
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1073 Session of
2017

INTRODUCED BY TOBASH, KAMPF, MILLARD, JAMES, FEE, GREINER,
IRVIN, BLOOM, CUTLER, DUNBAR, CHARLTON, A. HARRIS AND HELM,
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

1 service," "credited service," "date of termination of service,"
2 "distribution," "domestic relations order," "final average
3 salary," "inactive member," "intervening military service,"
4 "irrevocable beneficiary," "leave for service with a collective
5 bargaining organization," "member's annuity," "multiple
6 service," "reemployed from USERRA leave," "required beginning
7 date," "salary deductions," "shared risk contribution rate,"
8 "standard single life annuity," "superannuation or normal
9 retirement age," "valuation interest" and "vestee" in section
10 8102 of Title 24 of the Pennsylvania Consolidated Statutes,
11 amended or added December 28, 2015 (P.L.529, No.93), are amended
12 and the section is amended by adding definitions to read:
13 § 8102. Definitions.

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

17 * * *

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

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

28 "Accumulated total defined contributions." The total of the
29 accumulated mandatory participant contributions, accumulated
30 employer-defined contributions and accumulated voluntary

1 contributions, reduced by any distributions, standing to the
2 credit of a participant in an individual investment account in
3 the trust.

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

9 * * *

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

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

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 25 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 25 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

1	T-D	1.000
2	T-E	1.000
3	T-F	1.000
4	<u>T-G</u>	<u>1.000</u>

5 * * *

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

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

12 * * *

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

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

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

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

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

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

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

14 "Defined benefit compensation limit." For fiscal year 2018-
15 2019, the amount of \$50,000. For each subsequent fiscal year,
16 this amount shall be increased by 1% per year, compounded
17 annually, rounded to the nearest \$100.

18 * * *

19 "Distribution." Payment of all or any portion of a person's
20 interest in either the Public School Employees' Retirement Fund
21 or the School Employees' Defined Contribution Trust, or both,
22 which is 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 made to an
8 active participant's account by an employer to the trust to be
9 credited in the active participant's individual investment
10 account as follows:

11 (1) For participants who have less than 25 eligibility
12 points credited as a member of Class T-G, or if a multiple
13 service member in Class A-5 of the State Employees'
14 Retirement System, contributions shall equal to 0.5% of
15 compensation up to the defined benefit compensation limit and
16 4% of compensation above such limit.

17 (2) For participants who have more than 25 eligibility
18 points credited as a member of Class T-G, or if a multiple
19 service member in Class A-5 of the State Employees'
20 Retirement System, contributions shall equal to 4% of
21 compensation.

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 T-G, the highest average compensation
26 received as an active member during any three nonoverlapping
27 periods of 12 consecutive months months, excluding
28 compensation received from school service credited as a
29 member of Class T-G, with the compensation for part-time
30 service being annualized on the basis of the fractional

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

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

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

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

17 * * *

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

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

1 and for whom contributions have been made within the last two
2 school years or a multiple service member who is active in the
3 State Employees' Retirement System.

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

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

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

28 * * *

29 "Irrevocable beneficiary." The person or persons permanently
30 designated by a member or participant in writing to the board

1 pursuant to an approved domestic relations order to receive all
2 or a portion of the accumulated deductions, vested accumulated
3 total defined contributions or lump sum benefit payable upon the
4 death of such member or participant.

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

10 * * *

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

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

30 (1) For participants who have accrued less than 25

1 eligibility points credited as a member of Class T-G or, if a
2 multiple service member, of Class A-5 in the State Employees'
3 Retirement System, contributions shall equal 1.5% of
4 compensation required to be credited in the plan up to the
5 defined benefit compensation limit and 7.5% of compensation
6 above such limit.

7 (2) For participants who have accrued more than 25
8 eligibility points credited as a member of Class T-G or, if a
9 multiple service member, of Class A-5 in the State Employees'
10 Retirement System, contributions shall equal 7.5% of
11 compensation required to be credited in the plan.

12 * * *

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

22 * * *

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

29 * * *

30 "Participant." An active participant, inactive participant

1 or participant receiving distributions.

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

7 * * *

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

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

15 * * *

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

24 * * *

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

30 * * *

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

6 * * *

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

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

29 "State Employees' Defined Contribution Plan." The defined
30 contribution plan for State employees established by 71 Pa.C.S.

1 Pt. XXV (relating to retirement for State employees and
2 officers).

3 * * *

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

8 * * *

9 "Superannuation or normal retirement age."

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

1 points, excluding any
2 eligibility points
3 accrued as a member of
4 Class T-G, and if a
5 multiple service member,
6 Class A-5
7 T-G 65 with accrual of at least
8 three eligibility points
9 accrued solely as a
10 result of Class T-G
11 service or, if a multiple
12 service member, Class A-5
13 service

14 * * *

15 "Trust." The School Employees' Defined Contribution Trust
16 established under Chapter 84 (relating to School Employees'
17 Defined Contribution Plan).

18 * * *

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

22 "Vestee." A member with five or more eligibility points in a
23 class of service other than Class T-E, Class T-F, Class T-G or
24 Class A-5 in the State Employees' Retirement System who has
25 terminated school service, has left his accumulated deductions
26 in the fund and is deferring filing of an application for
27 receipt of an annuity. For Class T-E [and], Class T-F and Class
28 T-G members, a member with ten or more eligibility points who
29 has terminated school service, has left his accumulated
30 deductions in the fund and is deferring filing of an application

1 for receipt of an annuity.

