

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 724 Session of 2019

INTRODUCED BY CORMAN AND BROWNE, JUNE 6, 2019

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 20, 2019

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes as follows:

3 In Title 24:
4 for retirement for school employees, in preliminary
5 provisions, further providing for definitions; in
6 membership, contributions and benefits, further providing
7 for payments by employers and providing for
8 nonparticipating employer withdrawal liability and
9 further providing for actuarial cost method; in School
10 Employees' Defined Contribution Plan, further providing
11 for vesting; in administration and miscellaneous
12 provisions, further providing for Public School Employees
13 Retirement Board; in administration and miscellaneous
14 provisions, providing for the establishment of the Public
15 Markets Emerging Investment Manager Program; and, in
16 preliminary provisions, further providing for
17 definitions.

18 In Title 71:
19 for retirement for State employees and officers, IN <--
20 PRELIMINARY PROVISIONS RELATING TO RETIREMENT FOR STATE
21 EMPLOYEES AND OFFICERS, FURTHER PROVIDING FOR
22 DEFINITIONS; in membership, credited service, classes of
23 service and eligibility for benefits regarding
24 administration of the State Employees' Retirement Fund,
25 further providing for election to become a Class A-6
26 member or solely a participant in the plan and for
27 eligibility for death benefits; and, in benefits, further
28 providing for maximum single life annuity.

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

3 Section 1. The definitions of "eligible annuitants" and
4 "eligibility points" in section 8102 of Title 24 of the
5 Pennsylvania Consolidated Statutes are amended to read:

6 § 8102. Definitions.

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

10 * * *

11 "Eligible annuitants." All current and prospective
12 annuitants of the system with 24 1/2 or more eligibility points
13 and all current and prospective disability annuitants. Beginning
14 January 1, 1995, "eligible annuitants" shall include members
15 with 15 or more eligibility points who terminated or who
16 terminate school service on or after attaining superannuation
17 retirement age and who are annuitants with an effective date of
18 retirement after superannuation age. Beginning July 1, 2019,
19 "eligible annuitants" shall include:

20 (1) Class DC participants with 24 1/2 or more
21 eligibility points who have terminated school service, who
22 are Medicare eligible and who received all or a part of their
23 distributions; and

24 (2) Class DC participants with 15 or more eligibility
25 points who terminate school service on or after attaining age
26 67 and receive all or a part of their distributions.

27 "Eligibility points." Points which are accrued by an active
28 member, a participant, a multiple service member who is an
29 active member of the State Employees' Retirement System for
30 credited service or by a member or participant who has been

1 reemployed from USERRA leave or dies while performing USERRA
2 leave and are used in the determination of eligibility for
3 benefits as provided in section 8306 (relating to eligibility
4 points). A participant shall earn one eligibility point for each
5 fiscal year in which the participant contributes to the trust.
6 Eligibility points earned as Class T-G or Class T-H participants
7 shall apply only for purposes of determining vesting of employer
8 defined contributions under section 8409(b) (relating to
9 vesting).

10 * * *

11 Section 2. Section 8327(b) and (d) of Title 24 are amended
12 to read:

13 § 8327. Payments by employers.

14 * * *

15 (b) Deduction from appropriations.--

16 (1) To facilitate the payment of amounts due from any
17 employer to the fund and the trust through the State
18 Treasurer and to permit the exchange of credits between the
19 State Treasurer and any employer, the Secretary of Education
20 and the State Treasurer shall cause to be deducted and paid
21 into the fund and the trust from the amount of any moneys due
22 to any employer on account of any appropriation for schools
23 or other purposes amounts equal to the employer
24 contributions, employer defined contributions [**and pickup**
25 **contributions which**], pickup contributions, mandatory
26 participant contributions, voluntary contributions, amounts
27 owed pursuant to section 8327.1 (relating to nonparticipating
28 employer withdrawal liability) and other amounts related to
29 plan administration that an employer is required to pay to
30 the fund and the trust, as certified by the board, and as

1 remains unpaid on the date such appropriations would
2 otherwise be paid to the employer. Such amount shall be
3 credited to the appropriate accounts in the fund and the
4 trust.

