

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1072 Session of 2017

INTRODUCED BY DiGIROLAMO, APRIL 7, 2017

REFERRED TO COMMITTEE ON STATE GOVERNMENT, APRIL 7, 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: for the Public  
 4 School Employees' Retirement System, in the areas of  
 5 preliminary provisions, of membership, contributions and  
 6 benefits, of School Employees' Defined Contribution Plan, of  
 7 administration and miscellaneous provisions and of health  
 8 insurance for retired school employees; for military  
 9 pensions, in the area of military leave of absence; for the  
 10 State Employees' Retirement System, in the areas of  
 11 preliminary provisions, of membership, credited service,  
 12 classes of service and eligibility for benefits, of  
 13 contributions, of benefits, of State Employees' Defined  
 14 Contribution Plan, of administration, funds, accounts,  
 15 general provisions; providing, as to the revisions, for  
 16 reservation of legislative authority, for construction, for  
 17 accrued liability, for construction related to Federal law,  
 18 for immunity from personal liability, for restoration of  
 19 service credit or a retirement benefit, for recertification  
 20 of contribution rates, for transfer of assets and for  
 21 severability; and making editorial changes.

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

24 ARTICLE I

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

1 "distribution," "domestic relations order," "final average  
2 salary," "inactive member," "intervening military service,"  
3 "irrevocable beneficiary," "leave for service with a collective  
4 bargaining organization," "member's annuity," "multiple  
5 service," "reemployed from USERRA leave," "required beginning  
6 date," "salary deductions," "shared risk contribution rate,"  
7 "standard single life annuity," "superannuation or normal  
8 retirement age," "valuation interest" and "vestee" in section  
9 8102 of Title 24 of the Pennsylvania Consolidated Statutes,  
10 amended or added December 28, 2015 (P.L.529, No.93), are amended  
11 and the section is amended by adding definitions to read:  
12 § 8102. Definitions.

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

16 \* \* \*

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

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

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

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

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

8 \* \* \*

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

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

27 \* \* \*

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

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

3 \* \* \*

4 "Basic contribution rate." For Class T-A, T-B and T-C  
5 service, the rate of 6 1/4%. For Class T-D service, the rate of  
6 7 1/2%. For all active members on the effective date of this  
7 provision who are currently paying 5 1/4% and elect Class T-D  
8 service, the rate of 6 1/2%. For Class T-E service, the rate of  
9 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G  
10 service for members with less than 30 eligibility points accrued  
11 as a Class T-G member, the rate of 6%, up to the defined benefit  
12 compensation limit. For Class T-G service for members with more  
13 than 30 eligibility points accrued as a Class T-G member, the  
14 rate of zero.

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

23 \* \* \*

24 "Class of service multiplier."

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

1           T-E                   1.000  
2           T-F                   1.000  
3           T-G                   1.000

4           \* \* \*

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

1 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))  
2 taken into account for the purpose of member contributions,  
3 including regular or joint coverage member contributions,  
4 regardless of class of service, shall apply to each member who  
5 first became a member of the Public School Employees' Retirement  
6 System on or after July 1, 1996, and who by reason of such fact  
7 is a noneligible member subject to the application of the  
8 provisions of section 8325.1 (relating to annual compensation  
9 limit under IRC § 401(a)(17)), and shall apply to each  
10 participant pertaining to his participation in the plan.

11 \* \* \*

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

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

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

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

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

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

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

13 "Defined benefit compensation limit." For fiscal year 2018-  
14 2019, the amount of \$50,000. For each subsequent fiscal year,  
15 the limit shall be 3% greater than the previous year's amount,  
16 rounded to the nearest \$100.

17 \* \* \*

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

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

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

5 \* \* \*

6 "Employer defined contributions." Contributions made to an  
7 active participant's account by an employer to the trust to be  
8 credited in the active participant's individual investment  
9 account as follows:

10 (1) For participants who have less than 30 eligibility  
11 points credited as a member of Class T-G, or if a multiple  
12 service member in Class A-5 of the State Employees'  
13 Retirement System, contributions shall equal to 1.25% of  
14 compensation up to the defined benefit compensation limit and  
15 4% of compensation above such limit.

16 (2) For participants who have more than 30 eligibility  
17 points credited as a member of Class T-G, or if a multiple  
18 service member in Class A-5 of the State Employees'  
19 Retirement System, contributions shall equal to 4% of  
20 compensation.

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

22 (1) For purposes of calculating all annuities and  
23 benefits from the system attributable to a class of service  
24 other than Class T-G, the highest average compensation  
25 received as an active member during any three nonoverlapping  
26 periods of 12 consecutive months months, excluding  
27 compensation received from school service credited as a  
28 member of Class T-G, with the compensation for part-time  
29 service being annualized on the basis of the fractional  
30 portion of the school year for which credit is received;



1       except, if the employee was not a member in a class of  
2       service other than Class T-G for three such periods, the  
3       total compensation received as an active member in a class of  
4       service other than Class T-G annualized in the case of part-  
5       time service divided by the number of such periods of  
6       membership in a class of service other than Class T-G; in the  
7       case of a member with multiple service credit, the final  
8       average salary, for purposes of calculating all annuities and  
9       benefits from the system attributable to a class of service  
10       other than Class T-G, shall be determined by reference to  
11       compensation received by him as a school employee or a State  
12       employee or both, excluding compensation received for service  
13       performed as a member of Class T-G or Class A-5 in the State  
14       Employees' Retirement System; and, in the case of a  
15       noneligible member, subject to the application of the  
16       provisions of section 8325.1 (relating to annual compensation  
17       limit under IRC § 401(a)(17)). [Final]

18       (2) For purposes of calculating all annuities and  
19       benefits from the system attributable to service as a member  
20       of Class T-G, the highest average compensation received as an  
21       active member of Class T-G during any five fiscal years, as  
22       limited each fiscal year by the defined benefit compensation  
23       limit, with the limited compensation for part-time service  
24       being annualized on the basis of the fractional portion of  
25       the school year for which credit is received; except, if the  
26       employee was not a member of Class T-G for five such periods,  
27       the total compensation received as an active member of Class  
28       T-G annualized in the case of part-time service divided by  
29       the number of such periods of membership in Class T-G; in the  
30       case of a member with multiple service credit, the final

1 average salary, for purposes of calculating all annuities and  
2 benefits from the system attributable to Class T-G service,  
3 shall be determined by reference to compensation received by  
4 him as a school employee for service credited as Class T-G or  
5 as a State employee for service credited as Class A-5, or  
6 both; and, in the case of a noneligible member, subject to  
7 the application of the provisions of section 8325.1.

8 (3) For all members, final average salary shall be  
9 determined by including in compensation, payments deemed to  
10 have been made to a member reemployed from USERRA leave to  
11 the extent member contributions have been made as provided in  
12 section 8302(d)(2) (relating to credited school service) and  
13 payments made to a member on leave of absence under 51  
14 Pa.C.S. § 4102 (relating to leaves of absence for certain  
15 government employees) as provided in section 8302(d)(6).

16 \* \* \*

17 "Holding vehicle trust." The School Employees' Defined  
18 Contribution Holding Vehicle Trust.

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

1 school years or a multiple service member who is active in the  
2 State Employees' Retirement System.

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

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

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

27 \* \* \*

28 "Irrevocable beneficiary." The person or persons permanently  
29 designated by a member or participant in writing to the board  
30 pursuant to an approved domestic relations order to receive all

1 or a portion of the accumulated deductions, vested accumulated  
2 total defined contributions or lump sum benefit payable upon the  
3 death of such member or participant.

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

9 \* \* \*

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

27 "Mandatory pickup participant contributions." Either of the  
28 following:

29 (1) For participants who have accrued less than 30  
30 eligibility points credited as a member of Class T-G or, if a

1 multiple service member, of Class A-5 in the State Employees'  
2 Retirement System, contributions shall equal 1.5% of  
3 compensation required to be credited in the plan up to the  
4 defined benefit compensation limit and 7.5% of compensation  
5 above such limit.

6 (2) For participants who have accrued more than 30  
7 eligibility points credited as a member of Class T-G or, if a  
8 multiple service member, of Class A-5 in the State Employees'  
9 Retirement System, contributions shall equal 7.5% of  
10 compensation required to be credited in the plan.

11 \* \* \*

12 "Member's annuity." The single life annuity which is  
13 actuarially equivalent on the effective date of retirement and  
14 taking into account any delay in the receipt of the portion of  
15 the annuity based on Class T-G service, if the effective date of  
16 retirement is under superannuation age applicable to Class T-G  
17 service, to the sum of the accumulated deductions and the  
18 shared-risk member contributions and statutory interest credited  
19 on the deductions and contributions standing to the member's  
20 credit in the members' savings account.

21 \* \* \*

22 "Multiple service." Credited service of a member who has  
23 elected to combine his credited service in both the Public  
24 School Employees' Retirement System and the State Employees'  
25 Retirement System. A Class T-G member is eligible to elect  
26 multiple service membership only for service credited as Class  
27 A-5 service in the State Employees' Retirement System.

28 \* \* \*

29 "Participant." An active participant, inactive participant  
30 or participant receiving distributions.

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

6 \* \* \*

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

9 "Plan document." The documents created by the board under  
10 section 8402 (relating to plan document) that contain the terms  
11 and provisions of the plan and trust as established by the board  
12 regarding the establishment, administration and investment of  
13 the plan and trust.

14 \* \* \*

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

23 \* \* \*

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

29 \* \* \*

30 "Salary deductions." The amounts certified by the board,

1 deducted from the compensation of an active member or active  
2 participant or the State service compensation of a multiple  
3 service member who is an active member of the State Employees'  
4 Retirement System and paid into the fund or trust.

5 \* \* \*

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

10 "Standard single life annuity." For Class T-A, T-B and T-C  
11 credited service of a member, an annuity equal to 2% of the  
12 final average salary, multiplied by the total number of years  
13 and fractional part of a year of credited service of a member.  
14 For Class T-D credited service of a member, an annuity equal to  
15 2.5% of the final average salary, multiplied by the total number  
16 of years and fractional part of a year of credited service. For  
17 Class T-E credited service of a member, an annuity equal to 2%  
18 of the final average salary, multiplied by the total number of  
19 years and fractional part of a year of credited service of a  
20 member. For Class T-F credited service of a member, an annuity  
21 equal to 2.5% of the final average salary, multiplied by the  
22 total number of years and fractional part of a year of credited  
23 service of a member. For Class T-G credited service of a member,  
24 an annuity equal to 1.75% of the final average salary,  
25 multiplied by the total number of years and fractional part of a  
26 year of credited service of a member, except that such total  
27 number of years shall not exceed 30.

28 "State Employees' Defined Contribution Plan." The defined  
29 contribution plan for State employees established by 71 Pa.C.S.  
30 Pt. XXV (relating to retirement for State employees and

1 officers).

2 \* \* \*

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

7 \* \* \*

8 "Superannuation or normal retirement age."

9 Class of service

Age

10 T-A	62 or any age upon accrual of
11	35 eligibility points
12 T-B	62
13 T-C and T-D	62 or age 60 provided the
14	member has at least 30
15	eligibility points or any
16	age upon accrual of 35
17	eligibility points, <u></u>
18	<u>excluding any eligibility</u>
19	<u>points accrued as a</u>
20	<u>member of Class T-G, and</u>
21	<u>if a multiple service</u>
22	<u>member, Class A-5</u>
23 T-E [and], T-F <u>and T-G</u>	65 with accrual of at least
24	three eligibility points
25	or a combination of age
26	and eligibility points
27	totaling 92, provided the
28	member has accrued at
29	least 35 eligibility
30	points, <u>excluding any</u>



1 eligibility points  
2 accrued as a member of  
3 Class T-G, and if a  
4 multiple service member,  
5 Class

6 \* \* \*

7 "Trust." The School Employees' Defined Contribution Trust  
8 established under Chapter 84 (relating to School Employees'  
9 Defined Contribution Plan).

10 \* \* \*

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

14 "Vestee." A member with five or more eligibility points in a  
15 class of service other than Class T-E, Class T-F, Class T-G or  
16 Class A-5 in the State Employees' Retirement System who has  
17 terminated school service, has left his accumulated deductions  
18 in the fund and is deferring filing of an application for  
19 receipt of an annuity. For Class T-E [and], Class T-F and Class  
20 T-G members, a member with ten or more eligibility points who  
21 has terminated school service, has left his accumulated  
22 deductions in the fund and is deferring filing of an application  
23 for receipt of an annuity.

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

29 Section 102. Section 8103 of Title 24 is amended by adding  
30 subsections to read:

1 § 8103. Construction of part.

2 \* \* \*

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

16 (g) References to certain Federal statutes.--References in  
17 this part to the IRC or the Uniformed Services Employment and  
18 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.  
19 3149), including administrative regulations promulgated under  
20 the IRC or the Uniformed Services Employment and Reemployment  
21 Rights Act of 1994, are intended to include laws and regulations  
22 in effect on or after the effective date of this subsection.

23 (h) Construction.--

24 (1) This part may not be construed to mean that the  
25 limitations on benefits or other requirements under IRC §  
26 401(a) or other applicable provisions of the IRC that are  
27 applicable to participants in the plan do not apply to the  
28 participants or to the members of the system and the benefits  
29 payable under this part.

30 (2) This part may not be construed to mean that an

1 interpretation or application of a provision of this part or  
2 benefits available to members of the Public School Employees'  
3 Retirement System was not in accordance with the provisions  
4 of Part IV or other applicable law, including the IRC and the  
5 Uniformed Services Employment and Reemployment Rights Act of  
6 1994 before the effective date of this subsection.

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

12 (i) Applicability.--The following shall apply:

13 (1) The provisions of this part regarding the  
14 establishment of and participation in the plan shall apply to  
15 current and former members of the system who return to school  
16 service on or after July 1, 2018, after a termination of  
17 school service, notwithstanding the following:

18 (i) Whether the termination occurred before, on or  
19 after July 1, 2018.

20 (ii) Whether the school employee was an annuitant,  
21 inactive member or vestee or withdrew accumulated  
22 deductions during the period of termination.

23 (2) A terminated school employee who returns to school  
24 service on or after July 1, 2018, is subject to the  
25 provisions of this part regarding participation in the plan  
26 or membership in the system that are in effect on the  
27 effective date of reemployment, including, but not limited  
28 to, benefit formulas and accrual rates, eligibility for  
29 annuities and distributions, contribution rates, definitions,  
30 purchase of creditable school and nonschool service

1 provisions, purchase of creditable State and nonstate service  
2 provisions, and actuarial and funding assumptions.

3 Section 102.1. Section 8103.1 of Title 24, added December  
4 28, 2015 (P.L.529, No.93), is amended to read:

5 § 8103.1. Notice to members.

6 Notice by publication, including, but not limited to,  
7 newsletters, newspapers, forms, first class mail, letters,  
8 manuals and electronic notice, including, but not limited to, e-  
9 mail or publicly accessible Internet websites, distributed or  
10 made available to members in a manner reasonably calculated to  
11 give actual notice of the provisions of this part that require  
12 notice to members and participants shall be deemed sufficient  
13 notice for all purposes.

14 Section 103. Title 24 is amended by adding a section to  
15 read:

16 § 8103.2. Reference to Public School Employees' Retirement  
17 System.

18 (a) General rule.--Unless the context clearly indicates  
19 otherwise, a reference to the Public School Employees'  
20 Retirement System in a statutory provision, other than this part  
21 and 71 Pa.C.S. Pt. XXV (relating to retirement for State  
22 employees and officers), shall include a reference to the plan,  
23 and a reference to the Public School Employees' Retirement Fund  
24 shall include a reference to the trust.

25 (b) Certain agreements.--The agreement of an employer to  
26 make contributions to the fund or to enroll its employees as  
27 members in the system shall be deemed to be an agreement to make  
28 contributions to the trust or to enroll its employees in the  
29 plan.

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

1 § 8301. Mandatory and optional membership in the system and  
2 participation in the plan.

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

6 (1) Any officer or employee of the [Department of  
7 Education] department, State-owned educational institutions,  
8 community colleges, area vocational-technical schools,  
9 technical institutes, or [the] The Pennsylvania State  
10 University and who is a member of the State Employees'  
11 Retirement System or a member of another retirement program  
12 approved by the employer.

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

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

24 (4) Any part-time school employee who has an individual  
25 retirement account pursuant to the Federal act of September  
26 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the  
27 Employee Retirement Income Security Act of 1974.

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

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

7 (d) Mandatory participation in plan.--The school employees  
8 who are mandatory members of Class T-G shall be mandatory  
9 participants in the plan as of the effective date of membership  
10 in the system.

11 (e) Optional participation in plan.--The school employees  
12 who are optional members of the system as members of Class T-G  
13 shall be optional participants in the plan. The school employees  
14 who elect membership in the system as members of Class T-G also  
15 elect participation in the plan as of the effective date of  
16 membership in the system.

17 Section 105. Section 8302(a), (b)(1) and (2), (c) and (d) of  
18 Title 24, amended December 28, 2015 (P.L.529, No.93), is amended  
19 and the section is amended by adding a subsection to read:

20 § 8302. Credited school service.

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

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

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

28 (1) the member returns for a period at least equal to  
29 the length of the leave or one year as a member of the system  
30 and, for Class T-G members, the participant returns to school

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

4 (2) the proper contributions are made by the member and  
5 the employer and, for Class T-G members, by the active  
6 participant and the employer.

7 \* \* \*

8 (c) Cancellation of credited service.--

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

12 (i) a member with Class T-G service credit and one  
13 or more other classes of service credit shall not have  
14 his service credit in the classes of service other than  
15 Class T-G canceled when the member receives a lump sum  
16 payment of accumulated deductions relating to the Class  
17 T-G service; and

18 (ii) a member with Class T-G service credit and one  
19 or more other classes of service credit shall not have  
20 his service credit as a member of Class T-G canceled when  
21 the member receives a lump sum payment of accumulated  
22 deductions resulting from the other classes of service.

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

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

29 (1) For purposes of determining whether a member is  
30 eligible to receive credited service in the system for a



1 period of active military service, other than active duty  
2 service to meet periodic training requirements, rendered  
3 after August 5, 1991, and that began before the effective  
4 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73  
5 (relating to military leave of absence) shall apply to all  
6 individuals who were active members of the system when the  
7 period of military service began, notwithstanding if the  
8 member is not defined as an employee under 51 Pa.C.S. § 7301  
9 (relating to definitions).

10 (1.1) School employees may not receive service credit or  
11 exercise the options under 51 Pa.C.S. § 7306(a), (b) and (c)  
12 (relating to retirement rights) for military leaves that  
13 begin on or after the effective date of this subsection,  
14 except otherwise provided under this subsection.

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

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

1 service and been compensated during the period of USERRA  
2 leave, then the school employee shall be granted school  
3 service credit for the period of USERRA leave. The  
4 employee shall have his benefits, rights and obligations  
5 determined under this part as if he was an active member  
6 who performed creditable school service during the USERRA  
7 leave in the job position that he would have held had he  
8 not been on USERRA leave and received the compensation on  
9 which the member contributions to receive school service  
10 credit for the USERRA leave were determined.

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

1 under section 8345(a)(4)(iii) shall be ignored.

2 (iii) A school employee who is reemployed from  
3 USERRA leave as an active member of the system and who  
4 does not make the required member contributions or makes  
5 only part of the required member contributions within the  
6 allowed payment period shall not be:

7 (A) Granted credited service for the period of  
8 USERRA leave for which the required member  
9 contributions were not timely made.

10 (B) Eligible to subsequently make contributions.

11 (C) Granted either school service credit or  
12 nonschool service credit for the period of USERRA  
13 leave for which the required member contributions  
14 were not timely made.

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

25 (4) [A school employee] An active or inactive member  
26 who, on or after the effective date of this subsection, is  
27 granted a leave of absence under section 1178 of the Public  
28 School Code, a leave of absence under 51 Pa.C.S. § 4102  
29 (relating to leaves of absence for certain government  
30 employees) or a military leave under 51 Pa.C.S. Ch. 73, that

1 is not USERRA leave shall be able to receive creditable  
2 nonschool service as nonintervening military service should  
3 the employee return to school service as an active member of  
4 the system and is otherwise eligible to purchase the service  
5 as nonintervening military service.

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

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

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

27 (1) A participant who is reemployed from USERRA leave  
28 shall be treated as not having incurred a break in school  
29 service by reason of the USERRA leave and shall be granted  
30 eligibility points as if the participant had not been on

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

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

26 (3) A participant who performs USERRA leave from which  
27 the employee could have been reemployed from USERRA leave had  
28 the school employee returned to school service in the time  
29 frames required by 38 U.S.C. Ch. 43 for reemployment rights,  
30 but did not do so, shall not be eligible to make mandatory

1 pickup participant contributions or voluntary contributions  
2 for the period of USERRA leave should the employee later  
3 return to school service and be a participant in the plan.

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

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

23 Section. 105.1. Section 8303(c) of Title 24 is amended and  
24 the section is amended by adding a subsection to read:

25 § 8303. Eligibility points for retention and reinstatement of  
26 service credits.

27 \* \* \*

28 (c) Purchase of previous creditable service.--[Every]  
29 Subject to the limitations in subsection (c.1), an active member  
30 of the system or a multiple service member who is an active

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

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

7 (2) as a member of Class T-D for previous creditable  
8 school service, provided the member elects to become a Class  
9 T-D member pursuant to section 8305.1 (relating to election  
10 to become a Class T-D member); or

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

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

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

28 \* \* \*

29 Section 106. Section 8304(a) of Title 24 is amended to read:  
30 § 8304. Creditable nonschool service.

1 (a) Eligibility.--An active member in a class other than  
2 Class T-G, or a multiple service member who is an active member  
3 of the State Employees' Retirement System in a class other than  
4 Class A-5, shall be eligible to receive Class T-C, Class T-E or  
5 Class T-F service credit for creditable nonschool service and  
6 Class T-D, Class T-E or Class T-F service for intervening  
7 military service, provided the member becomes a Class T-D member  
8 pursuant to section 8305.1 (relating to election to become a  
9 Class T-D member) or Class T-F member pursuant to section 8305.2  
10 (relating to election to become a Class T-F member) or 8305  
11 (relating to classes of service), as set forth in subsection (b)  
12 provided that he is not entitled to receive, eligible to receive  
13 now or in the future, or is receiving retirement benefits for  
14 such service under a retirement system administered and wholly  
15 or partially paid for by any other governmental agency or by any  
16 private employer, or a retirement program approved by the  
17 employer in accordance with section 8301(a)(1) (relating to  
18 mandatory and optional membership), and further provided that  
19 such service is certified by the previous employer and the  
20 manner of payment of the amount due is agreed upon by the  
21 member, the employer, and the board. An active member who is a  
22 member of Class T-G or a multiple service member who is a State  
23 employee and an active member of the State Employees' Retirement  
24 System as a member of Class A-5 shall be eligible for Class T-G  
25 service credit for creditable nonschool service as set forth in  
26 subsection (b)(2) for which the member makes the required  
27 contributions to the fund.

28 \* \* \*

29 Section 107. Section 8305(a), (b), (c)(1) and (4), (d) and  
30 (e) of Title 24 are amended and the section is amended by adding



1 a subsection to read:

2 § 8305. Classes of service.

3 (a) Class T-C membership.--A school employee who is a member  
4 of Class T-C on the effective date of this part or who becomes a  
5 member of the system subsequent to the effective date of this  
6 part shall be classified as a Class T-C member, provided the  
7 school employee does not become a member of Class T-D pursuant  
8 to subsection (c) and does not become a member of Class T-G  
9 pursuant to subsection (f).

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

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

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

30 \* \* \*

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

6 (ii) A person who is not a school employee or a  
7 State employee on June 30, 2001, and July 1, 2001, and  
8 who has previous school service shall not receive Class  
9 T-D service credit for school service performed before  
10 July 1, 2001, until the person becomes an active member  
11 or an active member of the State Employees' Retirement  
12 System and a multiple service member and earns three  
13 eligibility points by performing credited school service  
14 in a class other than Class T-G or State service in a  
15 class other than Class A-5 after June 30, 2001. This  
16 subparagraph does not apply to a disability annuitant who  
17 returns to school service after June 30, 2001, upon  
18 termination of the disability annuity.

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

28 (e) Class T-F membership.--Notwithstanding any other  
29 provision, a person who first becomes a school employee and an  
30 active member, or a person who first becomes a multiple service

1 member who is a State employee and a member of the State  
2 Employees' Retirement System, on or after the effective date of  
3 this subsection and who is eligible to become a Class T-E member  
4 shall have the right to elect into Class T-F membership,  
5 provided the person elects to become a Class T-F member pursuant  
6 to section 8305.2 (relating to election to become a Class T-F  
7 member), upon written election filed with the board and payment  
8 of regular member contributions and the shared-risk  
9 contributions, provided the member does not terminate service  
10 and then return to service on or after July 1, 2018.

11 (f) Class T-G membership.--A person who first becomes a  
12 school employee and an active member, or a person who first  
13 becomes a multiple service member who is a State employee and a  
14 member of the State Employees' Retirement System, on or after  
15 July 1, 2018, shall be classified as a Class T-G member upon  
16 payment of regular member contributions and the shared risk  
17 contributions.

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

20 § 8305.1. Election to become a Class T-D member.

21 \* \* \*

22 (c) Effect of election.--An election to become a Class T-D  
23 member shall remain in effect until the termination of  
24 employment. Those members who, on the effective date of this  
25 section, contribute at the rate of 5 1/4% shall be deemed to  
26 have accepted the basic contribution rate of 6 1/2% for all  
27 Class T-D service performed on or after January 1, 2002. Those  
28 members who, on the effective date of this section, contribute  
29 at the rate of 6 1/4% shall be deemed to have accepted the basic  
30 contribution rate of 7 1/2% for all Class T-D service performed

1 on or after January 1, 2002. Upon termination and a subsequent  
2 reemployment that occurs before July 1, 2018, the class of  
3 service of the school employee shall be credited in the class of  
4 service otherwise provided for in this part. If the reemployment  
5 occurs on or after July 1, 2018, the school employee's  
6 eligibility for membership and class of service in the system or  
7 participation in the plan shall be as provided in this part.

8 \* \* \*

9 § 8305.2. Election to become a Class T-F member.

10 \* \* \*

11 (c) Effect of election.--An election to become a Class T-F  
12 member shall be irrevocable and shall commence from the original  
13 date of eligibility[. A member who elects Class T-F membership  
14 shall receive Class T-F service credit on any and all future  
15 service, regardless of whether the member terminates service or  
16 has a break in service.] and shall remain in effect for all  
17 future school service creditable in the system that otherwise  
18 would not be credited as Class T-G service.

19 \* \* \*

20 Section 108.1. Title 24 is amended by adding a section to  
21 read:

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

23 (a) General rule.--A member who returns to school service on  
24 or after July 1, 2018, may make a one-time election to become a  
25 member of Class T-G.

26 (b) Time for making election.--A member must elect to become  
27 a Class T-G member by filing a written election with the board  
28 within 45 days of notification by the board of the member's  
29 eligibility to elect Class T-G membership and participation. A  
30 school employee who is eligible to become a Class T-G member who

1 begins USERRA leave during the election period without having  
2 elected Class T-G membership may make the election within 45  
3 days after being reemployed from USERRA leave.

4 (c) Effect of election.--An election to become a Class T-G  
5 member shall be irrevocable and shall commence from the original  
6 date of the member's return to service. A member who elects  
7 Class T-G membership shall receive Class T-G service credit on  
8 any and all future service, regardless of whether the member  
9 terminates service or has a break in service.

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

14 Section 108.2. Sections 8306 and 8307(b) and (c) of Title 24  
15 are amended to read:

16 § 8306. Eligibility points.

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

27 (a.1) USERRA leave.--A member or participant who is  
28 reemployed from USERRA leave or who dies while performing USERRA  
29 leave shall be granted the eligibility points that he would have  
30 accrued had he continued in his school office or employment

1 instead of performing USERRA leave. If a school employee who is  
2 reemployed from USERRA leave makes the member or mandatory  
3 pickup participant contributions to be granted school service  
4 credit for the USERRA leave, no additional eligibility points  
5 may be granted.

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

7 (1) In determining whether a member, other than a  
8 disability annuitant who returns to school service after June  
9 30, 2001, upon termination of the disability annuity, who is  
10 not a school employee or a State employee on June 30, 2001,  
11 and July 1, 2001, and who has previous school service, has  
12 the five eligibility points required by the definition of  
13 "vestee" in sections 8102 (relating to definitions), 8307  
14 (relating to eligibility for annuities), 8308 (relating to  
15 eligibility for vesting) and 8345 (relating to member's  
16 options), only eligibility points earned by performing  
17 credited school service, USERRA leave credited as an active  
18 member of the system in a class of service other than Class  
19 T-G or credited State service as an active member of the  
20 State Employees' Retirement System in a class other than  
21 Class A-5 after June 30, 2001, shall be counted until such  
22 member earns one such eligibility point by performing  
23 credited school service or credited State service after June  
24 30, 2001, at which time all eligibility points, other than  
25 eligibility points in classes of service other than Class T-G  
26 or Class A-5, as determined under subsection (a) shall be  
27 counted.

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

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

3 (c) Transitional rule for members with Class T-G service  
4 credit.--

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

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

18 (3) Only eligibility points earned as a member of Class  
19 T-G, or if a multiple service member as a member of Class A-5  
20 in the State Employees' Retirement System, shall be  
21 applicable to any provision in this part requiring  
22 eligibility points for the determination or payment of  
23 benefits from the plan.

24 § 8307. Eligibility for annuities.

25 \* \* \*

26 (b) Withdrawal annuity.--

27 (1) A vestee in Class T-C or Class T-D with five or more  
28 eligibility points or an active or inactive Class T-C or  
29 Class T-D member who terminates school service having five or  
30 more eligibility points in classes of service other than

1 Class T-G, or if a multiple service member, Class A-5, shall,  
2 upon filing a proper application, be entitled to receive an  
3 early annuity based on the service credited as a Class T-C or  
4 T-D member.

5 (2) A vestee in Class T-E or Class T-F with ten or more  
6 eligibility points or an active or inactive Class T-E or  
7 Class T-F member who terminates school service having ten or  
8 more eligibility points in classes of service other than  
9 Class T-G, or if a multiple service member, Class A-5, shall,  
10 upon filing a proper application, be entitled to receive an  
11 early annuity based on the service credited as a Class T-E or  
12 T-F member.

13 (3) A vestee in Class T-G with ten or more eligibility  
14 points or an active or inactive Class T-G member who  
15 terminates school service having ten or more eligibility  
16 points credited as a Class T-G member, or if a multiple  
17 service member, as Class A-5, shall, upon filing a proper  
18 application, be entitled to receive an early annuity from the  
19 system based on the eligibility points credited as a Class T-  
20 G or Class A-5 member.

21 (4) A member who is vested with Class T-C, T-D, T-E, T-F  
22 or T-G credited service, shall, upon filing a proper  
23 application, be entitled to receive an early annuity based on  
24 the credited service in each class.

25 (c) Disability annuity.--An active or inactive member who  
26 has [credit for at least five years of service] five or more  
27 eligibility points other than eligibility points resulting from  
28 service as a member of Class T-G, or has five or more  
29 eligibility points as a member of Class T-G, shall, upon filing  
30 of a proper application, be entitled to a disability annuity



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

11 Section 108.3. Section 8308 of Title 24, amended December  
12 28, 2015 (P.L.529, No.93), is amended to read:

13 § 8308. Eligibility for vesting.

14 Eligibility for vesting shall be as follows:

15 (1) Any Class T-C or Class T-D member who terminates  
16 school service with five or more eligibility points shall be  
17 entitled to vest his retirement benefits until the member's  
18 required beginning date. Any Class T-E [or], Class T-F or  
19 Class T-G member who terminates school service with ten or  
20 more eligibility points shall be entitled to vest his  
21 retirement benefits until his required beginning date.

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

29 Section 108.4. (Reserved).

30 Section 108.5. Sections 8310, 8321(a) and 8322.1(a) of Title

1 24, amended December 28, 2015 (P.L.529, No.93), are amended to  
2 read:

3 § 8310. Eligibility for refunds.

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

8 § 8321. Regular member contributions for current service.

9 (a) General.--Regular member contributions shall be made to  
10 the fund on behalf of each active member for current service  
11 except for any period of current service in which the making of  
12 such contributions has ceased solely by reason of any provision  
13 of this part relating to the limitations under IRC § 401(a)(17)  
14 or 415[.] or any provision of this part limiting contributions  
15 applicable to a Class A-5 member.

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

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

20 (1) Until the system has a ten-year period of investment  
21 rate of return experience following the effective date of  
22 this subsection, the look-back period shall begin not earlier  
23 than the effective date of this subsection.

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

30 (3) There shall be no increase in the member

1 contribution rate if there has not been an equivalent  
2 increase to the employer contribution rate over the previous  
3 three-year period.

4 § 8322.1. Pickup contributions.

5 (a) Treatment for purposes of IRC § 414(h).--All  
6 contributions to the fund required to be made under sections  
7 8321 (relating to regular member contributions for current  
8 service), 8322 (relating to joint coverage member contributions)  
9 and 8305 (relating to classes of service), with respect to  
10 current school service rendered by an active member on or after  
11 January 1, 1983, shall be picked up by the employer and shall be  
12 treated as the employer's contribution for purposes of IRC §  
13 414(h).

14 \* \* \*

15 Section 108.6. Sections 8323(a), (c) and (d)(1), 8324(a),  
16 (b), (c) and (d), 8325.1(a), 8326(a) and (c) and 8327 of Title  
17 24 are amended to read:

18 § 8323. Member contributions for creditable school service.

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

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

9 \* \* \*

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

1 State service up to the date of purchase.

2 \* \* \*

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

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

25 \* \* \*

26 § 8324. Contributions for purchase of credit for creditable  
27 nonschool service and noncreditable school service.

28 (a) Source of contributions.--The total contributions to  
29 purchase credit as a member of Class T-C, Class T-E [or], Class  
30 T-F or Class T-G for creditable nonschool service of an active

1 member or an eligible State employee shall be paid either by the  
2 member, the member's previous employer, the Commonwealth, or a  
3 combination thereof, as provided by law.

4 (b) Nonintervening military service.--

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

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

1 Class T-G defined benefit compensation limit, over the first  
2 three years of such subsequent Class T-G service and  
3 multiplying the result by the number of years and fractional  
4 part of a year of creditable nonintervening military service  
5 being purchased together with statutory interest during all  
6 periods of subsequent school service as an active member or  
7 inactive member and State service as an active member or  
8 inactive member on leave without pay of the State Employees'  
9 Retirement System to date of purchase.

10 (3) Upon certification of the amount due, payment may be  
11 made in a lump sum within 90 days or in the case of an active  
12 member or an eligible State employee who is an active member  
13 of the State Employees' Retirement System it may be amortized  
14 with statutory interest through salary deductions to the  
15 system in amounts agreed upon by the member and the board.

16 The salary deduction amortization plans agreed to by members  
17 and the board may include a deferral of payment amounts and  
18 statutory interest until the termination of school service or  
19 State service as the board in its sole discretion decides to  
20 allow. The board may limit salary deduction amortization  
21 plans to such terms as the board in its sole discretion  
22 determines. In the case of an eligible State employee who is  
23 an active member of the State Employees' Retirement System,  
24 the agreed upon salary deductions shall be remitted to the  
25 State Employees' Retirement Board, which shall certify and  
26 transfer to the board the amounts paid. Application may be  
27 filed for all such military service credit upon completion of  
28 three years of subsequent credited school service and shall  
29 be credited as Class T-C service. In the event that a Class  
30 T-E member makes a purchase of credit for such military



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

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

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

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

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

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

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

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

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

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

1 remitted to the State Employees' Retirement Board, which  
2 shall certify and transfer to the board the amounts paid.

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

25 \* \* \*

26 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

27 (a) General rule.--In addition to other applicable  
28 limitations set forth in this part, and notwithstanding any  
29 provision of this part to the contrary, the annual compensation  
30 of each noneligible member and each participant taken into

1 account for benefit purposes under this subchapter shall not  
2 exceed the limitation under IRC § 401(a)(17). On and after July  
3 1, 1996, any reference in this part to the limitation under IRC  
4 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of  
5 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual  
6 compensation limit set forth in this subsection. The OBRA '93  
7 annual compensation limit is \$150,000, as adjusted by the  
8 commissioner for increases in the cost of living in accordance  
9 with IRC § 401(a)(17)(B). The cost-of-living adjustment in  
10 effect for a calendar year applies to any determination period  
11 which is a period, not exceeding 12 months, over which  
12 compensation is determined, beginning in such calendar year. If  
13 a determination period consists of fewer than 12 months, the  
14 OBRA '93 compensation limit will be multiplied by a fraction,  
15 the numerator of which is the number of months in the  
16 determination period and the denominator of which is 12.

17 \* \* \*

18 § 8326. Contributions by the Commonwealth.

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

1 the employee been a member of the Public School Employees'  
2 Retirement System.

3 \* \* \*

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

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

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

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

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

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

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

27 \* \* \*

28 § 8327. Payments by employers.

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

30 (1) For payments prior to June 30, 2018, each employer,

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

21 (2) For payments after June 30, 2018, each employer,  
22 including the Commonwealth as employer of employees of the  
23 department, State-owned colleges and universities, Thaddeus  
24 Stevens College of Technology, Western Pennsylvania School  
25 for the Deaf and The Pennsylvania State University, shall  
26 make payments to the fund each month in an amount equal to  
27 one-half the sum of the percentages, as determined under  
28 section 8328, applied to the total compensation during the  
29 pay periods in the preceding month of all its employees who  
30 were members of the system during such period, including

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

11 (b) Deduction from appropriations.--

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

25 (2) To facilitate the payments of amounts due from any  
26 charter school, as defined in Article XVII-A of the act of  
27 March 10, 1949 (P.L.30, No.14), known as the Public School  
28 Code of 1949, to the fund and the trust through the State  
29 Treasurer and to permit the exchange of credits between the  
30 State Treasurer and any employer, the Secretary of Education



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

16 (c) Payments by employers after June 30, 1995, and before  
17 July 1, 2018.--After June 30, 1995, and before July 1, 2018,  
18 each employer, including the Commonwealth as employer of  
19 employees of the [Department of Education] department, State-  
20 owned colleges and universities, Thaddeus Stevens College of  
21 Technology, Western Pennsylvania School for the Deaf[, Scotland  
22 School for Veterans' Children] and The Pennsylvania State  
23 University, shall make payments to the fund and the trust each  
24 quarter in an amount computed in the following manner:

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

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

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

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

25 (d) Payments by employers after June 30, 2018.--After June  
26 30, 2018, each employer, including the Commonwealth as employer  
27 of employees of the department, State-owned colleges and  
28 universities, Thaddeus Stevens College of Technology, Western  
29 Pennsylvania School for the Deaf and The Pennsylvania State  
30 University, shall make payments to the fund and the trust each

1 month in an amount computed in the following manner:

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

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

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

1 application by the employer, be returned to the employer with  
2 valuation interest.

3 (e) Deemed agreed to.--The agreement of an employer listed  
4 in the definition of school employee under section 8102  
5 (relating to definitions) or any other law to make contributions  
6 to the fund or to enroll its employees as members in the system  
7 shall be deemed to be an agreement to make contributions to the  
8 trust or enroll its employees in the plan.

9 (f) Contributions.--The employer employing a participant  
10 shall pick up the required mandatory participant contributions  
11 by a reduction in the compensation of the participant.

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

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

28 § 8328. Actuarial cost method.

29 (a) Employer contribution rate.--The amount of the total  
30 employer contributions shall be computed by the actuary as a

1 percentage of the total compensation of all active members and  
2 active participants, as applicable, during the period for which  
3 the amount is determined and shall be so certified by the board.  
4 The total employer contribution rate shall be the sum of the  
5 final contribution rate as computed in subsection (h) plus the  
6 premium assistance contribution rate as computed in subsection  
7 (f). The actuarially required contribution rate shall consist of  
8 the normal contribution rate as defined in subsection (b), the  
9 accrued liability contribution rate as defined in subsection (c)  
10 and the supplemental annuity contribution rate as defined in  
11 subsection (d). Beginning July 1, 2004, the actuarially required  
12 contribution rate shall be modified by the experience adjustment  
13 factors as calculated in subsection (e).