2 "Voluntary contributions." Contributions made by a
3 participant to the trust and credited to his individual
4 investment account in excess of his mandatory pickup participant
5 contributions by an eligible rollover or direct trustee-to-
6 trustee transfer.

7 Section 102. Section 8103 of Title 24 is amended by adding
8 subsections to read:

9 § 8103. Construction of part.

10 * * *

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

24 (g) References to certain Federal statutes.--References in
25 this part to the IRC or the Uniformed Services Employment and
26 Reemployment Rights Act of 1994 (Public Law 103-353, 38 U.S.C. §
27 4301-4333, including administrative regulations promulgated
28 under the IRC or the Uniformed Services Employment and
29 Reemployment Rights Act of 1994, are intended to include laws
30 and regulations in effect on or after the effective date of this

1 subsection.

2 (h) Construction.--

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

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

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

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

22 (1) The provisions of this part regarding the
23 establishment of and participation in the plan shall apply to
24 current and former members of the system who return to school
25 service on or after July 1, 2018, after a termination of
26 school service, notwithstanding the following:

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

29 (ii) Whether the school employee was an annuitant,
30 inactive member or vestee or withdrew accumulated

1 deductions during the period of termination.

2 (2) A terminated school employee who returns to school
3 service on or after July 1, 2018, is subject to the
4 provisions of this part regarding participation in the plan
5 or membership in the system that are in effect on the
6 effective date of reemployment, including, but not limited
7 to, benefit formulas and accrual rates, eligibility for
8 annuities and distributions, contribution rates, definitions,
9 purchase of creditable school and nonschool service
10 provisions, purchase of creditable State and nonstate service
11 provisions, and actuarial and funding assumptions.

12 Section 103. Section 8103.1 of Title 24 is amended to read:

13 § 8103.1. Notice to members.

14 Notice by publication, including, but not limited to,
15 newsletters, newspapers, forms, first class mail, letters,
16 manuals and electronic notice, including, but not limited to, e-
17 mail or publicly accessible Internet websites, distributed or
18 made available to members in a manner reasonably calculated to
19 give actual notice of the provisions of this part that require
20 notice to members and participants shall be deemed sufficient
21 notice for all purposes.

22 Section 104. Title 24 is amended by adding a section to
23 read:

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

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

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

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

8 Section 105. Section 8301 of Title 24 is amended to read:

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

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

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

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

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

1 in such service.

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

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

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

15 (d) Mandatory participation in plan.--The school employees
16 who are mandatory members of Class T-G shall be mandatory
17 participants in the plan as of the effective date of membership
18 in the system.

19 (e) Optional participation in plan.--The school employees
20 who are optional members of the system as members of Class T-G
21 shall be optional participants in the plan. The school employees
22 who elect membership in the system as members of Class T-G also
23 elect participation in the plan as of the effective date of
24 membership in the system.

25 Section 106. Section 8302(a), (b)(1) and (2), (c) and (d) of
26 Title 24 are amended and the section is amended by adding a
27 subsection to read:

28 § 8302. Credited school service.

29 (a) Computation of credited service.--In computing credited
30 school service of a member for the determination of benefits, a

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

1 credited service for any 12 consecutive months.

2 (b) Approved leaves of absence.--An active member shall
3 receive credit, and an active participant shall receive
4 eligibility points, for an approved leave of absence provided
5 that:

6 (1) the member returns for a period at least equal to
7 the length of the leave or one year as a member of the system
8 and, for Class T-G members, the participant returns to school
9 service as an active participant in the plan, whichever is
10 less, to the school district which granted his leave, unless
11 such condition is waived by the employer; and

12 (2) the proper contributions are made by the member and
13 the employer and, for Class T-G members, by the active
14 participant and the employer.

15 * * *

16 (c) Cancellation of credited service.--

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

20 (i) a member with Class T-G service credit and one
21 or more other classes of service credit shall not have
22 his service credit in the classes of service other than
23 Class T-G canceled when the member receives a lump sum
24 payment of accumulated deductions relating to the Class
25 T-G service; and

26 (ii) a member with Class T-G service credit and one
27 or more other classes of service credit shall not have
28 his service credit as a member of Class T-G canceled when
29 the member receives a lump sum payment of accumulated
30 deductions resulting from the other classes of service.

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

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

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

18 (1.1) School employees may not receive service credit or
19 exercise the options under 51 Pa.C.S. § 7306(a), (b) and (c)
20 (relating to retirement rights) for military leaves that
21 begin on or after the effective date of this subsection,
22 except otherwise provided under this subsection.

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

25 (i) A school employee who is reemployed from USERRA
26 leave as an active member of the system shall be treated
27 as not having incurred a break in school service by
28 reason of the USERRA leave and shall be granted
29 eligibility points as if the school employee had not been
30 on the USERRA leave. If a school employee who is

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

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

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

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

15 (A) Granted credited service for the period of
16 USERRA leave for which the required member
17 contributions were not timely made.

18 (B) Eligible to subsequently make contributions.

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

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

1 otherwise eligible to purchase the service as nonintervening
2 military service.

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

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

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

1 payments were compensation under this part.

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

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

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

1 contributions and voluntary contributions at a later date for
2 the period of USERRA leave for which the mandatory pickup
3 participant contributions were not timely made.

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

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

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

1 Section 107. Section 8303(c) of Title 24 is amended and the
2 section is amended by adding a subsection to read:

3 § 8303. Eligibility points for retention and reinstatement of
4 service credits.