5 (2) To facilitate the payments of amounts due from any
6 charter school, as defined in Article XVII-A of the act of
7 March 10, 1949 (P.L.30, No.14), known as the Public School
8 Code of 1949, to the fund and the trust through the State
9 Treasurer and to permit the exchange of credits between the
10 State Treasurer and any employer, the Secretary of Education
11 and the State Treasurer shall cause to be deducted and paid
12 into the fund and the trust from any funds appropriated to
13 the Department of Education for public school employees'
14 retirement contributions and basic education of the
15 chartering school district of a charter school [and public
16 school employees' retirement contributions amounts] equal to
17 the employer contributions, employer defined contributions
18 [and pickup contributions which], pickup contributions,
19 mandatory participant contributions, voluntary contributions,
20 amounts pursuant to section 8327.1 and other amounts related
21 to plan administration that a charter school is required to
22 pay to the fund and the trust, as certified by the board, and
23 as remains unpaid on the date such appropriations would
24 otherwise be paid to the chartering school district or
25 charter school. Such amounts shall be credited to the
26 appropriate accounts in the fund and the trust. Any reduction
27 in payments to a chartering school district made pursuant to
28 this section shall be deducted from the amount due to the
29 charter school district pursuant to the Public School Code of
30 1949.

1 * * *

2 (d) Payments by employers after June 30, 2019.--After June
3 30, 2019, each employer, including the Commonwealth as employer
4 of employees of the Department of Education, State-owned
5 colleges and universities, Thaddeus Stevens College of
6 Technology, Western Pennsylvania School for the Deaf, Scotland
7 School for Veterans' Children and The Pennsylvania State
8 University, shall make payments to the fund and the trust within
9 30 days after the end of each quarter, or as determined by the
10 board, in an amount computed in the following manner:

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

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

27 (3) For any employer, whether or not a school entity, in
28 computing the amount of payment due each quarter, there shall
29 be excluded from the total compensation referred to in this
30 subsection and subsection (a) any amount of compensation of a

1 noneligible member or participant on the basis of which
2 member or participant contributions have not been made by
3 reason of the limitation under IRC § 401(a)(17). Any amount
4 of contribution to the fund paid by the employer on behalf of
5 a noneligible member or participant on the basis of
6 compensation that was subject to exclusion from total
7 compensation in accordance with the provisions of this
8 paragraph shall, upon the board's determination or upon
9 application by the employer, be returned to the employer with
10 valuation interest.

11 * * *

12 Section 3. Title 24 is amended by adding a section to read:
13 § 8327.1. Nonparticipating employer withdrawal liability.

14 (a) General rule.--A nonparticipating employer is liable to
15 the system for withdrawal liability in the amount determined
16 under subsection (c). A nonparticipating employer is an employer
17 that is determined by the board to have ceased:

18 (1) covered operations under the system; or

19 (2) to have an obligation to contribute under the system
20 for all or any of the employer's school employees but
21 continues covered operations.

22 (b) Determination.--An employer shall, within the time
23 prescribed by the board in a written request, furnish such
24 information as the board deems necessary to administer this
25 section and to determine whether an employer is a
26 nonparticipating employer. If the board determines that an
27 employer is a nonparticipating employer, the board shall:

28 (1) determine the nonparticipation date;

29 (2) determine the amount of the employer's withdrawal
30 liability;

1 (3) notify the employer of the amount of the withdrawal
2 liability; and

3 (4) collect the amount of the withdrawal liability.

4 (c) Calculation of withdrawal liability.--A nonparticipating
5 employer's withdrawal liability shall be determined as of the
6 employer's nonparticipation date and shall be calculated as
7 follows:

8 (1) For a nonparticipating employer under subsection (a)
9 (1), the excess of the actuarial present value of the vested
10 accrued benefits of the system's members over the market
11 value of assets, both as of the date of the last actuarial
12 valuation adopted by the board prior to the employer's
13 nonparticipation date, shall be multiplied by withdrawal
14 fraction, calculated as follows:

15 (i) The numerator of the withdrawal fraction shall
16 be the total present value of accrued benefits of all
17 active members of the employer.