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

15 (1) For fiscal years ending before July 1, 2018, the  
16 normal contribution rate shall be determined after each  
17 actuarial valuation. Until all accrued liability  
18 contributions have been completed, the normal contribution  
19 rate shall be determined, on the basis of an annual interest  
20 rate and such mortality and other tables as shall be adopted  
21 by the board in accordance with generally accepted actuarial  
22 principles, as a level percentage of the compensation of the  
23 average new active member, which percentage, if contributed  
24 on the basis of his prospective compensation through the  
25 entire period of active school service, would be sufficient  
26 to fund the liability for any prospective benefit payable to  
27 him, in excess of that portion funded by his prospective  
28 member contributions, excluding the shared-risk  
29 contributions.

30 (2) For fiscal years beginning on or after July 1, 2018,

1 the normal contribution rate shall be determined after each  
2 actuarial valuation. Until all accrued liability  
3 contributions have been completed, the normal contribution  
4 rate shall be determined, on the basis of an annual interest  
5 rate and such mortality and other tables as shall be adopted  
6 by the board in accordance with generally accepted actuarial  
7 principles, as a level percentage of the compensation of all  
8 active members in classes of service other than Class T-G,  
9 and for Class T-G members, as limited:

10 (i) By the defined benefit compensation limit.

11 (ii) To Class T-G members who have less than 30  
12 eligibility points as a member of Class T-G, or if a  
13 multiple service member, as a member of Class A-5, which  
14 percentage, if contributed on the basis of the member's  
15 prospective compensation through the entire period of  
16 active school service, as limited by the defined benefit  
17 compensation limit or any provision of this part limiting  
18 contributions applicable to a Class T-G member, would be  
19 sufficient to fund the liability for any prospective  
20 benefit payable to him, in excess of that portion funded  
21 by his prospective member contributions, excluding the  
22 shared-risk contributions. In no case shall the employer  
23 normal cost be less than zero.

24 (c) Accrued liability contribution rate.--

25 \* \* \*

26 (4) For the fiscal year beginning July 1, 2011, the  
27 accrued liability contribution rate shall be computed as the  
28 rate of total compensation of all active members which shall  
29 be certified by the actuary as sufficient to fund as a level  
30 percentage of compensation over a period of 24 years from

1 July 1, 2011, the present value of the liabilities for all  
2 prospective benefits calculated as of June 30, 2010,  
3 including the supplemental benefits as provided in sections  
4 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and  
5 8348.7, in excess of the actuarially calculated assets in the  
6 fund (calculated recognizing all realized and unrealized  
7 investment gains and losses each year in level annual  
8 installments over a ten-year period). In the event that the  
9 accrued liability is increased by legislation enacted  
10 subsequent to June 30, 2010, but before July 1, 2018, such  
11 additional liability shall be funded as a level percentage of  
12 compensation over a period of ten years from the July 1  
13 second succeeding the date such legislation is enacted.

14 (5) For fiscal years beginning on or after July 1, 2018,  
15 the actuarially calculated assets in the fund determined in  
16 accordance with paragraph (4) shall be no less than 70% and  
17 no more than 130% of market value. In the event that the  
18 accrued liability is changed by legislation enacted  
19 subsequent to June 30, 2016, such change in liability shall  
20 be funded as a level percentage of compensation of all active  
21 members and active participants, as applicable, over a period  
22 of ten years from the July 1 second succeeding the date such  
23 legislation is enacted.

24 (d) Supplemental annuity contribution rate.--

25 \* \* \*

26 (2) For fiscal years beginning July 1, 2011, and ending  
27 June 30, 2018, contributions from the Commonwealth and other  
28 employers whose employees are members of the system required  
29 to provide for the payment of supplemental annuities as  
30 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,

1 8348.5, 8348.6 and 8348.7 shall be paid as part of the  
2 accrued liability contribution rate as provided for in  
3 subsection (c)(4), and there shall not be a separate  
4 supplemental annuity contribution rate attributable to those  
5 supplemental annuities. In the event that supplemental  
6 annuities are increased by legislation enacted subsequent to  
7 June 30, 2010, [the] but before July 1, 2016, such additional  
8 liability for the increase in benefits shall be funded as a  
9 level percentage of compensation over a period of ten years  
10 from the July 1 second succeeding the date such legislation  
11 is enacted.

12 (3) For fiscal years beginning on or after July 1, 2018,  
13 contributions from employers whose employees are members of  
14 the system required to provide for the payment of  
15 supplemental annuities as provided in sections 8348, 8348.1,  
16 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be  
17 paid as part of the accrued liability contribution rate as  
18 provided for in subsection (c)(4), and there shall not be a  
19 separate supplemental annuity contribution rate attributable  
20 to those supplemental annuities. In the event that  
21 supplemental annuities are increased by legislation enacted  
22 subsequent to June 30, 2016, the additional liability for the  
23 increase in benefits shall be funded as a level percentage of  
24 compensation of all active members and active participants  
25 over a period of ten years from the July 1 second succeeding  
26 the date such legislation is enacted.

27 (e) Experience adjustment factor.--

28 (1) For each year after the establishment of the accrued  
29 liability contribution rate for the fiscal year beginning  
30 July 1, 2011, and ending June 30, 2018, any increase or



1 decrease in the unfunded accrued liability, excluding the  
2 gains or losses on the assets of the health insurance  
3 account, due to actual experience differing from assumed  
4 experience, changes in actuarial assumptions, changes in  
5 contributions caused by the final contribution rate being  
6 different from the actuarially required contribution rate,  
7 active members making shared-risk contributions or changes in  
8 the terms and conditions of the benefits provided by the  
9 system by judicial, administrative or other processes other  
10 than legislation, including, but not limited to,  
11 reinterpretation of the provisions of this part, shall be  
12 amortized as a level percentage of compensation over a period  
13 of 24 years beginning with the July 1 second succeeding the  
14 actuarial valuation determining said increases or decreases.

15 (2) [(Reserved).] For fiscal years beginning on or after  
16 July 1, 2018, any increase or decrease in the unfunded  
17 accrued liability, excluding the gains or losses on the  
18 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 the compensation  
28 of all active members and active participants over a period  
29 of 24 years beginning with the July 1 second succeeding the  
30 actuarial valuation determining such increases or decreases.

1 \* \* \*

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

3 \* \* \*

4 (3) For purposes of applying the collared contribution  
5 rate, compensation for determining the normal contribution  
6 rate shall be defined as the total compensation of all active  
7 members and active participants, as applicable.

8 \* \* \*

9 Section 110. Section 8330 of Title 24 is amended to read:

10 § 8330. Appropriations by the Commonwealth.

11 (a) Annual submission of budget.--The board shall prepare  
12 and through the Governor submit annually to the General Assembly  
13 an itemized budget consisting of the amounts necessary to be  
14 appropriated by the Commonwealth out of the General Fund  
15 required to meet the separate obligations to the fund and the  
16 trust accruing during the fiscal period beginning July 1 of the  
17 following year.

18 (b) Appropriation and payment.--The General Assembly shall  
19 make an appropriation sufficient to provide for the separate  
20 obligations of the Commonwealth to the fund and the trust. Such  
21 amount shall be paid by the State Treasurer through the  
22 Department of Revenue into the fund or the trust, as the case  
23 may be, within 30 days of receipt of the requisition presented  
24 each quarter by the board.

25 Section 110.1. Section 8341 of Title 24, amended December  
26 28, 2015 (P.L.529, No.93), is amended to read:

27 § 8341. Return of accumulated deductions.

28 Any member upon termination of service may, in lieu of all  
29 benefits payable from the system under this chapter to which he  
30 may be entitled, elect to receive his accumulated deductions by

1 his required beginning date.

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

5 § 8342. Maximum single life annuity.

6 (a) General rule.--Upon termination of service, any full  
7 coverage member who is eligible to receive an annuity pursuant  
8 to the provisions of section 8307(a) or (b) (relating to  
9 eligibility for annuities) and has made an application in  
10 accordance with the provisions of section 8507(f) (relating to  
11 rights and duties of school employees [and members], members and  
12 participants) shall be entitled to receive a maximum single life  
13 annuity attributable to his credited service and equal to the  
14 sum of the following single life annuities beginning at the  
15 effective date of retirement and, in case the member on the  
16 effective date of retirement is under superannuation age,  
17 multiplied by a reduction factor calculated to provide benefits  
18 actuarially equivalent to an annuity starting at superannuation  
19 age: Provided however, That on or after July 1, 1976, in the  
20 case of any member in a class of service other than T-G, or if a  
21 multiple service member, Class A-5, who has attained age 55 and  
22 has 25 or more eligibility points, or in the case of a Class T-G  
23 member, who has attained the age of 60 and has 25 or more  
24 eligibility points, such sum of single life annuities shall be  
25 reduced by a percentage determined by multiplying the number of  
26 months, including a fraction of a month as a full month, by  
27 which the effective date of retirement precedes superannuation  
28 age by 1/4%: Further provided, In no event shall a Class T-E or  
29 Class T-F member receive an annual benefit, calculated as of the  
30 effective date of retirement, greater than the member's final

1 average salary attributable to Class T-E or T-F service:

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

7 (2) A standard single life annuity multiplied by the  
8 class of service multiplier and calculated on the basis of  
9 the number of years of concurrent service and multiplied by  
10 the ratio of total compensation received in the school system  
11 during the period of concurrent service to the total  
12 compensation received during such period.

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

17 \* \* \*

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

23 § 8344. Disability annuities.

24 (a) Amount of annuity.--A member who has made application  
25 for a disability annuity as provided in section 8507(k)  
26 (relating to rights and duties of school employees [and  
27 members], members and participants) and has been found to be  
28 eligible in accordance with the provisions of sections 8307(c)  
29 (relating to eligibility for annuities) and 8505(c)(1) (relating  
30 to duties of board regarding applications and elections of

1 members) shall receive a disability annuity payable from the  
2 effective date of disability and continued until a subsequent  
3 determination by the board that the annuitant is no longer  
4 entitled to a disability annuity. The disability annuity shall  
5 be a single life annuity that is equal to a sum of the standard  
6 single life [annuity] annuities determined separately for each  
7 class of service if the total number of years of credited  
8 service is greater than 16.667, otherwise [the] each standard  
9 single life annuity shall be multiplied by the lesser of the  
10 following ratios:

11 
$$Y^*/Y \text{ or } 16.667/Y$$

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

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

1 may be entitled under section 8342, whichever is greater.

2 \* \* \*

3 (d) Withdrawal of accumulated deductions.--Upon termination  
4 of disability annuity payments in excess of an annuity  
5 calculated in accordance with section 8342, a disability  
6 annuitant who:

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

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

15 \* \* \*

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

21 Section 112. Sections 8345(a) and 8346 of Title 24, amended  
22 December 28, 2015 (P.L.529, No.93), are amended to read:

23 § 8345. Member's options.

24 (a) General rule.--Any Class T-C or Class T-D member who is  
25 [a vestee with five or more eligibility points, any Class T-E  
26 or], Class T-F or Class T-G member who is a vestee with ten or  
27 more eligibility points, or any [other] eligible member upon  
28 termination of school service [who has not withdrawn his  
29 accumulated deductions as provided in section 8341 (relating to  
30 return of accumulated deductions)] who is eligible to receive an

1 annuity may apply for and elect to receive either a maximum  
2 single life annuity, as calculated in accordance with the  
3 provisions of section 8342 (relating to maximum single life  
4 annuity), or a reduced annuity certified by the actuary to be  
5 actuarially equivalent to the maximum single life annuity and in  
6 accordance with one of the following options, except that no  
7 member shall elect an annuity payable to one or more survivor  
8 annuitants other than his spouse or alternate payee of such a  
9 magnitude that the present value of the annuity payable to him  
10 for life plus any lump sum payment he may have elected to  
11 receive is less than 50% of the present value of his maximum  
12 single life annuity and no member may elect a payment option  
13 that would provide benefits that do not satisfy the minimum  
14 distribution requirements or would violate the incidental death  
15 benefit rules of IRC § 401(a)(9). In no event shall a Class T-E  
16 or Class T-F member receive an annual benefit, calculated as of  
17 the effective date of retirement, greater than the member's  
18 final average salary.

- 19 (1) Option 1.--A life annuity to the member with:
- 20 (i) a guaranteed total payment attributable to  
21 classes of service other than Class T-G equal to the  
22 present value of the maximum single life annuity  
23 attributable to classes of service other than Class T-G  
24 on the effective date of retirement with the provision  
25 that, if, at his death, he has received less than such  
26 present value, the unpaid balance shall be payable to his  
27 beneficiary[.]; and
- 28 (ii) a guaranteed total payment attributable to  
29 Class T-G service equal to the present value of the  
30 maximum single life annuity attributable to Class T-G

1 service on the effective date of retirement with the  
2 provision that, if, at his death, he has received less  
3 than such present value, the unpaid balance shall be  
4 payable to his beneficiary.

5 (2) Option 2.--A joint and survivor annuity payable  
6 during the lifetime of the member with the full amount of  
7 such annuity payable thereafter to his survivor annuitant, if  
8 living at his death.

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

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

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

19 (ii) The sum of all annuities payable to the  
20 designated survivor annuitants shall not be greater than  
21 the annuity payable to the member.

22 (iii) A portion of the benefit may be payable as a  
23 lump sum, except that such lump sum payment shall not  
24 exceed an amount equal to the accumulated deductions  
25 standing to the credit of the member. The balance of the  
26 present value of the maximum single life annuity adjusted  
27 in accordance with section 8342(b) shall be paid in the  
28 form of an annuity with a guaranteed total payment, a  
29 single life annuity, or a joint and survivor annuity or  
30 any combination thereof but subject to the restrictions



1 of subparagraphs (i) and (ii) of this paragraph. [This  
2 subparagraph shall not apply to a Class T-E or Class T-F  
3 member.] For purposes of this subparagraph, the term  
4 "actuarially equivalent," as applied to a lump sum  
5 withdrawal attributable to contributions credited to the  
6 member's savings account of Class T-E, Class T-F or Class  
7 T-G members, together with statutory interest thereon,  
8 shall mean equal present values, computed on the basis of  
9 the interest rate and the mortality and other tables as  
10 adopted by the board under section 8328(b) (relating to  
11 actuarial cost method) in effect on the effective date of  
12 retirement of the member.

13 \* \* \*

14 § 8346. Termination of annuities.

15 (a) General rule.--If an annuitant returns to school service  
16 or enters or has entered State service and elects multiple  
17 service membership, any annuity payable to him under this part  
18 shall cease effective upon the date of his return to school  
19 service or entering State service without regard to whether he  
20 is a mandatory, optional or prohibited member of the system or  
21 participant in the plan or, if a multiple service member,  
22 whether he is a mandatory, optional or prohibited member or  
23 participant of the State Employees' Retirement System or State  
24 Employees' Defined Contribution Plan and in the case of an  
25 annuity other than a disability annuity the present value of  
26 such annuity, adjusted for full coverage in the case of a joint  
27 coverage member who makes the appropriate back contributions for  
28 full coverage, shall be frozen as of the date such annuity  
29 ceases. An annuitant who is credited with an additional 10% of  
30 membership service as provided in section 8302(b.2) (relating to

1 credited school service) and who returns to school service,  
2 except as provided in subsection (b), shall forfeit such  
3 credited service and shall have his frozen present value  
4 adjusted as if his 10% retirement incentive had not been applied  
5 to his account. In the event that the cost-of-living increase  
6 enacted December 18, 1979, occurred during the period of such  
7 State or school employment, the frozen present value shall be  
8 increased, on or after the member attains superannuation age, by  
9 the percent applicable had he not returned to service.

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

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

4 (a.2) Return of benefits paid during USERRA leave.--If a  
5 former school employee is reemployed from USERRA leave who had  
6 received any payments or annuity from the system during the  
7 USERRA leave, the employee shall return to the board the amount  
8 received plus statutory interest. The amount payable shall be  
9 certified by the board in accordance with methods approved by  
10 the actuary and:

11 (1) shall be paid in a lump sum within 30 days; or

12 (2) in the case of an active member, may be amortized  
13 with statutory interest through salary deductions in amounts  
14 agreed upon by the member and the board for not longer than a  
15 period that starts with the date of reemployment and  
16 continuing for up to three times the length of the member's  
17 immediate past period of USERRA leave. A repayment period  
18 under this paragraph may not exceed five years or a longer  
19 time as agreed to between the board and the member.

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

1 contributions may be made by the annuitant, the employer or the  
2 Commonwealth on account of such employment. Such service shall  
3 not be subject to member contributions or be eligible for  
4 qualification as creditable school service or for participation  
5 in the plan, mandatory pickup participant contributions or  
6 employer defined contributions.

7 (b.1) Return to school service in an extracurricular  
8 position.--

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

28 (2) Nothing in this subsection shall be construed to  
29 abridge or limit any rights provided under a collective  
30 bargaining agreement or any rights provided under the act of

1 July 23, 1970 (P.L.563, No.195), known as the Public Employe  
2 Relations Act.

3 (3) For purposes of this subsection, the term  
4 "extracurricular position" means a contract position filled  
5 by an annuitant that is separate from the established  
6 academic course structure, including the position of athletic  
7 director.

8 (b.2) Limitation on return to school service by an annuitant  
9 during emergency or in an extracurricular position.--

10 (1) An annuitant may return to school service under  
11 subsection (b) or (b.1), provided the annuitant otherwise  
12 meets the requirements of subsection (b) or (b.1) and has  
13 attained the age set forth in IRC § 401(a)(36) or the  
14 applicable "normal retirement age" in 26 C.F.R. § 1.401(a)-  
15 1(b)(2) (relating to post-ERISA qualified plans and qualified  
16 trusts; in general).

17 (2) An annuitant who has not reached the age as set  
18 forth in IRC § 401(a)(36), or the applicable "normal  
19 retirement age" under 26 C.F.R. § 1.401(a)-1(b)(2), may  
20 return to service under subsection (b) or (b.1) provided the  
21 annuitant otherwise meets the requirements of subsection (b)  
22 or (b.1) and has had a break in service, as set forth in  
23 paragraph (3).

24 (3) For purposes of this subsection, a break in service  
25 occurs when a member has a bona fide termination of service.  
26 The following factors will be considered in determining  
27 whether there had been a bona fide termination of service:

28 (i) whether the change in the employment  
29 relationship is more than a formal or technical change,  
30 requiring the severing of the employment connection with

1 the employer;

2 (ii) whether there has been a reasonable  
3 anticipation or prearranged agreement between the member  
4 and the employer that a return to school service under  
5 this section shall take place;

6 (iii) the amount of time that has elapsed from the  
7 date the member becomes an annuitant and the return to  
8 school service;

9 (iv) whether the services are a continuation of the  
10 annuitant's previous service with the same employer; and

11 (v) such other factors as the board may deem  
12 appropriate.

13 (c) Subsequent discontinuance of service.--Upon subsequent  
14 discontinuance of service, such [member] terminating school  
15 employee other than a former annuitant who had the effect of his  
16 frozen present value eliminated in accordance with subsection  
17 (d) or a former disability annuitant shall be entitled to an  
18 annuity which is actuarially equivalent to [the sum of] the  
19 present value as determined under subsection (a) [and the] to  
20 which shall be added, if the service after reemployment was as a  
21 member of the system:

22 (1) The present value of a maximum single life annuity  
23 based on years of service credited in classes of service  
24 other than Class T-G subsequent to reentry in the system and  
25 his final average salary computed by reference to his  
26 compensation for service credited in classes of service other  
27 than Class T-G as a member of the system or as Class A-5 as a  
28 member of the State Employees' Retirement System during his  
29 entire period of school and State service.

30 (2) If eligible, the present value of a maximum single

1 life annuity based on years of service credited in Class T-G  
2 subsequent to reentry in the system and his final average  
3 salary computed by reference to his compensation for service  
4 credited in Class T-G and Class A-5 during his entire period  
5 of school and State service.

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

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

14 (i) is a multiple service member; or

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

30 (2) Upon subsequent discontinuance of service and the

1 filing of an application for an annuity, a former annuitant  
2 who qualifies to have the effect of a frozen present value  
3 eliminated under this subsection shall be entitled to receive  
4 the higher of either:

5 (i) an annuity (prior to optional modification)  
6 calculated as if the freezing of the former annuitant's  
7 account pursuant to subsection (a) had not occurred,  
8 adjusted by crediting Class T-C school service as Class  
9 T-D service as provided for in section 8305(c) (relating  
10 to classes of service) and further adjusted according to  
11 paragraph (3), provided that a former annuitant of the  
12 system or a former annuitant of the State Employees'  
13 Retirement System who retired under a provision of law  
14 granting additional service credit if termination of  
15 school or State service or retirement occurred during a  
16 specific period of time shall not be permitted to retain  
17 the additional service credit under the prior law when  
18 the annuity is computed for his most recent retirement;  
19 or

20 (ii) an annuity (prior to optional modification)  
21 calculated as if the former annuitant did not qualify to  
22 have the effect on the frozen present value eliminated,  
23 unless the former annuitant notifies the board in writing by  
24 the later of the date the application for annuity is filed or  
25 the effective date of retirement that the former annuitant  
26 wishes to receive the lower annuity.

27 (3) In addition to any other adjustment to the present  
28 value of the maximum single life annuity that a member may be  
29 entitled to receive that occurs as a result of any other  
30 provision of law, the present value of the maximum single



1 life annuity shall be reduced by all amounts paid or payable  
2 to him during all previous periods of retirement plus  
3 interest on these amounts until the date of subsequent  
4 retirement. The interest for each year shall be calculated  
5 based upon the annual interest rate adopted for that school  
6 year by the board for the calculation of the normal  
7 contribution rate pursuant to section 8328(b) (relating to  
8 actuarial cost method).

9 Section 113. Section 8347(a) and (d) of Title 24 are amended  
10 and the section is amended by adding subsections to read:

11 § 8347. Death benefits.

12 (a) Members eligible for annuities.--

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

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

26 \* \* \*

27 (b.1) Members eligible for annuities in some classes of  
28 service and ineligible in other classes of service.--In the  
29 event of the death of a member who is eligible for an annuity  
30 based on service credited in some classes of service and not

1 eligible for an annuity for service credited in other classes of  
2 service, a benefit shall be paid under subsection (a) based on  
3 the service for which an annuity is deemed payable in addition  
4 to payment under subsection (b) of the accumulated deductions  
5 attributable to service for which the member was not eligible  
6 for an annuity.

7 \* \* \*

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

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

24 (2) Who has elected to receive a maximum disability  
25 annuity before he has received in annuity payments an amount  
26 equal to the present value, on the effective date of  
27 disability, of the benefits attributable to Class T-G service  
28 to which he would have been entitled under subsection (a) had  
29 he died while in school service, the balance of such amount  
30 shall be paid to his designated beneficiary, except that, in

1 the event of the death of a disability annuitant who was not  
2 entitled to receive benefits attributable to Class T-G  
3 service under subsection (a), his beneficiary shall be paid  
4 the accumulated deductions standing to his credit on the  
5 effective date of disability less the total payments received  
6 on account of his member's annuity.

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

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

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

23 \* \* \*

24 Section 113.1. Section 8349(a) and (b) of Title 24, amended  
25 December 28, 2015 (P.L.529, No.93), are amended to read:

26 § 8349. Payment of benefits.

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

30 (b) Death benefits.--If the amount of a death benefit

1 payable from the fund to a beneficiary of a member under section  
2 8347 (relating to death benefits) or under the provisions of  
3 Option 1 of section 8345(a) (1) (relating to member's options) is  
4 \$10,000 or more, such beneficiary may elect to receive payment  
5 according to one of the following options:

6 (1) A lump sum payment.

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

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

12 \* \* \*

13 Section 114. Title 24 is amended by adding a chapter to  
14 read:

15 CHAPTER 84

16 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

17 Sec.

18 8401. Establishment.

19 8402. Plan document.

20 8403. Individual investment accounts.

21 8404. Participant contributions.

22 8405. Mandatory pickup participant contributions.

23 8406. Employer defined contributions.

24 8406.1. Use of plan savings.

25 8407. Eligibility for benefits.

26 8408. Death benefits.

27 8409. Vesting.

28 8410. Termination of distributions.

29 8411. Agreements with financial institutions and other  
30 organizations.

1 8412. Powers and duties of board.  
2 8413. Responsibility for investment loss.  
3 8414. Investments based on participants' investment allocation  
4 choices.  
5 8415. Expenses.  
6 8416. Tax qualification.  
7 8417. Establishment of School Employees' Defined Contribution  
8  Holding Vehicle Trust.  
9 § 8401. Establishment.

10 (a) School Employees' Defined Contribution Plan.--The School  
11 Employees' Defined Contribution Plan is established. The board  
12 shall administer and manage the plan, which shall be a defined  
13 contribution plan exclusively for the benefit of those school  
14 employees who participate in the plan and their beneficiaries  
15 within the meaning of and in conformity with IRC § 401(a). The  
16 board shall determine the terms and provisions of the plan not  
17 inconsistent with this part, the IRC and other applicable law  
18 and shall provide for the plan's administration.

19 (b) School Employees' Defined Contribution Trust.--The  
20 School Employees' Defined Contribution Trust is established as  
21 part of the plan in accordance with this part. The trust shall  
22 be comprised of the individual investment accounts and all  
23 assets and moneys in those accounts. The members of the board  
24 shall be the trustees of the trust, which shall be administered  
25 exclusively for the benefit of those school employees who  
26 participate in the plan and their beneficiaries within the  
27 meaning of and in conformity with IRC § 401(a). The board shall  
28 determine the terms and provisions of the trust not inconsistent  
29 with this part, the IRC and other applicable law and shall  
30 provide for the investment and administration of the trust.

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

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

23 § 8402. Plan document.

24 The board shall set forth the terms and provisions of the  
25 plan and trust in a document containing the terms and conditions  
26 of the plan and in a trust declaration that shall be published  
27 in the Pennsylvania Bulletin. The creation of the document  
28 containing the terms and conditions of the plan and the trust  
29 declaration and the establishment of the terms and provisions of  
30 the plan and the trust need not be promulgated by regulation or

1 formal rulemaking and shall not be subject to the act of July  
2 31, 1968 (P.L.769, No.240), referred to as the Commonwealth  
3 Documents Law. A reference in this part or other law to the plan  
4 shall include the plan document unless the context clearly  
5 indicates otherwise.

6 § 8403. Individual investment accounts.

7 The board:

8 (1) Shall establish in the trust an individual  
9 investment account for each participant in the plan. All  
10 contributions by a participant or an employer for or on  
11 behalf of a participant shall be credited to the  
12 participant's individual investment account, together with  
13 all interest and investment earnings and losses. Investment  
14 and administrative fees, costs and expenses shall be charged  
15 to the participant's individual investment accounts.

16 (2) Shall separately track participant contributions,  
17 including investment gains and losses, and employer  
18 contributions, including investment gains and losses, but all  
19 interest, investment gains and losses and administrative  
20 fees, costs and expenses shall be allocated proportionately.

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

26 § 8404. Participant contributions.

27 (a) Mandatory contributions.--A participant shall make  
28 mandatory pickup participant contributions through payroll  
29 deductions to the participant's individual investment account  
30 for required school service. The employer shall cause the pickup

1 contributions for required service to be made and deducted from  
2 each payroll or on a schedule established by the board.

3 (b) Voluntary contributions.--A participant may make  
4 voluntary contributions through direct trustee-to-trustee  
5 transfers or through transfers of money received in an eligible  
6 rollover into the trust to the extent allowed by IRC § 402.  
7 Rollovers shall be made in a form and manner as determined by  
8 the board, shall be credited to the participant's individual  
9 investment account and shall be separately accounted for by the  
10 board.

11 (c) Prohibition on contributions.--No contributions shall be  
12 allowed that would cause a violation of the limitations related  
13 to contributions applicable to governmental plans contained in  
14 IRC § 415 or in other provisions of law. In the event that any  
15 disallowed contributions are made, any participant contributions  
16 in excess of the limitations and investment earnings on those  
17 contributions shall be refunded to the participant by the board.  
18 § 8405. Mandatory pickup participant contributions.

19 (a) Treatment for purposes of IRC § 414(h).--The  
20 contributions to the trust required to be made under section  
21 8404(a) (relating to participant contributions) with respect to  
22 required school service rendered by an active participant shall  
23 be picked up by the employer and shall be treated as the  
24 employer's contribution for purposes of IRC § 414(h). After the  
25 effective date of this section, an employer employing a  
26 participant in the plan shall pick up the required mandatory  
27 participant contributions by a reduction in the compensation of  
28 the participant.

29 (b) Treatment for other purposes.--For all other purposes  
30 under this part and otherwise, mandatory pickup participant



1 contributions shall be treated as contributions made by a  
2 participant in the same manner and to the same extent as if the  
3 contributions were made directly by the participant and not  
4 picked up.

5 § 8406. Employer defined contributions.

6 (a) Contributions for service.--The employer of a  
7 participant shall make employer defined contributions for  
8 service of an active participant that shall be credited to the  
9 active participant's individual investment account. Employer  
10 defined contributions must be recorded and accounted for  
11 separately from participant contributions.

12 (b) Contributions resulting from participants reemployed  
13 from USERRA leave.--When a school employee reemployed from  
14 USERRA leave makes the mandatory pickup participant  
15 contributions permitted to be made for the USERRA leave, the  
16 employer by whom the school employee is employed at the time the  
17 participant contributions are made shall make whatever employer  
18 defined contributions would have been made under this section  
19 had the employee making the participant contributions after  
20 being reemployed from USERRA leave continued to be employed in  
21 the employee's school position instead of performing USERRA  
22 leave. The employer defined contributions shall be placed in the  
23 participant's individual investment account as otherwise  
24 provided by this part.

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

1 earnings thereon shall be refunded to the employer by the board.

2 § 8406.1. Use of plan savings.

3 (a) Determination.--The system shall determine the  
4 difference between:

5 (1) The current aggregate employer contributions and the  
6 aggregate employer contributions that would have been  
7 required by Act 120 of 2010.

8 (2) The current plan expenditures and the plan  
9 expenditures that would have been required by Act 120 of  
10 2010.

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

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

17 (d) Definition.--As used in this section, the term "Act 120  
18 of 2010" shall mean the act of November 23, 2010 (P.L.1269,  
19 No.120), entitled, "An act amending Titles 24 (Education) and 71  
20 (State Government) of the Pennsylvania Consolidated Statutes, in  
21 Title 24, further providing for definitions, for mandatory and  
22 optional membership, for contributions by the Commonwealth, for  
23 payments by employers, for actuarial cost method, for additional  
24 supplemental annuities, for further additional supplemental  
25 annuities, for supplemental annuities commencing 1994, for  
26 supplemental annuities commencing 1998, for supplemental  
27 annuities commencing 2002, for supplemental annuities commencing  
28 2003, for administrative duties of board, for payments to school  
29 entities by Commonwealth, for eligibility points for retention  
30 and reinstatement of service credits and for creditable

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

1 supplemental annuities commencing 2002, for supplemental  
2 annuities commencing 2003, for special supplemental  
3 postretirement adjustment of 2002, for administrative duties of  
4 the board, for duties of board to advise and report to heads of  
5 departments and members, for duties of board regarding  
6 applications and elections of members, for installment payments  
7 of accumulated deductions, for rights and duties of State  
8 employees and members, for members' savings account, for State  
9 accumulation account, for State Police Benefit Account, for  
10 Enforcement Officers' Benefit Account, for supplemental annuity  
11 account and for construction of part; and providing for  
12 Independent Fiscal Office study, for retirement eligibility of  
13 Pennsylvania State Police officers or members, for a prohibition  
14 on the issuance of pension obligation bonds, for holding certain  
15 public officials harmless, for construction of calculation or  
16 actuarial method, for applicability and for certain operational  
17 provisions."

18 § 8407. Eligibility for benefits.

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

1 provider retained by the board for such purposes.

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

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

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

16 (e) (Reserved).

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

23 § 8408. Death benefits.

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

30 (b) Death of participant receiving distributions.--In the

1 event of the death of a participant receiving distributions, the  
2 board shall pay to the participant's beneficiary the vested  
3 balance in the participant's individual investment account in a  
4 lump sum or in such other manner as the board may establish in  
5 the plan document or, if the board has established alternative  
6 methods of distribution in the plan document under which the  
7 participant was receiving distributions, to the participant's  
8 beneficiary or successor payee as provided in the plan document.

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

14 § 8409. Vesting.

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

24 (b) Employer defined contributions.--

25 (1) Subject to the forfeiture and attachment provisions  
26 of section 8533 or otherwise as provided by law, a  
27 participant shall be vested with respect to employer defined  
28 contributions paid plus interest and investment earnings by  
29 or on behalf of the participant to the trust after attaining  
30 three eligibility points.

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

5       (c) USERRA leave and eligibility points.--A participant in  
6 the plan who is reemployed from USERRA leave or who dies while  
7 performing USERRA leave shall receive eligibility points under  
8 this section for the school service that would have been  
9 performed had the member not performed USERRA leave.

10 § 8410. Termination of distributions.

11       (a) Return to school service.--

12       (1) A participant receiving distributions or an inactive  
13 participant who returns to school service shall cease  
14 receiving distributions and shall not be eligible to receive  
15 distributions until the participant subsequently terminates  
16 school service, without regard to whether the participant is  
17 a mandatory, optional or prohibited member of the system or  
18 participant in the plan.

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

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

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

29       (2) The amount payable shall be certified in each case  
30 by the board in accordance with methods approved by the

1 actuary and shall be paid in a lump sum within 30 days or, in  
2 the case of an active participant, may be amortized with  
3 interest as provided in the plan document through salary  
4 deductions to the trust in amounts agreed upon by the active  
5 participant and the board, but not longer than a period that  
6 starts with the date of reemployment and continuing for up to  
7 three times the length of the active participant's immediate  
8 past period of USERRA leave. The repayment period shall not  
9 exceed five years.

10 § 8411. Agreements with financial institutions and other  
11 organizations.

12 (a) Written agreement.--To establish and ensure the  
13 administration of the plan, the board may enter into a written  
14 agreement with one or more financial institutions or pension  
15 management organizations to administer the plan and the  
16 investment of funds held pursuant to the plan. The administrator  
17 shall be selected in accordance with the following:

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

20 (2) The board shall publish the solicitation in the  
21 Pennsylvania Bulletin.

22 (3) Proposals received shall be evaluated based on  
23 specific criteria adopted by the board. The criteria shall  
24 include experience, customer service history and other  
25 criteria.

26 (4) The board shall evaluate all proposals with the goal  
27 of minimizing the expenses, fees and costs that would be  
28 borne by participants.

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



1 § 8411.1. Relation of administrators of School Employees'  
2 Defined Contribution Plan to providers of 403(b)  
3 plans.

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

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

23 (1) enter into an agreement with the school district or  
24 the school district's independent compliance administrator  
25 that shall require the financial institution or pension  
26 management organization to provide in an electronic format  
27 all data necessary for the administration of the 403(b) plan  
28 or 457 plan as determined by the school district or the  
29 school district's compliance administrator; and

30 (2) provide all data required by the school district or

1 a school district's compliance administrator to facilitate  
2 disclosure of all fees, charges, expenses, commissions,  
3 compensation and payments to third parties related to  
4 investments offered under the 403(b) plan or 457 plan.

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

21 § 8412. Powers and duties of board.

22 The board shall have the following powers and duties to  
23 establish the plan and trust and to administer the provisions of  
24 this part:

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

27 (2) The board shall pay all administrative fees, costs  
28 and expenses of managing, investing and administering the  
29 plan, the trust and the individual investment accounts from  
30 the balance of the individual investment accounts, except as

1 the General Assembly otherwise provides through  
2 appropriations from the General Fund.

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

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

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

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

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

20 (8) The board may allow a former participant to maintain  
21 the participant's individual investment account within the  
22 plan.

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

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

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

30 (12) The board may establish procedures for

1 distributions of small accounts as required or permitted by  
2 IRC.

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

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

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

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

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

28 (v) Standards and criteria for disclosing to the  
29 participants the anticipated and actual income  
30 attributable to amounts invested, property rights and all

1 fees, costs and expenses to be made against amounts  
2 deferred to cover the costs and expenses of administering  
3 and managing the plan or trust.

4 (vi) Procedures, standards and criteria for the  
5 making of distributions from the plan upon termination  
6 from employment or death or in other circumstances  
7 consistent with the purpose of the plan.

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

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

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

20 (17) The board shall ensure that participants are  
21 provided with educational materials about investment options  
22 and choices.

23 § 8413. Responsibility for investment loss.

24 The Commonwealth, the board, an employer or a school entity  
25 or other political subdivision shall not be responsible for any  
26 investment loss incurred under the plan or for the failure of  
27 any investment to earn any specific or expected return or to  
28 earn as much as any other investment opportunity, whether or not  
29 such other opportunity was offered to participants in the plan.

30 § 8414. Investments based on participants' investment

1 allocation choices.

2 (a) Investment by participant.--All contributions, interest  
3 and investment earnings shall be invested based on a  
4 participant's investment allocation choices. All investment  
5 allocation choices shall be credited proportionally between  
6 contributions from the participant and employer defined  
7 contributions. Each participant shall be credited individually  
8 with the amount of contributions, interest and investment  
9 earnings.

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

24 § 8415. Expenses.

25 All expenses, fees and costs of administering the plan and  
26 the trust and investing the assets of the trust shall be borne  
27 by the participants and paid from assessments against the  
28 balances of the individual investment accounts as established by  
29 the board, except that, for fiscal years ending before July 1,  
30 2020, the expenses, fees and costs of establishing and

1 administering the plan and trust shall be paid by the  
2 Commonwealth through annual appropriations from the General  
3 Fund, made on the basis of estimates from the board.

4 § 8416. Tax qualification.

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

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

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

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

19 (iii) For the purposes of this paragraph, the term  
20 "government plans" shall have the same meaning as in IRC  
21 § 414(d).

22 (2) (i) Except as provided under subparagraph (ii), an  
23 amendment of this part on or after the effective date of  
24 this section that increases contributions or benefits for  
25 active participants, inactive participants or  
26 participants receiving distributions may not be deemed to  
27 provide for a contribution or benefit in excess of a  
28 limitation, adjusted on or after the effective date of  
29 this section under IRC § 415 unless specifically provided  
30 by legislation.

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

5 § 8417. Establishment of School Employees' Defined Contribution  
6           Holding Vehicle Trust.

7           (a) School Employees' Defined Contribution Holding Vehicle  
8 Trust.--The School Employees' Defined Contribution Holding  
9 Vehicle Trust is established as part of the plan. The holding  
10 vehicle trust shall be comprised of the individual investment  
11 accounts and all assets and moneys in those accounts from July  
12 1, 2018, until the earlier of the date the board certifies that  
13 the School Employees' Defined Contribution Trust is operational  
14 and able to accept participant and employer contributions or  
15 December 31, 2018. The members of the board shall be the  
16 trustees of the holding vehicle trust, which shall be held in a  
17 separate account, established by the Treasury Department and  
18 shall not be inconsistent with this part, the IRC or other  
19 applicable law. The holding vehicle trust shall be administered  
20 exclusively for the benefit of those school employees who  
21 participate in the plan and their beneficiaries within the  
22 meaning of and in conformity with IRC § 401(a) subject to the  
23 requirements of Chapter 85 (relating to administration and  
24 miscellaneous provisions).

25           (b) Assets held in trust.--All assets and income in the  
26 holding vehicle trust that are withheld or contributed by the  
27 participants, the Commonwealth and other employers in accordance  
28 with this part shall be held in trust as permitted by the  
29 applicable provisions of the IRC for the exclusive benefit of  
30 the participants and their beneficiaries until such time as the



1 funds are transferred to the School Employees' Defined  
2 Contribution Trust in accordance with the terms of the plan  
3 document. The assets of the holding vehicle trust may be used  
4 for the payment of the fees, costs and expenses related to the  
5 administration and investment of the holding vehicle trust and  
6 transfer of assets to the School Employees' Defined Contribution  
7 Trust.