5 * * *

6 (c) Purchase of previous creditable service.--[Every]
7 Subject to the limitations in subsection (c.1), an active member
8 of the system or a multiple service member who is an active
9 member of the State Employees' Retirement System on or after the
10 effective date of this part may purchase credit and receive
11 eligibility points:

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

15 (2) as a member of Class T-D for previous creditable
16 school service, provided the member elects to become a Class
17 T-D member pursuant to section 8305.1 (relating to election
18 to become a Class T-D member); or

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

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

25 (c.1) Ineligibility to purchase previous school service
26 credit.--An active member of Class T-G, or a multiple service
27 member who is an active member of Class A-5 in the State
28 Employees' Retirement System, shall not be eligible to purchase
29 service credit for previous school service, whether or not
30 previously credited in the system, except to reinstate

1 previously credited Class T-G service credit for which
2 accumulated deductions were withdrawn, and except to the extent
3 that any other provision of law requires or allows the crediting
4 of any period of leave to be purchased as school service after
5 the member returns from the leave to school service.

6 * * *

7 Section 108. Section 8304(a) of Title 24 is amended to read:
8 § 8304. Creditable nonschool service.

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

1 employee and an active member of the State Employees' Retirement
2 System as a member of Class A-5 shall be eligible for Class T-G
3 service credit for creditable nonschool service as set forth in
4 subsection (b) (2) for which the member makes the required
5 contributions to the fund.

6 * * *

7 Section 109. Section 8305(a), (b), (c) (1) and (4), (d) and
8 (e) of Title 24 are amended and the section is amended by adding
9 a subsection to read:

10 § 8305. Classes of service.

11 (a) Class T-C membership.--A school employee who is a member
12 of Class T-C on the effective date of this part or who becomes a
13 member of the system subsequent to the effective date of this
14 part shall be classified as a Class T-C member, provided the
15 school employee does not become a member of Class T-D pursuant
16 to subsection (c) and does not become a member of Class T-G
17 pursuant to subsection (f).

18 (b) Other class membership.--A school employee who is a
19 member of a class of service other than Class T-C on the
20 effective date of this part may elect to become a member of
21 Class T-C or Class T-D or may retain his membership in such
22 other class until the service is discontinued or he elects to
23 become a full coverage member or elects to purchase credit for
24 previous school or creditable nonschool service. Any service
25 thereafter as a member of the system shall be credited as Class
26 T-C [or], T-D or T-G service as applicable.

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

28 (1) A person who becomes a school employee and an active
29 member, or a person who becomes a multiple service member who
30 is a State employee and a member of the State Employees'

1 Retirement System, on or after the effective date of this
2 subsection shall be classified as a Class T-D member upon
3 payment of regular member contributions. Any prior school
4 service credited as Class T-C service shall be credited as
5 Class T-D service, subject to the limitations contained in
6 paragraph (4) and section 8303(c.1) (relating to eligibility
7 points for retention and reinstatement of service credits).

8 * * *

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

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

27 (d) Class T-E membership.--Notwithstanding any other
28 provision, a person who first becomes a school employee and an
29 active member, or a person who first becomes a multiple service
30 member who is a State employee and a member of the State

1 Employees' Retirement System, on or after the effective date of
2 this subsection shall be classified as a Class T-E member upon
3 payment of regular member contributions and the shared-risk
4 contributions, provided the member does not terminate service
5 and then return to service on or after July 1, 2018.

6 (e) Class T-F membership.--Notwithstanding any other
7 provision, a person who first becomes a school employee and an
8 active member, or a person who first becomes a multiple service
9 member who is a State employee and a member of the State
10 Employees' Retirement System, on or after the effective date of
11 this subsection and who is eligible to become a Class T-E member
12 shall have the right to elect into Class T-F membership,
13 provided the person elects to become a Class T-F member pursuant
14 to section 8305.2 (relating to election to become a Class T-F
15 member), upon written election filed with the board and payment
16 of regular member contributions and the shared-risk
17 contributions, provided the member does not terminate service
18 and then return to service on or after July 1, 2018.

19 (f) Class T-G membership.--A person who first becomes a
20 school employee and an active member, or a person who first
21 becomes a multiple service member who is a State employee and a
22 member of the State Employees' Retirement System, on or after
23 July 1, 2018, shall be classified as a Class T-G member upon
24 payment of regular member contributions and the shared risk
25 contributions.

26 Section 110. Sections 8305.1(c) and 8305.2(c) of Title 24
27 are amended to read:

28 § 8305.1. Election to become a Class T-D member.

29 * * *

30 (c) Effect of election.--An election to become a Class T-D

1 member shall remain in effect until the termination of
2 employment. Those members who, on the effective date of this
3 section, contribute at the rate of 5 1/4% shall be deemed to
4 have accepted the basic contribution rate of 6 1/2% for all
5 Class T-D service performed on or after January 1, 2002. Those
6 members who, on the effective date of this section, contribute
7 at the rate of 6 1/4% shall be deemed to have accepted the basic
8 contribution rate of 7 1/2% for all Class T-D service performed
9 on or after January 1, 2002. Upon termination and a subsequent
10 reemployment that occurs before July 1, 2018, the class of
11 service of the school employee shall be credited in the class of
12 service otherwise provided for in this part. If the reemployment
13 occurs on or after July 1, 2018, the school employee's
14 eligibility for membership and class of service in the system or
15 participation in the plan shall be as provided in this part.

16 * * *

17 § 8305.2. Election to become a Class T-F member.

18 * * *

19 (c) Effect of election.--An election to become a Class T-F
20 member shall be irrevocable and shall commence from the original
21 date of eligibility[. A member who elects Class T-F membership
22 shall receive Class T-F service credit on any and all future
23 service, regardless of whether the member terminates service or
24 has a break in service.] and shall remain in effect for all
25 future school service creditable in the system that otherwise
26 would not be credited as Class T-G service.

