval of the domestic
21 relations order by the secretary of the board or his
22 designated representative.

23 (4) Requires the plan to pay to the alternate payee no
24 more than the lesser of the vested amount of the
25 participant's individual investment account specified by the
26 domestic relations order or the vested amount of the
27 participant's individual investment account as of the date of
28 the transfer of the alternate payee's share to the alternate
29 payee.

30 (5) States that the plan shall not be required to recoup

1 or make good for losses in value to the participant's
2 individual investment account incurred between the date of
3 the valuation of the account used for equitable distribution
4 purposes and the date of distribution to the alternate payee.

5 (6) Specifies the amount or percentage of the
6 participant's individual investment account to be paid to the
7 alternate payee and the date upon which the valuation is
8 based.

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

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

17 (9) Requires the participant to execute an authorization
18 allowing each alternate payee to monitor the participant's
19 compliance with the terms of the domestic relations order
20 through access to information concerning the participant
21 maintained by the plan. An authorization granted under this
22 section shall be construed as an authorization for the
23 alternate payee to receive information concerning the
24 participant that relates to the administration, calculation
25 and payment of the alternate payee's share of the
26 participant's account and not as an authorization to exercise
27 the rights afforded to participants or obtain information
28 that is not related to the administration, calculation and
29 payment of alternate payee's share of the participant's
30 individual investment account.

1 (10) Requires the immediate distribution of the
2 alternate payee's share of the participant's individual
3 investment account, which may be made by direct payment,
4 eligible rollover or trustee-to-trustee transfer to another
5 eligible plan or qualified account owned by the alternate
6 payee.

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

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

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

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

28 § 5953.2. Irrevocable beneficiary.

29 Notwithstanding any other provision of this part, a domestic
30 relations order may provide for an irrevocable beneficiary. A

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

13 § 5953.3. Irrevocable survivor annuitant.

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

29 § 5953.4. Amendment of approved domestic relations orders.

30 (a) Deceased alternate payee.--In the event that the

1 alternate payee predeceases the member or the participant and
2 there are benefits payable to the alternate payee, the divorce
3 court may amend the approved domestic relations order to
4 substitute a person for the deceased alternate payee to receive
5 any benefits payable to the deceased alternate payee.

6 * * *

7 Section 329. Title 71 is amended by adding a section to
8 read:

9 § 5953.6. Irrevocable successor payee.

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

15 (b) Determination.--A domestic relations order requiring the
16 designation of an irrevocable successor payee is an order which:

17 (1) requires a participant who is receiving payments
18 from an annuity or other distribution option to designate an
19 alternate payee as a successor payee; and

20 (2) except by operation of law, prohibits the removal or
21 change of the successor payee without approval of a court of
22 competent jurisdiction.

23 (c) Certification.--A domestic relations order under
24 subsection (b) may be certified as an approved domestic
25 relations order by the secretary of the board or his designated
26 representative. If a domestic relations order is certified under
27 this subsection, the irrevocable successor payee ordered by the
28 court shall not be changed by the participant without approval
29 by the court.

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

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

6 Section 330. Sections 5954, 5955, 5955.2(d) and 5957 of
7 Title 71 are amended to read:

8 § 5954. Fraud and adjustment of errors.

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

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

28 § 5955. Construction of part.