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

28 (d) Treatment for other purposes.--For all purposes other  
29 than the IRC, the mandatory pickup participant contributions  
30 shall be treated as contributions made by a participant in the

1 same manner and to the same extent as if the contributions were  
2 made directly by the participant and not picked up.

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

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

15 (g) Interest.--Upon the disbursement of a return of  
16 accumulated deductions to a participant who has terminated  
17 school service or of a death benefit to a participant's  
18 designated beneficiaries or upon the transfer of all assets in  
19 the holding vehicle trust to the School Employees' Defined  
20 Contribution Trust or December 31, 2018, whichever occurs first,  
21 the Commonwealth shall make an interest payment to the holding  
22 vehicle trust. The interest payment shall be equal to 4% annual  
23 rate of return on the mandatory pickup participant contributions  
24 and employer defined contributions made for the participant,  
25 increased or decreased for any investment losses or earnings  
26 while in the holding vehicle trust, but in no case shall the  
27 interest payment be less than zero.

28 (h) Responsibility for loss of investment opportunity.--The  
29 board, the Commonwealth, an employer or other political  
30 subdivision shall not be responsible for the failure of any

1 investment in the holding vehicle trust to earn any specific or  
2 expected return greater than the 4% interest rate paid under  
3 subsection (g) or to earn as much as any other investment  
4 opportunity, whether or not the other opportunity was offered to  
5 participants in the holding vehicle trust.

6 (i) Termination of holding vehicle trust.--After the  
7 disbursement or transfer of all assets in the holding vehicle  
8 trust and the certification by the board that no further  
9 liabilities from the holding vehicle trust exist, the holding  
10 vehicle trust shall be closed.

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

15 Section 115. Section 8501(a), (c), (d) and (e) of Title 24  
16 are amended to read:

17 § 8501. Public School Employees' Retirement Board.

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

1 to be elected by the active nonprofessional members of the  
2 system or active nonprofessional participants of the plan from  
3 among their number; and one to be elected by members of  
4 Pennsylvania public school boards from among their number. The  
5 appointments made by the Governor shall be confirmed by the  
6 Senate and each election shall be conducted in a manner approved  
7 by the board. The terms of the appointed and nonlegislative  
8 elected members shall be three years. The members from the  
9 Senate shall be appointed by the President pro tempore of the  
10 Senate and shall consist of one member from the majority and one  
11 member from the minority. The members from the House of  
12 Representatives shall be appointed by the Speaker of the House  
13 of Representatives and shall consist of one member from the  
14 majority and one member from the minority. The legislative  
15 members shall serve on the board for the duration of their  
16 legislative terms and shall continue to serve until 30 days  
17 after the convening of the next regular session of the General  
18 Assembly after the expiration of their respective legislative  
19 terms or until a successor is appointed for the new term,  
20 whichever occurs first. The chairman of the board shall be  
21 elected by the board members. Each ex officio member of the  
22 board and each legislative member of the board may appoint a  
23 duly authorized designee to act in his stead. In the event that  
24 a board member, who is designated as an active participant or as  
25 the participant in the plan who is receiving or is eligible to  
26 receive distributions, receives a total distribution of the  
27 board member's interest in the plan, that board member may  
28 continue to serve on the board for the remainder of the term.

29 \* \* \*

30 (c) Oath of office.--Each member of the board shall take an

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

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

30 (e) Corporate power and legal advisor.--For the purposes of

1 this part, the board shall possess the power and privileges of a  
2 corporation. [The Attorney General of the Commonwealth shall be  
3 the legal advisor of the board.] Legal counsel to the board  
4 shall serve independently from the Governor's Office of General  
5 Counsel, the Attorney General and the General Assembly.

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

9 § 8502. Administrative duties of board.

10 \* \* \*

11 (b) Professional personnel.--

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

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

21 (c) Expenses.--

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

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

1           (3) For fiscal years ending on or before June 30, 2020,  
2 such expenses of the plan as approved by the General Assembly  
3 through an appropriation shall be paid from the General Fund.  
4 For fiscal years beginning on or after July 1, 2020, such  
5 expenses of the plan as approved by the General Assembly  
6 shall be paid from interest, pursuant to section 8414(b)  
7 (relating to investments based on participant investment  
8 allocation choices) or assessments on the balances of the  
9 participants' individual investment accounts.

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

20 \* \* \*

21 (e) Records.--

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

26           (2) Any record, material or data received, prepared,  
27 used or retained by the board or its employees, investment  
28 professionals or agents relating to an investment shall not  
29 constitute a public record subject to public [inspection]  
30 access under the act of [June 21, 1957 (P.L.390, No.212),

1 referred to] February 14, 2008 (P.L.6, No.3), known as the  
2 Right-to-Know Law, if, in the reasonable judgment of the  
3 board, the [inspection] access would:

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

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

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

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

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



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

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

6 whichever is later.

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

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

18 (B) the entity in which the investment was made  
19 is liquidated;

20 whichever is later.

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

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

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

3 (ii) The identity of the manager of the alternative  
4 investment vehicle.

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

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

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

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

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

1 investment.

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

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

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

15 (ii) The investment option selections of any  
16 participant.

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

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

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

24 (7) (i) Nothing in this part shall be construed to  
25 designate any record, material or data received,  
26 prepared, used or retained by the board or its employees  
27 or agents relating to the contributions, investments,  
28 account value or benefits payable to or on account of a  
29 participant as a public record subject to public access  
30 under the Right-to-Know Law.

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

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

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

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

15       \* \* \*

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

1 for determining any benefit shall be applied in a uniform  
2 manner.

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

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

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

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

1 Secretary of the Budget.

2 \* \* \*

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

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

22 \* \* \*

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

1 cause all mandatory pickup participant contributions made on  
2 behalf of a participant and all voluntary contributions made by  
3 a participant to be credited to the participant's individual  
4 investment account.

5 Section 117. Section 8502.2(a) of Title 24 is amended to  
6 read:

7 § 8502.2. Health insurance.

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

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

17 (2) Determination of the benefits structure.

18 (3) Determination of enrollment procedures.

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

21 (5) Contracting for goods, equipment, services,  
22 consultants and other professional personnel as needed to  
23 operate the program.

24 \* \* \*

25 Section 117.1. Section 8503 heading of Title 24 is amended  
26 and the section is amended by adding a subsection to read:

27 § 8503. Duties of board to advise and report to employers [and  
28 members], members and participants.

29 \* \* \*

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



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

10 \* \* \*

11 Section 118. Section 8505 heading, (h) and (i) of Title 24,  
12 amended December 28, 2015 (P.L.529, No.93), is amended and the  
13 section is amended by adding a subsections to read:

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

16 \* \* \*

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

29 \* \* \*

30 (f.1) Notification to inactive participants approaching

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

8 \* \* \*

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

14 (h) Death benefits.--Upon receipt of notification of the  
15 death of a member or former member on USERRA leave, an active  
16 participant, an inactive participant or a former participant on  
17 USERRA leave, the board shall notify the designated beneficiary  
18 or survivor annuitant of the benefits to which he is entitled  
19 and shall make the first payment to the beneficiary under the  
20 plan elected by the beneficiary within 60 days of receipt of  
21 certification of death and other necessary data. If no  
22 beneficiary designation is in effect at the date of the member's  
23 or participant's death or no notice has been filed with the  
24 board to pay the amount of such benefits to the member's or  
25 participant's estate, the board is authorized to pay such  
26 benefits to the executor, administrator, surviving spouse or  
27 next-of-kin of the deceased member or participant, and payment  
28 pursuant hereto shall fully discharge the fund or plan from any  
29 further liability to make payment of such benefits to any other  
30 person.

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

15 \* \* \*

16 Section 118.1. Sections 8506(a), (d), (e), (g), (h), (i) and  
17 (k) and 8507(a), (c), (e) and (f) of Title 24 are amended and  
18 the section is amended by adding subsections to read:

19 § 8506. Duties of employers.

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

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

30 (2) if the removal is due to a transfer to another

1 employer, the former employer shall furnish such employer and  
2 the board with a complete school service record, including  
3 credited or creditable nonschool service; or

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

9 \* \* \*

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

27 (d) New employees subject to mandatory membership or  
28 participation.--Upon the assumption of duties of each new school  
29 employee whose membership in the system or plan is mandatory,  
30 the employer shall no later than 30 days thereafter cause an

1 application for membership or participation, which application  
2 shall include the employee's home address, birthdate certified  
3 by the employer, previous school or State service and any other  
4 information requested by the board, and a nomination of  
5 beneficiary to be made by such employee and filed with the board  
6 and shall make pickup contributions or mandatory pickup  
7 participant contributions from the effective date of school  
8 employment.

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

23 \* \* \*

24 (g) Former State employee contributors.--The employer shall,  
25 upon the employment of a former member of the State Employees'  
26 Retirement System who is not an annuitant of the State  
27 Employees' Retirement System, advise such employee [of his] if  
28 he has a right to elect multiple service membership within 365  
29 days of entry into the system or, for a member of Class T-G, if  
30 he has a right to elect within 45 days of entry into the system

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

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

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

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

30 (2) An election to vest his retirement rights, if

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

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

10 \* \* \*

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

14 (1) Any school employee who:

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

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

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

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

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

28 (l) Differential wage payments and military leave of absence  
29 payments.--Notwithstanding the exclusion of differential wage  
30 payments as defined in IRC § 414(u)(12) from compensation under

1 this part, the employer of any school employee on USERRA leave  
2 shall report differential wage payments made to the employee to  
3 the board, and the employer of any school employee on leave of  
4 absence pursuant to 51 Pa.C.S. § 4102 shall report any payment  
5 made to the employee, in the form and manner established by the  
6 board.

7 § 8507. Rights and duties of school employees [and members],  
8 members and participants.

9 (a) Information on new employees.--Upon his assumption of  
10 duties, each new school employee shall furnish his employer with  
11 a complete record of his previous school or State service, or  
12 creditable nonschool service, proof of his date of birth, his  
13 home address, his current status in the system and the plan and  
14 in the State Employees' Retirement System and the State  
15 Employees' Defined Contribution Plan and such other information  
16 as the board may require. Willful failure to provide the  
17 information required by this subsection to the extent available  
18 or the provision of erroneous information upon entrance into the  
19 system shall result in the forfeiture of the right of the member  
20 to subsequently assert any right to benefits based on erroneous  
21 information or on any of the required information which he  
22 failed to provide. In any case in which the board finds that a  
23 member is receiving an annuity based on false information, the  
24 additional amounts received predicated on such false information  
25 together with statutory interest doubled and compounded shall be  
26 deducted from the present value of any remaining benefits to  
27 which the member is legally entitled and such remaining benefits  
28 shall be correspondingly decreased.

29 \* \* \*

30 (b.1) Application for participation.--On or after July 1,



1 2018, in the case of a new employee who is not currently a  
2 participant in the plan and whose participation is mandatory,  
3 the new employee shall execute an application for participation  
4 and a nomination of a beneficiary.

5 (c) Multiple service membership.--

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

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

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

25 \* \* \*

26 (d.2) Contributions for USERRA leave.--Any active  
27 participant or inactive participant or former participant who  
28 was reemployed from USERRA leave and who desires to make  
29 mandatory pickup participant contributions for his USERRA leave  
30 shall so notify the board within the time period required under

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

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

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

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

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

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

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

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

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

20 \* \* \*

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

29 \* \* \*

30 Section 119. Sections 8521(b), 8522, 8524, 8525 and 8531 of

1 Title 24 are amended to read:

2 § 8521. Management of fund and accounts.

3 \* \* \*

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

21 \* \* \*

22 § 8522. Public School Employees' Retirement Fund.

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

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

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

15 § 8524. State accumulation account.

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

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

7 § 8525. Annuity reserve account.

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

29 (b) Transfers from account.--Should an annuitant be  
30 subsequently restored to active service either as a member of

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

9 § 8531. State guarantee regarding the system.

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

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

23 § 8533. Taxation, attachment and assignment of funds.

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

1 or any other process whatsoever, and the provisions of Article  
2 XIII.1 of the the act of April 9, 1929 (P.L.343, No.176), known  
3 as The Fiscal Code, and shall be unassignable.

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

14 (b) Forfeiture.--

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

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



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

12 \* \* \*

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

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

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

10 § 8533.1. Approval of domestic relations orders.

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

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

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

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

29 (4) Specifies the retirement option to be selected by  
30 the member upon retirement or states that the member may

1 select any retirement option offered by this part upon  
2 retirement.

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

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

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

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 the order meets  
19 all of the following:

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

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

29 (3) Requires the plan to pay to the alternate payee no  
30 more than the lesser of the vested amount of the

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

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

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

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

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

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

1 account owned by the alternate payee.

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

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

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

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

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

24 § 8533.2. Irrevocable beneficiary.

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

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

9 § 8533.3. Irrevocable survivor annuitant.

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

25 § 8533.4. Amendment of approved domestic relations orders.

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

1 payable to the deceased alternate payee.

2 \* \* \*

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

5 § 8533.5. Irrevocable successor payee.

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

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

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

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

30 Section 123. Sections 8534 and 8535 of Title 24 are amended



1 to read:

2 § 8534. Fraud and adjustment of errors.

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

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

22 § 8535. Payments to school entities by Commonwealth.

23 For each school year beginning with the 1995-1996 school year  
24 and ending with the 2017-2018 school year, each school entity  
25 shall be paid by the Commonwealth for contributions based upon  
26 school service of active members of the system after June 30,  
27 1995, as follows:

28 (1) The Commonwealth shall pay each school entity for  
29 contributions made to the Public School Employees' Retirement  
30 Fund based upon school service of all active members,

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

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

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

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

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

7 § 8535.1. Payments to school entities by Commonwealth  
8 commencing with the 2018-2019 school year.

9 For each school year, beginning with the 2018-2019 school  
10 year, each school entity shall be paid by the Commonwealth for  
11 contributions based upon school service of active members of the  
12 system and active participants of the plan after June 30, 2018,  
13 as follows:

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

1 the Public School Code was 0.50.

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

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

22 § 8537. Internal Revenue Code limitations.

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

1 participants.

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

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

10 "Eligible person." An individual who is:

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

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

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

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

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

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

26 \* \* \*

27 ARTICLE II

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

1 § 7306. Retirement rights.

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

13 \* \* \*

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

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

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

29 ARTICLE III

30 Section 301. Section 4104(a)(7) of Title 71 is amended to

1 read:

2 § 4104. Duties of office.

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

4 \* \* \*

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

10 \* \* \*

11 Section 302. The definitions of "active member," "alternate  
12 payee," "average noncovered salary," "beneficiary," "class of  
13 service multiplier," "compensation," "creditable nonstate  
14 service," "credited service," "date of termination of service,"  
15 "distribution," "domestic relations order," "final average  
16 salary," "inactive member," "intervening military service,"  
17 "irrevocable beneficiary," "member's annuity," "reemployed from  
18 USERRA leave," "regular membership contributions," "required  
19 beginning date," "retirement counselor," "salary deductions,"  
20 "shared-risk member contributions," "special vestee," "standard  
21 single life annuity," "State employee," "superannuation age,"  
22 "superannuation score," "total accumulated deductions,"  
23 "valuation interest" and "vestee" in section 5102 of Title 71,  
24 amended or added December 28, 2015 (P.L.529, No.93), are amended  
25 and the section is amended by adding definitions to read:

26 § 5102. Definitions.

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

30 \* \* \*

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

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

11 "Accumulated total defined contributions." The total of the  
12 accumulated mandatory participant contributions, accumulated  
13 employer defined contributions and accumulated voluntary  
14 contributions, reduced by any distributions, standing to the  
15 credit of a participant in an individual investment account in  
16 the trust.

17 "Accumulated voluntary contributions." The total of any  
18 amounts rolled over by a participant or transferred by a direct  
19 trustee-to-trustee transfer into the trust, together with any  
20 investment earnings and losses and adjustment for fees, costs  
21 and expenses credited or charged thereon.

22 "Active member." A State employee, or a member on leave  
23 without pay, for whom pickup contributions are being made to the  
24 fund or for whom such contributions otherwise required for  
25 current State service are not being made solely by reason of  
26 section 5502.1 (relating to waiver of regular member  
27 contributions and Social Security integration member  
28 contributions) or any provision of this part relating to the  
29 limitations under section 401(a) (17) or 415 of the Internal  
30 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17))



1 or 415)[.] or limitations on contributions to the system  
2 applicable to a Class A-5 member who is making mandatory pickup  
3 participant contributions to the trust.

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

11 \* \* \*

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

17 \* \* \*

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

27 \* \* \*

28 "Beneficiary." [The] In the case of the system, the person  
29 or persons last designated in writing to the board by a member  
30 to receive his accumulated deductions or a lump sum benefit upon

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

6 \* \* \*

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

17 "Class A-5 annual compensation limit." For calendar year  
18 2018, the amount of \$50,000. For each subsequent calendar year,  
19 the limit shall be 3% greater than the previous year's amount,  
20 rounded to the nearest hundred dollars.

21 "Class A-5 exempt employee." A sworn police officer.

22 "Class of service multiplier."

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

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

1		contributions	1.25
2	A-4	for purposes of	
3		calculating	
4		regular member	
5		contributions	1.86
6	<u>A-5</u>	<u>for all purposes</u>	
7		<u>except the</u>	
8		<u>calculation of</u>	
9		<u>regular member</u>	
10		<u>contributions</u>	<u>0.875</u>
11	<u>A-5</u>	<u>for purposes of</u>	
12		<u>calculating</u>	
13		<u>regular member</u>	
14		<u>contributions on</u>	
15		<u>compensation up</u>	
16		<u>to the Class A-5</u>	
17		<u>annual</u>	
18		<u>compensation</u>	
19		<u>limit for</u>	
20		<u>members who have</u>	
21		<u>less than 30</u>	
22		<u>eligibility</u>	
23		<u>points credited</u>	
24		<u>as a member of</u>	
25		<u>Class A-5 or, if</u>	
26		<u>a multiple</u>	
27		<u>service member,</u>	
28		<u>as a member of</u>	
29		<u>Class T-G in the</u>	
30		<u>Public School</u>	

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

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

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

1	E-2	on and	
2		subsequent to	
3		September 1,	
4		1973	1.125
5	G		0.417
6	H		0.500
7	I		0.625
8	J		0.714
9	K		0.834
10	L		1.000
11	M		1.100
12	N		1.250
13	T-C (Public School		1
14	Employees'		
15	Retirement Code)		
16	T-E (Public School		1
17	Employees'		
18	Retirement Code)		
19	T-F (Public School		1
20	Employees'		
21	Retirement Code)		
22	<u>T-G (Public School</u>		<u>0.875</u>
23	<u>Employees' Retirement</u>		
24	<u>Code)</u>		

25 \* \* \*

26 "Compensation." Pickup contributions and mandatory pickup  
27 participant contributions plus remuneration actually received as  
28 a State employee excluding refunds for expenses, contingency and  
29 accountable expense allowances; excluding any severance payments  
30 or payments for unused vacation or sick leave; and excluding



1 payments for military leave and any other payments made by an  
2 employer while on USERRA leave, leave of absence granted under  
3 51 Pa.C.S. § 4102 (relating to leaves of absence for certain  
4 government employees), military leave of absence granted under  
5 51 Pa.C.S. § 7302 (relating to granting military leaves of  
6 absence) or other types of military leave, including other types  
7 of leave payments, stipends, differential wage payments as  
8 defined in IRC § 414(u) (12) and any other payments[:]; and for a  
9 member who first becomes an officer of the State police on or  
10 after January 1, 2018, excluding remuneration received in any  
11 pay period for voluntary overtime service for service as an  
12 officer of the State police that exceeds 10% of the member's  
13 base salary as an officer of the State police in that pay  
14 period, notwithstanding the provisions of a binding arbitration  
15 award issued before July 1, 1989, under the act of June 24, 1968  
16 (P.L.237, No.111), referred to as the Policemen and Firemen  
17 Collective Bargaining Act, and implemented by the board:  
18 Provided, however, That compensation received prior to January  
19 1, 1973, shall be subject to the limitations for retirement  
20 purposes in effect December 31, 1972, if any: Provided further,  
21 That the limitation under section 401(a) (17) of the Internal  
22 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17))  
23 taken into account for the purpose of member contributions,  
24 including any additional member contributions in addition to  
25 regular or joint coverage member contributions and Social  
26 Security integration contributions, regardless of class of  
27 service, shall apply to each member who first became a member of  
28 the State Employees' Retirement System on or after January 1,  
29 1996, and who by reason of such fact is a noneligible member  
30 subject to the application of the provisions of section

1 5506.1(a) (relating to annual compensation limit under IRC §  
2 401(a) (17)) and shall apply to each participant pertaining to  
3 his participation in the plan.

4 \* \* \*

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

7 (1) service as a State employee;

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

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

15 "Credited service." State or creditable nonstate service for  
16 which the required contributions have been made to the fund or  
17 for which the contributions otherwise required for such service  
18 were not made solely by reason of section 5502.1 (relating to  
19 waiver of regular member contributions and Social Security  
20 integration member contributions) or any provision of this part  
21 relating to the limitations under section 401(a) (17) or 415 of  
22 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.  
23 § 401(a) (17) or 415), or limitations on contributions to the  
24 system applicable to a Class A-5 member who is making mandatory  
25 pickup participant contributions to the trust, except as  
26 otherwise provided in this part, or for which salary deductions  
27 or lump sum payments to the system have been agreed upon in  
28 writing.

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

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

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

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

18           \* \* \*

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

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

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

6 \* \* \*

7 "Employer defined contributions." Contributions that are  
8 made by the Commonwealth or other employer to the trust to be  
9 credited in an active participant's individual investment  
10 account as follows:

11 (1) Except as provided under paragraph (2),  
12 contributions equal to 4% of an active participant's  
13 compensation.

14 (2) For participants who have less than 30 eligibility  
15 points credited as a member of Class A-5 or, if a multiple  
16 service member, in Class T-G in the Public School Employees'  
17 Retirement System, contributions equal to 1.25% of an active  
18 participant's compensation up to the Class A-5 annual  
19 compensation limit and for other compensation contributions  
20 as set forth in paragraph (1).

21 \* \* \*

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

23 (1) For purposes of calculating all annuities and  
24 benefits from the system attributable to a class of service  
25 other than Class A-5, the highest average compensation  
26 received as a member during any three nonoverlapping periods  
27 of four consecutive calendar quarters during which the member  
28 was a State employee, excluding compensation received from  
29 State service credited as a member of Class A-5, with the  
30 compensation for part-time service being annualized on the

1 basis of the fractional portion of the year for which credit  
2 is received; except if the employee was not a member in  
3 classes of service other than Class A-5 for three  
4 nonoverlapping periods of four consecutive calendar quarters,  
5 the total compensation received as a member for State service  
6 credited other than as a member of Class A-5, annualized in  
7 the case of part-time service, divided by the number of  
8 nonoverlapping periods of four consecutive calendar quarters  
9 of membership in classes of service other than Class A-5; in  
10 the case of a member with multiple service, the final average  
11 salary for purposes of calculating all annuities and benefits  
12 from the system attributable to a class of service other than  
13 Class A-5 shall be determined on the basis of the  
14 compensation received by him as a [State employee] member of  
15 the system or as a school employee, or both[;], excluding  
16 compensation received for service performed as a member of  
17 Class A-5 or Class T-G in the Public School Employees'  
18 Retirement System; and, in the case of a member with Class A-  
19 3 or Class A-4 service and service in one or more other  
20 classes of service other than Class A-5, the final average  
21 salary shall be determined on the basis of the compensation  
22 received by him in all classes of State service[; and] other  
23 than Class A-5.

24 (2) For purposes of calculating all annuities and  
25 benefits from the system attributable to service as a member  
26 of Class A-5, the highest average compensation received for  
27 service as a member of Class A-5 during any five calendar  
28 years; except, if the employee was not a member of Class A-5  
29 during five calendar years, the total compensation received  
30 as a member of Class A-5, divided by the number of calendar

1 years of membership in Class A-5; in the case of a member  
2 with multiple service, the final average salary for purposes  
3 of calculating all annuities and benefits from the system  
4 attributable to Class A-5 service shall be determined on the  
5 basis of the compensation received by him as a State employee  
6 for service credited Class A-5 or as a school employee for  
7 service credited in Class T-G in the Public School Employees'  
8 Retirement System, or both. For the purpose of calculating  
9 final average salary under the paragraph, compensation for  
10 service as a member of Class A-5 shall be adjusted as set  
11 forth in section 5506.2 (relating to application of Class A-5  
12 annual compensation limit).

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

26 \* \* \*

27 "Holding vehicle trust." The State Employees' Defined  
28 Contribution Holding Vehicle Trust.

29 "Inactive member." A member for whom no pickup contributions  
30 are being made to the fund, except in the case of an active

1 member for whom such contributions otherwise required for  
2 current State service are not being made 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 the  
6 limitations under section 401(a)(17) or 415 of the Internal  
7 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)  
8 or 415) or limitations on contributions to the system applicable  
9 to a Class A-5 member who is making mandatory pickup participant  
10 contributions to the trust, but who has accumulated deductions  
11 standing to his credit in the fund and who is not eligible to  
12 become or has not elected to become a vestee or has not filed an  
13 application for an annuity.

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

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

30 "Intervening military service." Active military service of a

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

7 \* \* \*

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

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

20 \* \* \*

21 "Mandatory pickup participant contributions." Contributions  
22 that are made by the Commonwealth or other employer for active  
23 participants for State service required to be credited in the  
24 plan as follows:

25 (1) Except as provided under paragraph (2),  
26 contributions equal to 7.5% of compensation.

27 (2) For participants who have less than 30 eligibility  
28 points credited as a member of Class A-5 or, if a multiple  
29 service member, in Class T-G in the Public School Employees'  
30 Retirement System, contributions equal to 1.5% of an active



1 participant's compensation for State service required to be  
2 credited in the plan up to the Class A-5 annual compensation  
3 limit and for other compensation contributions as set forth  
4 in paragraph (1).

5 \* \* \*

6 "Member's annuity." The single life annuity which is  
7 actuarially equivalent, at the effective date of retirement and  
8 taking into account any delay in the receipt of the portion of  
9 the annuity based on Class A-5 service, if the effective date of  
10 retirement is under the superannuation age applicable to Class  
11 A-5 service, to the sum of the regular accumulated deductions,  
12 shared-risk accumulated deductions, the additional accumulated  
13 deductions and the social security integration accumulated  
14 deductions standing to the member's credit in the members'  
15 savings account.

16 \* \* \*

17 "Participant." An active participant, inactive participant  
18 or participant receiving distributions.

19 "Participant receiving distributions." A participant in the  
20 plan who has commenced receiving distributions from his  
21 individual investment account but who has not received a total  
22 distribution of his vested interest in the individual investment  
23 account.

24 \* \* \*

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

27 "Plan document." The documents created by the board under  
28 section 5802 (relating to plan document) that contain the terms  
29 and provisions of the plan and trust as established by the board  
30 regarding the establishment, administration and investment of

1 the plan and trust.

2 \* \* \*

3 "Reemployed from USERRA leave." Resumption of active  
4 membership or active participation as a State employee after a  
5 period of USERRA leave, provided, however, that the resumption  
6 of active membership or active participation was within the time  
7 period and under conditions and circumstances such that the  
8 State employee was entitled to reemployment rights under 38  
9 U.S.C. Ch. 43 (relating to employment and reemployment rights of  
10 members of the uniformed services).

11 \* \* \*

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

15 "Required beginning date." The latest date by which  
16 distributions of a member's interest or a participant's interest  
17 in his individual investment account must commence under section  
18 401(a)(9) of the Internal Revenue Code of 1986 (Public Law 99-  
19 514, 26 U.S.C. § 401(a)(9)).

20 "Retirement counselor." The State Employees' Retirement  
21 System or State Employees' Defined Contribution Plan employee  
22 whose duty it shall be to advise each employee of his rights and  
23 duties as a member of the system or as a participant of the  
24 plan.

25 "Salary deductions." The amounts certified by the board,  
26 deducted from the compensation of an active member or active  
27 participant, or the school service compensation of a multiple  
28 service member who is an active member of the Public School  
29 Employees' Retirement System, and paid into the fund or trust.

30 "School Employees' Defined Contribution Plan." The defined

1 contribution plan for school employees established under 24  
2 Pa.C.S. Pt. IV (relating to retirement for school employees).

3 \* \* \*

4 "Shared-risk member contributions." The product of the  
5 applicable shared-risk contribution rate and the compensation of  
6 a member for service credited as Class A-3 or Class A-4 or the  
7 compensation of a member up to the Class A-5 annual compensation  
8 limit for service credited as Class A-5.

9 \* \* \*

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

21 (1) subsequent to termination of State service as an  
22 employee of The Pennsylvania State University, the member has  
23 not returned to State service in any other capacity or  
24 position as a State employee;

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

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

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

5 "Standard single life annuity." An annuity equal to 2% of  
6 the final average salary, multiplied by the total number of  
7 years and fractional part of a year of credited service of a  
8 member in each class service, limited in the case of Class A-5  
9 service to 30 years.

10 "State employee." Any person holding a State office or  
11 position under the Commonwealth, employed by the State  
12 Government of the Commonwealth, in any capacity whatsoever,  
13 except an independent contractor or any person compensated on a  
14 fee basis or any person paid directly by an entity other than a  
15 State Employees' Retirement System employer, and shall include  
16 members of the General Assembly, and any officer or employee of  
17 the following:

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

19 (ii) State-owned educational institutions.

20 (iii) Community colleges.

21 (iv) The Pennsylvania State University, except an  
22 employee in the College of Agriculture who is paid wholly  
23 from Federal funds or an employee who is participating in  
24 the Federal Civil Service Retirement System. The  
25 university shall be totally responsible for all employer  
26 contributions under section 5507 (relating to  
27 contributions to the system by the Commonwealth and other  
28 employers).

29 (2) The Pennsylvania Turnpike Commission, the Delaware  
30 River Port Authority, the Port Authority Transit Corporation,

1 the Philadelphia Regional Port Authority, the Delaware River  
2 Joint Toll Bridge Commission, the State Public School  
3 Building Authority, The General State Authority, the State  
4 Highway and Bridge Authority, the Delaware Valley Regional  
5 Planning Commission, the Interstate Commission of the  
6 Delaware River Basin, and the Susquehanna River Basin  
7 Commission any time subsequent to its creation, provided the  
8 commission or authority agrees to contribute and does  
9 contribute to the fund or trust, from time to time, the  
10 moneys required to build up the reserves necessary for the  
11 payment of the annuities or other benefits of such officers  
12 and employees without any liability on the part of the  
13 Commonwealth to make appropriations for such purposes, and  
14 provided in the case of employees of the Interstate  
15 Commission of the Delaware River Basin, that the employee  
16 shall have been a member of the system for at least ten years  
17 prior to January 1, 1963.

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

1 \* \* \*

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

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

30 \* \* \*

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

9 "Sworn police officer." A State police officer who is  
10 employed and serving as an officer of the Pennsylvania State  
11 Police.

12 \* \* \*

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

26 "Trust." The State Employees' Defined Contribution Trust  
27 established under Chapter 58 (relating to State Employees'  
28 Defined Contribution Plan).

29 \* \* \*

30 "Valuation interest." Interest at 5 1/2% per annum

1 compounded annually and applied to all accounts of the fund  
2 other than the members' savings account.

3 "Vestee." Any of the following:

4 (1) A member with:

5 (i) five or more eligibility points in a class of  
6 service other than Class A-3 [or], Class A-4, Class A-5  
7 or Class T-E [or], Class T-F or Class T-G in the Public  
8 School Employees' Retirement System[, a member with];

9 (ii) Class G, Class H, Class I, Class J, Class K,  
10 Class L, Class M or Class N service with five or more  
11 eligibility points [, or a member with] in classes of  
12 service other than Class A-5 or Class T-G in the Public  
13 School Employees' Retirement System; or

14 (iii) Class A-3 or Class A-4 service with ten or  
15 more eligibility points in classes of service other than  
16 Class A-5 or Class T-G in the Public School Employees'  
17 Retirement System ; or

18 (iv) Class A-5 service with ten or more eligibility  
19 points for service in Class A-5 or, if a multiple service  
20 member, Class T-G service in the Public School Employees'  
21 Retirement System and

22 who has terminated State service and has elected to leave his  
23 total accumulated deductions in the fund and to defer receipt  
24 of an annuity.

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

30 Section 303. Section 5103 of Title 71 is amended to read:



1 § 5103. Notice to members and participants.

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

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

14 § 5104. Reference to State Employees' Retirement System.

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

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

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

1 read:

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

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

7 (1) Governor.

8 (2) Lieutenant Governor.

9 (3) Members of the General Assembly.

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

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

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

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

15 (8) Secretary to the Governor.

16 (9) Budget Secretary.

17 (10) Legislative employees.

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

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

1 of 9.29%.

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

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

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

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

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

28 (b) Optional membership in the system.--The State employees  
29 listed in subsection (a) (1) through [(11)] (10) whose first  
30 period of State service begins before January 1, 2018, shall

1 have the right to elect membership in the system[; once such  
2 election is] before January 1, 2018, or the termination of State  
3 service, whichever occurs first. The State employees listed in  
4 subsection (a)(1) through (10) who first become State employees  
5 on or after January 1, 2018, shall be members of the system  
6 effective as of the date of their employment unless they elect  
7 not to be members within 30 days after beginning State service.  
8 Once such elections are exercised, membership or nonmembership,  
9 as the case may be, shall continue until the termination of  
10 State service. The State employees listed under subsection (a)  
11 (11) shall have the right to elect membership in the system.  
12 Once the election is exercised, membership shall continue until  
13 the termination of State service.

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

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

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

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

6 (2) An annuitant, inactive participant or a participant  
7 receiving distributions who returns to service as a State  
8 employee on or after January 1, 2018, shall resume active  
9 membership in the system, if an active member of Class A-5  
10 shall, and 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.

14 \* \* \*

15 Section 306. Section 5302(a), (b), (e) and (f) of Title 71,  
16 amended December 28, 2015 (P.L.529, No.93), are amended to read:  
17 § 5302. Credited State service.

18 (a) Computation of credited service.--In computing credited  
19 State service of a member for the determination of benefits, a  
20 full-time salaried State employee, including any member of the  
21 General Assembly, shall receive credit for service in each  
22 period for which contributions as required are made to the fund,  
23 or for which contributions otherwise required for such service  
24 were not made to the fund solely by reason of section 5502.1  
25 (relating to waiver of regular member contributions and Social  
26 Security integration member contributions) or any provision of  
27 this part relating to the limitations under IRC § 401(a)(17) or  
28 415, or limitations on contributions applicable to a Class A-5  
29 member, except as otherwise provided in this part, but in no  
30 case shall he receive more than one year's credit for any 12

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

24 (b) Creditable leaves of absence.--

25 (1) A member on leave without pay who is studying under  
26 a Federal grant approved by the head of his department or who  
27 is engaged up to a maximum of two years of temporary service  
28 with the United States Government, another state or a local  
29 government under the Intergovernmental Personnel Act of 1970  
30 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall

1 be eligible for credit for such service: Provided, That  
2 contributions are made in accordance with sections 5501  
3 (relating to regular member contributions for current  
4 service), 5501.1 (relating to shared-risk member  
5 contributions for Class A-3 [and], Class A-4 and Class A-5  
6 service), 5505.1 (relating to additional member  
7 contributions) and 5507 (relating to contributions to the  
8 system by the Commonwealth and other employers), the member  
9 returns from leave without pay to active State service as a  
10 member of the system for a period of at least one year, and  
11 he is not entitled to retirement benefits for such service  
12 under a retirement system administered by any other  
13 governmental agency.

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

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

15 \* \* \*

16 (e) Cancellation of credited service.--

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

20 (i) a member with Class A-3 or Class A-4 service  
21 credit and one or more other classes of service credit  
22 shall not have his service credit as a member of any  
23 classes of service other than as a member of Class A-3 or  
24 Class A-4 cancelled when the member receives a lump sum  
25 payment of accumulated deductions resulting from Class A-  
26 3 or Class A-4 service pursuant to section [5705.1]  
27 5705.1(a) (relating to payment of accumulated deductions  
28 resulting from [Class A-3 and Class A-4] more than one  
29 class of service) [.] ;

30 (ii) a member with Class A-5 service credit and one



1 or more other classes of service credit shall not have  
2 his service credit in the classes of service other than  
3 Class A-5 canceled when the member receives a lump sum  
4 payment of Class A-5 accumulated deductions pursuant to  
5 section 5705.1(b) (1); and

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

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

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

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

29 (1.1) State employees may not receive service credit in  
30 the system or exercise the options under 51 Pa.C.S. § 7306

1 (relating to retirement rights) for military leaves that  
2 begin on or after the effective date of this subsection,  
3 except as otherwise provided by this subsection.

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

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

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

1 determined under this part as if the State employee was  
2 an active member who performed creditable State service  
3 during the USERRA leave in the job position that the  
4 State employee would have held had the State employee not  
5 been on USERRA leave and received the compensation on  
6 which the member contributions to receive State service  
7 credit for the USERRA leave were determined.

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

27 (iii) A State employee who is reemployed from USERRA  
28 leave as an active member of the system who does not make  
29 the required member contributions or makes only part of  
30 the required member contributions within the allowed

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

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

29 (ii) A participant who is reemployed from USERRA  
30 leave who does not make the mandatory pickup participant

1 contributions or makes only part of the mandatory pickup  
2 participant contributions within the allowed payment  
3 period shall not be eligible to make mandatory pickup  
4 participant contributions at a later date for the period  
5 of USERRA leave for which the mandatory pickup  
6 participant contributions were not timely made.

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

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

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

1 creditable nonstate service as nonintervening military  
2 service should the employee return to State service as an  
3 active member of the system and is otherwise eligible to  
4 purchase the service as nonintervening military service.

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

17 (5) If a member dies while performing USERRA leave, then  
18 the beneficiaries or survivor annuitants, as the case may be,  
19 of the deceased member are entitled to any additional  
20 benefits, including eligibility points, other than benefit  
21 accruals relating to the period of qualified military  
22 service, provided under this part had the member resumed and  
23 then terminated employment on account of death.

24 (5.1) If a participant dies while performing USERRA  
25 leave, the beneficiaries or successor payees of the deceased  
26 participant are entitled to any additional benefits, other  
27 than benefit accruals relating to the period of qualified  
28 military service, provided under this part had the  
29 participant resumed and then terminated employment on account  
30 of death.

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

12       Section 307. Section 5303(b) and (d)(1) of Title 71 are  
13 amended and the section is amended by adding a subsection to  
14 read:

15 § 5303. Retention and reinstatement of service credits.

16       \* \* \*

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

18           (1) [Every] Subject to the limitations in subsection  
19 (i), an active member of the system or a multiple service  
20 member who is a school employee and a member of the Public  
21 School Employees' Retirement System on or after the effective  
22 date of this part shall receive eligibility points in  
23 accordance with section 5307 for current State service,  
24 previous State service, or creditable nonstate service upon  
25 compliance with sections 5501 (relating to regular member  
26 contributions for current service), 5501.1 (relating to  
27 shared-risk contributions for Class A-3 [and], Class A-4 and  
28 Class A-5 service), 5504 (relating to member contributions  
29 for the purchase of credit for previous State service or to  
30 become a full coverage member), 5505 (relating to

1 contributions for the purchase of credit for creditable  
2 nonstate service), 5505.1 (relating to additional member  
3 contributions) or 5506 (relating to incomplete payments).  
4 Subject to the limitations in subsection (i) and sections  
5 5306.1 (relating to election to become a Class AA member) and  
6 5306.2 (relating to elections by members of the General  
7 Assembly), the class or classes of service in which the  
8 member may be credited for previous State service prior to  
9 the effective date of this part shall be the class or classes  
10 in which he was or could have at any time elected to be  
11 credited for such service, except that a State employee who  
12 first becomes a member of the system on or after January 1,  
13 2011, or on or after December 1, 2010, as a member of the  
14 General Assembly and:

15 (i) is credited with Class A-3 service for such  
16 membership, shall be credited only with Class A-3 service  
17 for previous State service performed before January 1,  
18 2011, that was not previously credited in the system; or

19 (ii) is credited with Class A-4 service for such  
20 membership, shall be credited only with Class A-4 service  
21 for previous State service performed before January 1,  
22 2011, that was not previously credited in the system.