18 (ii) The denominator of the withdrawal fraction
19 shall be the total present value of accrued benefits of
20 all active members of the system.

21 (2) For a nonparticipating employer under subsection (a)
22 (2), the excess of the actuarial accrued liability of the
23 system's members over the market value of assets, both as of
24 the date of the last actuarial valuation adopted by the board
25 prior to the employer's nonparticipation date, shall be
26 multiplied by a withdrawal fraction, calculated as follows:

27 (i) The numerator of the withdrawal fraction shall
28 be the total present value of accrued benefits of all
29 active members of the employer.

30 (ii) The denominator of the withdrawal fraction

1 shall be the total present value of accrued benefits of
2 all active members of the system.

3 (d) Value of benefits.--The actuarial present value of the
4 vested accrued benefits and total present value of accrued
5 benefits shall be determined based on the unit credit actuarial
6 cost method, applying the system's provisions and actuarial
7 assumptions used in the last actuarial valuation adopted by the
8 board prior to the nonparticipation date. The actuarial accrued
9 liability shall be determined based on the same actuarial cost
10 method used to determine the actuarially required contribution
11 rate in section 8328(i) (relating to actuarial cost method),
12 applying the system's provisions and actuarial assumptions used
13 in the last actuarial valuation adopted by the board prior to
14 the nonparticipating date.

15 (e) Interest rate assumption.--For purposes of calculating
16 the withdrawal liability in subsection (c)(1):

17 (1) For a nonparticipating employer under subsection (a)
18 (1), the interest rate assumption shall be reduced by an
19 amount determined by the actuary to reflect the increased
20 investment, mortality and other actuarial risk associated
21 with the accrued benefit of the members of the
22 nonparticipating employer on a basis approved by the board.

23 (2) For a nonparticipating employer under subsection (a)
24 (2), the interest rate assumption shall be the same annual
25 interest rate used to determine the annual normal
26 contribution rate under section 8328(b) as of the date of the
27 last actuarial valuation adopted by the board prior to the
28 employer's nonparticipation date.

29 (f) Payment.--A nonparticipating employer shall pay the
30 withdrawal liability as follows:

1 (1) The withdrawal liability for a nonparticipating
2 employer under subsection (a)(1) shall be paid in a lump sum
3 no later than the time prescribed by the board in the notice
4 of the amount of the withdrawal liability.

5 (2) The withdrawal liability for a nonparticipating
6 employer under subsection (a)(2) shall be paid based on the
7 schedule and method of payment determined by the board. In
8 addition, the obligations of such nonparticipating employer
9 under this section shall not impair the obligation of the
10 nonparticipating employer to continue to pay the employer
11 contribution rate under section 8328 as adjusted for the
12 withdrawal liability. For purposes of this section, the board
13 may determine whether a member should be treated as being
14 employed by a single employer, regardless of whether the
15 employer is a nonparticipating employer. In making such
16 determination, the board may rely on the provisions of the
17 IRC § 414(b), (c) and (m) and corresponding regulations or
18 may establish other relevant factors the board deems
19 necessary.

20 (3) The board is authorized to pursue all causes of
21 action and collection remedies as permitted under applicable
22 law to collect the withdrawal liability and to seek relief
23 under section 8327(b) (relating to payments by employers),
24 each without regard to whether the nonparticipating employer
25 has ceased all operations.

26 Section 4. Sections 8328(a), 8409(b)(3) and 8501(a) of Title
27 24 are amended 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
5 paragraphs (1), (2) and (3) divided by the total compensation of
6 all active members and active participants:

7 (1) the final contribution [rate as] amount computed by
8 multiplying the final contribution rate calculated in
9 subsection (h) [plus] by the total compensation of all active
10 members;

11 (2) the premium assistance contribution [rate as
12 computed in subsection (f). The actuarially required
13 contribution rate shall consist of the normal contribution
14 rate as defined in subsection (b), the accrued liability
15 contribution rate as defined in subsection (c) and the
16 supplemental annuity contribution rate as defined in
17 subsection (d). Beginning July 1, 2004, the actuarially
18 required contribution rate shall be modified by the
19 experience adjustment factors as calculated in subsection
20 (e).] amount computed by multiplying the premium assistance
21 contribution rate calculated in subsection (f) by the total
22 compensation of all active members and active participants;
23 and

24 (3) the employer defined contributions as defined under
25 section 8102 (relating to definitions).