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

1 employees shall be determined solely by this part or any
2 amendment thereto[,] or the plan document established by the
3 board; and no collective bargaining agreement nor any
4 arbitration award between the Commonwealth and [its] other
5 employers and the Commonwealth's and other employer's employees
6 or their collective bargaining representatives shall be
7 construed to change any of the provisions herein, to require the
8 board to administer pension or retirement benefits not set forth
9 in this part or not established by the board in the plan
10 document, to require the board to modify, amend or change any of
11 the terms and provisions of the plan document, or to otherwise
12 require action by any other government body pertaining to
13 pension or retirement benefits or rights of State employees.
14 Notwithstanding the foregoing, any pension or retirement
15 benefits or rights previously so established by or as a result
16 of an arbitration award shall remain in effect after the
17 expiration of the current collective bargaining agreement
18 between the State employees so affected and the Commonwealth
19 until the expiration of each of the collective bargaining
20 agreements in effect on January 1, 2011, at which time the
21 classes of membership and resulting member contribution rates
22 and contributions for creditable nonstate service, eligibility
23 for vesting, withdrawal and superannuation annuities, optional
24 modification of annuities and other terms and conditions related
25 to class of membership shall be as determined by this part for
26 employees covered by those and successor collective bargaining
27 agreements. For purposes of administering this part, for those
28 State employees who are members of each such collective
29 bargaining unit, the date January 1, 2011, contained in this
30 part, except in this section, shall be replaced with the date of

1 the day immediately following the expiration of each such
2 collective bargaining agreement. The provisions of this part
3 insofar as they are the same as those of existing law are
4 intended as a continuation of such laws and not as new
5 enactments. The provisions of this part shall not affect any act
6 done, liability incurred, right accrued or vested, or any suit
7 or prosecution pending or to be instituted to enforce any right
8 or penalty or to punish any offense under the authority of any
9 repealed laws.

10 (b) (Reserved).

11 (c) Adverse inference.--Nothing in this part shall be
12 construed to mean that the limitations on benefits or other
13 requirements under IRC § 401(a) or other applicable provisions
14 of the IRC which are applicable to participants in the plan do
15 not apply to the participants or to members of the system and
16 the benefits payable under this part.

17 § 5955.2. Construction of part with respect to the Internal
18 Revenue Code.

19 * * *

20 (d) References to Internal Revenue Code of 1986 or the
21 Uniformed Services Employment and Reemployment Rights Act.--
22 References in this part to provisions of the Internal Revenue
23 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) or the
24 Uniformed Services Employment and Reemployment Rights Act of
25 1994 (Public Law 103-353, 108 Stat. 3149), including for this
26 purpose administrative regulations promulgated under [that act]
27 the acts, are intended to include such laws and regulations as
28 are in effect on the effective date of this section and as they
29 may be amended or supplemented or supplanted by successor
30 provisions after the effective date of this section.

1 * * *

2 § 5957. Independent Fiscal Office study.

3 The Independent Fiscal Office shall study and analyze the
4 implementation of shared-risk contributions under section 5501.1
5 (relating to shared-risk member contributions [for Class A-3 and
6 Class A-4 service] and shared-gain adjustments to regular member
7 contributions) and its impact on the system. The study shall be
8 completed by December 31, 2015, and shall be transmitted to the
9 Appropriations Committee and the Finance Committee of the
10 Senate, the Appropriations Committee and the Finance Committee
11 of the House of Representatives and to the Governor.

12 Section 331. Title 71 is amended by adding a section to
13 read:

14 § 5958. Public Pension Management and Asset Investment Review
15 Commission.

16 (a) Establishment.--A Public Pension Management and Asset
17 Investment Review Commission shall be established, which shall
18 be composed of five appointees, one appointed by each of the
19 following:

20 (1) The Governor.

21 (2) The President pro tempore of the Senate.

22 (3) The Minority Leader of the Senate.

23 (4) The Speaker of the House of Representatives.

24 (5) The Minority Leader of the House of Representatives.

25 The appointees shall be investment professionals and retirement
26 advisors and shall be appointed within 90 days of the effective
27 date of this section.

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

30 (1) Study the performance of current investment

1 strategies and procedures of the system, comparing realized
2 rates of return to established benchmarks and considering
3 associated fees paid for active and passive management.

4 (2) Study the costs and benefits of both active and
5 passive investment strategies in relation to future
6 investment activities of the State Employees' Retirement
7 System.

8 (3) Study alternative future investment strategies with
9 available assets of the State Employees' Retirement System
10 that will maximize future rates of return net of fees.