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

27 (1.1) Every active member of the system who elects to  
28 convert county service to State service pursuant to section  
29 5303.1 (relating to election to convert county service to  
30 State service) shall receive eligibility points in accordance



1 with section 5307 for converted county service upon  
2 compliance with section 5303.1(b). The class or classes of  
3 service in which the member may be credited for converted  
4 county service shall be determined in accordance with section  
5 5306(c).

6 (1.2) Every member of the system who elects to convert  
7 school service to State service pursuant to section 5303.2  
8 (relating to election to convert school service to State  
9 service) shall receive eligibility points in accordance with  
10 section 5307 for converted school service. The class or  
11 classes of service in which the member may be credited for  
12 converted school service shall be determined in accordance  
13 with section 5306(d).

14 (1.3) A member of the system who is reemployed from  
15 USERRA leave or who dies while performing USERRA leave shall  
16 receive eligibility points in accordance with section 5307  
17 for the State service that would have been performed had the  
18 member not performed USERRA leave.

19 (2) A special vestee or person otherwise eligible to be  
20 a special vestee who returns to State service or withdraws  
21 his accumulated deductions pursuant to section 5311 (relating  
22 to eligibility for refunds) or 5701 (relating to return of  
23 [total] accumulated deductions) shall receive or retain  
24 eligibility points in accordance with paragraph (1) but upon  
25 subsequent termination of State service shall only be  
26 eligible to be an annuitant vestee or inactive member without  
27 regard to previous status as a special vestee and without  
28 regard to the provisions of this part providing for special  
29 vestees.

30 (3) A special vestee or person otherwise eligible to be

1 a special vestee who becomes an active member of the Public  
2 School Employees' Retirement System and elects multiple  
3 service shall receive or retain eligibility points as  
4 otherwise provided for in this part and 24 Pa.C.S. Pt. IV  
5 (relating to retirement for school employees) but upon  
6 subsequent termination of school service shall only be  
7 eligible to be an annuitant, vestee or inactive member as  
8 otherwise eligible as a multiple service member without  
9 regard to previous status as a special vestee and without  
10 regard to the provisions of this part providing for special  
11 vestees.

12 \* \* \*

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

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

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

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

9 \* \* \*

10 (i) Ineligibility to purchase previous State service  
11 credit.--An active member of Class A-5 or a multiple service  
12 member who is an active member of Class T-G in the Public School  
13 Employees' Retirement System shall not be eligible to purchase  
14 service credit for previous State service, whether or not  
15 previously credited in the system, except to reinstate  
16 previously credited Class A-5 service credit for which Class A-5  
17 accumulated deductions were withdrawn under section 5311 or  
18 5701, and except to the extent that any other provision of law  
19 requires or allows any period of leave to be credited as State  
20 service after the member returns from the leave to State  
21 service.

22 Section 308. Sections 5303.2(a) and 5304(a) and (b) of Title  
23 71 are amended to read:

24 § 5303.2. Election to convert school service to State service.

25 (a) Eligibility.--An active member or inactive member on  
26 leave without pay who was an employee transferred from the  
27 Department of Education to the Department of Corrections  
28 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,  
29 No.175), known as The Administrative Code of 1929, and who on  
30 the effective date of that transfer did not participate in an

1 independent retirement program approved by the Department of  
2 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory  
3 and optional membership) or section 5301(a)(12) (relating to  
4 mandatory and optional membership in the system and  
5 participation in the plan), notwithstanding any other provision  
6 of law or any collective bargaining agreement, arbitration  
7 award, contract or term or conditions of any retirement system  
8 or pension plan, may make a one-time election to convert all  
9 service credited in the Public School Employees' Retirement  
10 System as of June 30, 1999, and transfer to the system all  
11 accumulated member contributions and statutory interest credited  
12 in the members' savings account in the Public School Employees'  
13 Retirement System as of June 30, 1999, plus statutory interest  
14 on that amount credited by the Public School Employees'  
15 Retirement System from July 1, 1999, to the date of transfer to  
16 the system.

17 \* \* \*

18 § 5304. Creditable nonstate service.

19 (a) Eligibility.--

20 (1) An active member who first becomes an active member  
21 before January 1, 2011, or before December 1, 2010, as a  
22 member of the General Assembly and who is an active member of  
23 a class of service other than Class A-5, or a multiple  
24 service member who first becomes an active member before  
25 January 1, 2011, or before December 1, 2010, as a member of  
26 the General Assembly, and who is a school employee and an  
27 active member of the Public School Employees' Retirement  
28 System in a class of service other than Class T-G shall be  
29 eligible for Class A service credit for creditable nonstate  
30 service as set forth in subsections (b) and (c) except that

1 intervening military service shall be credited in the class  
2 of service for which the member was eligible at the time of  
3 entering into military service and for which he makes the  
4 required contributions to the fund and except that a multiple  
5 service member who is a school employee and an active member  
6 of the Public School Employees' Retirement System shall not  
7 be eligible to purchase service credit for creditable  
8 nonstate service set forth in subsection (c) (5).

9 (2) An active member who first becomes an active member  
10 on or after January 1, 2011, or on or after December 1, 2010,  
11 as a member of the General Assembly and is an active member  
12 of a class of service other than Class A-5, or a multiple  
13 service member who first becomes an active member on or after  
14 January 1, 2011, or on or after December 1, 2010, as a member  
15 of the General Assembly, [and who] is a school employee and  
16 an active member of the Public School Employees' Retirement  
17 System in a class of service other than Class T-G and is not  
18 a member of Class A-5 shall be eligible for Class A-3 service  
19 credit for creditable nonstate service as set forth in  
20 subsections (b) and (c) except that intervening military  
21 service shall be credited in the class of service for which  
22 the member was eligible at the time of entering into military  
23 service and for which he makes the required contributions to  
24 the fund and except that a multiple service member who is a  
25 school employee and an active member of the Public School  
26 Employees' Retirement System shall not be eligible to  
27 purchase service credit for creditable nonstate service set  
28 forth in subsection (c) (5).

29 (3) An active member of Class A-5 or a multiple service  
30 member who is a school employee and an active member of the

1 Public School Employees' Retirement System as a member of  
2 Class T-G shall be eligible for Class A-5 service credit for  
3 creditable nonstate service as set forth in subsections (b)  
4 and (c)(2) for which the member makes the required  
5 contributions to the fund.

6 \* \* \*

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

25 \* \* \*

26 Section 309. Section 5305(b) of Title 71, amended December  
27 28, 2015 (P.L.529, No.93), is amended and the section is amended  
28 by adding a subsection to read:

29 § 5305. Social security integration credits.

30 \* \* \*

1 (b) Accrual of subsequent credits.--Any active member who  
2 has social security integration accumulated deductions to his  
3 credit or is receiving a benefit on account of social security  
4 integration credits may accrue one social security integration  
5 credit for each year of service as a State employee on or  
6 subsequent to March 1, 1974 and a fractional credit for a  
7 corresponding fractional year of service provided that  
8 contributions are made to the fund, or would have been made to  
9 the fund but for section 5502.1 (relating to waiver of regular  
10 member contributions and Social Security integration member  
11 contributions) or the limitations under IRC § 401(a)(17) or 415,  
12 except as otherwise provided in this part, in accordance with  
13 section 5502 (relating to Social Security integration member  
14 contributions), and he:

15 (1) continues subsequent to March 1, 1974 as an active  
16 member in either the [State or school system;] system in a  
17 class of service other than Class A-5 or, if a multiple  
18 service member, as an active member in the Public School  
19 Employees' Retirement System in a class of service other than  
20 Class T-G;

21 (2) terminates such continuous service in the [State or  
22 school] system or the Public School Employees' Retirement  
23 System and returns to active membership in the [State] system  
24 within six months in a class of service other than Class A-5;  
25 or

26 (3) terminates his status as a vestee or an annuitant  
27 and returns to State service as an active member of the  
28 system in a class of service other than Class A-5.

29 \* \* \*

30 (e) Class A-5 service ineligible for credit.--No social



1 security integration credits shall accrue for any service  
2 performed or credited as Class A-5 service.

3 Section 310. Section 5305.1 of Title 71 is amended to read:  
4 § 5305.1. Eligibility for actuarial increase factor.

5 A person who has credit for a class of service other than  
6 Class A-5 and is:

7 (1) an active member;

8 (2) an inactive member on leave without pay; or

9 (3) a multiple service member who is a school employee  
10 and an active member of the Public School Employees'  
11 Retirement System;

12 who terminates State service or school service, as the case  
13 may be, after attaining age 70 and who applies for a  
14 superannuation annuity with an effective date of retirement the  
15 day after the date of termination of State service or school  
16 service shall have that person's maximum single life annuity  
17 calculated pursuant to section 5702(a.1) (relating to maximum  
18 single life annuity).

19 Section 311. Section 5306(a), (a.1), (a.2), (a.3) and (b) of  
20 Title 71 are amended and the section is amended by adding a  
21 subsection to read:

22 § 5306. Classes of service.

23 (a) Class A and Class A-3 membership.--

24 (1) A State employee who is a member of Class A on the  
25 effective date of this part or who first becomes a member of  
26 the system subsequent to the effective date of this part and  
27 before January 1, 2011, or before December 1, 2010, as a  
28 member of the General Assembly, shall be classified as a  
29 Class A member and receive credit for Class A service upon  
30 payment of regular and additional member contributions for

1 Class A service, provided that the State employee does not  
2 become a member of Class AA pursuant to subsection (a.1) or a  
3 member of Class D-4 pursuant to subsection (a.2) or a member  
4 of Class A-5.

5 (2) A State employee who first becomes a member of the  
6 system on or after January 1, 2011, or on or after December  
7 1, 2010, as a member of the General Assembly, and, unless a  
8 Class A-5 exempt employee, before January 1, 2018, shall be  
9 classified as a Class A-3 member and receive credit for Class  
10 A-3 service upon payment of regular member contributions and  
11 shared-risk member contributions for Class A-3 service  
12 provided that the State employee does not become a member of  
13 Class A-4 pursuant to subsection (a.3) or a member of Class  
14 A-5, except that a member of the judiciary shall be  
15 classified as a member of such other class of service for  
16 which the member of the judiciary is eligible[, ] and shall  
17 elect and make regular member contributions unless the member  
18 of the judiciary subsequently becomes a member of Class A-5.

19 (3) A Class A-5 exempt employee who is a member of Class  
20 A-3 shall have all other State service performed concurrently  
21 with being a Class A-5 exempt employee classed as Class A-3  
22 service instead of any other class of service the service  
23 might otherwise be credited as. This paragraph shall apply  
24 only to service performed concurrently with Class A-5 exempt  
25 service. Notwithstanding the provisions of a binding  
26 arbitration award issued before July 1, 1989, under the act  
27 of June 24, 1968 (P.L.237, No.111), referred to as the  
28 Policemen and Firemen Collective Bargaining Act, and  
29 implemented by the board, for a member who first becomes an  
30 officer of the Pennsylvania State Police on or after January

1 1, 2018, other service performed before or after service as a  
2 State police officer shall be credited in the class of  
3 service as provided under this part.

4 (a.1) Class AA membership.--

5 (1) A person who becomes a State employee and an active  
6 member of the system after June 30, 2001, and who first  
7 became an active member before January 1, 2011, or before  
8 December 1, 2010, as a member of the General Assembly, and  
9 who is not a State police officer and not employed in a  
10 position for which a class of service other than Class A is  
11 credited or could be elected shall be classified as a Class  
12 AA member and receive credit for Class AA State service upon  
13 payment of regular member contributions for Class AA service  
14 and, subject to the limitations contained in paragraph (7)  
15 and section 5303(i) (relating to retention and reinstatement  
16 of service credits), if previously a member of Class A or  
17 previously employed in a position for which Class A service  
18 could have been earned, shall have all Class A State service  
19 (other than State service performed as a State police officer  
20 or for which a class of service other than Class A was earned  
21 or could have 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) and section 5303(i),  
6 if previously a member of Class A or previously employed in a  
7 position for which Class A service could have been earned,  
8 shall have all Class A State service (other than State  
9 service performed as a State Police officer or for which a  
10 class of service other than Class A was earned or could have  
11 been elected) 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) and section 5303(i), shall receive Class AA  
2 service credit for all Class A State service, other than  
3 State service performed as a State police officer or as a  
4 State employee in a position for which the member could have  
5 elected membership in Class C, Class D-3, Class E-1 or Class  
6 E-2, performed before July 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) and section 5303(i), shall receive Class AA  
15 service credit for all Class A State service, other than  
16 State service performed as a State police officer or as a  
17 State employee in a position in which the former State  
18 employee could have elected a class of service other than  
19 Class A, performed before July 1, 2001.

20 (5) A former State employee who first becomes a member  
21 before January 1, 2011, or before December 1, 2010, as a  
22 member of the General Assembly, other than a former State  
23 employee who was a State police officer on or after July 1,  
24 1989, who is a school employee and who on or after July 1,  
25 2001, becomes a multiple service member, subject to the  
26 limitations contained in paragraph (7) and section 5303(i),  
27 shall receive Class AA service credit for all Class A State  
28 service other than State service performed as a State  
29 employee in a position in which the former State employee  
30 could have elected a class of service other than Class A.

1           (6) A State employee who after June 30, 2001, becomes a  
2 State police officer or who is employed in a position in  
3 which the member could elect membership in the system in a  
4 class of service other than Class AA or Class D-4 shall  
5 retain any Class AA service credited prior to becoming a  
6 State police officer or being so employed but shall be  
7 ineligible to receive Class AA credit thereafter and instead  
8 shall receive Class A credit for service as a member of the  
9 judiciary if the judicial service begins before January 1,  
10 2018, and the State employee first becomes a member of the  
11 system before January 1, 2018, or if he first became a member  
12 before January 1, 2011, or December 1, 2010, as a member of  
13 the General Assembly, or Class A-3 credit for service other  
14 than as a member of the judiciary and other than service as a  
15 Class A-5 exempt employee before January 1, 2018, and he  
16 first became a member on or after January 1, 2011, or  
17 December 1, 2010, as a member of the General Assembly, unless  
18 a class of membership other than Class A is elected.

19           (7) (i) State service performed as Class A service  
20 before July 1, 2001, and State service for which Class A  
21 service could have been credited but was not credited  
22 because membership in the system was optional or  
23 prohibited pursuant to section 5301 shall be credited as  
24 Class AA service only upon the completion of all acts  
25 necessary for the State service to be credited as Class A  
26 service had this subsection not been enacted and upon  
27 payment of required Class AA member contributions as  
28 provided in section 5504 (relating to member  
29 contributions for the purchase of credit for previous  
30 State service or to become a full coverage member).

1           (ii) A person who is not a State employee or a  
2 school employee on June 30, 2001, and July 1, 2001, and  
3 who has previous State service (except a disability  
4 annuitant who returns to State service after June 30,  
5 2001, upon termination of the disability annuity) shall  
6 not receive Class AA service credit for State service  
7 performed before July 1, 2001, until such person becomes  
8 an active member, or an active member of the Public  
9 School Employees' Retirement System and a multiple  
10 service member, and earns three eligibility points by  
11 performing credited State service in a class of service  
12 other than Class A-5 or credited school service in a  
13 class of service other than Class T-G after June 30,  
14 2001.

15           (iii) Nothing in this paragraph shall be construed  
16 to authorize a member of Class A-5 or a multiple service  
17 member who is a member of Class T-G in the Public School  
18 Employees' Retirement System to reinstate or purchase  
19 credit for previously credited or uncredited State  
20 service other than as allowed under section 5303(i).

21       (a.2) Class of membership for members of the General  
22 Assembly.--

23           (1) A person who:

24           (i) becomes a member of the General Assembly and an  
25 active member of the system after June 30, 2001, and  
26 before December 1, 2010; or

27           (ii) is a member of the General Assembly on July 1,  
28 2001, but is not an active member of the system because  
29 membership in the system is optional pursuant to section  
30 5301 and who becomes an active member after June 30,

1           2001, and before December 1, 2010;  
2           and who was not a State police officer on or after July 1,  
3           1989, shall be classified as a Class D-4 member and unless he  
4           later becomes a member of Class A-5 receive credit as a Class  
5           D-4 member for all State service as a member of the system  
6           performed as a member of the General Assembly upon payment of  
7           regular member contributions for Class D-4 service and,  
8           subject to the limitations contained in subsection (a.1)(7)  
9           and section 5303(i), if previously a member of Class A or  
10          employed in a position for which Class A service could have  
11          been earned, shall receive Class AA service credit for all  
12          Class A State service, other than State service performed as  
13          a State police officer or for which a class of service other  
14          than Class A or Class D-4 was or could have been elected or  
15          credited.

16          (2) Provided an election to become a Class D-4 member is  
17          made pursuant to section 5306.2 (relating to elections by  
18          members of the General Assembly), a State employee who was  
19          not a State police officer on or after July 1, 1989, who on  
20          July 1, 2001, is a member of the General Assembly and an  
21          active member of the system and not a member of Class D-3  
22          shall be classified as a Class D-4 member and, unless he  
23          later becomes a member of Class A-5, receive credit as a  
24          Class D-4 member for all State service performed as a member  
25          of the General Assembly not credited as another class other  
26          than Class A upon payment of regular member contributions for  
27          Class D-4 service and, subject to the limitations contained  
28          in paragraph (a.1)(7), shall receive Class AA service credit  
29          for all Class A State service, other than State service  
30          performed as a State police officer or as a State employee in



1 a position in which the member could have elected a class of  
2 service other than Class A, performed before July 1, 2001.

3 (3) A member of the General Assembly who after June 30,  
4 2001, becomes a State police officer shall retain any Class  
5 AA service or Class D-4 service credited prior to becoming a  
6 State police officer or being so employed but shall be  
7 ineligible to receive Class AA or Class D-4 credit thereafter  
8 and instead shall receive Class A credit or Class A-3 credit  
9 if he first becomes a member of the system on or after  
10 January 1, 2011, and before January 1, 2018, or Class A-5  
11 credit if his most recent period of State service begins on  
12 or after January 1, 2018.

13 (4) Notwithstanding the provisions of this subsection,  
14 no service as a member of the General Assembly performed  
15 before December 1, 2010, that is not credited as Class D-4  
16 service on November 30, 2010, shall be credited as Class D-4  
17 service, unless such service was previously credited in the  
18 system as Class D-4 service and the member withdrew his total  
19 accumulated deductions as provided in section 5311 (relating  
20 to eligibility for refunds) or 5701 (relating to return of  
21 total accumulated deductions). No service as a member of the  
22 General Assembly performed on or after December 1, 2010,  
23 shall be credited as Class D-4 service unless the member  
24 previously was credited with Class D-4 service credits.

25 (a.3) Class A-4 membership.--Provided that an election to  
26 become a Class A-4 member is made pursuant to section 5306.3  
27 (relating to election to become a Class A-4 member), a State  
28 employee who otherwise would be a member of Class A-3 shall be  
29 classified as a Class A-4 member and receive Class A-4 credit  
30 for all creditable State service performed after the effective

1 date of membership in the system, except as a member of the  
2 judiciary, upon payment of regular member contributions and  
3 shared-risk member contributions for Class A-4 service[.],  
4 provided that the member does not terminate service and then, on  
5 or after January 1, 2018, returns to the State service in a  
6 position other than a Class A-5 exempt employee and elects to be  
7 a member of Class A-5 under section 5306.4 (relating to election  
8 to become a Class A-5 member and participant).

9 (a.4) Class A-5 membership.--

10 (1) A State employee who begins State service or becomes  
11 a member of the system on or after January 1, 2018, other  
12 than as a Class A-5 exempt employee, shall be classified as a  
13 Class A-5 member without regard to position or office held or  
14 class of service that the employee would have been a member  
15 of or benefits that the member would have been eligible to  
16 accrue and receive but for this subsection and shall receive  
17 credit for Class A-5 service upon payment of regular member  
18 contributions for Class A-5 service.

19 (2) The provisions of this part regarding the  
20 establishment of and membership in Class A-5 shall apply to  
21 all current and former members of the State Employees'  
22 Retirement System who have returned to State service on or  
23 after January 1, 2018, other than as a Class A-5 exempt  
24 employee, after a termination of State service and who have  
25 elected to be a member of Class A-5 under section 5306.4.

26 (3) A terminated State employee who is a member of Class  
27 A-5 or who elects to be a member of Class A-5 under section  
28 5306.4 who returns to State service on or after January 1,  
29 2018, shall be subject to the provisions of this part  
30 regarding membership in Class A-5 that are in effect on the

1 effective date of reemployment, including benefit formulas  
2 and accrual rates, eligibility for annuities and  
3 distributions, contribution rates, definitions, purchase of  
4 creditable school, nonschool, State and nonstate service  
5 provisions and actuarial and funding assumptions.

6 (4) An individual who is a State employee on January 1,  
7 2018, but is not a member of the system or who first becomes  
8 a State employee on or after January 1, 2018, other than as a  
9 Class A-5 exempt employee, shall be ineligible for active  
10 membership in any of the several classes of State service as  
11 otherwise provided for under this section other than Class A-  
12 5. Any such State employee, if eligible, may be a member of  
13 Class A-5 as a result of such State service.

14 (5) Notwithstanding this subsection the following shall  
15 apply:

16 (i) A current or former Class A-5 exempt employee  
17 who has service as a Class A-5 exempt employee credited  
18 as Class A service shall receive Class A service credit  
19 for any State service that otherwise would be credited as  
20 Class A-5 and shall not be eligible to be an active  
21 participant in the plan for the service.

22 (ii) A current or former Class A-5 exempt employee  
23 who has service as a Class A-5 exempt employee credited  
24 as Class A-3 or Class A-4 service before January 1, 2018,  
25 shall receive Class A-3 or Class A-4 service credit, as  
26 the case may be, for any State service that otherwise  
27 would be credited as Class A-5 and shall not be eligible  
28 to be an active participant in the plan for the service.

29 (iii) A person who first becomes a Class A-5 exempt  
30 employee on or after January 1, 2018, shall receive

1 credit for service as a State police officer as a member  
2 of Class A-3, unless the member would otherwise be  
3 eligible to receive Class A credit for service as a Class  
4 A-5 exempt employee, upon payment of the required member  
5 contributions and shall not be eligible to be an active  
6 participant in the plan for such service. All other  
7 creditable State service shall be credited as otherwise  
8 provided under this part, including as Class A-5 service,  
9 except that any State service performed concurrently with  
10 service as an active or inactive member on leave without  
11 pay as a Class A-5 exempt employee shall be credited as  
12 Class A-3 service and shall not be eligible for active  
13 participation in the plan. Class A-3 service provided for  
14 under this subparagraph shall be subject to an election  
15 to be credited as Class A-4 service.

16 (iv) Notwithstanding the provisions of a binding  
17 arbitration award issued before July 1, 1989, under the  
18 act of June 24, 1968 (P.L.237, No.111), referred to as  
19 the Policemen and Firemen Collective Bargaining Act, and  
20 implemented by the board, for a member who first becomes  
21 an officer of the Pennsylvania State Police on or after  
22 January 1, 2018, other service performed before or after  
23 service as a officer of the Pennsylvania State Police  
24 shall be credited in the class of service provided under  
25 this part.

26 (b) Other class membership.--

27 (1) A State employee who is a member of a class of  
28 service other than Class A on the effective date of this part  
29 shall retain his membership in that class until such service  
30 is discontinued; any service thereafter shall be credited as

1 Class A service, Class AA service, Class A-5 or Class D-4  
2 service as provided for in this section.

3 (2) Notwithstanding any other provision of this section,  
4 a State employee [who] whose first period of State service  
5 began before January 1, 2018, is appointed [bail  
6 commissioner] arraignment court magistrate of the  
7 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)  
8 (relating to jurisdiction and venue) and is eligible to be a  
9 member of the system as an arraignment court magistrate may,  
10 within 30 days of the effective date of this sentence or  
11 within 30 days of his initial appointment as a [bail  
12 commissioner] arraignment court magistrate, whichever is  
13 later, elect Class E-2 service credit for service performed  
14 as [a bail commissioner] an arraignment court magistrate  
15 until the termination of State service. This class of service  
16 multiplier for E-2 service as a bail commissioner shall be  
17 1.5.

18 \* \* \*

19 Section 312. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and  
20 (d) of Title 71 are amended to read:

21 § 5306.1. Election to become a Class AA member.

22 \* \* \*

23 (c) Effect of election.--An election to become a Class AA  
24 member shall become effective the later of July 1, 2001, or the  
25 date when the election is filed with the board and shall remain  
26 in effect until the termination of employment. Upon termination  
27 and a subsequent reemployment that occurs before January 1,  
28 2018, the member's class of service shall be credited in the  
29 class of service otherwise provided for in this part. If the  
30 reemployment occurs on or after January 1, 2018, the State

1 employee's eligibility for membership and class of service in  
2 the system or participation in the plan shall be as provided in  
3 this part.

4 \* \* \*

5 § 5306.2. Elections by members of the General Assembly.

6 \* \* \*

7 (b) Effect of election.--Membership as a Class D-4 member  
8 shall become effective on July 1, 2001, and shall remain in  
9 effect until the termination of service as a member of the  
10 General Assembly. Upon termination and a subsequent reemployment  
11 that occurs before January 1, 2018, unless the reemployment is  
12 as a Class A-5 exempt employee the member's class of service  
13 shall be credited in the class of service otherwise provided for  
14 in this part. If the reemployment occurs on or after January 1,  
15 2018, the State employee's eligibility for membership and class  
16 of service in the system or participation in the plan shall be  
17 as provided in this part.

18 \* \* \*

19 § 5306.3. Election to become a Class A-4 member.

20 \* \* \*

21 (c) Effect of election.--An election to become a Class A-4  
22 member shall be irrevocable and shall become effective on the  
23 effective date of membership in the system and shall remain in  
24 effect for all future [creditable] State service[.] creditable  
25 in the system that otherwise is not credited as Class A-5  
26 service, other than service performed as a member of the  
27 judiciary, but shall not apply to service performed after a  
28 termination of State service and a reemployment when the  
29 reemployment occurs on or after January 1, 2018, and the member  
30 elects to be a member of Class A-5 under section 5306.4

1 (relating to election to become a Class A-5 member and  
2 participant). Payment of regular member contributions for Class  
3 A-4 State service performed prior to the election of Class A-4  
4 membership shall be made in a form, manner and time determined  
5 by the board. Upon termination of State service and a subsequent  
6 reemployment, a member who elected Class A-4 membership shall be  
7 credited as a Class A-4 member for creditable State service  
8 performed after reemployment, except as a member of the  
9 judiciary, regardless of termination of employment, termination  
10 of membership by withdrawal of accumulated deductions or status  
11 as an annuitant, vestee or inactive member after the termination  
12 of service; provided that the member does not elect to be a  
13 member of Class A-5.

14 (d) Effect of failure to make election.--Failure to elect to  
15 become a Class A-4 member within the election period set forth  
16 in subsection (b) shall result in all of the member's State  
17 service, other than service performed as a member of the  
18 judiciary or that would otherwise be credited as Class A-5 after  
19 a termination and return to State service, being credited as  
20 Class A-3 service and not subject to further election or  
21 crediting as Class A-4 service. Upon termination and subsequent  
22 employment, a member who failed to elect to become a Class A-4  
23 member shall not be eligible to make another election to become  
24 a Class A-4 member for either past or future State service.

25 Section 312.1. Title 71 is amended by adding a section to  
26 read:

27 § 5306.4. Election to become a Class A-5 member and  
28 participant.

29 (a) General rule.--A person who returns to State service on  
30 or after January 1, 2018, and becomes a member of a class of

1 service other than Class A-5 who has not previously declined to  
2 elect Class A-5 membership under this section may elect to  
3 become a member of Class A-5 and a participant in the plan.

4 (b) Time for making election.--The election to become a  
5 Class A-5 member and participant must be made by the member  
6 filing written notice with the board in a form and manner  
7 determined by the board no later than 45 days after notice from  
8 the board of the member's eligibility to elect Class A-5  
9 membership and participation. A State employee who is eligible  
10 to elect to become a Class A-5 member and participant who begins  
11 USERRA leave during the election period without having elected  
12 Class A-5 membership and participation may make the election  
13 within 45 days after being reemployed from USERRA leave.

14 (c) Effect of election.--An election to become a Class A-5  
15 member and participant shall be irrevocable and shall become  
16 effective on the effective date of active membership in the  
17 system resulting from the member's return to service. Payment of  
18 regular member contributions and shared-risk member  
19 contributions for Class A-5 State service performed prior to the  
20 election of Class A-5 membership shall be made in a form, manner  
21 and time determined by the board. Payment of employer defined  
22 contributions and mandatory participant contributions to the  
23 plan for State service performed prior to the election of  
24 participation in the plan shall be as established in the plan  
25 document. Upon termination and subsequent reemployment, a member  
26 who elected Class A-5 membership and participation in the plan  
27 shall be credited as a Class A-5 member and participant for  
28 creditable State service performed after reemployment,  
29 regardless of termination of employment, termination of  
30 membership or participation by withdrawal of total accumulated



1 deductions, Class A-5 accumulated deductions or distribution of  
2 all or part of accumulated total defined contributions or status  
3 as an annuitant, vestee, inactive member, participant receiving  
4 distributions or inactive participant after the termination of  
5 service.

6 (d) Effect of failure to make election.--Failure to elect to  
7 become a Class A-5 member and participant within the election  
8 period set forth in subsection (b) shall result in all of the  
9 member's State service being credited in the class of membership  
10 otherwise provided for under this part and not subject to  
11 further election or crediting as Class A-5 service or eligible  
12 for participation in the plan. Upon termination and subsequent  
13 employment, a member who failed to elect to become a Class A-5  
14 member and participant shall not be eligible to make another  
15 election to become a Class A-5 member or participant for either  
16 past or future State service.

17 Section 312.2. Section 5307 of Title 71 is amended to read:  
18 § 5307. Eligibility points.

19 (a) General rule.--An active member of the system shall  
20 accrue one eligibility point for each year of credited service  
21 as a member of the [State or] system and if a multiple service  
22 member as a member of the Public School Employees' Retirement  
23 System. A member shall accrue an additional two-thirds of an  
24 eligibility point for each year of Class D-3 credited service.  
25 In the case of a fractional part of a year of credited service,  
26 a member shall accrue the corresponding fractional portion of  
27 eligibility points to which the class of service entitles him.

28 (a.1) USERRA leave.--A member of the system or participant  
29 in the plan who is reemployed from USERRA leave or who dies  
30 while performing USERRA leave shall be granted the eligibility

1 points that he would have accrued had he continued in his State  
2 office or employment instead of performing USERRA leave. In the  
3 event that a State employee who is reemployed from USERRA leave  
4 makes the member contributions or mandatory pickup participant  
5 contributions to be granted State service credit for the USERRA  
6 leave, no additional eligibility points will be granted.

7 (b) Transitional rule.--

8 (1) In determining whether a member who is not a State  
9 employee or school employee on June 30, 2001, and July 1,  
10 2001, and who has previous State service (except a disability  
11 annuitant who returns to State service after June 30, 2001,  
12 upon termination of the disability annuity) has the five  
13 eligibility points required by sections 5102 (relating to  
14 definitions), 5308(b) (relating to eligibility for  
15 annuities), 5309 (relating to eligibility for vesting),  
16 5704(b) (relating to disability annuities) and 5705(a)  
17 (relating to member's options), only eligibility points  
18 earned by performing credited State service[, ] or USERRA  
19 leave in a class of service other than Class A-5, or credited  
20 school service as an active member of the Public School  
21 Employees' Retirement System in a class of service other than  
22 Class T-G after June 30, 2001, shall be counted until such  
23 member earns one such eligibility point by performing  
24 credited State service or credited school service after June  
25 30, 2001, at which time all eligibility points other than  
26 eligibility points in classes of service other than Class A-5  
27 or Class T-G as determined pursuant to subsection (a) shall  
28 be counted.

29 (2) Any member to whom paragraph (1) applies shall be  
30 considered to have satisfied any requirement for five

1 eligibility points contained in this part if the member:

2 (i) has ten or more eligibility points of the  
3 applicable class of service as determined pursuant to  
4 subsection (a); or

5 (ii) has Class G, Class H, Class I, Class J, Class  
6 L, Class M or Class N service and has eight or more  
7 eligibility points of a class of service other than Class  
8 A-5 or Class T-G as determined pursuant to subsection  
9 (a).

10 (c) Transitional rule for members with Class A-5 service  
11 credit.--

12 (1) Any provision of this part pertaining to eligibility  
13 points applicable to the eligibility for or calculation of  
14 annuities or benefits attributable to classes of service  
15 other than Class A-5 shall not include any eligibility points  
16 attributable to service credited in Class A-5 or as a member  
17 of Class T-G in the Public School Employees' Retirement  
18 System.

19 (2) Any provision of this part pertaining to eligibility  
20 points applicable to the eligibility for or calculation of  
21 annuities or benefits attributable to service in Class A-5  
22 shall include only eligibility points attributable to service  
23 credited in Class A-5 or if a multiple service member as a  
24 member of Class T-G in the Public School Employees'  
25 Retirement System.

26 (3) Only eligibility points earned as a member of Class  
27 A-5, or if a multiple service member, as a member of Class T-  
28 G in the Public School Employees' Retirement System, shall be  
29 applicable to any provision in this part requiring  
30 eligibility points for the determination or payment of

1 benefits from the plan.

2 Section 312.3. Section 5308 of Title 71, amended December  
3 28, 2015 (P.L.529, No.93), is amended to read:

4 § 5308. Eligibility for annuities.

5 (a) Superannuation annuity.--Attainment of superannuation  
6 age by an active member or an inactive member on leave without  
7 pay with three or more eligibility points other than eligibility  
8 points resulting from nonstate service or nonschool service  
9 shall entitle him to receive a superannuation annuity upon  
10 termination of State service and compliance with section 5907(f)  
11 (relating to rights and duties of State employees [and  
12 members).], members and participants); provided that only  
13 eligibility points earned in classes of service other than Class  
14 A-5 or, if a multiple service member, in Class T-G shall be used  
15 to determine if a member has the three eligibility points  
16 necessary to be eligible to receive a superannuation annuity  
17 attributable to classes of service other than Class A-5; and  
18 further provided, that only eligibility points earned in Class  
19 A-5 or, if a multiple service member, in Class T-G shall be used  
20 to determine if a member has the three eligibility points  
21 necessary to be eligible to receive a superannuation annuity  
22 attributable to Class A-5 service.

23 (b) Withdrawal annuity.--

24 (1) Any vestee or any active member or inactive member  
25 on leave without pay who terminates State service having five  
26 or more eligibility points and who does not have Class A-3  
27 [or], Class A-4 or Class A-5 service credit or Class T-E  
28 [or], Class T-F or Class T-G service credit in the Public  
29 School Employees' Retirement System, or who has Class G,  
30 Class H, Class I, Class J, Class K, Class L, Class M or Class

1 N service and terminates State service having five or more  
2 eligibility points, upon compliance with section 5907(f), (g)  
3 or (h) shall be entitled to receive an annuity.

4 (2) Any vestee, active member or inactive member on  
5 leave without pay who has Class A-3 or Class A-4 service  
6 credit or, if a multiple service member, Class T-E or Class  
7 T-F service credit in the Public School Employees' Retirement  
8 System who terminates State service having ten or more  
9 eligibility points in classes of service other than Class A-5  
10 or Class T-G in the Public School Employees' Retirement  
11 System, upon compliance with section 5907(f), (g) or (h),  
12 shall be entitled to receive an annuity based on service and  
13 compensation in classes of service other than Class A-5 or  
14 Class T-G.

15 (3) Any vestee, active member or inactive member on  
16 leave without pay who has either Class A-3 [or], Class A-4 or  
17 Class A-5 service credit or, if a multiple service member,  
18 Class T-E [or], Class T-F or Class T-G service credit in the  
19 Public School Employees' Retirement System and also has  
20 service credited in the system in one or more other classes  
21 of service who has five or more, but fewer than ten,  
22 eligibility points from classes of service other than Class  
23 A-5 or Class T-G, upon compliance with section 5907(f), (g)  
24 or (h), shall be eligible to receive an annuity calculated on  
25 his service credited in classes of service other than Class  
26 A-3 [or], Class A-4 or Class A-5, provided that the member  
27 has five or more eligibility points resulting from service in  
28 classes other than Class A-3 [or], Class A-4 or Class A-5 or  
29 Class T-E [or], Class T-F or Class T-G service in the Public  
30 School Employees' Retirement System.

1           (4) In addition to any withdrawal annuity payable under  
2 paragraph (2) or (3), any vestee, active member or inactive  
3 member on leave without pay who terminates State service  
4 having ten or more eligibility points resulting from Class A-  
5 5 service credit or, if a multiple service member, Class T-G  
6 service credit in the Public School Employees' Retirement  
7 System, upon compliance with section 5907 (f), (g) or (h)  
8 shall be entitled to receive an annuity based on service and  
9 compensation as a member of Class A-5 and Class T-G in  
10 addition to any annuity the member is eligible to receive  
11 from other classes of service.

12       (c) Disability annuity.--An active member or inactive member  
13 on leave without pay who:

14           (1) has five or more eligibility points other than  
15 eligibility points resulting from service as a member of  
16 Class A-5 or membership in the Public School Employees'  
17 Retirement System [or any active member or inactive member on  
18 leave without pay who];

19           (2) is an officer of the Pennsylvania State Police or an  
20 enforcement officer; or

21           (3) has five or more eligibility points resulting from  
22 service as a member of Class A-5;

23 shall, upon compliance with section 5907(k), be entitled to a  
24 disability annuity based on service and compensation in classes  
25 other than Class A-5 if he is eligible for a disability annuity  
26 on service other than as a member of Class A-5 and a disability  
27 annuity based on service and compensation in Class A-5 if he is  
28 eligible for a disability annuity based on service and  
29 compensation as a member of Class A-5 if he becomes mentally or  
30 physically incapable of continuing to perform the duties for

1 which he is employed and qualifies in accordance with the  
2 provisions of section 5905(c)(1) (relating to duties of the  
3 board regarding applications and elections of members).

4 (d) Required beginning date.--Members eligible for an  
5 annuity must commence receiving the annuity by the member's  
6 required beginning date.

7 Section 312.4. Section 5308.1 introductory paragraph and (1)  
8 of Title 71 are amended to read:

9 § 5308.1. Eligibility for special early retirement.

10 Notwithstanding any provisions of this title to the contrary,  
11 the following special early retirement provisions shall be  
12 applicable to specified eligible members [as follows]:

13 (1) During the period of July 1, 1985, to September 30,  
14 1991, an active member who has attained the age of at least  
15 53 years and has accrued at least 30 eligibility points shall  
16 be entitled, upon termination of State service and compliance  
17 with section 5907(f) (relating to rights and duties of State  
18 employees [and] members and participants), to receive a  
19 maximum single life annuity calculated under section 5702  
20 (relating to maximum single life annuity) without a reduction  
21 by virtue of an effective date of retirement which is under  
22 the superannuation age.

23 \* \* \*

24 Section 312.5. Section 5309 of Title 71, amended December  
25 28, 2015 (P.L.529, No.93), is amended to read:

26 § 5309. Eligibility for vesting.

27 Any member who:

28 (1) Does not have Class A-3 [or] Class A-4 or Class A-5  
29 service credit or if a multiple service member, Class T-E  
30 [or] Class T-F or Class T-G service credit in the Public

1 School Employees' Retirement System and terminates State  
2 service, or if a multiple service member and an active member  
3 of the Public School Employees' Retirement System terminates  
4 school service, with five or more eligibility points, or any  
5 member with Class G, Class H, Class I, Class J, Class K,  
6 Class L, Class M or Class N service with five or more  
7 eligibility points, shall be eligible until his required  
8 beginning date to vest his retirement benefits.