26 The actuarially required contribution shall be no less than the
27 normal cost plus the cost to fully amortize the unfunded
28 actuarial accrued liability calculated using actuarial methods
29 and assumptions that are consistent with generally accepted
30 actuarial standards and generally accepted accounting

1 principles, including professional actuarial standards of
2 practice.

3 * * *

4 § 8409. Vesting.

5 * * *

6 (b) Employer defined contributions.--

7 * * *

8 (3) Nonvested employer defined contributions, including
9 interest and investment gains and losses that are forfeited
10 by a participant, shall be [applied to the participant's most
11 recent employer's obligations assessed in future years]
12 retained by the board and used for the payment of expenses of
13 the plan.

14 * * *

15 § 8501. Public School Employees' Retirement Board.

16 (a) Status and membership.--The board shall be an
17 independent administrative board and shall consist of 15
18 members: the Secretary of Education, ex officio; the State
19 Treasurer, ex officio; the Secretary of Banking and Securities,
20 ex officio; two Senators; two members of the House of
21 Representatives; the executive secretary of the Pennsylvania
22 School Boards Association, ex officio; one to be appointed by
23 the Governor; three to be elected by the active professional
24 members of the system and active professional participants in
25 the plan from among their number; one to be elected by
26 annuitants [or participants in the plan who have terminated
27 school service and are receiving or are eligible to receive
28 distributions] and Class DC participants receiving
29 distributions, from among their number; one to be elected by the
30 active nonprofessional members of the system [or] and active

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

27 * * *

28 Section 4.1. Chapter 85 of Title 24 is amended by adding a
29 subchapter to read:

30 SUBCHAPTER D

1 PUBLIC MARKETS EMERGING INVESTMENT MANAGER PROGRAM

2 Sec.

3 8541. Definitions.

4 8542. Establishment.

5 8543. Funding.

6 8544. Participation criteria.

7 8545. Preference.

8 8546. Requirements and limitations of firms.

9 8547. Administration.

10 § 8541. Definitions.

11 The following words and phrases when used in this subchapter
12 shall have the meanings given to them in this section unless the
13 context clearly indicates otherwise:

14 "Program." The Public Markets Emerging Investment Manager
15 Program established under section 8542 (relating to
16 establishment).

17 § 8542. Establishment.

18 (a) Fiduciary duty of board.--Consistent with the board's
19 fiduciary responsibilities, the board shall establish a Public
20 Markets Emerging Investment Manager Program.

21 (b) Location of managers.--The board shall locate fund
22 managers with a history of generating positive risk adjusted
23 returns.

24 (c) Source list.--After location of fund managers, the board
25 shall provide a source of potential managers for the main fund.

26 (d) Assistance with marketing.--In order to grow public
27 market emerging investments firms, the board shall assist in
28 using the system's name in the manager's marketing efforts.

29 § 8543. Funding.

30 The board shall allocate an amount of at least \$250,000,000

1 and not more than \$1,000,000,000 to the program. Funding for
2 each investment manager shall come from assets allocated within
3 the main fund, similar to or most closely related to the
4 investment manager's mandate. The maximum number of investment
5 managers in the program at any one time may not exceed 10,
6 except that the program may be implemented and run with less
7 than 10 investment managers.

8 § 8544. Participation criteria.

9 In order to be considered to participate in the program, an
10 investment manager must meet the following criteria:

11 (1) Be registered under the Investment Advisors Act of
12 1940 (54 Stat. 847, 15 U.S.C. § 80b-1 et seq.) or be exempt
13 from the Investment Advisors Act of 1940.

14 (2) Have the ability to demonstrate real and contented
15 transparency of positions and transactions.

16 (3) Have the ability to provide and show quarterly
17 liquidity.

18 (4) A firm, portfolio manager or any combination of firm
19 and portfolio manager must have a five year historical
20 performance record verified by at least one consultant or
21 accounting firm in accordance with the Global Investment
22 Performance Standard in effect on the effective date of this
23 section.