27 * * *

28 Section 111. Title 24 is amended by adding a section to
29 read:

30 § 8305.3. Election to become a Class T-G member.

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

4 (b) Time for making election.--A member must elect to become
5 a Class T-G member by filing a written election with the board
6 within 45 days of notification by the board of the member's
7 eligibility to elect Class T-G membership and participation. A
8 school employee who is eligible to become a Class T-G member who
9 begins USERRA leave during the election period without having
10 elected Class T-G membership may make the election within 45
11 days after being reemployed from USERRA leave.

12 (c) Effect of election.--An election to become a Class T-G
13 member shall be irrevocable and shall commence from the original
14 date of the member's return to service. A member who elects
15 Class T-G membership shall receive Class T-G service credit on
16 any and all future service, regardless of whether the member
17 terminates service or has a break in service.

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

22 Section 112. Sections 8306, 8307(b) and (c) and 8308 of
23 Title 24 are amended to read:

24 § 8306. Eligibility points.

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

1 credited service under the State Employees' Retirement System.
2 In the case of a fractional part of a year of credited service,
3 a member shall accrue the corresponding fractional portion of an
4 eligibility point.

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

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

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

1 credited school service or credited State service after June
2 30, 2001, at which time all eligibility points, other than
3 eligibility points in classes of service other than Class T-G
4 or Class A-5, as determined under subsection (a) shall be
5 counted.

6 (2) A member subject to paragraph (1) shall be
7 considered to have satisfied any requirement for five
8 eligibility points contained in this part if the member has
9 at least ten eligibility points determined under subsection
10 (a).

11 (c) Transitional rule for members with Class T-G service
12 credit.--

13 (1) Any provision of this part pertaining to eligibility
14 points applicable to the eligibility for or calculation of
15 annuities or benefits attributable to classes of service
16 other than Class T-G shall not include any eligibility points
17 attributable to service credited in Class T-G or as a member
18 of Class A-5 in the State Employees' Retirement 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 T-G
22 shall include only eligibility points attributable to service
23 credited in Class T-G or, if a multiple service member as a
24 member of Class A-5, in the State Employees' Retirement
25 System.

26 (3) Only eligibility points earned as a member of Class
27 T-G or, if a multiple service member as a member of Class A-
28 5, in the State 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 § 8307. Eligibility for annuities.

3 * * *

4 (b) Withdrawal annuity.--

5 (1) A vestee in Class T-C or Class T-D with five or more
6 eligibility points or an active or inactive Class T-C or
7 Class T-D member who terminates school service having five 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-C or
12 T-D member.

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

21 (3) A vestee in Class T-G with ten or more eligibility
22 points or an active or inactive Class T-G member who
23 terminates school service having ten or more eligibility
24 points credited as a Class T-G member or, if a multiple
25 service member, as Class A-5, shall, upon filing a proper
26 application, be entitled to receive an early annuity from the
27 system based on the eligibility points credited as a Class T-
28 G or Class A-5 member.

29 (4) A member who is vested with Class T-C, T-D, T-E, T-F
30 or T-G credited service, shall, upon filing a proper

1 application, be entitled to receive an early annuity based on
2 the credited service in each class.

3 (c) Disability annuity.--An active or inactive member who
4 has [credit for at least five years of service] five or more
5 eligibility points other than eligibility points resulting from
6 service as a member of Class T-G, or has five or more
7 eligibility points as a member of Class T-G, shall, upon filing
8 of a proper application, be entitled to a disability annuity
9 based on service and compensation in classes other than Class T-
10 G if he is eligible for a disability annuity on service and
11 compensation other than Class T-G or a disability annuity based
12 on service and compensation as a member of Class T-G if he is
13 eligible for a disability annuity on service and compensation as
14 a member of Class T-G if he becomes mentally or physically
15 incapable of continuing to perform the duties for which he is
16 employed and qualifies for an annuity in accordance with the
17 provisions of section 8505(c) (1) (relating to duties of board
18 regarding applications and elections of members).

19 § 8308. Eligibility for vesting.

20 Eligibility for vesting shall be as follows:

21 (1) Any Class T-C or Class T-D member who terminates
22 school service with five or more eligibility points shall be
23 entitled to vest his retirement benefits until the member's
24 required beginning date. Any Class T-E [or], Class T-F or
25 Class T-G member who terminates school service with ten or
26 more eligibility points shall be entitled to vest his
27 retirement benefits until his required beginning date.

28 (2) Any member who has Class T-G service credit and
29 service credited in one or more other classes of service and
30 terminates school service, or if a multiple service member

1 and an active member of the State Employees' Retirement
2 System terminates State service, shall be eligible to vest
3 his retirement benefits in each class in accordance with the
4 requirements for that class of service.

5 Section 113. Sections 8310, 8321, 8322.1(a), 8323(a), (c)
6 and (d)(1), 8324(a), (b), (c) and (d), 8325.1(a), 8326(a) and
7 (c) and 8327 of Title 24 are amended to read:

8 § 8310. Eligibility for refunds.

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

13 § 8321. Regular member contributions for current service.

14 (a) General.--Regular member contributions shall be made to
15 the fund on behalf of each active member for current service
16 except for any period of current service in which the making of
17 such contributions has ceased solely by reason of any provision
18 of this part relating to the limitations under IRC § 401(a)(17)
19 or 415[.] or limitations on contributions to the system
20 applicable to a Class T-G member when the Class T-G member is
21 making mandatory pickup participant contributions to the trust.