9 (2) Has only Class A-3 [or] and, if a multiple service  
10 member, only Class A-4 service credit or Class T-E or Class  
11 T-F service credit in the Public School Employees' Retirement  
12 System and terminates State service, or if a multiple service  
13 member and an active member of the Public School Employees'  
14 Retirement System terminates school service, with ten or more  
15 eligibility points shall be eligible until his required  
16 beginning date to vest his retirement benefits.

17 (3) Has either Class A-3 [or] and, if a multiple service  
18 member, Class A-4 service credit or Class T-E or Class T-F  
19 service credit in the Public School Employees' Retirement  
20 System, also has service other than Class A-5 credited in the  
21 system in one or more other classes of service and has five  
22 or more, but fewer than ten, eligibility points resulting  
23 from service in classes other than Class A-5 or Class T-G and  
24 terminates State service, or if a multiple service member and  
25 an active member of the Public School Employees' Retirement  
26 System terminates school service, shall be eligible until his  
27 required beginning date to vest his retirement benefits  
28 calculated on his service credited in classes of service  
29 other than Class A-3 [or], Class A-4 or Class A-5 and to be  
30 credited with statutory interest on total accumulated



1 deductions, regardless of whether or not any part of his  
2 accumulated deductions are a result of Class A-3 or Class A-4  
3 service credit.

4 (4) Has only Class A-5 service credit and, if a multiple  
5 service member, only Class T-G service credit in the Public  
6 School Employees' Retirement System and terminates State  
7 service, or, if a multiple service member and an active  
8 member of the Public School Employees' Retirement System,  
9 terminates school service with ten or more eligibility points  
10 shall be eligible until his required beginning date to vest  
11 his retirement benefits resulting from Class A-5 service.

12 (5) Has Class A-5 service credit and service credited in  
13 one or more other classes of service and terminates State  
14 service, or if a multiple service member and an active member  
15 of the Public School Employees' Retirement System terminates  
16 school service, shall be eligible to vest his retirement  
17 benefits based on Class A-5 service until the attainment of  
18 the applicable superannuation age if he would be required or  
19 eligible to vest his retirement benefits based on Class A-5  
20 service under paragraph (4) disregarding all classes of  
21 service other than Class A-5 and Class T-G and shall be  
22 eligible to vest his retirement benefits in each other class  
23 of service other than Class A-5 in accordance with the  
24 requirements of each class of service until the attainment of  
25 the applicable superannuation ages for each class of service  
26 for which he would be able to vest his retirement benefits  
27 under paragraph (1), (2) or (3) disregarding service in Class  
28 A-5 and Class T-G.

29 Section 312.6. Section 5310 of Title 71 is amended to read:

30 § 5310. Eligibility for death benefits.

1 In the event of the death of a member who is eligible for an  
2 annuity in accordance with section 5308(a) or (b) (relating to  
3 eligibility for annuities), his beneficiary shall be entitled to  
4 a death benefit. For purposes of this section, a member with ten  
5 or more but less than 30 eligibility points resulting from Class  
6 A-5 service credit or, if a multiple service member, Class T-G  
7 service credit in the Public School Employees' Retirement System  
8 shall be considered eligible for an annuity based on Class A-5  
9 service even if under superannuation age.

10 Section 312.7. Sections 5311 and 5501 of Title 71, amended  
11 December 28, 2015 (P.L.529, No.93), are amended to read:

12 § 5311. Eligibility for refunds.

13 (a) Total accumulated deductions.--Any active member,  
14 regardless of eligibility for benefits, may elect to receive his  
15 total accumulated deductions by his required beginning date upon  
16 termination of service in lieu of any benefit from the system to  
17 which he is entitled.

18 (b) Social security integration accumulated deductions.--Any  
19 active member at any time after the attainment of normal  
20 retirement age may elect to receive his social security  
21 integration accumulated deductions and thereby to have all his  
22 social security integration credits and benefits therefor  
23 cancelled, and shall not be entitled to accrue any further  
24 social security integration credits or benefits; except that a  
25 disability annuitant who returns to State service in a class of  
26 service other than Class A-5 shall have the right to reinstate  
27 his social security integration accumulated deductions and  
28 credits therefor.

29 § 5501. Regular member contributions for current service.

30 Regular member contributions shall be made to the fund on

1 behalf of each active member for current service except for any  
2 period of current service in which the making of such  
3 contributions has ceased solely by reason of section 5502.1  
4 (relating to waiver of regular member contributions and Social  
5 Security integration member contributions) or any provision of  
6 this part relating to the limitations under IRC § 401(a)(17) or  
7 415 or limitations on contributions to the system applicable to  
8 a Class A-5 member who is making mandatory pickup participant  
9 contributions to the trust.

10 Section 313. Section 5501.1(a) and (b)(1) and (7) of Title  
11 71 are amended and the section is amended by adding a subsection  
12 to read:

13 § 5501.1. Shared-risk member contributions for Class A-3 [and],  
14 Class A-4 and Class A-5 service.

15 (a) General.--Shared-risk member contributions shall be made  
16 to the fund on behalf of each member of Class A-3 [or],  
17 Class A-4 or Class A-5 for current service credited as Class A-3 [or],  
18 Class A-4 or Class A-5 as provided under this section, except  
19 for any period of current service in which the making of the  
20 contributions has ceased solely by reason of any provision of  
21 this part relating to the limitations under IRC § 401(a)(17) or  
22 415 or any provision of this part limiting contributions  
23 applicable to a Class A-5 member. Shared-risk member  
24 contributions shall be credited to the members' savings account.

25 (b) Determination of shared-risk contribution rate[.--] for  
26 Class A-3 and Class A-4 service.--The shared-risk contribution  
27 for Class A-3 and Class A-4 service shall be determined as  
28 follows:

29 (1) For the period from the effective date of this  
30 section until June 30, 2014, the shared-risk contribution

1 rate for Class A-3 and Class A-4 service shall be zero.

2 \* \* \*

3 (7) For any fiscal year in which the actual  
4 contributions by the Commonwealth or an employer are lower  
5 than those required to be made under section 5507(d)  
6 (relating to contributions to the system by the Commonwealth  
7 and other employers), the prospective shared-risk  
8 contribution rate for those employees whose employers are not  
9 making the contributions required by section 5507(d) shall be  
10 zero and shall not subsequently be increased, except as  
11 otherwise provided in this section.

12 \* \* \*

13 (c) Determination of shared-risk contribution rate for Class  
14 A-5 service.--The shared risk contribution for Class A-5 service  
15 shall be determined as follows:

16 (1) For the period from the effective date of this  
17 section until June 30, 2020, the shared-risk contribution  
18 rate for Class A-5 service shall be zero.

19 (2) For the period from July 1, 2020, to June 30, 2023,  
20 if the annual interest rate adopted by the board for use  
21 during the period from January 1, 2017, to December 31, 2019,  
22 for the calculation of the normal contribution rate is more  
23 than 1% greater than the actual rate of return, net of fees,  
24 of the investments of the fund based on market value over the  
25 period, the shared-risk contribution rate shall be 0.5%. In  
26 all other situations, the shared-risk contribution rate shall  
27 be zero.

28 (3) For each subsequent three-year period, the shared-  
29 risk contribution rate shall be increased by 0.5% if the  
30 annual interest rate adopted by the board for use during the

1 previous ten-year period for the calculation of the normal  
2 contribution rate is more than 1% greater than the actual  
3 rate of return, net of fees, of the investments of the fund  
4 based on market value over the period. The shared-risk  
5 contribution rate shall be decreased by 0.5% 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 may not be less than zero and may not  
13 be more than the experience adjustment factor resulting from  
14 investment gains or losses in effect on the first day when  
15 the new rate would be applied, expressed as a percentage of  
16 member compensation, provided that in no event may the  
17 shared-risk contribution rate be more than 2%. For the  
18 determination of the shared-risk contribution rate to be  
19 effective July 1, 2023, the determination period shall be  
20 January 1, 2017, through December 31, 2022. For the  
21 determination of the shared-risk contribution rate to be  
22 effective July 1, 2026, the determination period shall be  
23 January 1, 2020, through December 31, 2025.

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), as adjusted by the  
18 experience adjustment factor, are zero or less, then the  
19 shared-risk contribution rate for the next fiscal year shall  
20 be zero and shall not subsequently be increased, except as  
21 otherwise provided in this section.

22 Section 314. Section 5502 of Title 71, amended December 28,  
23 2015 (P.L.529, No.93), is amended to read:

24 § 5502. Social Security integration member contributions.

25 Except for any period of current service in which the making  
26 of regular member contributions has ceased solely by reason of  
27 section 5502.1 (relating to waiver of regular member  
28 contributions and Social Security integration member  
29 contributions) or any provision of this part relating to  
30 limitations under IRC § 401(a)(17) or 415, contributions shall

1 be made on behalf of [a] an active member of any class other  
2 than Class A-5 who prior to March 1, 1974, has elected Social  
3 Security integration coverage. The amount of such contributions  
4 shall be 6 1/4% of that portion of his compensation as an active  
5 member in excess of the maximum wages taxable under the  
6 provisions of the Social Security Act (49 Stat. 620, 42 U.S.C. §  
7 301 et seq.), in addition to the regular member contributions  
8 which, after such election, shall be determined on the basis of  
9 the basic contribution rate of 5% and the additional member  
10 contribution of 1 1/4%: Provided, That a member may elect to  
11 discontinue Social Security integration coverage and shall  
12 thereafter be ineligible to accrue any further Social Security  
13 integration credits or any additional benefits on account of  
14 Social Security integration membership.

15 Section 314.1. Sections 5502.1(b) and 5503.1(a) of Title 71  
16 are amended to read:

17 § 5502.1. Waiver of regular member contributions and Social  
18 Security integration member contributions.

19 \* \* \*

20 (b) Applicability.--This section shall not apply to any  
21 member who has Class A-3 [or], Class A-4 or Class A-5 service  
22 credit.

23 \* \* \*

24 § 5503.1. Pickup contributions.

25 (a) Treatment for purposes of IRC § 414(h).--All  
26 contributions to the fund required to be made under sections  
27 5501 (relating to regular member contributions for current  
28 service), 5501.1 (relating to shared-risk member contributions  
29 for Class A-3 [and], Class A-4 and Class A-5 service), 5502  
30 (relating to Social Security integration member contributions),

1 5503 (relating to joint coverage member contributions) and  
2 [section] 5505.1 (relating to additional member contributions),  
3 with respect to current State service rendered by an active  
4 member on or after January 1, 1982, shall be picked up by the  
5 Commonwealth or other employer and shall be treated as the  
6 employer's contribution for purposes of IRC § 414(h).

7 \* \* \*

8 Section 314.2. Section 5504 of Title 71, amended December  
9 28, 2015 (P.L.529, No.93), is amended to read:

10 § 5504. Member contributions for the purchase of credit for  
11 previous State service or to become a full coverage  
12 member.

13 (a) Amount of contributions for service in other than Class  
14 G through N.--

15 (1) The contributions to be paid by an active member or  
16 eligible school employee for credit [for] in the system for  
17 the portion of total previous State service other than  
18 service in Class G, Class H, Class I, Class J, Class K, Class  
19 L, Class M and Class N that a member is eligible to have  
20 credited or to become a full coverage member shall be  
21 sufficient to provide an amount equal to the regular and  
22 additional accumulated deductions which would have been  
23 standing to the credit of the member for such service had  
24 regular and additional member contributions been made with  
25 full coverage in the class of service and at the rate of  
26 contribution applicable during such period of previous  
27 service and had his regular and additional accumulated  
28 deductions been credited with statutory interest during all  
29 periods of subsequent State service as an active member or  
30 inactive member on leave without pay and school service as an



1 active member or inactive member of the Public School  
2 Employees' Retirement System up to the date of purchase.

3 (2) Notwithstanding paragraph (1), active members [with]  
4 who perform State service credited as Class A-3 [State]  
5 service shall make contributions and receive credit as if the  
6 previous State service was Class A-3 service, and active  
7 members [with] who perform State service credited as Class A-  
8 4 [State] service shall make contributions and receive credit  
9 as if the previous State service was Class A-4 service, even  
10 if it would have been credited as a different class of  
11 service had the State employee been a member of the system at  
12 the time the service was performed unless it was mandatory  
13 that the State employee be an active member of the system and  
14 the previous State service is being credited as the result of  
15 a mandatory active membership requirement.

16 (a.1) Converted county service.--No contributions shall be  
17 required to restore credit for previously credited State service  
18 in Class G, Class H, Class I, Class J, Class K, Class L, Class M  
19 and Class N. Such service shall be restored upon the  
20 commencement of payment of the contributions by an active member  
21 of a class of service other than Class A-5 required to restore  
22 credit in the system for all other previous State service other  
23 than Class A-5 service.

24 (b) Certification and method of payment.--

25 (1) 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 member or eligible school employee who  
29 is an active member of the Public School Employees'  
30 Retirement System may be amortized with statutory interest

1 through salary deductions to the system in amounts agreed  
2 upon by the member and the board. The salary deduction  
3 amortization plans agreed to by members and the board may  
4 include a deferral of payment amounts and statutory interest  
5 until the termination of school service or State service as  
6 the board in its sole discretion decides to allow. The board  
7 may limit the salary deduction amortization plans to such  
8 terms as the board in its sole discretion determines. In the  
9 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  
13 to the board the amounts paid.

14 (2) No payments for service or coverage shall be allowed  
15 for which the required contributions would cause a violation  
16 of the limitation related to contributions applicable to  
17 governmental plans contained in IRC § 415. In the event that  
18 any service credit or coverage based on such disallowed  
19 contributions is granted after the effective date of this  
20 paragraph, then such service credit shall be canceled and  
21 benefits calculated without regard to such service or  
22 contributions and any member contributions in excess of the  
23 limitations and statutory interest credited on those  
24 contributions shall be refunded to the member by the board.

25 Section 314.3. Sections 5505(b)(1), (c), (d) and (i)(4) and  
26 5506.1(a) of Title 71 are amended to read:

27 § 5505. Contributions for the purchase of credit for creditable  
28 nonstate service.

29 \* \* \*

30 (b) Nonintervening military service.--

1           (1) (i) The amount due for the purchase of credit for  
2 military service other than intervening military service  
3 by a member who is eligible to make the purchase under  
4 section 5304(a)(1) or (2) (relating to creditable  
5 nonstate service) shall be determined by applying the  
6 member's basic contribution rate, the additional  
7 contribution rate plus the Commonwealth normal  
8 contribution rate for active members at the time of  
9 entry, subsequent to such military service, of the member  
10 into State service to his average annual rate of  
11 compensation, excluding compensation received for Class  
12 A-5 service, over the first three years of such  
13 subsequent State service and multiplying the result by  
14 the number of years and fractional part of a year of  
15 creditable nonintervening military service being  
16 purchased together with statutory interest during all  
17 periods of subsequent State service as an active member  
18 or inactive member on leave without pay and school  
19 service as an active member or inactive member of the  
20 Public School Employees' Retirement System to date of  
21 purchase.

22           (ii) The amount due for the purchase of credit for  
23 military service other than intervening military service  
24 by a member who is eligible to make the purchase under  
25 section 5304(a)(3) shall be determined by applying the  
26 member's basic contribution rate, plus the Commonwealth  
27 normal contribution rate for active members at the time  
28 of entry, subsequent to such military service, of the  
29 member into Class A-5 State service to his average annual  
30 rate of compensation received for Class A-5 service

1 subject to any limit each year by the application of the  
2 Class A-5 annual compensation limit, over the first three  
3 years of such subsequent Class A-5 State service and  
4 multiplying the result by the number of years and  
5 fractional part of a year of creditable nonintervening  
6 military service being purchased, together with statutory  
7 interest during all periods of subsequent State service  
8 as an active member or inactive member on leave without  
9 pay and school service as an active member or inactive  
10 member of the Public School Employees' Retirement System  
11 to date of purchase.

12 (iii) Upon application for credit for such service,  
13 payment shall be made in a lump sum within 30 days or in  
14 the case of an active member or eligible school employee  
15 who is an active member of the Public School Employees'  
16 Retirement System it may be amortized with statutory  
17 interest through salary deductions in amounts agreed upon  
18 by the member and the board. The salary deduction  
19 amortization plans agreed to by members and the board may  
20 include a deferral of payment amounts and statutory  
21 interest until the termination of school service or State  
22 service as the board in its sole discretion decides to  
23 allow. The board may limit salary deduction amortization  
24 plans to such terms as the board in its sole discretion  
25 determines. In the case of an eligible school employee  
26 who is an active member of the Public School Employees'  
27 Retirement System, the agreed upon salary deductions  
28 shall be remitted to the Public School Employees'  
29 Retirement Board, which shall certify and transfer to the  
30 board the amounts paid. Application may be filed for all

1 such military service credit upon completion of three  
2 years of subsequent State service and shall be credited  
3 as Class A service.

4 \* \* \*

5 (c) Intervening military service.--Contributions on account  
6 of credit for intervening military service shall be determined  
7 by the member's regular contribution rate, shared-risk  
8 contribution rate, Social Security integration contribution  
9 rate, the additional contribution rate which shall be applied  
10 only to those members who began service on or after the  
11 effective date of this amendatory act and compensation at the  
12 time of entry of the member into active military service,  
13 together with statutory interest during all periods of  
14 subsequent State service as an active member or inactive member  
15 on leave without pay and school service as an active member or  
16 inactive member of the Public School Employees' Retirement  
17 System to date of purchase. Upon application for such credit the  
18 amount due shall be certified in the case of each member by the  
19 board in accordance with methods approved by the actuary, and  
20 contributions may be made by:

21 (1) regular monthly payments during active military  
22 service; or

23 (2) a lump sum payment within 30 days of certification;  
24 or

25 (3) salary deductions to the system in amounts agreed  
26 upon by the member or eligible school employee who is an  
27 active member of the Public School Employees' Retirement  
28 System and the board.

29 The salary deduction amortization plans agreed to by members and  
30 the board may include a deferral of payment amounts and

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

10 (d) Nonmilitary and nonmagisterial service.--Contributions  
11 on account of credit for creditable nonstate service other than  
12 military and magisterial service by State employees who first  
13 become members of the system before January 1, 2011, or before  
14 December 1, 2010, as a member of the General Assembly shall be  
15 determined by applying the member's basic contribution rate, the  
16 additional contribution rate plus the Commonwealth normal  
17 contribution rate for active members at the time of entry  
18 subsequent to such creditable nonstate service of the member  
19 into State service to his compensation at the time of entry into  
20 State service as a member of the system and multiplying the  
21 result by the number of years and fractional part of a year of  
22 creditable nonstate service being purchased together with  
23 statutory interest during all periods of subsequent State  
24 service as an active member or inactive member on leave without  
25 pay and school service as an active member or inactive member of  
26 the Public School Employees' Retirement System to the date of  
27 purchase. Upon application for credit for such service payment  
28 shall be made in a lump sum within 30 days or in the case of an  
29 active member or eligible school employee who is an active  
30 member of the Public School Employees' Retirement System it may

1 be amortized with statutory interest through salary deductions  
2 to the system in amounts agreed upon by the member and the  
3 board. The salary deduction amortization plans agreed to by  
4 members and the board may include a deferral of payment amounts  
5 and statutory interest until the termination of school service  
6 or 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 deduction shall be remitted to the Public School  
12 Employees' Retirement Board, which shall certify and transfer to  
13 the board the amounts paid.

14 \* \* \*

15 (i) Purchases of nonstate service credit by State employees  
16 who first became members of the system on or after December 1,  
17 2010.--

18 \* \* \*

19 (4) The payment for credit purchased under this  
20 subsection shall be certified in each case by the board in  
21 accordance with methods approved by the actuary and shall be  
22 paid in a lump sum within 30 days or in the case of an active  
23 member or eligible school employee who is an active member of  
24 the Public School Employees' Retirement System may be  
25 amortized with statutory interest through salary deductions  
26 to the system in amounts agreed upon by the member and the  
27 board. The salary deduction amortization plans agreed to by  
28 members and the board may include a deferral of payment  
29 amounts and interest until the termination of school service  
30 or State service as the board in its sole discretion decides

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

9 \* \* \*

10 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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



1 \* \* \*

2 Section 315. Title 71 is amended by adding a section to  
3 read:

4 § 5506.2. Application of Class A-5 annual compensation limit.

5 (a) General rule.--The Class A-5 annual compensation limit  
6 shall be applied to the total compensation received each  
7 calendar year for service as a member of Class A-5 and, if a  
8 multiple service member, for service in Class T-G in the Public  
9 School Employees' Retirement System.

10 (b) Adjustment required.--For purposes of calculating final  
11 average salary for the determination of standard single life  
12 annuities and other benefits resulting from Class A-5 service,  
13 compensation received each calendar year for Class A-5 service  
14 and, if a multiple service member, as a school employee for  
15 service as a Class T-G member of the Public School Employees'  
16 Retirement System shall be adjusted by first limiting the  
17 compensation to the Class A-5 annual compensation limit for that  
18 year. The limited Class A-5 service compensation shall then be  
19 annualized for any part-time service on the basis of the  
20 fractional portion of the year for which credit is received.

21 Section 316. Section 5507(a), (b), (d) and (e) of Title 71  
22 are amended and the section is amended by adding a subsection to  
23 read:

24 § 5507. Contributions to the system by the Commonwealth and  
25 other employers.

26 (a) Contributions on behalf of active members.--The  
27 Commonwealth and other employers whose employees are members of  
28 the system or participants in the plan shall make contributions  
29 to the fund on behalf of all active members in such amounts as  
30 shall be certified by the board as necessary to provide,

1 together with the members' total accumulated deductions and  
2 Class A-5 accumulated deductions, annuity reserves on account of  
3 prospective annuities other than those provided in sections 5708  
4 (relating to supplemental annuities), 5708.1 (relating to  
5 additional supplemental annuities), 5708.2 (relating to further  
6 additional supplemental annuities), 5708.3 (relating to  
7 supplemental annuities commencing 1994), 5708.4 (relating to  
8 special supplemental postretirement adjustment), 5708.5  
9 (relating to supplemental annuities commencing 1998), 5708.6  
10 (relating to supplemental annuities commencing 2002), 5708.7  
11 (relating to supplemental annuities commencing 2003) and 5708.8  
12 (relating to special supplemental postretirement adjustment of  
13 2002), in accordance with the actuarial cost method provided in  
14 section 5508(a), (b), (c), (d) and (f) (relating to actuarial  
15 cost method).

16 (b) Contributions on behalf of annuitants.--The Commonwealth  
17 and other employers whose employees are members of the system or  
18 participants in the plan shall make contributions on behalf of  
19 annuitants in such amounts as shall be certified by the board as  
20 necessary to fund the liabilities for supplemental annuities in  
21 accordance with the actuarial cost method provided in section  
22 5508(e) [(relating to actuarial cost method)].

23 (b.1) Payment of employer contributions to the system.--

24 (1) Payment of employer normal contributions shall be as  
25 a percentage of:

26 (i) the compensation of active members in classes of  
27 service other than Class A-5; and

28 (ii) the compensation of active members of Class A-5  
29 who have 30 or fewer eligibility points resulting from  
30 Class A-5 service or, if a multiple service member, Class

1 T-G service up to each employee's Class A-5 annual  
2 compensation limit.

3 (2) Payment of accrued liability contributions as  
4 modified by the experience adjustment factor shall be as a  
5 percentage of compensation of active members and active  
6 participants.

7 \* \* \*

8 (d) Payment of final contribution rate.--Notwithstanding the  
9 calculation of the actuarially required contribution rate and  
10 the provisions of subsections (a) and (b), the Commonwealth and  
11 other employers whose employees are members of the system or  
12 participants in the plan shall make contributions to the fund on  
13 behalf of all active members and annuitants in such amounts as  
14 shall be certified by the board in accordance with section  
15 5508(i).

16 (e) Benefits completion plan contributions.--In addition to  
17 all other contributions required under this section and section  
18 5508, the Commonwealth and other employers whose employees are  
19 members of the system shall make contributions as certified by  
20 the board pursuant to section 5941 (relating to benefits  
21 completion plan). Payment of contributions under this subsection  
22 shall be as a percentage of the compensation of active members  
23 in classes of service other than Class A-5 and the compensation  
24 of active members of Class A-5 who have 30 or fewer eligibility  
25 points resulting from Class A-5 service or, if a multiple  
26 service member, Class T-G up to each employee's Class A-5 annual  
27 compensation limit.

28 \* \* \*

29 Section 317. Section 5508(a), (b), (c)(1) and (3), (e)(2),  
30 (f) and (h) of Title 71 are amended and subsection (c) is

1 amended by adding a paragraph to read:

2 § 5508. Actuarial cost method.

3 (a) Employer contribution rate on behalf of active  
4 members.--The amount of the Commonwealth and other employer  
5 contributions on behalf of all active members shall be computed  
6 by the actuary as a percentage of the total compensation of all  
7 active members and participants, subject to the limitations in  
8 section 5507(b.1) (relating to contributions to the system by  
9 the Commonwealth and other employees), during the period for  
10 which the amount is determined and shall be so certified by the  
11 board. The actuarially required contribution rate on behalf of  
12 all active members shall consist of the employer normal  
13 contribution rate, as defined in subsection (b), and the accrued  
14 liability contribution rate as defined in subsection (c). The  
15 actuarially required contribution rate on behalf of all active  
16 members shall be modified by the experience adjustment factor as  
17 calculated in subsection (f).

18 (b) Employer normal contribution rate.--The employer normal  
19 contribution rate shall be determined after each actuarial  
20 valuation on the basis of an annual interest rate and such  
21 mortality and other tables as shall be adopted by the board in  
22 accordance with generally accepted actuarial principles. The  
23 employer normal contribution rate shall be determined as a level  
24 percentage of the compensation of the average new active member  
25 on which employer normal contributions are made under section  
26 5507(b.1), which percentage, if contributed on the basis of his  
27 prospective compensation on which employer normal contributions  
28 are made under section 5507(b.1) through his entire period of  
29 active State service, would be sufficient to fund the liability  
30 for any prospective benefit payable to him in excess of that

1 portion funded by his prospective member contributions,  
2 excluding shared-risk member contributions. In no case shall the  
3 employer normal contribution rate be less than zero.

4 (c) Accrued liability contribution rate.--

5 (1) For the fiscal years beginning July 1, 2002, and  
6 July 1, 2003, the accrued liability contribution rate shall  
7 be computed as the rate of total compensation of all active  
8 members which shall be certified by the actuary as sufficient  
9 to fund over a period of ten years from July 1, 2002, the  
10 present value of the liabilities for all prospective  
11 benefits, except for the supplemental benefits as provided in  
12 sections 5708 (relating to supplemental annuities), 5708.1  
13 (relating to additional supplemental annuities), 5708.2  
14 (relating to further additional supplemental annuities),  
15 5708.3 (relating to supplemental annuities commencing 1994),  
16 5708.4 (relating to special supplemental postretirement  
17 adjustment), 5708.5 (relating to supplemental annuities  
18 commencing 1998), 5708.6 (relating to supplemental annuities  
19 commencing 2002), 5708.7 (relating to supplemental annuities  
20 commencing 2003) and 5708.8 (relating to special supplemental  
21 postretirement adjustment of 2002), in excess of the total  
22 assets in the fund (calculated recognizing all investment  
23 gains and losses over a five-year period), excluding the  
24 balance in the supplemental annuity account, and the present  
25 value of employer normal contributions and of member  
26 contributions payable with respect to all active members on  
27 December 31, 2001, and excluding contributions to be  
28 transferred by county retirement systems or pension plans  
29 pursuant to section 5507(c) (relating to contributions to the  
30 system by the Commonwealth and other employers). The amount

1 of each annual accrued liability contribution shall be equal  
2 to the amount of such contribution for the fiscal year  
3 beginning July 1, 2002, except that, if the accrued liability  
4 is increased by legislation enacted subsequent to June 30,  
5 2002, but before July 1, 2003, such additional liability  
6 shall be funded over a period of ten years from the first day  
7 of July, coincident with or next following the effective date  
8 of the increase. The amount of each annual accrued liability  
9 contribution for such additional legislative liabilities  
10 shall be equal to the amount of such contribution for the  
11 first annual payment.

12 \* \* \*

13 (3) For the fiscal year beginning July 1, 2010, the  
14 accrued liability contribution rate shall be computed as the  
15 rate of total compensation of all active members which shall  
16 be certified by the actuary as sufficient to fund in equal  
17 dollar installments over a period of 30 years from July 1,  
18 2010, the present value of the liabilities for all  
19 prospective benefits calculated as of the immediately prior  
20 valuation date, including the supplemental benefits as  
21 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,  
22 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits  
23 payable from the retirement benefit plan established pursuant  
24 to section 5941 (relating to benefits completion plan), in  
25 excess of the actuarially calculated assets in the fund  
26 (calculated recognizing all realized and unrealized  
27 investment gains and losses each year in level annual  
28 installments over five years), including the balance in the  
29 supplemental annuity account, and the present value of  
30 employer normal contributions and of member contributions

1 payable with respect to all active members, inactive members  
2 on leave without pay, vestees and special vestees on December  
3 31, 2009. If the accrued liability is changed by legislation  
4 enacted subsequent to December 31, 2009, and before January  
5 1, 2017, such change in liability shall be funded in equal  
6 dollar installments over a period of ten years from the first  
7 day of July following the valuation date coincident with or  
8 next following the date such legislation is enacted.

9 (4) For fiscal years beginning on or after July 1, 2017,  
10 the accrued liability contribution rate shall be computed as  
11 provided for under paragraph (3), except that the rate shall  
12 be computed as a rate of total compensation of all active  
13 members and active participants. In addition to any employer  
14 defined contributions made to the trust, the Commonwealth and  
15 other employers of participants shall make the accrued  
16 liability contributions to the fund certified by the board.  
17 If the accrued liability is changed by legislation enacted  
18 subsequent to December 31, 2016, the change in liability  
19 shall be funded in equal dollar installments as a percentage  
20 of compensation of all active members and active participants  
21 over a period of ten years from the first day of July  
22 following the valuation date coincident with or next  
23 following the date such legislation is enacted. The accrued  
24 liability contribution rate shall be determined after each  
25 actuarial valuation on the basis of an annual interest rate  
26 and the mortality and other tables adopted by the board in  
27 accordance with generally accepted actuarial principles.

28 \* \* \*

29 (e) Supplemental annuity contribution rate.--

30 \* \* \*

1           (2) For fiscal years beginning on or after July 1, 2010,  
2 contributions from the Commonwealth and other employers whose  
3 employees are members of the system required to provide for  
4 the payment of supplemental annuities as provided in sections  
5 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7  
6 and 5708.8 shall be paid as part of the accrued liability  
7 contribution rate as provided for in subsection (c)(3), and  
8 there shall not be a separate supplemental annuity  
9 contribution rate attributable to those supplemental  
10 annuities. In the event that supplemental annuities are  
11 increased by legislation enacted subsequent to December 31,  
12 2009, the additional liability for the increase in benefits  
13 shall be funded in equal dollar installments as a percentage  
14 of compensation of all active members and active participants  
15 over a period of ten years from the first day of July  
16 following the valuation date coincident with or next  
17 following the date such legislation is enacted.

18 (f) Experience adjustment factor.--

19           (1) For each year after the establishment of the accrued  
20 liability contribution rate and the supplemental annuity  
21 contribution rate for the fiscal year beginning July 1, 2010,  
22 any increase or decrease in the unfunded accrued liability  
23 and any increase or decrease in the liabilities and funding  
24 for supplemental annuities, due to actual experience  
25 differing from assumed experience (recognizing all realized  
26 and unrealized investment gains and losses over a five-year  
27 period), changes in contributions caused by the final  
28 contribution rate being different from the actuarially  
29 required contribution rate, State employees making shared-  
30 risk member contributions, changes in actuarial assumptions



1 or changes in the terms and conditions of the benefits  
2 provided by the system by judicial, administrative or other  
3 processes other than legislation, including, but not limited  
4 to, reinterpretation of the provisions of this part, shall be  
5 amortized in equal dollar annual contributions as a  
6 percentage of compensation of all active members and active  
7 participants over a period of 30 years beginning with the  
8 July 1 succeeding the actuarial valuation determining said  
9 increases or decreases.

10 (2) The actuarially required contribution rate shall be  
11 the sum of the normal contribution rate, the accrued  
12 liability contribution rate and the supplemental annuity  
13 contribution rate, modified by the experience adjustment  
14 factor as calculated in paragraph (1).

15 \* \* \*

16 (h) Temporary application of collared contribution rate.--  
17 The collared contribution rate for each fiscal year shall be  
18 determined by comparing the actuarially required contribution  
19 rate calculated without regard for costs added by legislation to  
20 the prior year's final contribution rate. If, for any of the  
21 fiscal years beginning July 1, 2011, July 1, 2012, and on or  
22 after July 1, 2013, the actuarially required contribution rate  
23 calculated without regard for costs added by legislation is more  
24 than 3%, 3.5% and 4.5%, respectively, of the total compensation  
25 of all active members greater than the prior year's final  
26 contribution rate, then the collared contribution rate shall be  
27 applied and be equal to the prior year's final contribution rate  
28 increased by the respective percentage above of total  
29 compensation of all active members. Otherwise, and for all  
30 subsequent fiscal years, the collared contribution rate shall

1 not be applicable. In no case shall the collared contribution  
2 rate be less than 4% of total compensation of all active  
3 members.

4 \* \* \*

5 Section 318. Section 5509 of Title 71 is amended to read:

6 § 5509. Appropriations and assessments by the Commonwealth.

7 (a) Annual submission of budget.--The board shall prepare  
8 and submit annually an itemized budget consisting of the amounts  
9 necessary to be appropriated by the Commonwealth out of the  
10 General Fund and special operating funds and the amounts to be  
11 assessed the other employers required to meet the separate  
12 obligations to the fund and the trust accruing during the fiscal  
13 period beginning the first day of July of the following year.

14 (b) Appropriation and payment.--The General Assembly shall  
15 make an appropriation sufficient to provide for the separate  
16 obligations of the Commonwealth to the fund and the trust. Such  
17 amount shall be paid by the State Treasurer through the  
18 Department of Revenue into the fund or trust, as the case may  
19 be, in accordance with requisitions presented by the board. The  
20 contributions to the system by the Commonwealth on behalf of  
21 active members who are officers of the Pennsylvania State Police  
22 shall be charged to the General Fund and to the Motor License  
23 Fund in the same ratios as used to apportion the appropriations  
24 for salaries of members of the Pennsylvania State Police. The  
25 contributions to the system by the Commonwealth on behalf of  
26 active members who are enforcement officers and investigators of  
27 the Pennsylvania Liquor Control Board shall be charged to the  
28 General Fund and to the State Stores Fund.

29 (c) Contributions from funds other than General Fund.--The  
30 amounts assessed other employers who are required to make the

1 necessary separate contributions to the fund and the trust out  
2 of funds other than the General Fund shall be paid by such  
3 employers into the fund or trust, as the case may be, in  
4 accordance with requisitions presented by the board. The General  
5 Fund of the Commonwealth shall not be held liable to appropriate  
6 the moneys required to build up the reserves in the fund  
7 necessary for the payment of benefits from the system to  
8 employees or to make the employer defined contributions for  
9 employees of such other employers. In case any such other  
10 employer shall fail to provide to the fund the moneys necessary  
11 for such purpose, then the service of such members of the system  
12 for such period for which money is not so provided shall be  
13 credited and pickup contributions with respect to such members  
14 shall continue to be credited to the members' savings account.  
15 The annuity to which such member is entitled shall be determined  
16 as actuarially equivalent to the present value of the maximum  
17 single life annuity of each such member reduced by the amount of  
18 employer contributions to the system payable on account and  
19 attributable to his compensation during such service, except  
20 that no reduction shall be made as a result of the failure of an  
21 employer to make contributions required for a period of USERRA  
22 leave.

23 Section 318.1. Section 5701 of Title 71, amended December  
24 28, 2015 (P.L.529, No.93), is amended to read:

25 § 5701. Return of total accumulated deductions.

26 Any member upon termination of service may, in lieu of all  
27 benefits payable from the system under this chapter to which he  
28 may be entitled, elect to receive his total accumulated  
29 deductions by his required beginning date.

30 Section 318.2. Section 5701.1 of Title 71 is amended to

1 read:

2 § 5701.1. Transfer of accumulated deductions.

3 When an employee of the Juvenile Court Judges' Commission  
4 elects membership in an independent retirement program pursuant  
5 to section 5301(f) (relating to mandatory and optional  
6 membership in the system and participation in the plan), the  
7 board shall transfer directly to the trustee or administrator of  
8 the independent retirement program all accumulated deductions  
9 resulting from service credited while an employee of the  
10 Juvenile Court Judges' Commission.

11 Section 319. Section 5702(a), (a.1), (b) and (c) and  
12 5704(a), (c), (e) and (f) of Title 71 are amended and the  
13 sections are amended by adding subsections to read:

14 § 5702. Maximum single life annuity.

15 (a) General rule.--Any full coverage member who is eligible  
16 to receive an annuity pursuant to the provisions of section  
17 5308(a) or (b) (relating to eligibility for annuities) who  
18 terminates State service, or if a multiple service member who is  
19 a school employee who is an active member of the Public School  
20 Employees' Retirement System who terminates school service,  
21 before attaining age 70 shall be entitled to receive a maximum  
22 single life annuity attributable to his credited service and  
23 equal to the sum of the following single life annuities  
24 beginning at the effective date of retirement:

25 (1) A single life annuity that is the sum of the  
26 standard single life [annuity multiplied by the sum of the  
27 products,] annuities determined separately for each class of  
28 service[, obtained by multiplying] multiplied by the  
29 appropriate class of service multiplier [by the ratio of  
30 years of service credited in that class to the total credited

1 service] applicable to each standard single life annuity. In  
2 case the member on the effective date of retirement is under  
3 superannuation age for any service, a reduction factor  
4 calculated to provide benefits actuarially equivalent to an  
5 annuity starting at superannuation age shall be applied to  
6 the product determined for that service. The class of service  
7 multiplier for any period of concurrent service shall be  
8 multiplied by the proportion of total State and school  
9 compensation during such period attributable to State service  
10 as a member of the system. In the event a member has two  
11 multipliers for one class of service [the class of service  
12 multiplier to be used for calculating benefits for that class  
13 shall be the average of the two multipliers weighted by the  
14 proportion of compensation attributable to each multiplier  
15 during the three years of highest annual compensation in that  
16 class of service: Provided, That in the case of a member of  
17 Class E-1, a portion but not all of whose three years of  
18 highest annual judicial compensation is prior to January 1,  
19 1973, two class of service multipliers shall be calculated on  
20 the basis of his entire judicial service, the one applying  
21 the judicial class of service multipliers effective prior to  
22 January 1, 1973 and the second applying the class of service  
23 multipliers effective subsequent to January 1, 1973. The  
24 average class of service multiplier to be used for  
25 calculating benefits for his judicial service shall be the  
26 average of the two calculated multipliers weighted by the  
27 proportion of compensation attributable to each of the  
28 calculated multipliers during the three years of highest  
29 annual compensation in that class of service.] separate  
30 standard single life annuities shall be calculated for the

1 portion of service in such class applicable to each class of  
2 service multiplier.

3 (2) If eligible, a single life annuity of 2% of his  
4 average noncovered salary for each year of social security  
5 integration credit as provided for in section 5305 (relating  
6 to social security integration credits) multiplied, if on the  
7 effective date of retirement the member is under  
8 superannuation age for any service, by the actuarially  
9 determined reduction factor for that service.

10 (3) If eligible, a single life annuity which is  
11 actuarially equivalent to the regular and additional  
12 accumulated deductions attributable to contributions as a  
13 member of Class C, but not less than such annuity determined  
14 as if the member were age 60 on the effective date of  
15 retirement, actuarially reduced in the event the member is  
16 under superannuation age on the effective date of retirement.