24 § 8545. Preference.

25 Preference shall be given to investment managers deemed to
26 meet the objectives, goals and required criteria contained under
27 this subsection, plus demonstration of at least one of the
28 following characteristics:

29 (1) Be an investment management firm headquartered or
30 incorporated within this Commonwealth.

1 (2) Be a:

2 (i) veteran-owned investment management firm, with
3 proper DD 214 verification and honorable discharge; or

4 (ii) service-disabled veteran-owned investment
5 management firm with a letter from the United States
6 Department of Veteran Affairs.

7 (3) Be a minority-owned or women-owned investment
8 management firm approved by the Office of Minority and Women
9 Business Enterprise in accordance with the criteria
10 established by Executive Order No. 1987-18 and 4 Pa. Code §
11 68.204 (relating to eligibility standards).

12 § 8546. Requirements and limitations of firms.

13 (a) Equity, commodity or absolute return exposure firms.--
14 Firms considered to provide equity, commodity or absolute return
15 exposure may not have more than \$1,500,000,000 of total assets
16 under management when hired. If the total assets under
17 management exceed \$3,000,000,000, the investment managers shall
18 be terminated in a reasonable period of time.

19 (b) Fixed-income exposure firms.--Firms considered to
20 provide fixed-income exposure shall have no more than
21 \$3,000,000,000 of total assets under management when hired. If
22 the total assets under management exceeds \$6,000,000,000,
23 existing investment managers shall be terminated within a
24 reasonable period of time.

25 (c) Performance-based fee accounts.--For performance-based
26 fee accounts, a manager must exceed both a hurdle rate and a
27 high water mark before the manager can earn the performance-
28 based fee.

29 (d) Transition to main fund.--Investment managers hired into
30 the program may continue in the program for a period of at least

1 three years, but not more than five years. If the investment
2 manager generates strong risk adjusted returns, the Investment
3 Office shall use best efforts to make a place in the main fund
4 for the investment manager. The Investment Office shall consider
5 things such as the investment manager's assets under management
6 and projected ability to continue generating strong risk
7 adjusted returns in the future.

8 § 8547. Administration.

9 (a) Authority to hire.--The board and the Investment Office
10 may hire and fund any investment manager meeting the objectives,
11 goals and criteria under this section.

12 (b) Prohibition of investment.--An investment may not be
13 made into an investment vehicle that primarily includes private
14 equity, private debt, venture capital or private real estate
15 instruments. An investment in an absolute return strategy shall
16 be subject to manager selection requirements within the absolute
17 return policy.

18 (c) Emerging manager portfolio manager.--The Investment
19 Office shall appoint an Emerging Manager Portfolio Manager who
20 shall be responsible for administering the program. The Emerging
21 Manager Portfolio Manager shall meet with managers that appear
22 to meet the objectives, goals and criteria of this section. The
23 Emerging Manager Portfolio Manager shall recommend qualified
24 investment managers for inclusion into the main fund and shall
25 further advise the Investment Office if termination of an
26 investment manager is recommended. An investment manager may be
27 terminated by the Emerging Manager Portfolio Manager, with
28 approval from the Investment Office, if the investment manager
29 is underperforming, not generating strong risk adjusted returns,
30 not meeting the criteria to move into the main fund, changes

1 investment processes, has personnel turnover or any other reason
2 which is deemed by the Investment Office to be in the best
3 interests of the system.

4 (d) Internal Review Committee.--An investment manager
5 considered for hiring into the program shall meet with the
6 Internal Review Committee. The Internal Review Committee shall
7 review each manager considered for inclusion in the program and
8 provide feedback to the Emerging Manager Portfolio Manager.
9 Investment Office approval shall be required to hire a manager
10 into the program, including the Emerging Manager Portfolio
11 Manager, the Emerging Manager Portfolio Manager's supervisor and
12 the Chief Investment Officer.

13 (e) Approval for exceptional investment manager.--If the
14 Emerging Manager Portfolio Manager, the Chief Investment Officer
15 or other qualified staff have located an exceptional investment
16 manager that does not meet the required criteria established
17 under this section, the Investment Office shall obtain board
18 approval for hiring. The Investment Office shall present to the
19 board the specific reasons for hiring the investment manager.