11 (3.1) The commission shall evaluate and make
12 recommendations on:

13 (i) Improving investment fee transparency on
14 alternative investments as specified in the Standardized
15 Reporting Guidelines of the Institutional Limited
16 Partners Association.

17 (ii) Implementing the recommendations of the Society
18 of Actuaries Blue Ribbon Panel on stress testing, to test
19 the ability of the plan to withstand a period of
20 investment returns above or below the level of assumed
21 return.

22 (4) Publish extensive and detailed findings online,
23 including findings about:

24 (i) assets;

25 (ii) returns;

26 (iii) financial managers;

27 (iv) consultants;

28 (v) requests for proposals; and

29 (vi) investment performance measured against
30 benchmarks.

1 (5) Report its findings and recommendations to the
2 Governor and the General Assembly within six months of its
3 first organizational meeting.

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

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

11 (1) The act of July 19, 1957 (P.L.1017, No.451), known
12 as the State Adverse Interest Act.

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

15 (3) 65 Pa.C.S. Ch. 7 (relating to open meetings).

16 (4) 65 Pa.C.S. Ch. 11 (relating to ethics standards and
17 financial disclosure).

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

22 (f) Logistical and other support.--The Public Pension
23 Management and Asset Investment Review Commission shall receive
24 logistical and other support from the Joint State Government
25 Commission and may employ additional temporary staff as needed.

26 (g) Reimbursement.--The members of the Public Pension
27 Management and Asset Investment Review Commission shall be
28 reimbursed for reasonable expenses.

29 (h) Expiration.--The Public Pension Management and Asset
30 Investment Review Commission shall expire 60 days after delivery

1 of its report in accordance with subsection (b) (5). Any unspent
2 appropriation shall lapse back to the General Fund.

3 (i) Administrative costs and payment.--None of the
4 administrative costs and expenses of the Public Pension
5 Management and Asset Investment Review Commission, including,
6 but not limited to, member and employee salary, wages, benefits
7 and other forms of compensation or remuneration, shall be paid
8 or appropriated from the fund or the trust.

9 ARTICLE IV

10 Section 401. The following shall apply:

11 (1) The following provisions shall not create in a
12 member of the Public School Employees' Retirement System, a
13 participant in the School Employees' Defined Contribution
14 Plan or another person claiming an interest in the account of
15 a member or participant an express or implied contractual
16 right in the provisions nor in a construction of 24 Pa.C.S.
17 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
18 Pa.C.S. Pt. IV or 51 Pa.C.S.:

19 (i) A provision of this act which amends 51 Pa.C.S.
20 or 24 Pa.C.S. Pt. IV in relation to requirements for any
21 of the following:

22 (A) (Reserved).

23 (B) Qualification of the School Employees'
24 Defined Contribution Plan as a qualified pension plan
25 under the Internal Revenue Code of 1986 (Public Law
26 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or
27 compliance with the Uniformed Services Employment and
28 Reemployment Rights Act of 1994 (Public Law 103-353,
29 108 Stat. 3149).

30 (C) Contributions to, participation in or

1 benefits from the School Employees' Defined
2 Contribution Plan or School Employees' Defined
3 Contribution Trust.

4 (D) Domestic relations orders regarding
5 alternate payees of participants in the School
6 Employees' Defined Contribution Plan.

7 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
8 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
9 Pt. IV or 51 Pa.C.S. or a term or provision of the School
10 Employees' Defined Contribution Plan or School Employees'
11 Defined Contribution Trust, established by statute or in
12 the plan document or trust declaration.

13 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
14 subject to the Internal Revenue Code of 1986 and the
15 Uniformed Services Employment and Reemployment Rights Act of
16 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
17 under those statutes, and the General Assembly reserves to
18 itself the further exercise of its legislative power to amend
19 or supplement the provisions as may be required in order to
20 maintain the qualification of the system as a qualified
21 pension plan under section 401(a) and other applicable
22 provisions of the Internal Revenue Code of 1986 and the
23 Uniformed Services Employment and Reemployment Rights Act of
24 1994 (Public Law 103-353, 108 Stat. 3149).