17 (4) If eligible, a single life annuity which is  
18 actuarially equivalent to the amount by which his regular and  
19 additional accumulated deductions attributable to any  
20 credited service other than as a member of Class A-3, Class  
21 A-4, Class A-5 and Class C are greater than one-half of the  
22 actuarially equivalent value on the effective date of  
23 retirement of the annuity as provided in paragraph (1)  
24 attributable to service other than Class A-3, Class A-4,  
25 Class A-5 and Class C for which regular or joint coverage  
26 member contributions were made. [This paragraph shall not  
27 apply to any member with State service credited as Class A-3  
28 or Class A-4.]

29 (5) If eligible, a single life annuity which is  
30 actuarially equivalent to the amount by which his social

1 security integration accumulated deductions are greater than  
2 one-half of the actuarially equivalent value on the effective  
3 date of retirement of the annuity provided for under  
4 paragraph (2).

5 (6) If eligible, a single life annuity sufficient  
6 together with the annuity provided for in paragraph (1) as a  
7 Class A, Class AA, Class A-3 and Class A-4 member and the  
8 highest annuity provided for in paragraph (2) to which he is  
9 entitled, or at his option could have been entitled, to  
10 produce that percentage of [a] the sums of the standard  
11 single life [annuity] annuities adjusted by the application  
12 of the class of service multiplier for Class A, Class AA,  
13 Class A-3 or Class A-4 as set forth in paragraph (1) in the  
14 case where any service is credited as a member of Class A,  
15 Class AA, Class A-3 or Class A-4 on the effective date of  
16 retirement as determined by his total years of credited  
17 service as a member of Class A, Class AA, Class A-3 and Class  
18 A-4 and by the following table:

19	Total Years of	Percentage of <u>Sums of</u>
20	Credited Service	Standard
21	as a Member of	Single Life
22	Class A,	[Annuity] <u>Annunities</u> Adjusted for
23	Class AA, Class A-3	Class A, Class AA,
24	and Class A-4	Class A-3 and Class A-4
25		Class of
26		Service Multipliers
27	35-40	100%
28	41	102%
29	42	104%
30	43	106%

1                                   44                                   108%

2                                   45 or more                                   110%

3       (a.1) Rule for terminations after attaining age 70.--

4               (1) Any full coverage member who is eligible to receive  
5 an annuity pursuant to the provisions of section 5308(a) who  
6 terminates State service, or if a multiple service member who  
7 is a school employee and an active member of the Public  
8 School Employees' Retirement System who terminates school  
9 service, on or after attaining age 70 and who applies for a  
10 superannuation annuity to be effective the day after the  
11 termination of State service or school service, as the case  
12 may be, shall be entitled to receive a maximum single life  
13 annuity as of a determination date that is equal to the  
14 greater of subparagraph (i) or (ii), plus any annuity he may  
15 be eligible to receive attributable to Class A-5 service  
16 credit:

17                   (i) the sum of the annuities provided in subsection  
18 (a)(1) through (6) calculated without including any  
19 annuity attributable to Class A-5 service credit as of  
20 the determination date; and

21                   (ii) the greater of clause (A) or (B):

22                               (A) the sum of the annuities provided in  
23 subsection (a)(1), (3), (4) and (6) as of the  
24 preceding determination date without including any  
25 annuity attributable to Class A-5 service credit  
26 adjusted by the actuarial increase factor, plus the  
27 annuities provided in subsection (a)(2) and (5) as of  
28 the determination date; and

29                               (B) the maximum single life annuity calculated  
30 without including any annuity attributable to Class



1           A-5 service credit as of the preceding determination  
2           date adjusted by the actuarial increase factor.

3           The maximum single life annuity calculated without  
4           including any annuity attributable to Class A-5 service  
5           credit shall be calculated for each determination date.

6           (2) For purposes of this subsection, the determination  
7           date shall be:

8           (i) the member's birthday, provided that as of such  
9           date the member qualifies for a maximum single life  
10          annuity under this subsection, determined excluding  
11          eligibility for any annuity attributable to Class A-5  
12          service credit; or

13          (ii) if the member's maximum single life annuity is  
14          being determined as of the member's effective date of  
15          retirement, then the determination date shall be the  
16          member's effective date of retirement.

17          (3) In the event an active member, an inactive member on  
18          leave without pay or a multiple service member who is a  
19          school employee and an active member of the Public School  
20          Employees' Retirement System has attained age 70 before the  
21          effective date of this subsection, or enters State service or  
22          school service, as the case may be, after attaining age 70,  
23          then section 5305.1 (relating to eligibility for actuarial  
24          increase factor) and subsections (a) and (a.1) shall be  
25          effective prospectively with respect to such member at the  
26          member's next birthday after the effective date of this  
27          subsection, entry into State service, or school service.

28          Nothing in this subsection shall be construed to provide an  
29          actuarial increase factor for any period of service prior to the  
30          effective date of this subsection.

1 (b) Present value of annuity.--The present value of the  
2 maximum single life annuity as calculated in accordance with  
3 subsection (a) of this section shall be determined by  
4 multiplying the maximum single life annuity by the cost of a  
5 dollar annuity on the effective date of retirement, which shall  
6 take into account any delay in the receipt of the portion of the  
7 annuity based on Class A-5 if the effective date of retirement  
8 is under the superannuation age applicable to Class A-5 service.  
9 Such present value shall be decreased only as required under the  
10 provisions of section 5506 (relating to incomplete payments),  
11 5509(c) (relating to appropriations and assessments by the  
12 Commonwealth) or 5703 (relating to reduction of annuities on  
13 account of social security old-age insurance benefits).

14 (c) Limitation on amount of annuity.--The annuity paid to a  
15 member under subsection (a) attributable to any credited service  
16 other than as a member of Class A-5 and reduced in accordance  
17 with the option elected under section 5705 (relating to member's  
18 options) shall not exceed the highest compensation received for  
19 any credited service other than service credited as Class A-5  
20 during any period of twelve consecutive months of credited  
21 service. No limit on the total annuity paid to a member with  
22 Class D-3 service shall be applied in the case of a member who  
23 served as a constitutional officer of the General Assembly.

24 \* \* \*

25 (e) Coordination of benefits.--The determination and payment  
26 of the maximum single life annuity under this section shall be  
27 in addition to any payments a member may be entitled to receive,  
28 has received or is receiving as a result of being a participant  
29 in the plan.

30 § 5704. Disability annuities.

1 (a) Amount of annuity.--A member who has made application  
2 for a disability annuity and has been found to be eligible in  
3 accordance with the provisions of section 5905(c)(1) (relating  
4 to duties of the board regarding applications and elections of  
5 members) shall receive a disability annuity payable from the  
6 effective date of disability as determined by the board and  
7 continued until a subsequent determination by the board that the  
8 annuitant is no longer entitled to a disability annuity. [The]  
9 If the sum of the products of the number of years and fractional  
10 part of a year of credited service in each class and the  
11 appropriate class of service multiplier is greater than 16.667,  
12 then the disability annuity shall be a single life annuity that  
13 is equal to [a] the sum of the standard single life [annuity]  
14 annuities determined separately for each class of service  
15 multiplied by the appropriate class of service multiplier  
16 [applicable to the class of service at the time of disability if  
17 the product of such class of service multiplier and the total  
18 number of years of credited service is greater than 16.667,  
19 otherwise the], otherwise each standard single life annuity  
20 shall be multiplied by the lesser of the following ratios:  
21 
$$MY^*/Y \text{ or } 16.667/Y$$
  
22 where Y = total number of years of credited service, Y\* = total  
23 years of credited service if the member were to continue as a  
24 State employee until attaining superannuation age as applicable  
25 to that class of service at the time of disability, or if the  
26 member has attained superannuation age, as applicable to that  
27 class of service at the time of disability, then the number of  
28 years of credited service and M = the class of service  
29 multiplier as applicable to that class of service at the  
30 effective date of disability. A member of Class C shall receive,

1 in addition, any annuity to which he may be eligible under  
2 section 5702(a)(3) (relating to maximum single life annuity).  
3 The member shall be entitled to the election of a joint and  
4 survivor annuity on that portion of the disability annuity to  
5 which he is entitled under section 5702.

6 \* \* \*

7 (c) Reduction on account of earned income.--Subsequent to  
8 January 1, 1972, payments on account of disability shall be  
9 reduced by that amount by which the earned income of the  
10 annuitant, as reported in accordance with section 5908(b)  
11 (relating to rights and duties of annuitants), for the preceding  
12 calendar year together with the disability annuity payments  
13 provided in this section other than subsection (b), for the  
14 year, exceeds the product of:

15 [(i)] (1) the last year's salary of the annuitant as a  
16 [State employee] member of the system; and

17 [(ii)] (2) the ratio of the current monthly payment to  
18 the monthly payment at the effective date of disability;

19 Provided, That the annuitant shall not receive less than his  
20 member's annuity or the amount to which he may be entitled under  
21 section 5702 whichever is greater.

22 \* \* \*

23 (e) Termination of State service.--Upon termination of  
24 disability annuity payments in excess of an annuity calculated  
25 in accordance with section 5702, a disability annuitant who:

26 (1) does not have Class A-3 [or], Class A-4 or Class A-5  
27 service credit; or

28 (2) has Class A-3 [or], Class A-4 or Class A-5 service  
29 credit and fewer than ten eligibility points;

30 and who does not return to State service may file an application

1 with the board for an amount equal to the excess, if any, of the  
2 sum of the shared-risk accumulated deductions plus the regular  
3 and additional accumulated deductions standing to his credit at  
4 the effective date of disability over one-third of the total  
5 disability annuity payments received. If the annuitant on the  
6 date of termination of service was eligible for an annuity as  
7 provided in section 5308(a) or (b) (relating to eligibility for  
8 annuities), he may file an application with the board for an  
9 election of an optional modification of his annuity.

10 (f) Supplement for service connected disability.--

11 (1) If a member has been found to be eligible for a  
12 disability annuity and if the disability has been found to be  
13 a service connected disability and if the member is receiving  
14 workers' compensation payments for other than medical  
15 benefits, such member shall receive a supplement equal to  
16 [70% of his final average salary] the amount determined under  
17 paragraph (2) less the sum of the annuity as determined under  
18 subsection (a) and any payments paid or payable on account of  
19 such disability under the act of June 2, 1915 (P.L.736,  
20 No.338), known as the Workers' Compensation Act, the act of  
21 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania  
22 Occupational Disease Act, and the Social Security Act (49  
23 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall  
24 continue as long as he is determined to be disabled and is  
25 receiving workers' compensation payments for other than  
26 medical benefits on account of his service connected  
27 disability in accordance with the Workers' Compensation Act  
28 or The Pennsylvania Occupational Disease Act. If the member  
29 has received a lump sum workers' compensation payment in lieu  
30 of future weekly compensation payments, the length in weeks

1 and calculation of the service connected disability  
2 supplement shall be determined by dividing the lump sum  
3 payment by the average weekly wage as determined by the  
4 Workers' Compensation Board.

5 (2) For a member who does not have Class A-5 service or  
6 has only Class A-5 service, the amount to be used to  
7 determine eligibility for the supplement under paragraph (1)  
8 shall be 70% of his final average salary. For a member who  
9 has Class A-5 service and other classes of service, the  
10 amount to be used to determine eligibility for the supplement  
11 under paragraph (1) shall be determined using the following  
12 formula:

$$13 \quad A = 0.7 [(FAS^{A-5} \text{ multiplied by } Y^{A-5}/Y^T) +$$
$$14 \quad (FAS^W \text{ multiplied by } Y^W/Y^T)].$$

15 (3) The following apply to the formula in paragraph (2):

16 (i) A equals the amount used to determine the  
17 supplement;

18 (ii)  $Y^T$  equals total years of credited service;

19 (iii)  $Y^W$  equals years of service credited in classes  
20 of service other than Class A-5;

21 (iv)  $FAS^W$  equals final average salary calculated for  
22 classes of service other than Class A-5;

23 (v)  $Y^{A-5}$  equals years of service credited in Class A-  
24 5; and

25 (vi)  $FAS^{A-5}$  equals final average salary calculated  
26 for service credited in Class A-5.

27 \* \* \*

28 (h) Coordination of benefits.--The determination and payment  
29 of a disability annuity under this section is in addition to any  
30 payments a member may be entitled to receive, has received or is

1 receiving as a result of being a participant in the plan.

2 Section 320. Section 5705(a) of Title 71, amended December  
3 28, 2015 (P.L.529, No.93), is amended to read:

4 § 5705. Member's options.

5 (a) General rule.--Any special vestee [who has attained  
6 superannuation age, any vestee who does not have Class A-3 or  
7 Class A-4 service credit having five or more eligibility points  
8 for service other than Class T-E or Class T-F service in the  
9 Public School Employees' Retirement System, or vestee who has  
10 Class A-3 or Class A-4 service credit having ten or more  
11 eligibility points, any member with Class G, Class H, Class I,  
12 Class J, Class K, Class L, Class M or Class N service having  
13 five or more eligibility points or any other eligible member  
14 upon termination of State service who has not withdrawn his  
15 total accumulated deductions as provided in section 5701  
16 (relating to return of total accumulated deductions)] , vestee  
17 or any other member upon termination of State service who is  
18 eligible to receive an annuity as provided in section 5308(a) or  
19 (b) (relating to eligibility for annuities) may apply for and  
20 elect to receive either a maximum single life annuity, as  
21 calculated in accordance with the provisions of section 5702  
22 (relating to maximum single life annuity), or a reduced annuity  
23 certified by the actuary to be actuarially equivalent to the  
24 maximum single life annuity and in accordance with one of the  
25 following options; except that no member shall elect an annuity  
26 payable to one or more survivor annuitants other than his spouse  
27 or alternate payee of such a magnitude that the present value of  
28 the annuity payable to him for life plus any lump sum payment he  
29 may have elected to receive is less than 50% of the present  
30 value of his maximum single life annuity and no member may elect

1 a payment option that would provide benefits that do not satisfy  
2 the minimum distribution requirements or would violate the  
3 incidental death benefit rules of IRC § 401(a)(9):

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

13 (ii) a guaranteed total payment attributable to  
14 Class A-5 service equal to the present value of the  
15 maximum single life annuity attributable to Class A-5  
16 service on the effective date of retirement with the  
17 provision that, if, at his death, he has received less  
18 than such present value, the unpaid balance shall be  
19 payable to his beneficiary.

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

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

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



1 restrictions:

2 (i) any annuity shall be payable without reduction  
3 during the lifetime of the member;

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

8 (iii) a portion of the benefit may be payable as a  
9 lump sum, except that such lump sum payment shall not  
10 exceed an amount equal to the total accumulated  
11 deductions standing to the credit of the member that are  
12 not the result of contributions and statutory interest  
13 made or credited as a result of Class A-3 [or], Class A-4  
14 or Class A-5 service. The balance of the present value of  
15 the maximum single life annuity adjusted in accordance  
16 with section 5702(b) shall be paid in the form of an  
17 annuity with a guaranteed total payment, a single life  
18 annuity, or a joint and survivor annuity or any  
19 combination thereof but subject to the restrictions of  
20 subparagraphs (i) and (ii) under this option.

21 (a.1) Additional lump sum withdrawal.--The following shall  
22 apply:

23 (1) If a member has an effective date of retirement  
24 after December 31, 2017, and has elected to have the full  
25 amount allowed under subsection (a)(4)(iii) paid in lump sum,  
26 or is not eligible to have any money paid under subsection  
27 (a)(4)(iii), then the member may elect to receive an  
28 additional amount payable in a lump sum at the same time as  
29 the payment elected under subsection (a)(4)(iii), if any.

30 (2) The additional amount payable in a lump sum may not

1 exceed an amount equal to total accumulated deductions  
2 standing to the credit of the member on the effective date of  
3 retirement related to service credited as Class A-3, Class A-  
4 4 or Class A-5.

5 (3) If a member elects to be paid an additional lump sum  
6 amount under this subsection, then the maximum single life  
7 annuity calculated under section 5702 and payable under  
8 subsection (a) shall be reduced by the additional amount  
9 withdrawn divided by the cost of a dollar annuity on the  
10 effective date of retirement computed on the basis of the  
11 annual interest rate adopted for that fiscal year by the  
12 board for the calculation of the employer normal contribution  
13 rate under section 5508(b) (relating to actuarial cost  
14 method) and the mortality tables adopted by the board for the  
15 determination of actuarially equivalent benefits under this  
16 part. The reduction in the maximum single life annuity under  
17 this paragraph shall apply before the election and  
18 calculation of any reduced annuities payable under subsection  
19 (a).

20 \* \* \*

21 Section 320.1. Section 5705.1 of Title 71 is amended to  
22 read:

23 § 5705.1. Payment of accumulated deductions resulting from  
24 Class A-3 [and], Class A-4 and Class A-5 service.

25 Any superannuation or withdrawal annuitant who:

26 (1) has Class A-3 [or], Class A-4 or Class A-5 service  
27 credit;

28 (2) has service credited in one or more classes of  
29 service; and

30 (3) because he has five or more, but fewer than ten,

1 eligibility points is not eligible to receive an annuity on  
2 his Class A-3 [or], Class A-4 and Class A-5 service  
3 shall receive in a lump sum at the time of his retirement, in  
4 addition to any other annuity or lump sum payment which he may  
5 elect, his accumulated deductions resulting from his Class A-3  
6 or Class A-4 service credit. Payment of these accumulated  
7 deductions resulting from Class A-3 [or], Class A-4 and Class A-  
8 5 service credit shall not be eligible for installment payments  
9 pursuant to section 5905.1 (relating to installment payments of  
10 accumulated deductions) but shall be considered a lump sum  
11 payment for purposes of section 5905.1(d).

12 Section 320.2 Section 5706(a), (a.1), (a.2), (b) and (c) (1)  
13 of Title 71, amended December 28, 2015 (P.L.529, No.93), are  
14 amended to read:

15 § 5706. Termination of annuities.

16 (a) General rule.--

17 (1) If the annuitant returns to State service or enters  
18 or has entered school service and elects multiple service  
19 membership, any annuity payable to him under this part shall  
20 cease effective upon the date of his return to State service  
21 or entering school service without regard to whether he is a  
22 mandatory, optional or prohibited member of the system or  
23 participant in the plan or, if a multiple service member,  
24 whether he is a mandatory, optional or prohibited member or  
25 participant of the Public School Employees' Retirement System  
26 or School Employees' Defined Contribution Plan and in the  
27 case of an annuity other than a disability annuity the  
28 present value of such annuity, adjusted for full coverage in  
29 the case of a joint coverage member who makes the appropriate  
30 back contributions for full coverage, shall be frozen as of

1 the date such annuity ceases. An annuitant who is credited  
2 with an additional 10% of Class A and Class C service as  
3 provided in section 5302(c) (relating to credited State  
4 service) and who returns to State service shall forfeit such  
5 credited service and shall have his frozen present value  
6 adjusted as if his 10% retirement incentive had not been  
7 applied to his account. In the event that the cost-of-living  
8 increase enacted December 18, 1979 occurred during the period  
9 of such State or school employment, the frozen present value  
10 shall be increased, on or after the member attains  
11 superannuation age, by the percent applicable had he not  
12 returned to service.

13 (2) This subsection shall not apply in the case of any  
14 annuitant who:

15 (i) may render services to the Commonwealth in the  
16 capacity of an independent contractor; or

17 (ii) is over normal retirement age or who has been  
18 an annuitant for more than one year and who may render  
19 service to the Commonwealth:

20 (A) as a member of an independent board or  
21 commission or as a member of a departmental  
22 administrative or advisory board or commission when  
23 such members of independent or departmental boards or  
24 commissions are compensated on a per diem basis for  
25 not more than 150 days per calendar year; or

26 (B) as a member of an independent board or  
27 commission requiring appointment by the Governor,  
28 with advice and consent of the Senate, where the  
29 annual salary payable to the member does not exceed  
30 \$35,000 and where the member has been an annuitant

1           for at least six months immediately preceding the  
2           appointment.

3           Such service shall not be eligible for participation in the  
4           plan, mandatory pickup participant contributions or employer  
5           defined contributions.

6           (a.1) Return to State service during emergency.--When, in  
7           the judgment of the employer, an emergency creates an increase  
8           in the work load such that there is serious impairment of  
9           service to the public, an annuitant who is over normal  
10          retirement age or who has been an annuitant for more than one  
11          year may be returned to State service for a period not to exceed  
12          95 days in any calendar year without loss of his annuity. In  
13          computing the number of days an annuitant has returned to State  
14          service, any amount of time less than one-half of a day shall be  
15          counted as one-half of a day. For agencies, boards and  
16          commissions under the Governor's jurisdiction, the approval of  
17          the Governor that an emergency exists shall be required before  
18          an annuitant may be returned to State service his service shall  
19          not be subject to member contributions or be eligible for  
20          qualification as creditable State service or for participation  
21          in the plan, mandatory pickup participant contributions or  
22          employer defined contributions.

23          (a.2) Return of benefits.--In the event an annuitant whose  
24          annuity from the system ceases pursuant to this section receives  
25          any annuity payment, including a lump sum payment pursuant to  
26          section 5705 (relating to member's options) on or after the date  
27          of his return to State service or entering school service, the  
28          annuitant shall return to the board the amount so received from  
29          the system plus statutory interest. The amount payable shall be  
30          certified in each case by the board in accordance with methods

1 approved by the actuary and shall be paid in a lump sum within  
2 30 days or in the case of an active member or school employee  
3 who is an active member of the Public School Employees'  
4 Retirement System may be amortized with statutory interest  
5 through salary deductions to the system in amounts agreed upon  
6 by the member and the board. The salary deduction amortization  
7 plans agreed to by the member and the board may include a  
8 deferral of payment amounts and statutory interest until the  
9 termination of school service or State service as the board in  
10 its sole discretion decides to allow. The board may limit salary  
11 deduction amortization plans to such terms as the board in its  
12 sole discretion determines. In the case of a school employee who  
13 is an active member of the Public School Employees' Retirement  
14 System, the agreed upon salary deductions shall be remitted to  
15 the Public School Employees' Retirement Board, which shall  
16 certify and transfer to the board the amounts paid.

17 \* \* \*

18 (b) Subsequent discontinuance of service.--Upon subsequent  
19 discontinuance of service, such member other than a former  
20 annuitant who had the effect of his frozen present value  
21 eliminated in accordance with subsection (c) or a former  
22 disability annuitant shall be entitled to an annuity which is  
23 actuarially equivalent to the sum of:

24 (1) the present value as determined under subsection (a)  
25 [and];

26 (2) the present value of a maximum single life annuity  
27 based on years of service credited in classes of service  
28 other than Class A-5 subsequent to reentry in the system and  
29 his final average salary computed by reference to his  
30 compensation for service credited in classes of service other

1 than Class A-5 and Class T-G during his entire period of  
2 State and school service[.]; and

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

9 (c) Elimination of the effect of frozen present value.--

10 (1) An annuitant who returns to State service as an  
11 active member of the system and earns three eligibility  
12 points by performing credited State service in a class of  
13 service other than Class A-5 following the most recent period  
14 of receipt of an annuity under this part, or an annuitant who  
15 enters school service and:

16 (i) is a multiple service member; or

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

1 \* \* \*

2 Section 321. Section 5707(b), (e) and (f) of Title 71 are  
3 amended and the section is amended by adding a subsection to  
4 read:

5 § 5707. Death benefits.

6 \* \* \*

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 and  
13 Class A-5 accumulated deductions.

14 (b.1) Members eligible for annuities in some classes of  
15 service and ineligible in other classes of service.--In the  
16 event of the death of a member who is eligible for an annuity  
17 based on service credited in some classes of service and  
18 ineligible for an annuity for service credited in other classes  
19 of service, a benefit shall be paid under subsection (a) based  
20 on the service for which an annuity is deemed payable in  
21 addition to payment under subsection (b) of the accumulated  
22 deductions attributable to service for which the member was not  
23 eligible for an annuity.

24 \* \* \*

25 (e) Annuitants electing maximum single life annuity.--

26 (1) In the event of the death of an annuitant who has  
27 elected to receive the maximum single life annuity before he  
28 has received in annuity payments based on his service  
29 credited in classes other than Class A-5 the full amount of  
30 the total accumulated deductions standing to his credit on



1 the effective date of retirement, the balance shall be paid  
2 to his designated beneficiary.

3 (2) In the event of the death of an annuitant who has  
4 elected to receive the maximum single life annuity before he  
5 has received in annuity payments based on his service  
6 credited in Class A-5 the full amount of the Class A-5  
7 accumulated deductions standing to his credit on the  
8 effective date of retirement, the balance shall be paid to  
9 his designated beneficiary.

10 (f) Members subject to limitations under section 5702(c).--  
11 Subject to the limitations contained in section 401(a)(9) of the  
12 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §  
13 401(a)(9)), the present value of any annuity in excess of that  
14 payable under section 5702 (relating to maximum single life  
15 annuity) that is not subject to the limitations under section  
16 415(b) of the Internal Revenue Code of 1986 shall be paid in a  
17 lump sum to the beneficiary designated by the member after the  
18 death of the member. A beneficiary receiving a benefit under  
19 this subsection shall not be able to elect a payment method  
20 otherwise allowed under section 5709(b)(2) and (3) (relating to  
21 payment of benefits from the system).

22 \* \* \*

23 Section 321.1. Section 5709(a) of Title 71 is amended to  
24 read:

25 § 5709. Payment of benefits from the system.

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

29 (b) Death benefits.--If the amount of a death benefit  
30 payable from the fund to a beneficiary of a member under section

1 5707 (relating to death benefits) or under the provisions of  
2 Option 1 of section 5705(a)(1) (relating to member's options) is  
3 \$10,000 or more, such beneficiary may elect to receive payment  
4 according to one of the following options:

5 (1) a lump sum payment;

6 (2) an annuity actuarially equivalent to the amount  
7 payable; or

8 (3) a lump sum payment and an annuity such that the  
9 annuity is actuarially equivalent to the amount payable less  
10 the lump sum payment specified by the beneficiary.

11 \* \* \*

12 Section 322. Title 71 is amended by adding a chapter to  
13 read:

14 CHAPTER 58

15 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

16 Sec.

17 5801. Establishment.

18 5802. Plan document.

19 5803. Individual investment accounts.

20 5804. Participant contributions.

21 5805. Mandatory pickup participant contributions.

22 5806. Employer defined contributions.

23 5806.1. Use of plan savings.

24 5807. Eligibility for benefits.

25 5808. Death benefits.

26 5809. Vesting.

27 5810. Termination of distributions.

28 5811. Agreements with financial institutions and other  
29 organizations.

30 5812. Powers and duties of board.

1 5813. Responsibility for investment loss.

2 5814. Investments based on participants' investment allocation  
3 choices.

4 5815. Expenses.

5 5816. (Reserved).

6 5817. Tax qualification.

7 5818. State Employees' Defined Contribution Holding Vehicle  
8 Trust.

9 § 5801. Establishment.

10 (a) State Employees' Defined Contribution Plan.--The State  
11 Employees' Defined Contribution Plan is established. The board  
12 shall administer and manage the plan which shall be a defined  
13 contribution plan exclusively for the benefit of those State  
14 employees who participate in the plan and their beneficiaries  
15 within the meaning of and in conformity with IRC § 401(a). The  
16 board shall determine the terms and provisions of the plan not  
17 inconsistent with this part, IRC or other applicable law and  
18 shall provide for the plan's administration.

19 (b) State Employees' Defined Contribution Trust.--The State  
20 Employees' Defined Contribution Trust is established as part of  
21 the plan. The trust shall be comprised of the individual  
22 investment accounts and all assets and moneys in those accounts.  
23 The members of the board shall be the trustees of the trust,  
24 which shall be administered exclusively for the benefit of those  
25 State employees who participate in the plan and their  
26 beneficiaries within the meaning of and in conformity with IRC §  
27 401(a). The board shall determine the terms and provisions of  
28 the trust not inconsistent with this part, IRC or other  
29 applicable law and shall provide for the investment and  
30 administration of the trust.

1 (c) Assets held in trust.--All assets and income in the plan  
2 that have been or shall be withheld or contributed by the  
3 participants, the Commonwealth and other employers in accordance  
4 with this part shall be held in trust in any funding vehicle  
5 permitted by the applicable provisions of IRC for the exclusive  
6 benefit of the participants and their beneficiaries until such  
7 time as the funds are distributed to the participants or their  
8 beneficiaries in accordance with the terms of the plan document.  
9 The assets of the plan held in trust for the exclusive benefit  
10 of the participants and their beneficiaries may be used for the  
11 payment of the fees, costs and expenses related to the  
12 administration and investment of the plan and the trust.

13 (d) Name for transacting business.--All of the business of  
14 the plan shall be transacted, the trust invested, all  
15 requisitions for money drawn and payments made and all of its  
16 cash and securities and other property shall be held by the name  
17 of the "State Employees' Defined Contribution Plan."  
18 Notwithstanding any other law to the contrary, the board may  
19 establish a nominee registration procedure for the purpose of  
20 registering securities in order to facilitate the purchase, sale  
21 or other disposition of securities pursuant to the provisions of  
22 this part.

23 § 5802. Plan document.

24 The board shall set forth the terms and provisions of the  
25 plan and trust in a document containing the terms and conditions  
26 of the plan and in a trust declaration that shall be published  
27 in the Pennsylvania Bulletin. The creation of the document  
28 containing the terms and conditions of the plan and the trust  
29 declaration and the establishment of the terms and provisions of  
30 the plan and the trust need not be promulgated by regulation or

1 formal rulemaking and shall not be subject to the act of July  
2 31, 1968 (P.L.769, No.240), referred to as the Commonwealth  
3 Documents Law. A reference in this part or other law to the plan  
4 shall include the plan document unless the context clearly  
5 indicates otherwise.

6 § 5803. Individual investment accounts.

7 The board shall establish in the trust an individual  
8 investment account for each participant in the plan. All  
9 contributions by a participant or an employer for or on behalf  
10 of a participant shall be credited to the participant's  
11 individual investment account, together with all interest and  
12 investment earnings and losses. Investment and administrative  
13 fees, costs and expenses shall be charged to the participants'  
14 individual investment accounts. Employer defined contributions  
15 shall be recorded and accounted for separately from participant  
16 contributions, but all interest, investment earnings and losses,  
17 and investment and administrative fees, costs and expenses shall  
18 be allocated proportionately.

19 § 5804. Participant contributions.

20 (a) Mandatory contributions.--A participant shall make  
21 mandatory pickup participant contributions through payroll  
22 deductions to the participant's individual investment account  
23 for State service required to be credited in the plan. The  
24 employer shall cause those contributions for service required to  
25 be credited in the plan to be made and deducted from each  
26 payroll or on such schedule as established by the board.

27 (b) Voluntary contributions.--A participant may make  
28 voluntary contributions through direct trustee-to-trustee  
29 transfers or through transfers of money received in an eligible  
30 rollover into the trust to the extent allowed by IRC § 402. The

1 rollovers shall be made in a form and manner as determined by  
2 the board, shall be credited to the participant's individual  
3 investment account and shall be separately accounted for by the  
4 board.

5 (c) Prohibited contributions.--No contributions may be  
6 allowed that would cause a violation of the limitations related  
7 to contributions applicable to governmental plans contained in  
8 IRC § 415 or in other provisions of law. In the event that any  
9 disallowed contributions are made, any participant contributions  
10 in excess of the limitations and investment earnings on those  
11 contributions shall be refunded to the participant by the board.  
12 § 5805. Mandatory pickup participant contributions.

13 (a) Treatment for purposes of IRC § 414(h).--The  
14 contributions to the trust required to be made under section  
15 5804(a) (relating to participant contributions) with respect to  
16 State service rendered by an active participant shall be picked  
17 up by the Commonwealth or other employer and shall be treated as  
18 the employer's contribution for purposes of IRC § 414(h). After  
19 the effective date of this section, an employer employing a  
20 participant in the plan shall pick up the required mandatory  
21 participant contributions by a reduction in the compensation of  
22 the participant.

23 (b) Treatment for other purposes.--For all purposes other  
24 than the IRC, the mandatory pickup participant contributions  
25 shall be treated as contributions made by a participant in the  
26 same manner and to the same extent as if the contributions were  
27 made directly by the participant and not picked up.  
28 § 5806. Employer defined contributions.

29 (a) Contributions for service.--The Commonwealth or other  
30 employer of an active participant shall make employer defined

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

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

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

26 § 5806.1. Use of plan savings.

27 (a) Determination.--The system shall determine the  
28 difference between:

29 (1) The current aggregate employer contributions and the  
30 aggregate employer contributions that would have been

1 required by Act 120 of 2010.

2 (2) The current plan expenditures and the plan  
3 expenditures that would have been required by Act 120 of  
4 2010.

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

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

11 (d) Definition.--As used in this section, the term "Act 120  
12 of 2010" shall mean the act of November 23, 2010 (P.L.1269,  
13 No.120), entitled, "An act amending Titles 24 (Education) and 71  
14 (State Government) of the Pennsylvania Consolidated Statutes, in  
15 Title 24, further providing for definitions, for mandatory and  
16 optional membership, for contributions by the Commonwealth, for  
17 payments by employers, for actuarial cost method, for additional  
18 supplemental annuities, for further additional supplemental  
19 annuities, for supplemental annuities commencing 1994, for  
20 supplemental annuities commencing 1998, for supplemental  
21 annuities commencing 2002, for supplemental annuities commencing  
22 2003, for administrative duties of board, for payments to school  
23 entities by Commonwealth, for eligibility points for retention  
24 and reinstatement of service credits and for creditable  
25 nonschool service; providing for election to become a Class T-F  
26 member; further providing for classes of service, for  
27 eligibility for annuities, for eligibility for vesting, for  
28 regular member contributions, for member contributions for  
29 creditable school service, for contributions for purchase of  
30 credit for creditable nonschool service, for maximum single life



1 annuity, for disability annuities, for member's options, for  
2 duties of board regarding applications and elections of members  
3 and for rights and duties of school employees and members;  
4 providing for Independent Fiscal Office study; in Title 71,  
5 establishing an independent fiscal office and making a related  
6 repeal; further providing for definitions, for credited State  
7 service, for retention and reinstatement of service credits, for  
8 creditable nonstate service and for classes of service;  
9 providing for election to become a Class A-4 member; further  
10 providing for eligibility for annuities and for eligibility for  
11 vesting; providing for shared-risk member contributions for  
12 Class A-3 and Class A-4 service; further providing for waiver of  
13 regular member contributions and Social Security integration  
14 member contributions, for member contributions for purchase of  
15 credit for previous State service or to become a full coverage  
16 member, for contributions for the purchase of credit for  
17 creditable nonstate service, for contributions by the  
18 Commonwealth and other employers, for actuarial cost method, for  
19 maximum single life annuity, for disability annuities and for  
20 member's options; providing for payment of accumulated  
21 deductions resulting from Class A-3 service; further providing  
22 for additional supplemental annuities, for further additional  
23 supplemental annuities, for supplemental annuities commencing  
24 1994, for supplemental annuities commencing 1998, for  
25 supplemental annuities commencing 2002, for supplemental  
26 annuities commencing 2003, for special supplemental  
27 postretirement adjustment of 2002, for administrative duties of  
28 the board, for duties of board to advise and report to heads of  
29 departments and members, for duties of board regarding  
30 applications and elections of members, for installment payments

1 of accumulated deductions, for rights and duties of State  
2 employees and members, for members' savings account, for State  
3 accumulation account, for State Police Benefit Account, for  
4 Enforcement Officers' Benefit Account, for supplemental annuity  
5 account and for construction of part; and providing for  
6 Independent Fiscal Office study, for retirement eligibility of  
7 Pennsylvania State Police officers or members, for a prohibition  
8 on the issuance of pension obligation bonds, for holding certain  
9 public officials harmless, for construction of calculation or  
10 actuarial method, for applicability and for certain operational  
11 provisions."

12 § 5807. Eligibility for benefits.

13 (a) Termination of service.--A participant who terminates  
14 State service shall be eligible to withdraw the vested  
15 accumulated total defined contributions standing to the  
16 participant's credit in the participant's individual investment  
17 account or a lesser amount as the participant may request.  
18 Payment shall be made in a lump sum unless the board has  
19 established other forms of distribution in the plan document. A  
20 participant who withdraws his vested accumulated total defined  
21 contributions shall no longer be a participant in the plan,  
22 notwithstanding that the former State employee may continue to  
23 be a member of the system with Class A-5 service credit or may  
24 have contracted to receive an annuity or other form of payment  
25 from a provider retained by the board for such purposes.

26 (b) Required distributions.--All payments pursuant to this  
27 section shall start and be made in compliance with the minimum  
28 distribution requirements and incidental death benefit rules of  
29 IRC § 401(a)(9). The board shall take any action and make any  
30 distributions it may determine are necessary to comply with

1 those requirements.

2 (c) (Reserved).

3 (d) Prohibited distributions.--A participant who also is a  
4 member of the system must be terminated from all positions that  
5 result in either membership in the system or participation in  
6 the plan to be eligible to receive a distribution.

7 (e) Loans.--Loans or other distributions, including hardship  
8 or unforeseeable emergency distributions, from the plan to State  
9 employees who have not terminated State service are not  
10 permitted, except as required by law.

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

17 § 5808. Death benefits.

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

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

1 participant was receiving distributions, to the participant's  
2 beneficiary or successor payee, as the case may be, as provided  
3 in the plan document.

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

9 § 5809. Vesting.

10 (a) Participant and voluntary contributions.--Subject to the  
11 forfeiture and attachment provisions of section 5953 (relating  
12 to taxation, attachment and assignment of funds) or otherwise as  
13 provided by law, a participant shall be vested with respect to  
14 all mandatory pickup participant contributions and voluntary  
15 contributions paid by or on behalf of the participant to the  
16 trust in addition to interest and investment gains or losses on  
17 the participant contributions but not including investment fees  
18 and administrative charges.

19 (b) Employer defined contributions.--

20 (1) Subject to the forfeiture and attachment provisions  
21 of section 5953 or otherwise as provided by law, a  
22 participant with three eligibility points as provided under  
23 section 5307(c)(3) (relating to eligibility points) shall be  
24 vested with respect to all employer defined contributions  
25 paid to the participant's individual investment account in  
26 the trust in addition to interest and investment gains and  
27 losses on the employer defined contributions but not  
28 including investment fees and administrative charges.

29 (2) Nonvested employer defined contributions and the  
30 interest and investment gains and losses on the nonvested

1 employer defined contributions that are forfeited when a  
2 participant terminates State service before accruing three  
3 eligibility points as provided under section 5307(c)(3) are  
4 credited to the participant's most recent employer's future  
5 obligation assessed under section 5509 (relating to  
6 appropriations and assessments by the Commonwealth).

7 (c) USERRA leave and eligibility points.--A participant in  
8 the plan who is reemployed from USERRA leave or who dies while  
9 performing USERRA leave shall receive eligibility points under  
10 this section for the State service that would have been  
11 performed had the member not performed USERRA leave.

12 § 5810. Termination of distributions.

13 (a) Return to State service.--

14 (1) A participant receiving distributions or an inactive  
15 participant who returns to State service shall cease  
16 receiving distributions and shall not be eligible to receive  
17 distributions until the participant subsequently terminates  
18 State service, without regard to whether the participant is a  
19 mandatory, optional or prohibited member of the system or  
20 participant in the plan.

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

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

26 (1) If a former State employee is reemployed from USERRA  
27 leave and received any payments or annuity from the plan  
28 during the USERRA leave, the employee shall return to the  
29 board the amount so received plus interest as provided in the  
30 plan document.

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

12 § 5811. Agreements with financial institutions and other  
13 organizations.

14 (a) Written agreement.--To establish and ensure the  
15 administration of the plan, the board may enter into a written  
16 agreement with one or more financial institutions or pension  
17 management organizations to administer the plan and the  
18 investment of funds held pursuant to the plan. The administrator  
19 shall be selected in accordance with the following:

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

22           (2) The board shall publish the solicitation in the  
23 Pennsylvania Bulletin.