20 (f) Contract requirements.--Each investment manager shall
21 manage its portfolio within the constraints of the contract
22 entered into between the investment manager and the board, the
23 Investment Policy Statement, Objectives and Guidelines, any
24 applicable addendum and any applicable amendments to the
25 contract and Investment Policy Statement, Objectives and
26 Guidelines. The Investment Office and board shall have authority
27 to negotiate the investment contract with the investment
28 manager, including the investment guidelines.

29 (g) Insurance.--Each of the standard insurance provisions in
30 the Investment Policy Statement, Objectives and Guidelines,

1 except for the maximum deductibles, shall apply to the
2 investment manager until the investment manager is either
3 managing over \$100,000,000 for the program or is moved out of
4 the program into the main fund. The maximum deductible for both
5 the error and omissions insurance and the fidelity bond shall be
6 the greater of 10% of audited retained earnings or the
7 following:

8	<u>Asset Size</u>	<u>Maximum Deductible</u>
9	<u>\$0 - \$50,000,000</u>	<u>\$50,000</u>
10	<u>\$50,000,000 - \$75,000,000</u>	<u>\$100,000</u>
11	<u>\$75,000,000 - \$100,000,000</u>	<u>\$200,000</u>

12 (h) Funding.--Board approval shall be required for total
13 capital allocations exceeding \$100,000,000. Investment strategy
14 limitations shall be consistent with Investment Policy Statement
15 constraints. The Emerging Manager Portfolio Manager, the
16 Emerging Manager Portfolio Manager's supervisor and the Chief
17 Investment Officer shall determine the amount of the initial
18 allocation and each subsequent allocation to each investment
19 manager.

20 Section 5. The definition of "eligible person" in section
21 8702(a) of Title 24 is amended to read:

22 § 8702. Definitions.

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

29 "Eligible person." An individual who is:

30 (1) an annuitant or survivor annuitant or the spouse or

1 dependent of an annuitant or survivor annuitant; or
2 (2) a Class DC participant [receiving distributions] who
3 has terminated school service, has at least 10 eligibility
4 points, who is Medicare eligible and who has received all or
5 part of their distributions, or a successor payee[,] or the
6 spouse or dependent of [a participant receiving distributions
7 or a] a Class DC participant described under this paragraph
8 or successor payee.

9 * * *

10 SECTION 5.1. THE DEFINITION OF "ENFORCEMENT OFFICER" IN <--
11 SECTION 5102 OF TITLE 71 IS AMENDED BY ADDING A PARAGRAPH TO
12 READ:

13 § 5102. DEFINITIONS.

14 THE FOLLOWING WORDS AND PHRASES AS USED IN THIS PART, UNLESS
15 A DIFFERENT MEANING IS PLAINLY REQUIRED BY THE CONTEXT, SHALL
16 HAVE THE FOLLOWING MEANINGS:

17 * * *

18 "ENFORCEMENT OFFICER."

19 * * *

20 (5) INDIVIDUALS WHO ARE EMPLOYED BY THE OFFICE OF STATE
21 INSPECTOR GENERAL ON OR AFTER THE EFFECTIVE DATE OF THIS
22 PARAGRAPH AS INVESTIGATORS, AGENTS AND THEIR IMMEDIATE
23 SUPERVISORS, WHO ARE CHARGED WITH THE ENFORCEMENT OF LAWS AND
24 WHO HAVE, WITHIN THE SCOPE OF THEIR EMPLOYMENT, THE POLICE
25 POWER TO ENFORCE THE LAWS UNDER THE AUTHORITY OF ARTICLE V-A
26 OF THE ACT OF APRIL 9, 1929 (P.L.177, NO.175), KNOWN AS THE
27 ADMINISTRATIVE CODE OF 1929.

28 * * *

29 Section 6. Sections 5306.4(c) and (d), 5310 and 5702(a) (1)
30 of Title 71 are amended to read:

1 § 5306.4. Election to become a Class A-6 member or solely a
2 participant in the plan.