25 (3) The following provisions shall not create in a
26 member of the State Employees' Retirement System, a
27 participant in the State Employees' Defined Contribution Plan
28 or another person claiming an interest in the account of a
29 member or participant an expressed or implied contractual
30 right in the provisions nor in a construction of 51 Pa.C.S. §

1 7306, 71 Pa.C.S. Pt. XXV, or rules or regulations adopted
2 under 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

3 (i) A provision of this act which amends 51 Pa.C.S.
4 § 7306 or 71 Pa.C.S. Pt. XXV, in relation to requirements
5 for any of the following:

6 (A) Qualification of the State Employees'
7 Defined Contribution Plan as a qualified pension plan
8 under the Internal Revenue Code of 1986 (Public Law
9 99-514, 26 U.S.C. § 401(a)).

10 (B) Compliance with the Uniformed Services
11 Employment and Reemployment Rights Act of 1994
12 (Public Law 103-353).

13 (C) Domestic relations orders regarding
14 alternate payees of participants in the State
15 Employees' Defined Contribution Plan.

16 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.
17 XXV, or rules or regulation promulgated under 51 Pa.C.S.
18 or 71 Pa.C.S. Pt. XXV, or a term or provision of the
19 State Employees' Defined Contribution Plan or State
20 Employees' Defined Contribution Trust established by
21 statute or in the plan document or trust declaration or
22 by contract with providers of investment and
23 administrative services to the State Employees' Defined
24 Contribution Plan or State Employees' Defined
25 Contribution Trust.

26 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
27 subject to the Internal Revenue Code of 1986 and the
28 Uniformed Services Employment and Reemployment Rights Act of
29 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
30 promulgated under those statutes.

1 (5) The General Assembly reserves to itself the further
2 exercise of its legislative power to amend or supplement the
3 provisions of 71 Pa.C.S. Pt. XXV in order to maintain the
4 qualification of the State Employees' Retirement System and
5 the State Employees' Defined Contribution Plan as qualified
6 pension plans under section 401(a) and other applicable
7 provisions of the Internal Revenue Code of 1986 and the
8 Uniformed Services Employment and Reemployment Rights Act of
9 1994 (Public Law 103-353, 108 Stat. 3149).

10 Section 402. The following shall apply:

11 (1) Nothing in this act shall be construed to mean that
12 a calculation or actuarial method used by the Public School
13 Employees' Retirement Board, its actuaries or the Public
14 School Employees' Retirement System was not in accordance
15 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
16 law prior to the effective date of this paragraph.

17 (2) Nothing in this act shall be construed to mean that
18 a calculation or actuarial method used by the State
19 Employees' Retirement Board, its actuaries or the State
20 Employees' Retirement System was not in accordance with the
21 provisions of 71 Pa.C.S. Pt. XXV or other applicable law
22 prior to the effective date of this section.

23 Section 403. The following shall apply:

24 (1) Payments required to fund a change in accrued
25 liability resulting from this act shall be subject to limits
26 imposed under 24 Pa.C.S. § 8328(g) on employer contributions
27 to the Public School Employees' Retirement System.

28 (2) For purposes of 24 Pa.C.S. §§ 8326, 8327, and 8328,
29 changes under this section shall not be considered to be
30 costs added by legislation.

1 Section 404. The following shall apply:

2 (1) Notwithstanding any other provision of law:

3 (i) A change in accrued liability of the State
4 Employees' Retirement System created under this act shall
5 be funded in equal dollar installments over a period of
6 30 years beginning July 1, 2018.

7 (ii) A change in accrued liability of the State
8 Employees' Retirement System created under this act by
9 the amendment of 71 Pa.C.S. § 5508(b) shall be funded in
10 equal dollar installments over a period of 30 years
11 beginning July 1, 2022.