24           (3) Proposals received shall be evaluated based on  
25 specific criteria adopted by the board. The criteria shall  
26 include experience, customer service history and other  
27 criteria.

28           (4) The board shall evaluate all proposals with the goal  
29 of minimizing the expenses, fees and costs that would be  
30 borne by participants.

1 (b) Rebid.--A contract to administer the plan under  
2 subsection (a) shall be rebid at least once every ten years.  
3 § 5812. Powers and duties of board.

4 The board shall have the following powers and duties to  
5 establish the plan and trust and administer the provisions of  
6 this chapter and part:

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

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

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

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

21 (5) The board may establish a process for election to  
22 participate in the plan by those State employees for whom  
23 participation is not mandatory.

24 (6) The board may perform an annual or more frequent  
25 review of any qualified fund manager for the purpose of  
26 assuring that the fund manager continues to meet all  
27 standards and criteria established.

28 (7) The board may allow for eligible rollovers and  
29 direct trustee-to-trustee transfers into the trust from  
30 qualified plans of other employers, regardless of whether the

1 employers are private employers or public employers.

2 (8) The board may allow a former participant to maintain  
3 the participant's individual investment account within the  
4 plan.

5 (9) The board shall administer or ensure the  
6 administration of the plan in compliance with the  
7 qualifications and other rules of the IRC.

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

10 (11) The board shall determine what constitutes a  
11 termination of State service.

12 (12) The board may establish procedures for  
13 distributions of small accounts as required or permitted by  
14 the IRC.

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

19 (i) Procedures for eligible participants to change  
20 their investment choices on a periodic basis or make  
21 other elections regarding their participation in the  
22 plan.

23 (ii) Procedures for deducting mandatory pickup  
24 participant contributions from a participant's  
25 compensation.

26 (iii) Procedures for rollovers and trustee-to-  
27 trustee transfers allowed under the IRC and permitted as  
28 part of the plan.

29 (iv) Standards and criteria for providing not less  
30 than ten options in accordance with three or more



1 providers of investment options to eligible individuals  
2 regarding investments of amounts deferred under the plan.  
3 The standards and criteria must provide for variety of  
4 investment options and shall be reviewed in accordance  
5 with criteria established by the board. One of the  
6 available options must serve as the default option for  
7 participants who do not make a timely election and, to  
8 the extent commercially available, one option must have  
9 an annuity.

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

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

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

24 (15) The board may contract any services and duties in  
25 lieu of staff, except final adjudications and as prohibited  
26 by law. Any duties or responsibilities of the board not  
27 required by law to be performed by the board can be delegated  
28 to a third-party provider subject to appeal to the board.

29 (16) The board may provide that any duties of the  
30 employer or information provided by the participant to the

1 employer be performed or received directly by the board.

2 (17) The board shall ensure that participants are  
3 provided with educational materials about investment options  
4 and choices.

5 § 5813. Responsibility for investment loss.

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

12 § 5814. Investments based on participants' investment  
13 allocation choices.

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

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

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

5 § 5815. Expenses.

6 All fees, costs and expenses of administering the plan and  
7 the trust and investing the assets of the trust shall be borne  
8 by the participants and paid from assessments against the  
9 balances of the individual investment accounts as established by  
10 the board, except that for fiscal years ending before July 1,  
11 2020, and for any additional fiscal years as the General  
12 Assembly may provide, the fees, costs and expenses of  
13 establishing and administering the plan and the trust shall be  
14 paid by the Commonwealth through annual appropriations from the  
15 General Fund, made on the basis of estimates from the board.

16 § 5816. (Reserved).

17 § 5817. Tax qualification.

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

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

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

29 (ii) An increase in a limitation under IRC § 415  
30 shall apply to all participants on and after the

1 effective date of this section.

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

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

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

18 § 5818. State Employees' Defined Contribution Holding Vehicle  
19 Trust.

20 (a) Establishment.--The State Employees' Defined  
21 Contribution Holding Vehicle Trust is established as part of the  
22 plan. The holding vehicle trust shall be comprised of the  
23 individual investment accounts and all assets and moneys in  
24 those accounts from January 1, 2018, until the earlier of the  
25 date the board certifies that the State Employees' Defined  
26 Contribution Trust is operational and able to accept participant  
27 and employer contributions or December 31, 2018, unless the  
28 board so certifies on or before January 1, 2018. The members of  
29 the board shall be the trustees of the holding vehicle trust,  
30 which shall be held in a separate account, established by the

1 Treasury Department and shall not be inconsistent with this  
2 part, the IRC or other applicable law. The holding vehicle trust  
3 shall be administered 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)  
6 subject to the requirements of Chapter 59 (relating to  
7 administration, funds, accounts, general provisions).

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

21 (c) Mandatory pickup participant contributions.--All  
22 mandatory pickup participant contributions and employer defined  
23 contributions that are required under sections 5804 (relating to  
24 participant contributions), 5805 (relating to mandatory pickup  
25 participant contributions) and 5806 (relating to employer  
26 defined contributions) to be made to the State Employees'  
27 Defined Contribution Trust upon certification of such trust  
28 shall be made to the holding vehicle trust prior to the date the  
29 board certifies the State Employees' Defined Contribution Trust.  
30 The employer shall cause those contributions for service

1 required to be credited in the plan to be made and deducted from  
2 each payroll or on such schedule as established by the board and  
3 such participant contributions shall be picked up by the  
4 Commonwealth or other employer and shall be treated as the  
5 employer's contribution for purposes of IRC § 414(h). On and  
6 after the effective date of this section, an employer employing  
7 a participant in the plan shall pick up the required mandatory  
8 participant contributions by a reduction in the compensation of  
9 the participant. No participant is permitted to make voluntary  
10 contributions to the holding vehicle trust.

11 (d) Treatment for other purposes.--For all purposes other  
12 than the IRC, the mandatory pickup participant contributions  
13 shall be treated as contributions made by a participant in the  
14 same manner and to the same extent as if the contributions were  
15 made directly by the participant and not picked up.

16 (e) 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 shall be refunded to the employer  
23 by the board.

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

28 (g) Interest.--Upon the disbursement of a return of Class A-  
29 5 accumulated deductions to a participant who has terminated  
30 State service or of a death benefit to a participant's

1 designated beneficiaries or upon the transfer of all assets in  
2 the holding vehicle trust to the State Employees' Defined  
3 Contribution Trust or December 31, 2017, whichever occurs first,  
4 the Commonwealth shall make an interest payment to the holding  
5 vehicle trust. The interest payment shall be equal to 4% annual  
6 rate of return on the mandatory pickup participant contributions  
7 and employer defined contributions made for the participant,  
8 increased or decreased for any investment losses or earnings  
9 while in the holding vehicle trust, but in no case shall the  
10 interest payment be less than zero.

11 (h) Responsibility for loss of investment opportunity.--The  
12 board, the Commonwealth, an employer or other political  
13 subdivision shall not be responsible for the failure of any  
14 investment in the holding vehicle trust to earn any specific or  
15 expected return greater than the 4% interest rate paid under  
16 subsection (g) or to earn as much as any other investment  
17 opportunity, whether or not the other opportunity was offered to  
18 participants in the holding vehicle trust.

19 (i) Termination of holding vehicle trust.--After the  
20 disbursement or transfer of all assets in the holding vehicle  
21 trust and the certification by the board that no further  
22 liabilities from the holding vehicle trust exist, the holding  
23 vehicle trust shall be closed, and this section, except for  
24 subsection (h), shall become inoperative.

25 Section 323. Section 5901(a), (c), (d) and (e) of Title 71  
26 are amended to read:

27 § 5901. The State Employees' Retirement Board.

28 (a) Status and membership.--The board shall be an  
29 independent administrative board and consist of 11 members: the  
30 State Treasurer, ex officio, two Senators, two members of the

1 House of Representatives and six members appointed by the  
2 Governor, one of whom shall be an annuitant of the system or a  
3 participant in the plan who has terminated State service and is  
4 receiving or is eligible to receive distributions, for terms of  
5 four years, subject to confirmation by the Senate. At least five  
6 board members shall be active members of the system or active  
7 participants in the plan, and at least two shall have ten or  
8 more years of credited State service or shall have been active  
9 participants in the plan for ten calendar years. The chairman of  
10 the board shall be designated by the Governor from among the  
11 members of the board. Each member of the board who is a member  
12 of the General Assembly may appoint a duly authorized designee  
13 to act in his stead. In the event that a board member, who is  
14 designated as an active participant or as a participant in the  
15 plan who is receiving or is eligible to receive distributions,  
16 receives a total distribution of his interest in the plan, that  
17 board member may continue to serve on the board for the  
18 remainder of his term.

19 \* \* \*

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

29 (d) Compensation and expenses.--The members of the board who  
30 are members of the system or participants in the plan shall



1 serve without compensation but shall not suffer loss of salary  
2 or wages through serving on the board. The members of the board  
3 who are not members of the system or participants in the plan  
4 shall receive \$100 per day when attending meetings and all board  
5 members shall be reimbursed for any necessary expenses. However,  
6 when the duties of the board as mandated are not executed, no  
7 compensation or reimbursement for expenses of board members  
8 shall be paid or payable during the period in which such duties  
9 are not executed.

10 (e) Corporate power and legal advisor.--For the purposes of  
11 this part, the board shall possess the power and privileges of a  
12 corporation. [The Attorney General of the Commonwealth shall be  
13 the legal advisor of the board.] The board shall be considered  
14 to be an independent agency under the act of October 15, 1980  
15 (P.L.950, No.164), known as the Commonwealth Attorneys Act.  
16 Legal counsel to the board shall serve independently from the  
17 Governor's Office of General Counsel, the Attorney General and  
18 the General Assembly.

19 Section 324. Sections 5902(a)(2), (a.1), (b), (c), (e), (h),  
20 (i), (j), (k), (m) and (n) and 5903 heading and (b) of Title 71  
21 are amended and the sections are amended by adding subsections  
22 to read:

23 § 5902. Administrative duties of the board.

24 (a) Employees.--

25 \* \* \*

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

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

3 (a.1) Secretary.--The secretary shall act as chief  
4 administrative officer for the board with respect to both the  
5 system and the plan. In addition to other powers and duties  
6 conferred upon and delegated to the secretary by the board, the  
7 secretary shall:

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

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

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

19 (4) Direct the maintenance of files and records and  
20 preparation of periodic reports required for actuarial  
21 evaluation studies.

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

28 (6) (i) Supervise a staff of administrative, technical,  
29 and clerical employees engaged in record-keeping and  
30 clerical processing activities for both the system and

1       the plan in maintaining files of members and  
2       participants, accounting for contributions, processing  
3       payments to annuitants and terminated participants,  
4       preparing required reports, and retirement counseling.

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

10      (b) Professional personnel.--

11           (1) The board shall contract for the services of a chief  
12      medical examiner, an actuary, investment advisors and  
13      counselors, and such other professional personnel as it deems  
14      advisable. The board may, with the approval of the Attorney  
15      General, contract for legal services.

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

21      (c) Expenses.--

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

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

1           (3) For fiscal years ending on or before June 30, 2019,  
2 such expenses of the plan and the holding vehicle trust as  
3 approved by the General Assembly in an appropriation bill  
4 shall be paid from the General Fund. For fiscal years  
5 beginning on or after July 1, 2019, such expenses of the plan  
6 and the holding vehicle trust as approved by the General  
7 Assembly shall be paid from interest, pursuant to section  
8 5814(b) (relating to investments based on participants'  
9 investment allocation choices), assessments on the balances  
10 of the participants' individual investment accounts or as  
11 otherwise provided in this part except as the General  
12 Assembly provides by appropriations from the General Fund.

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

22 \* \* \*

23 (e) Records.--

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

27           (2) Any record, material or data received, prepared,  
28 used or retained by the board or its employees, investment  
29 professionals or agents relating to an investment shall not  
30 constitute a public record subject to public [inspection]

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

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

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

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

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

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

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

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

6 (B) the entity in which the investment was made  
7 is liquidated;

8 whichever is later.

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

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

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

22 whichever is later.

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

29 (5) Any record, material or data received, prepared,  
30 used or retained by the board or its employees, or agents

1 relating to the contributions, account value or benefits  
2 payable to or on account of a participant shall not  
3 constitute a public record subject to public access under the  
4 Right-to-Know Law if, in the reasonable judgment of the  
5 board, the access would disclose any of the following:

6 (i) The existence, date, amount and any other  
7 information pertaining to the rollover contributions or  
8 trustee-to-trustee transfers, of any participant.

9 (ii) The investment options selections of any  
10 participant.

11 (iii) The balance of a participant's individual  
12 investment account, including the amount distributed to  
13 the participant, investment gains or losses or rates of  
14 return.

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

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

18 (6) Nothing in this subsection shall be construed to  
19 designate any record, material or data received, prepared,  
20 used or retained by the board or its employees, or agents  
21 relating to the contributions, account value or benefits  
22 payable to or on account of a participant as a public record  
23 subject to public access under the Right-to-Know Law.

24 (7) The following shall apply:

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

30 (ii) This paragraph shall apply to a record,

1 material or data under this subsection, notwithstanding  
2 any of the following:

3 (A) Whether the record, material or data was  
4 created, generated or stored before the effective  
5 date of this paragraph.

6 (B) Whether the record, material or data was  
7 previously released or made public.

8 (C) Whether a request for the record, material  
9 or data was made or is pending final response under  
10 the Right-to-Know Law.

11 \* \* \*

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

28 (i) Data.--The board shall keep in convenient form such data  
29 as are stipulated by the actuary in order that an annual  
30 actuarial valuation of the various accounts of the fund can be



1 completed within six months of the close of each calendar year.

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

28 (k) Certification of employer contributions to fund.--The  
29 board shall, each year in addition to the itemized budget  
30 required under section 5509 (relating to appropriations and

1 assessments by the Commonwealth), certify, as a percentage of  
2 the members' payroll, the shared-risk contribution rate, the  
3 employers' contributions as determined pursuant to section 5508  
4 (relating to actuarial cost method) necessary for the funding of  
5 prospective annuities for active members and the annuities of  
6 annuitants and certify the rates and amounts of the employers'  
7 normal contributions as determined pursuant to section 5508(b),  
8 accrued liability contributions as determined pursuant to  
9 section 5508(c), supplemental annuities contribution rate as  
10 determined pursuant to section 5508(e), the experience  
11 adjustment factor as determined pursuant to section 5508(f), the  
12 collared contribution rate pursuant to section 5508(h) and the  
13 final contribution rate pursuant to section 5508(i), which shall  
14 be paid to the fund and credited to the appropriate accounts.  
15 The board may allocate the final contribution rate and certify  
16 various employer contribution rates and amounts based upon the  
17 different benefit eligibility, class of service multiplier,  
18 superannuation age, final average salary calculation,  
19 compensation limits and other benefit differences resulting from  
20 State service credited for individual members even though such  
21 allocated employer contribution rate on behalf of any given  
22 member may be more or less than 5% of the member's compensation  
23 for the period from July 1, 2010, to June 30, 2011, or may  
24 differ from the prior year's contribution for that member by  
25 more or less than the percentages used to calculate the collared  
26 contribution rate for that year and may be below any minimum  
27 contribution rate established for the collared contribution rate  
28 or final contribution rate. These certifications shall be  
29 regarded as final and not subject to modification by the  
30 Secretary of the Budget.

1 \* \* \*

2 (m) Annual financial statement.--The board shall prepare and  
3 have published, on or before July 1 of each year, [a financial  
4 statement] financial statements as of the calendar year ending  
5 December 31 of the previous year showing the condition of the  
6 fund, the trust and the various accounts, including, but not  
7 limited to, the board's accrual and expenditure of directed  
8 commissions, and setting forth such other facts,  
9 recommendations, and data as may be of use in the advancement of  
10 knowledge concerning annuities and other benefits provided by  
11 this part. The board shall submit said financial [statement]  
12 statements to the Governor and shall file copies with the head  
13 of each department for the use of the State employees and the  
14 public.

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

22 \* \* \*

23 (p) Participant and employer contributions to trust.--The  
24 board shall, each year in addition to any fees and itemized  
25 budget required under section 5509 (relating to appropriations  
26 and assessments by the Commonwealth), certify, as a percentage  
27 of each participant's compensation, the employer defined  
28 contributions, which shall be paid to the trust and credited to  
29 each participant's individual investment account. These  
30 certifications shall be regarded as final and not subject to

1 modification by the Secretary of the Budget. The board shall  
2 cause all mandatory pickup participant contributions made on  
3 behalf of a participant and all voluntary contributions made by  
4 a participant to be credited to the participant's individual  
5 investment account.

6 § 5903. Duties of the board to advise and report to heads of  
7 departments [and], members and participants.

8 \* \* \*

9 (b) Member status statements and certifications.--The board  
10 shall furnish annually to the head of each department on or  
11 before April 1, a statement for each member employed in such  
12 department showing the total accumulated deductions and Class A-  
13 5 accumulated deductions standing to his credit as of December  
14 31 of the previous year and requesting the member to make any  
15 necessary corrections or revisions regarding his designated  
16 beneficiary. In addition, for each member employed in any  
17 department and for whom the department has furnished the  
18 necessary information, the board shall certify the number of  
19 years and fractional part of a year of credited service  
20 attributable to each class of service, the number of years and  
21 fractional part of a year attributable to social security  
22 integration credits in each class of service and, in the case of  
23 a member eligible to receive an annuity, the benefit to which he  
24 is entitled upon the attainment of superannuation age.

25 (b.1) Participant status statements.--The board shall  
26 furnish annually to each participant, on or before April 1 and  
27 more frequently as the board may agree or as required by law, a  
28 statement showing the accumulated total defined contributions  
29 credited to the participant's individual investment account, the  
30 nature and type of investments and the investment allocation of

1 future contributions as of December 31 of the previous year and  
2 requesting the participant to make any necessary correction or  
3 revision regarding his designated beneficiary.

4 \* \* \*

5 Section 325. Section 5904(c) of Title 71 is amended to read:

6 § 5904. Duties of the board to report to the Public School  
7 Employees' Retirement Board.

8 \* \* \*

9 (c) Applications for benefits for school employees.--Upon  
10 receipt of notification and the required data from the Public  
11 School Employees' Retirement Board that a former State employee  
12 who elected multiple service has applied for a public school  
13 employees' retirement benefit or, in the event of his death, his  
14 legally constituted representative has applied for such benefit,  
15 the board shall:

16 (1) certify to the Public School Employees' Retirement  
17 Board;

18 (i) the salary history as a member of the State  
19 Employees' Retirement System and the final average salary  
20 as calculated on the basis of the compensation received  
21 as a State and school employee; and

22 (ii) the annuity or benefit to which the member or  
23 his beneficiary is entitled as modified according to the  
24 option selected; and

25 (2) transfer to the Public School Employees' Retirement  
26 Fund the total accumulated deductions or Class A-5  
27 accumulated deductions standing to such member's credit and  
28 the actuarial reserve required on account of years of  
29 credited service in the State system, final average salary  
30 determined on the basis of his compensation in both systems

1 and the average noncovered salary to be charged to the State  
2 accumulation account, the State Police benefit account or the  
3 enforcement officers' benefit account, as each case may  
4 require.

5 \* \* \*

6 Section 326. Section 5905(b), (c.1), (f) and (g) of Title  
7 71, amended December 28, 2015 (P.L.529, No.93), are amended and  
8 the section is amended by adding subsections to read:

9 § 5905. Duties of the board regarding applications and  
10 elections of members and participants.

11 \* \* \*

12 (b) School employees electing multiple service status.--Upon  
13 receipt of notification from the Public School Employees'  
14 Retirement Board that a former State employee has become an  
15 active member in the Public School Employees' Retirement System  
16 and has elected to become a member with multiple service status  
17 the board shall:

18 (1) in case of a member receiving an annuity from the  
19 system:

20 (i) discontinue payments, transfer the present value  
21 of the member's annuity at the time of entering school  
22 service, plus the amount withdrawn in a lump sum payment,  
23 on or after the date of entering school service, pursuant  
24 to section 5705 (relating to member's options), with  
25 statutory interest to date of transfer, minus the amount  
26 to be returned to the board on account of return to  
27 service, that the board has determined is to be credited  
28 in the members' savings account, from the annuity reserve  
29 account to the members' savings account and resume  
30 crediting of statutory interest on the amount restored to

1 his credit;

2 (ii) transfer the balance of the present value of  
3 the total annuity, minus the amount to be returned to the  
4 board on account of return to service that the board has  
5 determined is to be credited in the State accumulation  
6 account, from the annuity reserve account to the State  
7 accumulation account; and

8 (iii) certify to the member the amount of lump sum  
9 and annuity payments with statutory interest the member  
10 is to return to the board and, of those amounts, which  
11 amount shall be credited to the members' savings account  
12 and credited with statutory interest as such payments are  
13 returned and which amount shall be credited to the State  
14 accumulation account; or

15 (2) in case of a member who is not receiving an annuity  
16 and has not withdrawn his total accumulated deductions or  
17 Class A-5 accumulated deductions, continue or resume the  
18 crediting of statutory interest on his total accumulated  
19 deductions and Class A-5 accumulated deductions during the  
20 period his total accumulated deductions and Class A-5  
21 accumulated deductions remain in the fund; or

22 (3) in case of a former State employee who is not  
23 receiving an annuity from the system and his total  
24 accumulated deductions or Class A-5 accumulated deductions  
25 were withdrawn, certify to the former State employee the  
26 accumulated deductions as they would have been at the time of  
27 his separation had he been a full coverage member together  
28 with statutory interest for all periods of subsequent State  
29 and school service to the date of repayment and the amount of  
30 such total accumulated deductions or Class A-5 accumulated

1     deduction he is eligible to restore. Such amount shall be  
2     restored by him and shall be credited with statutory interest  
3     as such payments are restored.

4     \* \* \*

5     (c.1) Termination of service by members.--In the case of any  
6     member terminating State service who is entitled to an annuity  
7     and who is not then a disability annuitant, the board shall  
8     advise such member in writing of any benefits from the system to  
9     which he may be entitled under the provisions of this part and  
10    shall have the member prepare, on or before the date of  
11    termination of State service, one or more of the following three  
12    forms, a copy of which shall be given to the member and the  
13    original of which shall be filed with the board:

14           (1) an application for the return of total accumulated  
15           deductions and if eligible, for the return of Class A-5  
16           accumulated deductions;

17           (2) if eligible, an election to vest his retirement  
18           rights and, if he is a joint coverage member and so desires,  
19           elect to become a full coverage member and agree to pay  
20           within 30 days of the date of termination of service the lump  
21           sum required; or

22           (3) if eligible, an application for an immediate annuity  
23           and, if he desires:

24                   (i) an election to convert his medical, major  
25                   medical and hospitalization insurance coverage to the  
26                   plan for State annuitants; and

27                   (ii) if he is a joint coverage member, an election  
28                   to become a full coverage member and an agreement to pay  
29                   within 30 days of date of termination of service the lump  
30                   sum required.



1       (c.2) Termination of service by participants.--In the case  
2 of a participant terminating State service, the board shall  
3 advise the participant in writing of the vested accumulated  
4 total defined contributions credited to the participant's  
5 individual investment account as of the date stated in the  
6 writing, any notices regarding rollover or other matters  
7 required by IRC or other law, the obligation of the participant  
8 to commence distributions from the plan by the participant's  
9 required beginning date and the ability to receive all or part  
10 of the vested balance in the participant's individual investment  
11 account in a lump sum or in such other form as the board may  
12 authorize or as required by law.

13       \* \* \*

14       (e.2) Notification to inactive participants approaching  
15 required beginning date.--The board shall notify in writing each  
16 inactive participant who has terminated State service and has  
17 not commenced distribution by 90 days before the participant's  
18 required beginning date that the inactive participant has an  
19 obligation to commence distributions by the required beginning  
20 date in a form and manner required by IRC § 401(a)(9) and other  
21 applicable provisions of the IRC.

22       (f) Initial annuity payment and certification.--The board  
23 shall make the first monthly payment to a member who is eligible  
24 for an annuity within 60 days of the filing of his application  
25 for an annuity or, in the case of a vestee or special vestee who  
26 has deferred the filing of his application to a date later than  
27 90 days following attainment of superannuation age, within 60  
28 days of the effective date of retirement, and receipt of the  
29 required data from the head of the department and, if the member  
30 has Class G, Class H, Class I, Class J, Class K, Class L, Class

1 M or Class N service, any data required from the county  
2 retirement system or pension plan to which the member was a  
3 contributor before being a State employee. Concurrently, the  
4 board shall certify to such member:

5 (1) the total accumulated deductions and Class A-5  
6 accumulated deductions standing to his credit showing  
7 separately the amount contributed by the member, the pickup  
8 contribution and the interest credited to the date of  
9 termination of service;

10 (2) the number of years and fractional part of a year  
11 credited in each class of service;

12 (3) the final average salary on which his annuity is  
13 based as well as any applicable reduction factors due to age  
14 and/or election of an option; and

15 (4) the total annuity payable under the option elected  
16 and the amount and effective date of any future reduction  
17 under section 5703 (relating to reduction of annuities on  
18 account of social security old-age insurance benefits).

19 (f.1) Initial payment to participants.--The board shall make  
20 the initial payment to a participant who has applied for a  
21 distribution within 60 days of the filing of the application.

22 (g) Death benefits.--Upon receipt of notification from the  
23 head of a department of the death of an active member, a member  
24 performing USERRA leave [or], a member on leave without pay, an  
25 active participant, an inactive participant on leave without pay  
26 or a former participant performing USERRA leave, the board shall  
27 advise the designated beneficiary of the benefits to which he is  
28 entitled, and shall make the first payment to the beneficiary  
29 within 60 days of receipt of certification of death and other  
30 necessary data. If no beneficiary designation is in effect at

1 the date of the member's death or no notice has been filed with  
2 the board to pay the amount of the benefits to the member's  
3 estate, the board is authorized to pay the benefits to the  
4 executor, administrator, surviving spouse or next of kin of the  
5 deceased member, and payment pursuant [hereto] to this section  
6 shall fully discharge the fund from any further liability to  
7 make payment of such benefits to any other person. If no  
8 beneficiary designation is in effect at the date of a  
9 participant's death or no notice has been filed with the board  
10 to pay the amount of the benefits to the participant's estate,  
11 the board may pay the benefits to the surviving spouse,  
12 executor, administrator or next of kin of the deceased  
13 participant, and payment pursuant to this subsection shall fully  
14 discharge the fund from any further liability to make payment of  
15 such benefits to any other person.

16 \* \* \*

17 Section 327. Section 5905.1(a), (b) and (d) of Title 71 are  
18 amended to read:

19 § 5905.1. Installment payments of accumulated deductions.

20 (a) General rule.--Notwithstanding any other provision of  
21 this part, whenever a member elects to withdraw his total  
22 accumulated deductions or Class A-5 accumulated deductions  
23 pursuant to section 5311(a) (relating to eligibility for  
24 refunds) or 5701 (relating to return of [total] accumulated  
25 deductions) or elects to receive a portion of his benefit  
26 payable as a lump sum pursuant to section 5705(a)(4)(iii)  
27 (relating to member's options), the member may elect to receive  
28 the amount in not more than four installments.

29 (b) Payment of first installment.--The payment of the first  
30 installment shall be made in the amount and within seven days of

1 the date specified by the member, except as follows:

2 (1) Upon receipt of a member's application to withdraw  
3 his total accumulated deductions or Class A-5 accumulated  
4 deductions as provided in section 5311(a) or 5701 and upon  
5 receipt of all required data from the head of the department  
6 and, if the member has Class G, Class H, Class I, Class J,  
7 Class K, Class L, Class M or Class N service, any data  
8 required from the county retirement system or pension plan to  
9 which the member was a contributor before being transferred  
10 to State employment, the board shall not be required to pay  
11 the first installment prior to 45 days after the filing of  
12 the application and the receipt of the data or the date of  
13 termination of service, whichever is later.

14 (2) In the case of an election as provided in section  
15 5705(a)(4)(iii) by a member terminating service within 60  
16 days prior to the end of a calendar year and upon receipt of  
17 all required data from the head of the department and, if the  
18 member has Class G, Class H, Class I, Class J, Class K, Class  
19 L, Class M or Class N service, any data required from the  
20 county retirement system or pension plan to which the member  
21 was a contributor before being transferred to State  
22 employment, the board shall not be required to pay the first  
23 installment prior to 21 days after the later of the filing of  
24 the application and the receipt of the data or the date of  
25 termination of service, but, unless otherwise directed by the  
26 member, the payment shall be made no later than 45 days after  
27 the filing of the application and the receipt of the data or  
28 the date of termination of service, whichever is later.

29 (3) In the case of an election as provided in section  
30 5705(a)(4)(iii) by a member who is not terminating service

1 within 60 days prior to the end of a calendar year and upon  
2 receipt of all required data from the head of the department  
3 and, if the member has Class G, Class H, Class I, Class J,  
4 Class K, Class L, Class M or Class N service, any data  
5 required from the county retirement system or pension plan to  
6 which the member was a contributor before being transferred  
7 to State employment, the board shall not be required to pay  
8 the first installment prior to 45 days after the filing of  
9 the application and the receipt of the data or the date of  
10 termination of service, whichever is later.

11 \* \* \*

12 (d) Statutory interest.--Any lump sum, including a lump sum  
13 payable pursuant to section 5705.1 (relating to payment of  
14 accumulated deductions resulting from [Class A-3 and Class A-4]  
15 more than one class of service), or installment payable shall  
16 include statutory interest credited to the date of payment,  
17 except in the case of a member, other than a vestee or special  
18 vestee, who has not filed his application prior to 90 days  
19 following his termination of service.

20 Section 328. Section 5906(a), (b), (d), (e), (g), (h), (i),  
21 (j) and (l) of Title 71 are amended and the section is amended  
22 by adding a subsection to read:

23 § 5906. Duties of heads of departments.

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

1 during that period, and:

2 (1) if the removal is due to leave without pay, he shall  
3 furnish the board with the date of beginning leave and the  
4 date of return to service, and the reason for leave; or

5 (2) if the removal is due to a transfer to another  
6 department, he shall furnish such department and the board  
7 with a complete State service record, including past State  
8 service in other departments or agencies, or creditable  
9 nonstate service; or

10 (3) if the removal is due to termination of State  
11 service, he shall furnish the board with a complete State  
12 service record, including service in other departments or  
13 agencies, or creditable nonstate service and;

14 (i) in the case of death of the member or  
15 participant, the head of the department shall so notify  
16 the board;

17 (ii) in the case of a service connected disability  
18 of a member, the head of department shall, to the best of  
19 his ability, investigate the circumstances surrounding  
20 the disablement of the member and submit in writing to  
21 the board information which shall include but not  
22 necessarily be limited to the following: date, place and  
23 time of disablement to the extent ascertainable; nature  
24 of duties being performed at such time; and whether or  
25 not the duties being performed were authorized and  
26 included among the member's regular duties. In addition,  
27 the head of department shall furnish in writing to the  
28 board all such other information as may be related to the  
29 member's disablement;

30 (iii) in the case of a member terminating from The

1 Pennsylvania State University who is a member of the  
2 system with five or more but less than ten eligibility  
3 points and who has terminated State service on June 30,  
4 1997, because of the transfer of his job position or  
5 duties to a controlled organization of the Penn State  
6 Geisinger Health System or because of the elimination of  
7 his job position or duties due to the transfer of other  
8 job positions or duties to a controlled organization of  
9 the Penn State Geisinger Health System, the head of the  
10 department shall so certify to the board.

11 (b) Records and information.--At any time at the request of  
12 the board and at termination of service of a member or a  
13 participant, the head of department shall furnish service and  
14 compensation records and such other information as the board may  
15 require and shall maintain and preserve such records as the  
16 board may direct for the expeditious discharge of its duties.

17 \* \* \*

18 (c.1) Participant and employer defined contributions.--The  
19 head of department shall:

20 (1) Cause the mandatory pickup participant contributions  
21 on behalf of a participant to be made.

22 (2) Cause the employer defined contributions on behalf  
23 of a participant to be made.

24 (3) Notify the board at times and in a manner prescribed  
25 by the board of the compensation of any participant to whom  
26 the limitation under IRC § 401(a)(17) either applies or is  
27 expected to apply and cause the participant's contributions  
28 to be deducted from payroll to cease at the limitation under  
29 IRC § 401(a)(17) on the payroll date if and when such limit  
30 shall be reached.

1           (4) Certify to the State Treasurer the amounts picked up  
2           and deducted and the employer defined contributions being  
3           made and send the total amount picked up, deducted and  
4           contributed together with a duplicate of the voucher to the  
5           secretary of the board every pay period or on such schedule  
6           as established by the board.

7           (d) New employees subject to mandatory membership or  
8           participation.--Upon the assumption of duties of each new State  
9           employee whose membership in the system or plan is mandatory,  
10          the head of department shall cause an application for membership  
11          or participation and a nomination of beneficiary to be made by  
12          such employee and filed with the board and shall make pickup  
13          contributions or mandatory pickup participant contributions from  
14          the effective date of State employment.

15          (e) New employees subject to optional membership or  
16          participation.--The head of department shall, upon the  
17          employment or entering into office of any State employee whose  
18          membership in the system or participation in the plan is not  
19          mandatory, inform such employee of his opportunity to become a  
20          member of the system or participant in the plan. If such  
21          employee so elects, the head of department shall cause an  
22          application for membership or participation and a nomination of  
23          beneficiary to be made by him and filed with the board and shall  
24          cause proper contributions to be made from the effective date of  
25          membership or participation.

26           \* \* \*

27          (g) Former school employee contributors.--The head of  
28          department shall, upon the employment of a former contributor to  
29          the Public School Employees' Retirement System who is not an  
30          annuitant of the Public School Employees' Retirement System,



1 advise such employee [of his] if he has a right to elect within  
2 365 days of entry into the system or, for a member of Class A-5,  
3 if he has a right to elect within 45 days of entry into the  
4 system, to become a multiple service member, and in the case of  
5 any such employee who so elects and has withdrawn his  
6 accumulated deductions, require him to reinstate his credit in  
7 the Public School Employees' Retirement System. The head of the  
8 department shall advise the board of such election.

9 (h) Former school employee annuitants.--The head of  
10 department shall, upon the employment of an annuitant of the  
11 Public School Employees' Retirement System who applies for  
12 membership in the system, advise such employee [that] if he may  
13 elect multiple service membership within 365 days of entry into  
14 the system or, for a member of Class A-5, if he has a right to  
15 elect multiple service within 45 days of entry into the system,  
16 and if he so elects his public school employee's annuity will be  
17 discontinued effective upon the date of his return to State  
18 service and, upon termination of State service and application  
19 for an annuity, the annuity will be adjusted in accordance with  
20 section 5706 (relating to termination of annuities). The head of  
21 department shall advise the board of 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 (j) Termination of service.--The head of department shall,  
28 in the case of any member terminating State service who is  
29 ineligible for an annuity before attainment of superannuation  
30 age, advise such member in writing of any benefits to which he

1 may be entitled under the provisions of this part and shall have  
2 the member prepare, on or before the date of termination of  
3 State service, an application for the return of total  
4 accumulated deductions and Class A-5 accumulated deductions or,  
5 on or before September 30, 1997, an application to be vested as  
6 a special vestee, if eligible.

7 \* \* \*

8 (1) State employees performing USERRA or military-related  
9 leave of absence.--The head of department shall report to the  
10 board any State employee who ceases to be an active member or  
11 active participant to perform USERRA service, or who is granted  
12 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves  
13 of absence for certain government employees) or a military leave  
14 of absence under 51 Pa.C.S. § 7302 (relating to granting  
15 military leaves of absence), the date on which the USERRA  
16 service, leave of absence or military leave of absence began,  
17 the date on which the State employee is reemployed from USERRA  
18 leave or returns after the leave of absence or military leave of  
19 absence, if the event occurs, and any other information the  
20 board may require or direct.

21 \* \* \*

22 Section 328.1. Section 5907(a), (c), (d), (e) and (f) of  
23 Title 71, amended December 28, 2015 (P.L.529, No.93), are  
24 amended and the section is amended by adding subsections to  
25 read:

26 § 5907. Rights and duties of State employees [and], members and  
27 participants.

28 (a) Information on new employees.--Upon his assumption of  
29 duties each new State employee shall furnish the head of  
30 department with a complete record of his previous State service,

1 his school service or creditable nonstate service, and proof of  
2 his date of birth and current status in the system and the plan  
3 and in the Public School Employees' Retirement System and the  
4 School Employees' Defined Contribution Plan. Willful failure to  
5 provide the information required by this subsection to the  
6 extent available upon entrance into the system shall result in  
7 the forfeiture of the right of the member to subsequently assert  
8 any right to benefits based on any of the required information  
9 which he failed to provide. In any case in which the board finds  
10 that a member is receiving an annuity based on false  
11 information, the total amount received predicated on such false  
12 information together with statutory interest doubled and  
13 compounded shall be deducted from the present value of any  
14 remaining benefits to which the member is legally entitled.

15 \* \* \*

16 (b.1) Application for participation.--On or after January 1,  
17 2018, in the case of an employee who is not currently a  
18 participant in the plan and whose participation is mandatory, or  
19 in the case of an employee whose participation is not mandatory  
20 but is permitted and who desires to become a participant in the  
21 plan, the new employee shall execute an application for  
22 participation and a nomination of a beneficiary.

23 (c) Multiple service membership.--Any [active member] State  
24 employee who is an active member in a class of service other  
25 than Class A-5 who was formerly an active member in the Public  
26 School Employees' Retirement System in a class of service other  
27 than Class T-G may elect to become a multiple service member.  
28 Such election shall occur no later than 365 days after becoming  
29 an active member in a class of service other than Class A-5 in  
30 this system. Any State employee who is an active member of Class

1 A-5 who was formerly an active member in Public School  
2 Employees' Retirement System in Class T-G may elect to become a  
3 multiple service member. Such election shall occur no later than  
4 45 days after becoming an active member of Class A-5. A State  
5 employee who is eligible to elect to become a multiple service  
6 member who begins USERRA leave during the election period  
7 without having elected multiple service membership may make the  
8 election within 365 days, or 45 days if a member of Class A-5,  
9 after being reemployed from USERRA leave.

10 (d) Credit for previous service or change in membership  
11 status.--Any active member or eligible school employee who  
12 desires to receive credit for the portion of his total previous  
13 State service or creditable nonstate service to which he is  
14 entitled, or a joint coverage member who desires to become a  
15 full coverage member, shall so notify the board and upon written  
16 agreement by the member and the board as to the manner of  
17 payment of the amount due, the member shall receive credit for  
18 such service as of the date of such agreement subject to the  
19 provisions in this part relating to the limitations under IRC §  
20 415.

21 \* \* \*

22 (d.2) Contributions for USERRA leave.--Any active  
23 participant or inactive participant on leave without pay or  
24 former participant who was reemployed from USERRA leave who  
25 desires to make mandatory pickup participant contributions for  
26 his USERRA leave shall so notify the board within the time  
27 period required under 38 U.S.C. Ch. 43 (relating to employment  
28 and reemployment rights of members of the uniformed services)  
29 and IRC § 414(u) of his desire to make such contributions. Upon  
30 making the permitted mandatory pickup participant contributions

1 within the allowed time period, the head of department shall  
2 make the corresponding employer defined contributions at the  
3 same time.

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

11 (e) Beneficiary for death benefits from system.--Every  
12 member shall nominate a beneficiary by written designation filed  
13 with the board as provided in section 5906(d) or (e) (relating  
14 to duties of heads of departments) to receive the death benefit  
15 payable under section 5707 (relating to death benefits) or the  
16 benefit payable under the provisions of Option 1 of section  
17 5705(a)(1) (relating to member's options). Such nomination may  
18 be changed at any time by the member by written designation  
19 filed with the board. A member may also nominate a contingent  
20 beneficiary or beneficiaries to receive the death benefit  
21 provided under section 5707 or the benefit payable under the  
22 provisions of Option 1 of section 5705(a)(1).