22 (b) Class T-E [and], Class T-F and Class T-G shared-risk
23 contributions.--Commencing with the annual actuarial valuation
24 performed under section 8502(j) (relating to administrative
25 duties of board), for the period ending June 30, 2014, and every
26 three years thereafter, the board shall compare the actual
27 investment rate of return, net of fees, to the annual interest
28 rate adopted by the board for the calculation of the normal
29 contribution rate, based on the market value of assets, for the
30 prior ten-year period. If the actual investment rate of return,

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

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

30 (2) For any fiscal year in which the employer

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

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

10 § 8322.1. Pickup contributions.

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

20 * * *

21 § 8323. Member contributions for creditable school service.

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

1 credit of the member for such service had regular member
2 contributions been made with full coverage at the rate of
3 contribution necessary to be credited as Class T-C service,
4 Class T-D service if the member is a Class T-D member, Class T-E
5 service if the member is a Class T-E member or Class T-F service
6 if the member is a Class T-F member and had such contributions
7 been credited with statutory interest during the period the
8 contributions would have been made and during all periods of
9 subsequent school service as an active member or inactive member
10 and State service as an active member or inactive member on
11 leave without pay up to the date of purchase.

12 * * *

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

1 period multiplied by the compensation which was received or
2 which would have been received during such period and with
3 statutory interest during all periods of subsequent school and
4 State service up to the date of purchase.

5 * * *

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

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

28 * * *

29 § 8324. Contributions for purchase of credit for creditable
30 nonschool service and noncreditable school service.

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

7 (b) Nonintervening military service.--

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

24 (2) The amount due for the purchase of credit for
25 military service other than intervening military service by a
26 member who is eligible to make the purchase under section
27 8304 (relating to creditable nonschool service) shall be
28 determined by applying the member's basic contribution rate,
29 plus the Commonwealth's normal contribution rate for active
30 members at the time of entry, subsequent to such military

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

13 (3) Upon certification of the amount due, payment may be
14 made in a lump sum within 90 days or in the case of an active
15 member or an eligible State employee who is an active member
16 of the State Employees' Retirement System it may be amortized
17 with statutory interest through salary deductions to the
18 system in amounts agreed upon by the member and the board.
19 The salary deduction amortization plans agreed to by members
20 and the board may include a deferral of payment amounts and
21 statutory interest until the termination of school service or
22 State 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 State employee who is
26 an active member of the State Employees' Retirement System,
27 the agreed upon salary deductions shall be remitted to the
28 State Employees' Retirement Board, which shall certify and
29 transfer to the board the amounts paid. Application may be
30 filed for all such military service credit upon completion of

1 three years of subsequent credited school service and shall
2 be credited as Class T-C service. In the event that a Class
3 T-E member makes a purchase of credit for such military
4 service, then such service shall be credited as Class T-E
5 service. In the event that a Class T-F member makes a
6 purchase of credit for such military service, then such
7 service shall be credited as Class T-F service.

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

20 (1) Regular monthly payments during active military
21 service.

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

24 (3) Salary deductions to the system in amounts agreed
25 upon by the member and the board. The salary deduction
26 amortization plans agreed to by the members and the board may
27 include a deferral of payment amounts and statutory interest
28 until the termination of school service or State service as
29 the board in its sole discretion decides to allow. The board
30 may limit salary deduction amortization plans to such terms

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

7 (d) Other creditable nonschool service and noncreditable
8 school service.--

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

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

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

1 sole discretion determines. In the case of an eligible State
2 employee who is an active member of the State Employees'
3 Retirement System, the agreed upon salary deductions shall be
4 remitted to the State Employees' Retirement Board, which
5 shall certify and transfer to the board the amounts paid.

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

28 * * *

29 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

30 (a) General rule.--In addition to other applicable

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

20 * * *

21 § 8326. Contributions by the Commonwealth.

22 (a) Contributions on behalf of active members.--The
23 Commonwealth shall make contributions into the fund on behalf of
24 all active members and participants, including members and
25 participants on activated military service leave, in an amount
26 equal to one-half the amount certified by the board as necessary
27 to provide, together with the members' contributions, annuity
28 reserves on account of prospective annuities as provided in this
29 part in accordance with section 8328 (relating to actuarial cost
30 method). In case a school employee has elected membership in a

1 retirement program approved by the employer, the Commonwealth
2 shall contribute to such program on account of his membership an
3 amount no greater than the amount it would have contributed had
4 the employee been a member of the Public School Employees'
5 Retirement System.

6 * * *

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

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

13 (i) For members and participants who are employees
14 of employers that are school entities, no Commonwealth
15 contributions shall be made.

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

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

24 (i) For members and participants who are employees
25 of employers who are school entities, no Commonwealth
26 contributions shall be made.

27 (ii) For members and participants who are employees
28 of employers who are not school entities, the amount
29 computed under subsection (b).

30 * * *

1 § 8327. Payments by employers.

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

3 (1) For payments prior to June 30, 2018, each employer,
4 including the Commonwealth as employer of employees of the
5 [Department of Education] department, State-owned colleges
6 and universities, Thaddeus Stevens College of Technology,
7 Western Pennsylvania School for the Deaf, Scotland School for
8 Veterans' Children, and [the] The Pennsylvania State
9 University, shall make payments to the fund each quarter in
10 an amount equal to one-half the sum of the percentages, as
11 determined under section 8328 (relating to actuarial cost
12 method), applied to the total compensation during the pay
13 periods in the preceding quarter of all its employees who
14 were members of the system during such period, including
15 members on activated military service leave. In the event a
16 member on activated military service leave does not return to
17 service for the necessary time or receives an undesirable,
18 bad conduct or dishonorable discharge or does not elect to
19 receive credit for activated military service under section
20 8302(b.1)(3) (relating to credited school service), the
21 contributions made by the employer on behalf of such member
22 shall be returned with valuation interest upon application by
23 the employer.