12 (2) Payments required to fund a change in accrued
13 liability resulting from this act shall be subject to limits
14 imposed under 71 Pa.C.S. § 5508(h) on employer contributions
15 to the State Employees' Retirement System.

16 (3) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,
17 changes under this act shall not be considered to be costs
18 added by legislation.

19 Section 405. The following shall apply:

20 (1) This act shall be construed and administered in such
21 a manner that the Public School Employees' Retirement System
22 and the School Employees' Defined Contribution Plan shall
23 satisfy the requirements necessary to qualify as a qualified
24 pension plan under section 401(a) of the Internal Revenue
25 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
26 applicable provisions of the Internal Revenue Code of 1986
27 and the Uniformed Services Employment and Reemployment Rights
28 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
29 regulations and procedures adopted and promulgated by the
30 Public School Employees' Retirement Board and the terms and

1 conditions of the plan document and trust declaration adopted
2 by the Public School Employees' Retirement Board may include
3 provisions necessary to accomplish the purpose of this
4 section.

5 (2) Nothing in this act shall be construed or deemed to
6 imply that any member shall be required to make contributions
7 to the Public School Employees' Retirement System in excess
8 of the limits established by section 415(n) (3) (A) (iii) of the
9 Internal Revenue Code of 1986 (26 U.S.C. § 415(n) (3) (A)
10 (iii)). A contribution made by a member that is determined to
11 be in excess of the limits shall be refunded to the member in
12 a lump sum subject to withholding for all applicable taxes
13 and penalties as soon as administratively possible after the
14 determination is made. A refund under this subparagraph shall
15 not affect the benefit payable to the member and shall not be
16 treated as or deemed to be a withdrawal of the member's
17 accumulated deductions.

18 (3) Nothing in this act shall be construed to mean that
19 an interpretation or application of 24 Pa.C.S. Pt. IV or
20 benefits available to members of the Public School Employees'
21 Retirement System was not in accordance with 24 Pa.C.S. Pt.
22 IV or other applicable law, including the Internal Revenue
23 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
24 the Uniformed Services Employment and Reemployment Rights Act
25 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
26 effective date of this section.

27 Section 406. The following shall apply to construction
28 related to Federal law as to the State Employees' Retirement
29 System:

30 (1) This act shall be construed and administered in a

1 manner that the State Employees' Retirement System and the
2 State Employees' Defined Contribution Plan shall satisfy the
3 requirements necessary to qualify as a qualified pension plan
4 under section 401(a) of the Internal Revenue Code of 1986
5 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
6 provisions of the Internal Revenue Code of 1986 and the
7 Uniformed Services Employment and Reemployment Rights Act of
8 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
9 regulations and procedures promulgated by the State
10 Employees' Retirement Board and the terms and conditions of
11 the plan document and trust declaration adopted by the State
12 Employees' Retirement Board may include provisions necessary
13 to accomplish the purpose of this section.

14 (2) Nothing in this act shall be construed or deemed to
15 imply that any member of Class A-5 or Class A-6 shall be
16 required to make contributions to the State Employees'
17 Retirement System in excess of the limits established by
18 section 415(n)(3)(A)(iii) of the Internal Revenue Code of
19 1986 (26 U.S.C. § 415(n)(3)(A)(iii)). A contribution made by
20 a member of Class A-5 or Class A-6 that is determined to be
21 in excess of the limits shall be refunded to the member in a
22 lump sum subject to withholding for all applicable taxes and
23 penalties as soon as administratively possible after the
24 determination is made. A refund under this subparagraph shall
25 not affect the benefit payable to the member and shall not be
26 treated as or deemed to be a withdrawal of the member's
27 accumulated deductions.