3 * * *

4 (c) Effect of election to be a Class A-6 member.--An
5 election to become a Class A-6 member shall be irrevocable and
6 shall become effective on the effective date of membership in
7 the system and shall remain in effect for all future creditable
8 State service, other than service performed as a Class A-5
9 exempt employee. Payment and adjustment of regular member
10 contributions and mandatory pickup participant contributions for
11 Class A-5 State service and for Class A-6 State service
12 performed prior to the election of Class A-6 membership shall be
13 made in a form, manner and time determined by the board. Upon
14 termination and subsequent reemployment, a member who elected
15 Class A-6 membership shall be credited as a Class A-6 member for
16 creditable State service performed after reemployment, except as
17 a Class A-5 exempt employee, regardless of termination of
18 employment, termination of membership by withdrawal of
19 accumulated deductions or status as an annuitant, vestee or
20 inactive member after the termination of service.

21 (d) Effect of election to be solely a participant in the
22 plan.--An election to become solely a participant in the plan
23 shall be irrevocable and shall become effective on the date that
24 membership in the system would have been effective had the
25 election not been made and shall remain in effect for all future
26 State service, other than service performed as a Class A-5
27 exempt employee. [Payment] Adjustment of regular member
28 contributions for Class A-5 State service and payment of
29 mandatory participant pickup contributions for service solely as
30 a participant in the plan performed prior to the election shall

1 be made in a form, manner and time determined by the board. Upon
2 termination and subsequent reemployment, a State employee who
3 elected to be solely a participant in the plan shall resume
4 active participation for State service performed after
5 reemployment, except as a Class A-5 exempt employee, regardless
6 of termination of employment, termination of participation by a
7 partial or total distribution of vested total defined
8 contributions or status as an annuitant, vestee or inactive
9 member of the system as a Class A-5 exempt employee after the
10 termination of service.

11 * * *

12 § 5310. Eligibility for death benefits.

13 In the event of the death of a member who is eligible for an
14 annuity in accordance with section 5308(a) or (b) (relating to
15 eligibility for annuities), his beneficiary shall be entitled to
16 a death benefit. [For purposes of this section, a member with
17 ten or more eligibility points shall be considered eligible for
18 an annuity based on Class A-5 service or Class A-6 service even
19 if under superannuation age.]

20 § 5702. Maximum single life annuity.

21 (a) General rule.--Any full coverage member who is eligible
22 to receive an annuity pursuant to the provisions of section
23 5308(a) or (b) (relating to eligibility for annuities) who
24 terminates State service, or if a multiple service member who is
25 a school employee who is an active member of the Public School
26 Employees' Retirement System who terminates school service,
27 before attaining age 70 shall be entitled to receive a maximum
28 single life annuity attributable to his credited service and
29 equal to the sum of the following single life annuities
30 beginning at the effective date of retirement:

1 (1) A single life annuity that is the sum of the
2 standard single life annuities determined separately for each
3 class of service multiplied by the appropriate class of
4 service multiplier applicable to each standard single life
5 annuity. In case the member on the effective date of
6 retirement is under superannuation age for any service, a
7 reduction factor calculated to provide benefits actuarially
8 equivalent to an annuity starting at superannuation age and
9 subject to the provisions of subsection [(e)] (f) shall be
10 applied to the product determined for that service: Provided,
11 however, That any standard single life annuity resulting from
12 Class A-5 service shall be reduced by a percentage determined
13 by multiplying the number of months, including a fraction of
14 a month as a full month, by which the effective date of
15 retirement precedes superannuation age by 0.25% if the
16 effective date of retirement is on or after the date the
17 member has attained age 57 and the member has 25 or more
18 eligibility points, and that any standard single life annuity
19 resulting from Class A-6 service shall be reduced by a
20 percentage determined by multiplying the number of months,
21 including a fraction of a month as a full month, by which the
22 effective date of retirement precedes superannuation age by
23 0.25% if the effective date of retirement is on or after the
24 date the member has attained age 62 and the member has 25 or
25 more eligibility points. The class of service multiplier for
26 any period of concurrent service shall be multiplied by the
27 proportion of total State and school compensation during such
28 period attributable to State service as a member of the
29 system. In the event a member has two multipliers for one
30 class of service, separate standard single life annuities

1 shall be calculated for the portion of service in the class
2 applicable to each class of service multiplier.