23 (e.1) Beneficiary for death benefits from the plan.--Every  
24 participant shall nominate a beneficiary by written designation  
25 filed with the board as provided in section 5906(d) or (e) to  
26 receive the death benefit payable under section 5808 (relating  
27 to death benefits). A participant may also nominate a contingent  
28 beneficiary or beneficiaries to receive the death benefit  
29 provided under section 5808. Such nomination may be changed at  
30 any time by the participant by written designation filed with

1 the board.

2 (e.2) Beneficiaries for employees who are members and  
3 participants.--A State employee who is both a member of the  
4 system and a participant in the plan may designate or nominate  
5 different persons to be beneficiaries, survivor annuitants and  
6 successor payees for his benefits from the system and the plan.

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

13 (1) withdraw his total accumulated deductions and if  
14 eligible withdraw his Class A-5 accumulated deductions; or

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

19 (3) if eligible, receive an immediate annuity and may,

20 (i) if eligible, elect to convert his medical, major  
21 medical, and hospitalization coverage to the plan for  
22 State annuitants; and

23 (ii) if he is a joint coverage member, elect to  
24 become a full coverage member and agree to pay within 30  
25 days of date of termination of service the lump sum  
26 required.

27 \* \* \*

28 (g.1) Deferral of retirement rights.--If a participant  
29 terminates State service and does not commence receiving a  
30 distribution, he shall nominate a beneficiary, and he may

1 anytime thereafter, but no later than his required beginning  
2 date, withdraw the accumulated total defined contributions  
3 standing to his credit or apply for another form of distribution  
4 required by law or authorized by the board.

5 \* \* \*

6 Section 329. Sections 5931(b), 5932, 5933, 5934, 5935, 5936,  
7 5937, 5938, 593 and 5951 of Title 71 are amended to read:

8 § 5931. Management of fund and accounts.

9 \* \* \*

10 (b) Crediting of interest.--The board, annually, shall allow  
11 the required interest on the mean amount for the preceding year  
12 to the credit of each of the accounts other than the individual  
13 investment accounts. The amount so allowed shall be credited  
14 thereto by the board and transferred from the interest reserve  
15 account.

16 \* \* \*

17 § 5932. State Employees' Retirement Fund.

18 (a) General rule.--The fund shall consist of all balances in  
19 the several separate accounts set apart to be used under the  
20 direction of the board for the benefit of members of the system;  
21 and the Treasury Department shall credit to the fund all moneys  
22 received from the Department of Revenue arising from the  
23 contributions relating to or on behalf of members of the system  
24 required under the provisions of Chapter 55 (relating to  
25 contributions), and any income earned by the investments or  
26 moneys of said fund. There shall be established and maintained  
27 by the board the several ledger accounts specified in sections  
28 5933 (relating to members' savings account), 5934 (relating to  
29 State accumulation account), 5935 (relating to annuity reserve  
30 account), 5936 (relating to State Police benefit account), 5937

1 (relating to enforcement officers' benefit account), 5938  
2 (relating to supplemental annuity account) and 5939 (relating to  
3 interest reserve account).

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

12 § 5933. Members' savings account.

13 (a) Credits to account.--The members' savings account shall  
14 be the ledger account to which shall be credited the amounts of  
15 the pickup contributions made by the Commonwealth or other  
16 employer and contributions or lump sum payments made by active  
17 members in accordance with the provisions of sections 5501  
18 (relating to regular member contributions for current service),  
19 5501.1 (relating to shared-risk member contributions for Class  
20 A-3 [and], Class A-4 and Class A-5 service), 5502 (relating to  
21 social security integration member contributions), 5503  
22 (relating to joint coverage member contributions), 5504  
23 (relating to member contributions for the purchase of credit for  
24 previous State service or to become a full coverage member),  
25 5505.1 (relating to additional member contributions) and 5505  
26 (relating to contributions for the purchase of credit for  
27 creditable nonstate service) and transferred from the members'  
28 savings account of the Public School Employees' Retirement  
29 System in accordance with the provisions of section 5303.2  
30 (relating to election to convert school service to State



1 service).

2 (b) Interest and transfers from account.--The members'  
3 savings account in total and the individual member accounts  
4 shall be credited with statutory interest. The total accumulated  
5 deductions and Class A-5 accumulated deductions credited to a  
6 member whose application for an annuity has been approved shall  
7 be transferred from the members' savings account to the annuity  
8 reserve account provided for in section 5935 (relating to  
9 annuity reserve account), except in the case of a member who is  
10 an officer of the Pennsylvania State Police or an enforcement  
11 officer the total accumulated deductions and Class A-5  
12 accumulated deductions to his credit shall be transferred from  
13 the members' savings account to the State Police benefit account  
14 provided for in section 5936 (relating to State Police benefit  
15 account) or to the enforcement officers benefit account provided  
16 for in section 5937 (relating to enforcement officers' benefit  
17 account), as the case may be.

18 (c) Charges to account.--Upon the election of a member to  
19 withdraw his total accumulated deductions or Class A-5  
20 accumulated deductions or upon the transfer of accumulated  
21 deductions pursuant to section 5701.1 (relating to transfer of  
22 accumulated deductions), the payment of such amount shall be  
23 charged to the members' savings account.

24 § 5934. State accumulation account.

25 The State accumulation account shall be the ledger account to  
26 which shall be credited all contributions of the Commonwealth or  
27 other employers whose employees are members of the system and  
28 made in accordance with the provisions of section 5507(a) or (d)  
29 (relating to contributions to the system by the Commonwealth and  
30 other employers) except that the amounts received under the

1 provisions of the act of May 12, 1943 (P.L.259, No.120), and the  
2 amounts received under the provisions of the Liquor Code, act of  
3 April 12, 1951 (P.L.90, No.21), shall be credited to the State  
4 Police benefit account or the enforcement officers' benefit  
5 account as the case may be. All amounts transferred to the fund  
6 by county retirement systems or pension plans in accordance with  
7 the provisions of section 5507(c) also shall be credited to the  
8 State accumulation account. All amounts transferred to the fund  
9 by the Public School Employees' Retirement System in accordance  
10 with section 5303.2(e) (relating to election to convert school  
11 service to State service), except amounts credited to the  
12 members' savings account, and all amounts paid by the Department  
13 of Corrections in accordance with section 5303.2(f) also shall  
14 be credited to the State accumulation account. The State  
15 accumulation account shall be credited with valuation interest.  
16 The reserves necessary for the payment of annuities and death  
17 benefits resulting from membership in the system as approved by  
18 the board and as provided in Chapter 57 (relating to benefits)  
19 shall be transferred from the State accumulation account to the  
20 annuity reserve account provided for in section 5935 (relating  
21 to annuity reserve account), except that the reserves necessary  
22 on account of a member who is an officer of the Pennsylvania  
23 State Police or an enforcement officer shall be transferred from  
24 the State accumulation account to the State Police benefit  
25 account provided for in section 5936 (relating to State Police  
26 benefit account) or to the enforcement officers' benefit account  
27 as provided for in section 5937 (relating to enforcement  
28 officers' benefit account) as the case may be. The reserves  
29 necessary for the payment of supplemental annuities in excess of  
30 those reserves credited to the supplemental annuity account on

1 June 30, 2010, shall be transferred from the State accumulation  
2 account to the supplemental annuity account. In the event that  
3 supplemental annuities are increased by legislation enacted  
4 after December 31, 2009, the necessary reserves shall be  
5 transferred from the State accumulation account to the  
6 supplemental annuity account.

7 § 5935. Annuity reserve account.

8 (a) Credits and charges to account.--The annuity reserve  
9 account shall be the ledger account to which shall be credited  
10 the reserves held for payment of annuities and death benefits on  
11 account of all annuitants except in the case of members who are  
12 officers of the Pennsylvania State Police or enforcement  
13 officers. The annuity reserve account shall be credited with  
14 valuation interest. After the transfers provided in sections  
15 5933 (relating to members' savings account), 5934 (relating to  
16 State accumulation account) and 5938 (relating to supplemental  
17 annuity account), all annuity and death benefit payments  
18 resulting from membership in the system except those payable to  
19 any member who retires as an officer of the Pennsylvania State  
20 Police or an enforcement officer shall be charged to the annuity  
21 reserve account and paid from the fund.

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

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

3 § 5936. State Police benefit account.

4 (a) Credits and charges to account.--The State Police  
5 benefit account shall be the ledger account to which shall be  
6 credited all contributions received under the provisions of the  
7 act of May 12, 1943 (P.L.259, No.120), and any additional  
8 Commonwealth or other employer contributions provided for in  
9 section 5507 (relating to contributions to the system by the  
10 Commonwealth and other employers) which are creditable to the  
11 State Police benefit account. The State Police benefit account  
12 shall be credited with the required interest. In addition, upon  
13 the filing of an application for an annuity by a member who is  
14 an officer of the Pennsylvania State Police, the total  
15 accumulated deductions and Class A-5 accumulated deductions  
16 standing to the credit of the member in the members' savings  
17 account and the necessary reserves from the State accumulation  
18 account shall be transferred to the State Police benefit  
19 account. Thereafter, the total annuity of such annuitant shall  
20 be charged to the State Police benefit account and paid from the  
21 fund.

22 (b) Transfers from account.--Should the said annuitant be  
23 subsequently restored to active service as a member of the  
24 system or as a participant in the plan, the present value of the  
25 member's annuity at the time of reentry into State service shall  
26 be transferred from the State Police benefit account and placed  
27 to his individual credit in the members' savings account. In  
28 addition, the actuarial reserve for his annuity calculated as if  
29 he had been a member of Class A if he has Class A or Class C  
30 service credited; as if he had been a member of Class A-3 if the

1 annuitant has Class A-3 State service credited; or as if he had  
2 been a member of Class A-4 if the annuitant has Class A-4  
3 service credited, less the amount transferred to the members'  
4 savings account shall be transferred from the State Police  
5 benefit account to the State accumulation account. Upon  
6 subsequent retirement other than as an officer of the  
7 Pennsylvania State Police the actuarial reserve remaining in the  
8 State Police benefit account shall be transferred to the  
9 appropriate reserve account.

10 § 5937. Enforcement officers' benefit account.

11 (a) Credits and charges to account.--The enforcement  
12 officers' benefit account shall be the ledger account to which  
13 shall be credited moneys transferred from the enforcement  
14 officers' retirement account in the State Stores Fund according  
15 to the provisions of the act of April 12, 1951 (P.L.90, No.21),  
16 known as the Liquor Code, and any additional Commonwealth or  
17 other employer contributions provided for in section 5507  
18 (relating to contributions to the system by the Commonwealth and  
19 other employers) which are creditable to the enforcement  
20 officers' benefit account. The enforcement officers' benefit  
21 account shall be credited with the required interest. In  
22 addition, upon the filing of an application for an annuity by a  
23 member who is an enforcement officer of the Pennsylvania Liquor  
24 Control Board, the total accumulated deductions and Class A-5  
25 accumulated deductions standing to the credit of the member in  
26 the members' savings account and the necessary reserves from the  
27 State accumulation account shall be transferred to the  
28 enforcement officers' benefit account. Thereafter, the total  
29 annuity of such annuitant shall be charged to the enforcement  
30 officers' benefit account and paid from the fund.

1 (b) Transfers from account.--Should the said annuitant be  
2 subsequently restored to active service as a member of the  
3 system or as a participant in the plan, the present value of the  
4 member's annuity at the time of reentry into State service shall  
5 be transferred from the enforcement officers' benefit account  
6 and placed to his individual credit in the members' savings  
7 account. In addition, the actuarial reserve for his annuity  
8 calculated as if he had been a member of Class A if the  
9 annuitant does not have any Class AA, Class A-3 or Class A-4  
10 service credited; as if he had been a member of Class AA if the  
11 annuitant does have Class AA service credited; as if he had been  
12 a member of Class A-3 if the annuitant has Class A-3 State  
13 service credited; or as if he had been a member of Class A-4 if  
14 the annuitant has Class A-4 service credited, less the amount  
15 transferred to the members' savings account shall be transferred  
16 from the enforcement officers' benefit account to the State  
17 accumulation account. Upon subsequent retirement other than as  
18 an enforcement officer the actuarial reserve remaining in the  
19 enforcement officers' benefit account shall be transferred to  
20 the appropriate reserve account.

21 § 5938. Supplemental annuity account.

22 The supplemental annuity account shall be the ledger account  
23 to which shall be credited all contributions from the  
24 Commonwealth and other employers in accordance with section  
25 5507(b) (relating to contributions to the system by the  
26 Commonwealth and other employers) for the payment of the  
27 supplemental annuities provided in sections 5708 (relating to  
28 supplemental annuities), 5708.1 (relating to additional  
29 supplemental annuities), 5708.2 (relating to further additional  
30 supplemental annuities), 5708.3 (relating to supplemental

1 annuities commencing 1994), 5708.4 (relating to special  
2 supplemental postretirement adjustment), 5708.5 (relating to  
3 supplemental annuities commencing 1998), 5708.6 (relating to  
4 supplemental annuities commencing 2002), 5708.7 (relating to  
5 supplemental annuities commencing 2003) and 5708.8 (relating to  
6 special supplemental postretirement adjustment of 2002) made  
7 before July 1, 2010, the amount transferred from the State  
8 accumulation account to provide all additional reserves  
9 necessary as of June 30, 2010, to pay such supplemental  
10 annuities and adjustments, and the amounts transferred from the  
11 State accumulation account to provide all additional reserves  
12 necessary as a result of supplemental annuities enacted after  
13 December 31, 2009. The supplemental annuity account shall be  
14 credited with valuation interest. The reserves necessary for the  
15 payment of such supplemental annuities shall be transferred from  
16 the supplemental annuity account to the annuity reserve account  
17 as provided in section 5935 (relating to annuity reserve  
18 account).

19 § 5939. Interest reserve account.

20 The interest reserve account shall be the ledger account to  
21 which shall be credited all income earned by the fund and to  
22 which shall be charged all administrative and investment  
23 expenses incurred by the fund. At the end of each year the  
24 required interest shall be transferred from the interest reserve  
25 account to the credit of each of the accounts of the fund in  
26 accordance with the provisions of this subchapter. In addition,  
27 at the end of each accounting period, the interest reserve  
28 account shall be credited or charged with all recognized changes  
29 in the market valuation of the investments of the fund. The  
30 administrative and investment expenses of the board relating to

1 the administration of the system and investments of the fund  
2 shall be paid from the fund out of earnings. Any surplus or  
3 deficit in the interest reserve account at the end of each year  
4 shall be transferred to the State accumulation account.

5 § 5951. State guarantee regarding the system.

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

16 Section 329.1. Section 5953 of Title 71, amended December  
17 29, 2015 (P.L.529, No.93), is amended to read:

18 § 5953. Taxation, attachment and assignment of funds.

19 (a) General rule.--

20 (1) Except as provided in paragraphs (2), (3) and (4),  
21 the right of a person to any benefit or right accrued or  
22 accruing under the provisions of this part and the moneys in  
23 the fund and the trust are hereby exempt from any State or  
24 municipal tax, levy and sale, garnishment, attachment,  
25 spouse's election, the provisions of Article XIII.1 of the  
26 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal  
27 Code, or any other process whatsoever and no participant or  
28 beneficiary, successor payee, or alternate payee of a  
29 participant shall have the ability to commute, sell, assign,  
30 alienate, anticipate, mortgage, pledge, hypothecate,



1 commutate or otherwise transfer or convey any benefit or  
2 interest in an individual investment account or rights to  
3 receive or direct distributions under this part or under  
4 agreements entered into under this part except as otherwise  
5 provided in this part and in the case of either a member or a  
6 participant except for a set-off by the Commonwealth in the  
7 case provided in this paragraph, and shall be unassignable  
8 except to the Commonwealth in the case of a member or  
9 participant who is terminating State service and has been  
10 determined to be obligated to the Commonwealth for the  
11 repayment of money owed on account of his employment.

12 (2) (i) Rights under this part shall be subject to  
13 forfeiture as provided by the act of July 8, 1978 (P.L.752,  
14 No.140), known as the Public Employee Pension Forfeiture Act,  
15 and by or pursuant to section 16(b) of Article V of the  
16 Constitution of Pennsylvania. Forfeitures under this  
17 subsection or under any other provision of law may not be  
18 applied to increase the benefits that any member would  
19 otherwise receive under this part.

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

1 as the result of an equitable distribution of marital  
2 property as part of an approved domestic relations order  
3 entered before the date of the order or action in a court  
4 or other tribunal resulting in a forfeiture of a  
5 participant's interest in the trust shall not be subject  
6 to the provisions of section 16(b) of Article V of the  
7 Constitution of Pennsylvania, the Public Employee Pension  
8 Forfeiture Act, or 42 Pa.C.S. § 3352. Any accumulated  
9 employer defined contributions forfeited as a result of  
10 this paragraph or other law shall be retained by the  
11 board and notwithstanding sections 5812(2) (relating to  
12 powers and duties of board), 5815 (relating to expenses)  
13 and 5902(c) (relating to administrative duties of the  
14 board) used for the payment of expenses of the plan.

15 (3) Rights under this part shall be subject to  
16 attachment in favor of an alternate payee as set forth in an  
17 approved domestic relations order.

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

1 the board to have an eligible rollover distribution paid  
2 directly to an eligible retirement plan by way of a direct  
3 rollover. For purposes of this paragraph, the term "eligible  
4 rollover distribution" has the meaning given such term by IRC  
5 § 402(f)(2)(A), and "eligible retirement plan" has the  
6 meaning given such term by IRC § 402(c)(8)(B), except that a  
7 qualified trust shall be considered an eligible retirement  
8 plan only if it accepts the distributee's eligible rollover  
9 distribution; however, in the case of an eligible rollover  
10 distribution to a surviving spouse, an eligible retirement  
11 plan is an "individual retirement account" or an "individual  
12 retirement annuity" as those terms are defined in IRC §  
13 408(a) and (b).

14 (b) Authorized payments from fund.--The board shall be  
15 authorized to pay from the fund [in]:

16 (1) In the case of a member or participant who is  
17 terminating service, the amount determined after  
18 certification by the head of the department that the member  
19 or participant is so obligated, and after review and approval  
20 by the department or agency's legal representative or upon  
21 receipt of an assignment from the member or participant in  
22 the amount so certified[.], except that no payment shall be  
23 made from the individual investment account of a participant  
24 until the participant otherwise applies for and receives a  
25 distribution and shall not exceed the amount of the  
26 distribution.

27 (2) In the case of a participant whose former spouse is  
28 an alternate payee of an equitable distribution of marital  
29 assets under an approved domestic relations order, a lump sum  
30 of the alternate payee's interest in the participant's

1 accumulated total defined contributions. This paragraph shall  
2 apply without regard to whether the participant has not  
3 terminated, is terminating or has terminated State service.

4 Section 329.2. Sections 5953.1, 5953.2, 5953.3 and 5953.4(a)  
5 of Title 71 are amended to read:

6 § 5953.1. Approval of domestic relations orders.

7 (a) Certification regarding members.--A domestic relations  
8 order pertaining to a member of the system shall be certified as  
9 an approved domestic relations order by the secretary of the  
10 board, or his designated representative, only if that order  
11 meets all of the following:

12 (1) Requires the system to provide any type or form of  
13 benefit or any option applicable to members already provided  
14 under this part.

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

21 (3) Specifies the amount or percentage of the member's  
22 benefits to be paid by the system to each such alternate  
23 payee or the manner in which such amount or percentage is to  
24 be determined.

25 (4) Specifies the retirement option to be selected by  
26 the member upon retirement or states that the member may  
27 select any retirement option offered by this part upon  
28 retirement.

29 (5) Specifies the name and last known mailing address,  
30 if any, of the member and the name and last known mailing

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

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

6 (7) Requires the member to execute an authorization  
7 allowing each alternate payee to monitor the member's  
8 compliance with the terms of the domestic relations order  
9 through access to information concerning the member  
10 maintained by the system.

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

16 (1) Does not require the segregation of the alternate  
17 payee's share of the participant's individual investment  
18 account into a subaccount or newly established individual  
19 account titled in the name of the alternate payee.

20 (2) Does not require the plan to recover or distribute  
21 any funds which were distributed to the participant or at the  
22 participant's direction prior to the approval of the domestic  
23 relations order by the secretary of the board or his  
24 designated representative.

25 (3) Requires the plan to pay to the alternate payee no  
26 more than the lesser of the vested amount of the  
27 participant's individual investment account specified by the  
28 domestic relations order or the vested amount of the  
29 participant's individual investment account as of the date of  
30 the transfer of the alternate payee's share to the alternate

1 payee.

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

7 (5) Specifies the amount or percentage of the  
8 participant's individual investment account to be paid to the  
9 alternate payee and the date upon which the valuation is  
10 based.

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

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

19 (8) Includes provisions for the deferred distribution of  
20 the equitable distribution share of benefits payable from any  
21 defined benefit pension program administered by the system in  
22 which the participant may have an interest as a member of the  
23 system or states that the alternate payee may not receive any  
24 portion or any benefits payable to the participant as a  
25 result of his membership in the system.

26 (9) Requires the immediate distribution of the alternate  
27 payee's share of the participant's individual investment  
28 account, which may be made by direct payment, eligible  
29 rollover or trustee-to-trustee transfer to another eligible  
30 plan or qualified account owned by the alternate payee.

1           (10) In the case of a participant who is currently  
2           receiving distributions from the plan as of the date the  
3           domestic relations order is approved by the secretary of the  
4           board or his designated representative, may not order the  
5           board to pay the alternate payee more than the balance  
6           available in the participant's individual investment account  
7           as of the date the order is approved.

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

22           (c) Other orders.--The requirements for approval identified  
23 in [subsection (a)] subsections (a) and (a.1) shall not apply to  
24 any domestic relations order which is an order for support as  
25 the term is defined at 23 Pa.C.S. § 4302 (relating to  
26 definitions) or an order for the enforcement of arrearages as  
27 provided in 23 Pa.C.S. § 3703 (relating to enforcement of  
28 arrearages). These orders shall be approved to the extent that  
29 they do not attach moneys in excess of the limits on attachments  
30 as established by the laws of the United States and this

1 Commonwealth[.], require distributions of benefits in a manner  
2 which would violate the laws of the United States, any other  
3 state or this Commonwealth or require the distribution of funds  
4 for support or enforcement of arrearages against a participant  
5 who is not receiving distributions from the plan at the time the  
6 order is entered. These orders may be approved notwithstanding  
7 any other provision of this part or the plan that would require  
8 a distribution of accumulated employer defined contributions in  
9 the form of an annuity or to require the purchase of an annuity.

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

19 § 5953.2. Irrevocable beneficiary.

20 Notwithstanding any other provision of this part, a domestic  
21 relations order may provide for an irrevocable beneficiary. A  
22 domestic relations order requiring the nomination of an  
23 irrevocable beneficiary shall be deemed to be one that requires  
24 a member or participant to nominate an alternate payee as a  
25 beneficiary and that prohibits the removal or change of that  
26 beneficiary without approval of a court of competent  
27 jurisdiction, except by operation of law. Such a domestic  
28 relations order may be certified as an approved domestic  
29 relations order by the secretary of the board, or his designated  
30 representative, after the member or participant makes such



1 nomination, in which case the irrevocable beneficiary so ordered  
2 by the court cannot be changed by the member or participant  
3 without approval by the court.

4 § 5953.3. Irrevocable survivor annuitant.

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

20 § 5953.4. Amendment of approved domestic relations orders.

21 (a) Deceased alternate payee.--In the event that the  
22 alternate payee predeceases the member or the participant and  
23 there are benefits payable to the alternate payee, the divorce  
24 court may amend the approved domestic relations order to  
25 substitute a person for the deceased alternate payee to receive  
26 any benefits payable to the deceased alternate payee.

27 \* \* \*

28 Section 330. Title 71 is amended by adding a section to  
29 read:

30 § 5953.6. Irrevocable successor payee.

1 (a) Condition.--Notwithstanding any other provision of this  
2 part, a domestic relations order pertaining to a participant may  
3 provide for an irrevocable successor payee if the participant is  
4 receiving a payment pursuant to a payment option provided by the  
5 board that allows for a successor payee.

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

13 (c) Certification.--A domestic relations order under  
14 subsection (b) may be certified as an approved domestic  
15 relations order by the secretary of the board or his designated  
16 representative. If a domestic relations order is certified under  
17 this subsection, the irrevocable successor payee ordered by the  
18 court shall not be changed by the participant without approval  
19 by the court.

20 (d) Ineligibility.--A person ineligible to be designated as  
21 a successor payee shall not be designated as an irrevocable  
22 successor payee. A court shall not name an irrevocable successor  
23 payee if the alternate payee is eligible to receive a lump sum  
24 distribution of the alternate payee's portion of the marital  
25 portion of the pension benefit.

26 Section 331. Sections 5954, 5955 and 5957 of Title 71 are  
27 amended to read:

28 § 5954. Fraud and adjustment of errors.

29 (a) Penalty for fraud.--Any person who shall knowingly make  
30 any false statement or shall falsify or permit to be falsified

1 any record or records of this system or plan in any attempt to  
2 defraud the system or plan as a result of such act shall be  
3 guilty of a misdemeanor of the second degree.

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

18 § 5955. Construction of part.

19 (a) Exclusive source of rights and benefits.--Regardless of  
20 any other provision of law, pension and benefit rights of State  
21 employees shall be determined solely by this part or any  
22 amendment thereto or the plan document established by the board,  
23 and no collective bargaining agreement nor any arbitration award  
24 between the Commonwealth and [its] other employers and the  
25 Commonwealth's and other employers' employees or their  
26 collective bargaining representatives shall be construed to  
27 change any of the provisions herein, to require the board to  
28 administer pension or retirement benefits not set forth in this  
29 part or not established by the board in the plan document, to  
30 require the board to modify, amend or change any of the terms

1 and provisions of the plan document, or otherwise require action  
2 by any other government body pertaining to pension or retirement  
3 benefits or rights of State employees. Notwithstanding the  
4 foregoing, any pension or retirement benefits or rights  
5 previously so established by or as a result of an arbitration  
6 award shall remain in effect after the expiration of the current  
7 collective bargaining agreement between the State employees so  
8 affected and the Commonwealth until the expiration of each of  
9 the collective bargaining agreements in effect on January 1,  
10 2011, at which time the classes of membership and resulting  
11 member contribution rates and contributions for creditable  
12 nonstate service, eligibility for vesting, withdrawal and  
13 superannuation annuities, optional modification of annuities and  
14 other terms and conditions related to class of membership shall  
15 be as determined by this part for employees covered by those and  
16 successor collective bargaining agreements. For purposes of  
17 administering this part, for those State employees who are  
18 members of each such collective bargaining unit, the date  
19 January 1, 2011, contained in this part, except in this section,  
20 shall be replaced with the date of the day immediately following  
21 the expiration of each such collective bargaining agreement. The  
22 provisions of this part insofar as they are the same as those of  
23 existing law are intended as a continuation of such laws and not  
24 as new enactments. The provisions of this part shall not affect  
25 any act done, liability incurred, right accrued or vested, or  
26 any suit or prosecution pending or to be instituted to enforce  
27 any right or penalty or to punish any offense under the  
28 authority of any repealed laws.

29 (b) (Reserved).

30 (c) (Reserved).

1 (d) (Reserved).

2 (e) Adverse inference.--Nothing in this part shall be  
3 construed to mean that the limitations on benefits or other  
4 requirements under IRC § 401(a) or other applicable provisions  
5 of the IRC which are applicable to participants in the plan do  
6 not apply to the participants or to members of the system and  
7 the benefits payable under this part.

8 (f) Applicability.--A terminated State employee who has  
9 Class A-5 service credit and who returns to State service on or  
10 after January 1, 2018, shall be subject to the provisions of  
11 this part regarding participation in the plan or membership in  
12 the system that are in effect on the effective date of  
13 reemployment, including, but not limited to, benefit formulas  
14 and accrual rates, eligibility for annuities and distributions,  
15 contribution rates, definitions, purchase of creditable school,  
16 nonschool, State and nonstate service provisions and actuarial  
17 and funding assumptions.

18 (g) Furloughs.--For purposes of sections 5302 (relating to  
19 credited State service), 5306 (relating to classes of service)  
20 and this section, a State employee who is furloughed under  
21 section 802 of the act of August 5, 1941 (P.L. 752, No. 286),  
22 known as the Civil Service Act, and reemployed pursuant to the  
23 Civil Service Act in any class of service or civil service  
24 status which was previously held, shall not be treated as having  
25 been terminated from State service and beginning a new period of  
26 State service.

27 § 5957. Independent Fiscal Office study.

28 The Independent Fiscal Office shall study and analyze the  
29 implementation of shared-risk contributions under section 5501.1  
30 (relating to shared-risk member contributions for Class A-3

1 [and], Class A-4 and Class A-5 service) and its impact on the  
2 system. The study shall be completed by December 31, 2015, and  
3 shall be transmitted to the Appropriations Committee and the  
4 Finance Committee of the Senate, the Appropriations Committee  
5 and the Finance Committee of the House of Representatives and to  
6 the Governor.

7 ARTICLE IV

8 Section 401. The following words and phrases when used in  
9 this article shall have the meanings given to them in this  
10 section unless the context clearly indicates otherwise:

11 "School Retirement Board." The Public School Employees'  
12 Retirement Board.

13 "School System." The Public School Employees' Retirement  
14 System.

15 "State Retirement Board." The State Employees' Retirement  
16 Board.

17 "State System." The State Employees' Retirement System.

18 Section 402. The following apply to reservation of  
19 legislative authority:

20 (1) In regard to the School System:

21 (i) The following provisions shall not create an  
22 express or implied contractual right in a member of the  
23 School System, a participant in the School Employees'  
24 Defined Contribution Plan or another person claiming an  
25 interest in the account of a member or participant:

26 (A) A provision of this act which amends 24  
27 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77, in relation to  
28 requirements for any of the following:

29 (I) Qualification of the School Employees'  
30 Defined Contribution Plan as a qualified pension

1 plan under sections 401(a) and 415(b) of the  
2 Internal Revenue Code of 1986 (Public Law 99-514,  
3 26 U.S.C. §§ 401(a) and 415(b)).

4 (II) Compliance with the Uniformed Services  
5 Employment and Reemployment Rights Act of 1994  
6 (Public Law 103-353, 108 Stat. 3149).

7 (III) A domestic relations order regarding  
8 an alternate payee of a participant in the School  
9 Employees' Defined Contribution Plan.

10 (B) (Reserved).

11 (ii) The provisions of 24 Pa.C.S. Pt. IV shall  
12 remain subject to the Internal Revenue Code of 1986 and  
13 the Uniformed Services Employment and Reemployment Rights  
14 Act of 1994 and regulations promulgated under those  
15 statutes.

16 (iii) The General Assembly reserves to itself the  
17 further exercise of its legislative power to amend or  
18 supplement the provisions of 24 Pa.C.S. Pt. IV solely in  
19 order to maintain the qualification of the system as a  
20 qualified pension plan under section 401(a) of the  
21 Internal Revenue Code of 1986 (26 U.S.C. § 401(a)) and  
22 other applicable provisions of the Internal Revenue Code  
23 of 1986 and the Uniformed Services Employment and  
24 Reemployment Rights Act of 1994.

25 (2) In regard to the State System:

26 (i) The following provisions shall not create an  
27 express or implied contractual right in a member of the  
28 State System, a participant in the State Employees'  
29 Defined Contribution Plan or another person claiming an  
30 interest in the account of a member or participant:

1 (A) A provision of this act which amends 51  
2 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, in relation to  
3 requirements for any of the following:

4 (I) Qualification of the State Employees'  
5 Defined Contribution Plan as a qualified pension  
6 plan under sections 401(a) and 415(b) of the  
7 Internal Revenue Code of 1986 (26 U.S.C. §§  
8 401(a) and 415(b)).

9 (II) Compliance with the Uniformed Services  
10 Employment and Reemployment Rights Act of 1994.

11 (III) A domestic relations order regarding  
12 an alternate payee of a participant in the State  
13 Employees' Defined Contribution Plan.

14 (B) (Reserved).

15 (ii) The provisions of 71 Pa.C.S. Pt. XXV shall  
16 remain subject to the Internal Revenue Code of 1986 and  
17 the Uniformed Services Employment and Reemployment Rights  
18 Act of 1994 and regulations promulgated under those  
19 statutes.

20 (iii) The General Assembly reserves to itself the  
21 further exercise of its legislative power to amend or  
22 supplement the provisions of 71 Pa.C.S. Pt. XXV solely  
23 in order to maintain the qualification of the State  
24 System as a qualified pension plan under section 401(a)  
25 of the Internal Revenue Code of 1986 (26 U.S.C. § 401)  
26 and other applicable provisions of the Internal Revenue  
27 Code of 1986 and the Uniformed Services Employment and  
28 Reemployment Rights Act of 1994.

29 Section 403. Nothing in this act shall be construed to mean  
30 that:



1           (1) a calculation or actuarial method used by the School  
2 Retirement Board, its actuaries or the School System was not  
3 in accordance with the provisions of 24 Pa.C.S. Pt. IV or  
4 other applicable law prior to the effective date of this  
5 paragraph; or

6           (2) a calculation or actuarial method used by the State  
7 Retirement Board, its actuaries or the State System was not  
8 in accordance with the provisions of 71 Pa.C.S. Pt. XXV or  
9 other applicable law prior to the effective date of this  
10 paragraph.

11 Section 404. The following apply to accrued liability:

12           (1) In regard to the School System:

13                 (i) (Reserved).

14                 (ii) Payments required to fund a change in accrued  
15 liability resulting from this act shall be subject to  
16 limits imposed under this act on employer contributions  
17 to the School System.

18                 (iii) For purposes of 24 Pa.C.S. §§ 8326, 8327 and  
19 8328, changes under this paragraph shall not be  
20 considered to be costs added by legislation.

21           (2) In regard to the State System:

22                 (i) Notwithstanding any other provision of law, a  
23 change in accrued liability of the State System created  
24 under this act as a result of changes in benefits shall  
25 be funded in equal dollar installments over a period of  
26 20 years beginning July 1, 2018.

27                 (ii) (Reserved).

28                 (iii) Payments required to fund a change in accrued  
29 liability resulting from this act shall be subject to  
30 limits imposed under this act on employer contributions

1 to the State System.

2 (iv) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and  
3 5508, changes under this paragraph shall not be  
4 considered to be costs added by legislation.

5 Section 405. The following shall apply to construction  
6 related to Federal law:

7 (1) In regard to the School System:

8 (i) This act shall be construed and administered in  
9 such a manner that the School System and the School  
10 Employees' Defined Contribution Plan satisfy the  
11 requirements necessary to qualify as a qualified pension  
12 plan under section 401(a) of the Internal Revenue Code of  
13 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other  
14 applicable provisions of the Internal Revenue Code of  
15 1986 and the Uniformed Services Employment and  
16 Reemployment Rights Act of 1994 (Public Law 103-353, 108  
17 Stat. 3149). Regulations promulgated by the School  
18 Retirement Board and terms and conditions of the plan  
19 document and trust declaration adopted by the School  
20 Retirement Board may include provisions necessary to  
21 accomplish the purpose of this subparagraph.

22 (ii) Nothing in this act shall be construed to  
23 require a member of Class T-G to make contributions to  
24 the School System in excess of the limits established by  
25 section 415(n) (3) (A) (iii) of the Internal Revenue Code of  
26 1986 (26 U.S.C. § 415(n) (3) (A) (iii)). A contribution made  
27 by a member of Class T-G which is determined to be in  
28 excess of the limits shall be refunded to the member in a  
29 lump sum subject to withholding for all applicable taxes  
30 and penalties as soon as administratively possible after

1 the determination is made. A refund under this  
2 subparagraph shall not affect the benefit payable to the  
3 member and shall not be treated as or deemed to be a  
4 withdrawal of the member's accumulated deductions.

5 (2) As to the State System:

6 (i) This act shall be construed and administered in  
7 a manner that the State System and the State Employees'  
8 Defined Contribution Plan shall satisfy the requirements  
9 necessary to qualify as a qualified pension plan under  
10 section 401(a) of the Internal Revenue Code of 1986 (26  
11 U.S.C. § 401(a)), other applicable provisions of the  
12 Internal Revenue Code of 1986 and the Uniformed Services  
13 Employment and Reemployment Rights Act of 1994. The  
14 regulations promulgated by the State Retirement Board and  
15 the terms and conditions of the plan document and trust  
16 declaration adopted by the State Retirement Board may  
17 include provisions necessary to accomplish the purpose of  
18 this subparagraph.

19 (ii) Nothing in this act shall be construed or  
20 deemed to imply that any member of Class A-5 shall be  
21 required to make contributions to the State System in  
22 excess of the limits established by section 415(n) (3) (A)

23 (iii) of the Internal Revenue Code of 1986 (26 U.S.C. §  
24 415(n) (3) (A) (iii)). A contribution made by a member of  
25 Class A-5 which is determined to be in excess of the  
26 limits shall be refunded to the member in a lump sum  
27 subject to withholding for all applicable taxes and  
28 penalties as soon as administratively possible after the  
29 determination is made. A refund under this subparagraph  
30 shall not affect the benefit payable to the member and

1 shall not be treated as or deemed to be a withdrawal of  
2 the member's accumulated deductions.

3 (iii) Nothing in this act shall be construed to mean  
4 that an interpretation or application of 71 Pa.C.S. Pt.  
5 XXV or benefits available to members of the State System  
6 was not in accordance with 71 Pa.C.S. Pt. XXV or other  
7 applicable law, including the Internal Revenue Code of  
8 1986 and the Uniformed Services Employment and  
9 Reemployment Rights Act of 1994, before the effective  
10 date of this subparagraph.

11 Section 406. The following shall apply to immunity from  
12 personal liability:

13 (1) Notwithstanding any other provision of law,  
14 fiduciary requirement, actuarial standard of practice or  
15 other requirement, no member of the School Retirement Board  
16 nor an actuary, employee or official of the School System  
17 shall be held liable or in breach or violation of a law or  
18 standard, as an individual, in an official capacity or as a  
19 governmental or corporate entity, for an action or  
20 calculation related to calculating and certifying a final  
21 contribution rate as provided under this act that is  
22 different from the actuarially required contribution rate as  
23 appropriately calculated under 24 Pa.C.S. Pt. IV.

24 (2) Notwithstanding any other provision of law,  
25 fiduciary requirement, actuarial standard of practice or  
26 other requirement, no member of the State Retirement Board  
27 nor an actuary employee or official of the State System shall  
28 be held liable or in breach or violation of a law or  
29 standard, as an individual, in an official capacity or as a  
30 governmental or corporate entity, for an action or

1 calculation related to calculating and certifying a final  
2 contribution rate as provided under this act that is  
3 different from the actuarially required contribution rate as  
4 appropriately calculated under 71 Pa.C.S. Pt. XXV.

5 Section 407. Notwithstanding the amendment of 71 Pa.C.S. §  
6 5901(e), the Governor's Office of General Counsel shall continue  
7 to provide legal counsel and legal services to the board until  
8 such time as the board appoints a chief counsel and such other  
9 counsel as it deems necessary to provide it with legal services.

10 Section 408. Notwithstanding the amendment of 24 Pa.C.S. §  
11 8501(e), the Governor's Office of General Counsel shall continue  
12 to provide legal counsel and legal services to the board until  
13 such time as the board appoints a chief counsel and such other  
14 counsel as it deems necessary to provide it with legal services.

15 Section 409. Nothing in this act shall be deemed to permit  
16 the restoration of service credit or a retirement benefit which:

17 (1) was or is subject to section 16 of Article V of the  
18 Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

19 (2) the subject of an order of forfeiture under the act  
20 of July 8, 1978 (P.L.752, No.140), known as the Public  
21 Employee Pension Forfeiture Act.

22 Section 410. If a provision of this act or its application  
23 to any person or circumstance is held invalid, the invalidity  
24 shall not affect other provisions or applications of this act  
25 that can be given effect without the invalid provision or  
26 application.

27 Section 411. This act shall take effect immediately.