24 (2) For payments after June 30, 2018, each employer,
25 including the Commonwealth as employer of employees of the
26 department, State-owned colleges and universities, Thaddeus
27 Stevens College of Technology, Western Pennsylvania School
28 for the Deaf and The Pennsylvania State University, shall
29 make payments to the fund each month in an amount equal to
30 one-half the sum of the percentages, as determined under

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

14 (b) Deduction from appropriations.--

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

28 (2) To facilitate the payments of amounts due from any
29 charter school, as defined in Article XVII-A of the act of
30 March 10, 1949 (P.L.30, No.14), known as the Public School

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

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

28 (1) For an employer that is a school entity, the amount
29 shall be the sum of the percentages as determined under
30 section 8328 applied to the total compensation during the pay

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

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

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

28 (d) Payments by employers after June 30, 2018.--After June
29 30, 2018, each employer, including the Commonwealth as employer
30 of employees of the department, State-owned colleges and

1 universities, Thaddeus Stevens College of Technology, Western
2 Pennsylvania School for the Deaf and The Pennsylvania State
3 University, shall make payments to the fund and the trust each
4 month in an amount computed in the following manner:

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

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

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

1 compensation which was subject to exclusion from total
2 compensation in accordance with the provisions of this
3 paragraph shall, upon the board's determination or upon
4 application by the employer, be returned to the employer with
5 valuation interest.

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

12 (f) Contributions.--The employer employing a participant
13 shall pick up the required mandatory participant contributions
14 by a reduction in the compensation of the participant.

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

28 Section 114. Section 8328(a), (b), (c)(4), (d)(2) and (e) of
29 Title 24 are amended and subsections (c), (d) and (g) are
30 amended by adding paragraphs to read:

1 § 8328. Actuarial cost method.

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

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

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

1 member contributions, excluding the shared-risk
2 contributions.

3 (2) For fiscal years beginning on or after July 1, 2018,
4 the normal contribution rate shall be determined after each
5 actuarial valuation. Until all accrued liability
6 contributions have been completed, the normal contribution
7 rate shall be determined, on the basis of an annual interest
8 rate and such mortality and other tables as shall be adopted
9 by the board in accordance with generally accepted actuarial
10 principles, as a level percentage of the compensation of all
11 active members in classes of service other than Class T-G,
12 and for Class T-G members, as limited:

13 (i) By the defined benefit compensation limit.

14 (ii) To Class T-G members who have less than 25
15 eligibility points as a member of Class T-G or, if a
16 multiple service member, as a member of Class A-5, which
17 percentage, if contributed on the basis of the member's
18 prospective compensation through the entire period of
19 active school service, as limited by the defined benefit
20 compensation limit, would be sufficient to fund the
21 liability for any prospective benefit payable to him in
22 excess of that portion funded by his prospective member
23 contributions, excluding the shared-risk contributions.
24 In no case shall the employer normal cost be less than
25 zero.

26 (c) Accrued liability contribution rate.--

27 * * *

28 (4) For the fiscal year beginning July 1, 2011, the
29 accrued liability contribution rate shall be computed as the
30 rate of total compensation of all active members which shall

1 be certified by the actuary as sufficient to fund as a level
2 percentage of compensation over a period of 24 years from
3 July 1, 2011, the present value of the liabilities for all
4 prospective benefits calculated as of June 30, 2010,
5 including the supplemental benefits as provided in sections
6 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
7 8348.7, in excess of the actuarially calculated assets in the
8 fund (calculated recognizing all realized and unrealized
9 investment gains and losses each year in level annual
10 installments over a ten-year period). In the event that the
11 accrued liability is increased by legislation enacted
12 subsequent to June 30, 2010, but before July 1, 2018, such
13 additional liability shall be funded as a level percentage of
14 compensation over a period of ten years from the July 1
15 second succeeding the date such legislation is enacted.

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

26 (d) Supplemental annuity contribution rate.--

27 * * *

28 (2) For fiscal years beginning July 1, 2011, and ending
29 June 30, 2018, contributions from the Commonwealth and other
30 employers whose employees are members of the system required

1 to provide for the payment of supplemental annuities as
2 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,
3 8348.5, 8348.6 and 8348.7 shall be paid as part of the
4 accrued liability contribution rate as provided for in
5 subsection (c) (4), and there shall not be a separate
6 supplemental annuity contribution rate attributable to those
7 supplemental annuities. In the event that supplemental
8 annuities are increased by legislation enacted subsequent to
9 June 30, 2010, [the] but before July 1, 2016, such additional
10 liability for the increase in benefits shall be funded as a
11 level percentage of compensation over a period of ten years
12 from the July 1 second succeeding the date such legislation
13 is enacted.