28 (3) Nothing in this act shall be construed to mean that
29 an interpretation or application of 71 Pa.C.S. Pt. XXV or
30 benefits available to members of the State Employees'

1 Retirement System was not in accordance with 71 Pa.C.S. Pt.
2 XXV or other applicable law, including the Internal Revenue
3 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
4 the Uniformed Services Employment and Reemployment Rights Act
5 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
6 effective date of this section.

7 Section 407. The following shall apply:

8 (1) Notwithstanding any other provision of law,
9 fiduciary requirement, actuarial standard of practice or
10 other requirement, the members of the Public School
11 Employees' Retirement Board, the actuary and employees and
12 officials of the Public School Employees' Retirement System
13 may not be held liable or in breach or violation of a law or
14 standard as individuals, in their official capacity or as a
15 governmental or corporate entity, for an action or
16 calculation related to calculating and certifying a final
17 contribution rate as provided under this act that is
18 different from the actuarially required contribution rate as
19 appropriately calculated under 24 Pa.C.S. Pt. IV.

20 (2) Notwithstanding any other provision of law,
21 fiduciary requirement, actuarial standard of practice or
22 other requirement, the members of the State Employees'
23 Retirement Board, the actuary and other employees and
24 officials of the State Employees' Retirement System may not
25 be held liable or in breach or violation of a law or standard
26 as individuals, in an official capacity or as a governmental
27 or corporate entity, for an action or calculation related to
28 calculating and certifying a final contribution rate as
29 provided under this act that is different from the
30 actuarially required contribution rate as appropriately

1 calculated under 71 Pa.C.S. Pt. XXV.

2 Section 408. Nothing in this act shall be deemed to permit
3 the restoration of service credit or retirement benefits that:

4 (1) were or are subject to section 16 of Article V of
5 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

6 (2) were or are the subject of an order of forfeiture
7 under the act of July 8, 1978 (P.L.752, No.140), known as the
8 Public Employee Pension Forfeiture Act.

9 Section 409. Notwithstanding the amendment of 24 Pa.C.S. §
10 8501(e) and 71 Pa.C.S. § 5901(e), the Governor's Office of
11 General Counsel shall continue to provide legal counsel and
12 legal services to the board until such time as the board
13 appoints a chief counsel and such other counsel as it deems
14 necessary to provide it with legal services.

15 Section 410. No school employee otherwise a member of,
16 eligible to be a member of, or having school or nonschool
17 service credited in a class of service other than Class T-G may
18 cancel, decline or waive membership in such other class of
19 service in order to obtain Class T-G service credit, become a
20 member of Class T-G or elect Class T-G membership.

21 Section 411. No State employee otherwise a member of,
22 eligible to be a member of or having State or nonstate service
23 credited in a class of service other than Class A-5 or Class A-6
24 may cancel, decline or waive membership in such other class of
25 service in order to obtain Class A-5 or Class A-6 service
26 credit, become a member of Class A-5 or Class A-6 or elect Class
27 A-5 or Class A-6 membership.

28 Section 412. Notwithstanding any regulation promulgated by
29 the Public School Employees' Retirement Board, application or
30 interpretation of 24 Pa.C.S. Pt. IV, or administrative practice

1 to the contrary, a member's eligibility deriving from Class T-G
2 service credit for a superannuation annuity or other rights and
3 benefits based upon attaining superannuation age shall be
4 determined by including only those eligibility points actually
5 accrued.

6 Section 413. The following shall apply:

7 (1) Except as provided under paragraph (2), if a
8 provision of this act or its application to any person or
9 circumstance is held invalid, the invalidity shall not affect
10 other provisions or applications of this act that can be
11 given effect without the invalid provision or application.

12 (2) The following shall apply:

13 (i) If the application of the shared-risk provisions
14 of 71 Pa.C.S. Pt. XXV is declared inapplicable to any
15 person by a court or administrative tribunal of competent
16 jurisdiction, the provisions of Pt. XXV relating to
17 shared-gain adjustments to regular member contributions
18 shall be inapplicable to that person.