3 * * *

4 SECTION 6.1. NOTWITHSTANDING ANY PROVISION OF 71 PA.C.S. §§ <--
5 5507 AND 5508 TO THE CONTRARY, FOR PURPOSES OF 71 PA.C.S. §
6 5508(C)(4), ANY CHANGE IN THE ACCRUED LIABILITY THAT RESULTS
7 FROM THE ADDITION OF PARAGRAPH (5) OF THE DEFINITION OF
8 "ENFORCEMENT OFFICER" IN 71 PA.C.S. § 5102 SHALL BE FUNDED IN
9 EQUAL DOLLAR INSTALLMENTS AS A PERCENTAGE OF COMPENSATION OF ALL
10 AFFECTED ACTIVE MEMBERS AND AFFECTED ACTIVE PARTICIPANTS
11 EMPLOYED BY THE OFFICE OF STATE INSPECTOR GENERAL OVER A PERIOD
12 OF 10 YEARS FROM THE FIRST DAY OF JULY FOLLOWING THE VALUATION
13 DATE COINCIDENT WITH OR NEXT FOLLOWING THE EFFECTIVE DATE OF
14 THIS SECTION.

15 SECTION 6.2. THE PROVISIONS OF THIS ACT ARE SEVERABLE. IF
16 ANY PROVISION OF THIS ACT OR ITS APPLICATION TO ANY PERSON OR
17 CIRCUMSTANCE IS HELD INVALID, THE INVALIDITY SHALL NOT AFFECT
18 OTHER PROVISIONS OR APPLICATIONS OF THIS ACT WHICH CAN BE GIVEN
19 EFFECT WITHOUT THE INVALID PROVISION OR APPLICATION.

20 SECTION 6.3. THE FOLLOWING SHALL APPLY:

21 (1) EXCEPT AS PROVIDED UNDER PARAGRAPH (2), THE ADDITION
22 OF PARAGRAPH (5) OF THE DEFINITION OF "ENFORCEMENT OFFICER"
23 IN 71 PA.C.S. § 5102 SHALL APPLY RETROACTIVELY TO SEPTEMBER
24 18, 2017.

25 (2) THE ADDITION OF PARAGRAPH (5) OF THE DEFINITION OF
26 "ENFORCEMENT OFFICER" IN 71 PA.C.S. § 5102 SHALL NOT APPLY
27 RETROACTIVELY TO SEPTEMBER 18, 2017, FOR AN EMPLOYEE HIRED
28 AFTER DECEMBER 31, 2018.

29 (3) THE ADDITION OF PARAGRAPH (5) OF THE DEFINITION OF
30 "ENFORCEMENT OFFICER" IN 71 PA.C.S. § 5102 SHALL NOT APPLY TO

1 A CURRENT OR FORMER EMPLOYEE OF THE OFFICE OF INSPECTOR
2 GENERAL WHO DIES PRIOR TO 60 DAYS AFTER THE EFFECTIVE DATE OF
3 THIS SECTION.

4 (4) EXCEPT AS PROVIDED UNDER PARAGRAPH (5), ONLY SERVICE
5 PERFORMED BY EMPLOYEES UNDER PARAGRAPH (5) OF THE DEFINITION
6 OF "ENFORCEMENT OFFICER" IN 71 PA.C.S. § 5102 AFTER SEPTEMBER
7 17, 2017, MAY BE SERVICE AS AN ENFORCEMENT OFFICER.

8 (5) ONLY SERVICE PERFORMED ON OR AFTER THE EFFECTIVE
9 DATE OF THIS SECTION BY EMPLOYEES UNDER PARAGRAPH (5) OF THE
10 DEFINITION OF "ENFORCEMENT OFFICER" IN 71 PA.C.S. § 5102 WHO
11 WERE HIRED AFTER DECEMBER 31, 2018, MAY BE SERVICE AS AN
12 ENFORCEMENT OFFICER.

13 Section 7. This act shall take effect in 60 days.