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

29 (e) Experience adjustment factor.--

30 (1) For each year after the establishment of the accrued

1 liability contribution rate for the fiscal year beginning
2 July 1, 2011, and ending June 30, 2018, any increase or
3 decrease in the unfunded accrued liability, excluding the
4 gains or losses on the assets of the health insurance
5 account, due to actual experience differing from assumed
6 experience, changes in actuarial assumptions, changes in
7 contributions caused by the final contribution rate being
8 different from the actuarially required contribution rate,
9 active members making shared-risk contributions or changes in
10 the terms and conditions of the benefits provided by the
11 system by judicial, administrative or other processes other
12 than legislation, including, but not limited to,
13 reinterpretation of the provisions of this part, shall be
14 amortized as a level percentage of compensation over a period
15 of 24 years beginning with the July 1 second succeeding the
16 actuarial valuation determining said increases or decreases.

17 (2) [(Reserved).] For fiscal years beginning on or after
18 July 1, 2018, any increase or decrease in the unfunded
19 accrued liability, excluding the gains or losses on the
20 assets of the health insurance account due to actual
21 experience differing from assumed experience, changes in
22 actuarial assumptions, changes in contributions caused by the
23 final contribution rate being different from the actuarially
24 required contribution rate, active members making shared-risk
25 contributions or changes in the terms and conditions of the
26 benefits provided by the system by judicial, administrative
27 or other processes other than legislation, including, but not
28 limited to, reinterpretation of the provisions of this part,
29 shall be amortized as a level percentage of the compensation
30 of all active members and active participants over a period

1 of 24 years beginning with the July 1 second succeeding the
2 actuarial valuation determining such increases or decreases.

3 * * *

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

5 * * *

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

10 * * *

11 Section 115. Sections 8330 and 8341 of Title 24 are amended
12 to read:

13 § 8330. Appropriations by the Commonwealth.

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

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

28 § 8341. Return of accumulated deductions.

29 Any member upon termination of service may, in lieu of all
30 benefits payable from the system under this chapter to which he

1 may be entitled, elect to receive his accumulated deductions by
2 his required beginning date.

3 Section 116. Sections 8342(a) and 8344(a), (b) and (d) of
4 Title 24 are amended and the sections are amended by adding
5 subsections to read:

6 § 8342. Maximum single life annuity.

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

30 (1) A [standard single life annuity multiplied by the]

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

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

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

15 * * *

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

21 § 8344. Disability annuities.

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

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

9
$$Y^*/Y \text{ or } 16.667/Y$$

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

20 (b) Reduction on account of earned income.--Payments on
21 account of disability shall be reduced by that amount by which
22 the earned income of the annuitant, as reported in accordance
23 with section 8508(b) (relating to rights and duties of
24 annuitants) for the preceding year together with the disability
25 annuity payments for the year, exceeds the greater of \$5,000 or
26 the last year's salary of the annuitant as a [school employee]
27 member of the system, provided that the annuitant shall not
28 receive less than his member's annuity or the amount to which he
29 may be entitled under section 8342, whichever is greater.

30 * * *

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

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

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

13 * * *

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

19 Section 117. Sections 8345(a) and 8346 of Title 24 are
20 amended to read:

21 § 8345. Member's options.

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

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

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

1 than such present value, the unpaid balance shall be
2 payable to his beneficiary.

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

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

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

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

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

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

1 T-F or Class T-G member.

2 * * *

3 § 8346. Termination of annuities.

4 (a) General rule.--If an annuitant returns to school service
5 or enters or has entered State service and elects multiple
6 service membership, any annuity payable to him under this part
7 shall cease effective upon the date of his return to school
8 service or entering State service without regard to whether he
9 is a mandatory, optional or prohibited member of the system or
10 participant in the plan or, if a multiple service member,
11 whether he is a mandatory, optional or prohibited member or
12 participant of the State Employees' Retirement System or State
13 Employees' Defined Contribution Plan and in the case of an
14 annuity other than a disability annuity the present value of
15 such annuity, adjusted for full coverage in the case of a joint
16 coverage member who makes the appropriate back contributions for
17 full coverage, shall be frozen as of the date such annuity
18 ceases. An annuitant who is credited with an additional 10% of
19 membership service as provided in section 8302(b.2) (relating to
20 credited school service) and who returns to school service,
21 except as provided in subsection (b), shall forfeit such
22 credited service and shall have his frozen present value
23 adjusted as if his 10% retirement incentive had not been applied
24 to his account. In the event that the cost-of-living increase
25 enacted December 18, 1979, occurred during the period of such
26 State or school employment, the frozen present value shall be
27 increased, on or after the member attains superannuation age, by
28 the percent applicable had he not returned to service.

29 (a.1) Return of benefits.--In the event an annuitant whose
30 annuity from the system ceases pursuant to this section receives

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

23 (a.2) Return of benefits paid during USERRA leave.--If a
24 former school employee is reemployed from USERRA leave who had
25 received any payments or annuity from the system during the
26 USERRA leave, the employee shall return to the board the amount
27 received plus statutory interest. The amount payable shall be
28 certified by the board in accordance with methods approved by
29 the actuary and:

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

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

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

26 (b.1) Return to school service in an extracurricular
27 position.--

28 (1) An annuitant or participant receiving distributions
29 may be employed under separate contract by a public school or
30 charter school in an extracurricular position performed

1 primarily outside regular instructional hours and not part of
2 mandated curriculum without loss of annuity, provided that
3 the annuitant meets the conditions set forth in subsection
4 (b.2). [Neither the annuitant nor] The annuitant, the
5 participant receiving distribution and the employer shall not
6 make contributions to the member's savings account, the
7 individual investment account or State accumulation account
8 respectively for such service. Further, such contract shall
9 contain a waiver whereby the annuitant waives any potential
10 retirement benefits that could arise from the contract and
11 releases the employer and the board from any liability for
12 such benefits. Such service shall not be subject to member or
13 participant contributions or be eligible for qualification as
14 creditable school service or for participation in the plan,
15 mandatory pickup participant contributions or employer
16 defined contributions.