19 (ii) The following shall apply:

20 (A) If the application of any provision of this
21 act relating to membership in Class A-5 or Class A-6
22 or participation in the State Employees' Defined
23 Contribution Plan is declared invalid to any person
24 for any period of State service, the invalidity shall
25 not affect the application of this act to any other
26 person. The provisions of this act relating to both
27 membership in Class A-5 and participation in the
28 State Employees' Defined Contribution Plan shall be
29 invalid as to the person for the period of State
30 service for which part of the State service was

1 invalid and that person shall be considered a Class
2 A-5 exempt employee for the service at issue. If a
3 State employee's participation in the State
4 Employees' Defined Contribution Plan is declared
5 invalid for any period of State service, the affected
6 State employee shall return to the State Employees'
7 Defined Contribution Trust any distributions related
8 to the period of State service at issue, shall be
9 granted the status and service credit in the State
10 Employees' Retirement System as if he was a Class A-5
11 exempt employee and shall be required to make all
12 contributions to the State Employees' Retirement Fund
13 as if he was a Class A-5 exempt employee for the
14 period of State service at issue.

15 (B) The affected State employee's accumulated
16 mandatory participant contributions and accumulated
17 voluntary contributions shall be transferred to the
18 affected employee's member savings account to the
19 extent necessary to fund that account with the member
20 contributions and interest that would have been
21 standing to the member's account had the State
22 employee been a Class A-5 exempt employee for the
23 period of service at issue. Any remaining balance
24 shall be refunded to the State employee, who also
25 shall be responsible for paying to the fund in a
26 manner and time determined by the State Employees'
27 Retirement Board any additional funds required if the
28 accumulated mandatory participant contributions and
29 accumulated voluntary contributions were not
30 sufficient.

1 (C) The accumulated employer defined
2 contributions shall be transferred to the State
3 Accumulation Account and no further amount shall be
4 due from the employer or refund paid.

5 Section 414. Notwithstanding the provisions of 71 Pa.C.S. §
6 5903(b), the statement for each member prepared by the State
7 Employees' Retirement Board for the periods ending December 31,
8 2018, and any other statements or estimates of benefits prepared
9 by the board pursuant to the State Employees' Retirement Code
10 from the effective date of this section to December 31, 2018,
11 need not reflect the provisions of this act and in the case of
12 the statements for each member for the periods ending on or
13 before December 31, 2018, need not include a projection of the
14 benefit to which the member is entitled upon attainment of
15 superannuation age.

16 Section 415. Notwithstanding the provisions of 71 Pa.C.S.
17 Pt. XXV, the obligation of the State Employees' Retirement Board
18 to make payments within specified time periods of the receipt of
19 applications for benefits or other information shall not apply
20 from the effective date of this section to December 31, 2018.

21 Section 416. This act shall take effect as follows:

22 (1) The appointment of the Secretary of Banking and
23 Securities to the membership of the Public School Employees'
24 Retirement Board in the amendment of 24 Pa.C.S. § 8501(a)
25 shall take effect when the first of the two positions
26 currently appointed by the Governor becomes vacant or an
27 incumbent member's term expires. Notification of the
28 expiration or vacancy shall be submitted by the Public School
29 Employees' Retirement Board to the Legislative Reference
30 Bureau for publication in the Pennsylvania Bulletin.

1 (2) The appointment of the Secretary of Banking and
2 Securities to the membership of the State Employees'
3 Retirement Board and reduction of the number of members
4 appointed by the Governor from six to five in 71 Pa.C.S. §
5 5901(a) shall take effect when the first of the six positions
6 currently appointed by the Governor that is not held by an
7 annuitant becomes vacant or an incumbent member's term
8 expires. Notification of the expiration or vacancy shall be
9 submitted by the State Employees' Retirement System to the
10 Legislative Reference Bureau for publication in the
11 Pennsylvania Bulletin.

12 (3) The following provisions shall take effect
13 immediately:

14 (i) This section.

15 (ii) The remainder of this act.