17 (2) Nothing in this subsection shall be construed to
18 abridge or limit any rights provided under a collective
19 bargaining agreement or any rights provided under the act of
20 July 23, 1970 (P.L.563, No.195), known as the Public Employe
21 Relations Act.

22 (3) For purposes of this subsection, the term
23 "extracurricular position" means a contract position filled
24 by an annuitant that is separate from the established
25 academic course structure, including the position of athletic
26 director.

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

29 (1) An annuitant may return to school service under
30 subsection (b) or (b.1), provided the annuitant otherwise

1 meets the requirements of subsection (b) or (b.1) and has
2 attained the age set forth in IRC § 401(a)(36) or the
3 applicable "normal retirement age" in 26 C.F.R. § 1.401(a)-
4 1(b)(2) (relating to post-ERISA qualified plans and qualified
5 trusts; in general).

6 (2) An annuitant who has not reached the age as set
7 forth in IRC § 401(a)(36), or the applicable "normal
8 retirement age" under 26 C.F.R. § 1.401(a)-1(b)(2), may
9 return to service under subsection (b) or (b.1) provided the
10 annuitant otherwise meets the requirements of subsection (b)
11 or (b.1) and has had a break in service, as set forth in
12 paragraph (3).

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

17 (i) whether the change in the employment
18 relationship is more than a formal or technical change,
19 requiring the severing of the employment connection with
20 the employer;

21 (ii) whether there has been a reasonable
22 anticipation or prearranged agreement between the member
23 and the employer that a return to school service under
24 this section shall take place;

25 (iii) the amount of time that has elapsed from the
26 date the member becomes an annuitant and the return to
27 school service;

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

30 (v) such other factors as the board may deem

1 appropriate.

2 (c) Subsequent discontinuance of service.--Upon subsequent
3 discontinuance of service, such [member] terminating school
4 employee other than a former annuitant who had the effect of his
5 frozen present value eliminated in accordance with subsection
6 (d) or a former disability annuitant shall be entitled to an
7 annuity which is actuarially equivalent to [the sum of] the
8 present value as determined under subsection (a) [and the] to
9 which shall be added, if the service after reemployment was as a
10 member of the system:

11 (1) The present value of a maximum single life annuity
12 based on years of service credited in classes of service
13 other than Class T-G subsequent to reentry in the system and
14 his final average salary computed by reference to his
15 compensation for service credited in classes of service other
16 than Class T-G as a member of the system or as Class A-5 as a
17 member of the State Employees' Retirement System during his
18 entire period of school and State service.

19 (2) If eligible, the present value of a maximum single
20 life annuity based on years of service credited in Class T-G
21 subsequent to reentry in the system and his final average
22 salary computed by reference to his compensation for service
23 credited in Class T-G and Class A-5 during his entire period
24 of school and State service.

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

26 (1) An annuitant who returns to school service as an
27 active member of the system and earns three eligibility
28 points by performing credited school service or reemployment
29 from USERRA leave in a class of service other than Class T-G
30 following the most recent period of receipt of an annuity

1 under this part, or an annuitant who enters State service
2 and:

3 (i) is a multiple service member; or

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

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

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

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

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

16 (3) In addition to any other adjustment to the present
17 value of the maximum single life annuity that a member may be
18 entitled to receive that occurs as a result of any other
19 provision of law, the present value of the maximum single
20 life annuity shall be reduced by all amounts paid or payable
21 to him during all previous periods of retirement plus
22 interest on these amounts until the date of subsequent
23 retirement. The interest for each year shall be calculated
24 based upon the annual interest rate adopted for that school
25 year by the board for the calculation of the normal
26 contribution rate pursuant to section 8328(b) (relating to
27 actuarial cost method).

28 Section 118. Section 8347(a) and (d) of Title 24 are amended
29 and the section is amended by adding subsections to read:

30 § 8347. Death benefits.

1 (a) Members eligible for annuities.--

2 (1) Any member or former member on USERRA leave, other
3 than an annuitant, who dies and was eligible for an annuity
4 in accordance with section 8307(a) or (b) (relating to
5 eligibility for annuities) shall be considered as having
6 applied for an annuity to become effective the day before his
7 death; and, in the event he has not elected an option, it
8 shall be assumed that he elected Option 1 and assigned as
9 beneficiary that person last designated in writing to the
10 board.

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

15 * * *

16 (b.1) Members eligible for annuities in some classes of
17 service and ineligible in other classes of service.--In the
18 event of the death of a member who is eligible for an annuity
19 based on service credited in some classes of service and not
20 eligible for an annuity for service credited in other classes of
21 service, a benefit shall be paid under subsection (a) based on
22 the service for which an annuity is deemed payable in addition
23 to payment under subsection (b) of the accumulated deductions
24 attributable to service for which the member was not eligible
25 for an annuity.

26 * * *

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

29 (1) Who has elected to receive a maximum disability
30 annuity before he has received in annuity payments an amount

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

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

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

28 (1) Who has elected to receive the maximum single life
29 annuity before he has received in total annuity payments an
30 amount equal to the full amount of the accumulated deductions

1 on service other than Class T-G service standing to his
2 credit on the effective date of retirement, the difference
3 between the total payments made to the date of death and the
4 accumulated deductions shall be paid to his designated
5 beneficiary[.] on service other than Class T-G service.

6 (2) Who has elected to receive the maximum single life
7 annuity before he has received in annuity payments the full
8 amount of the accumulated deductions attributable to Class T-
9 G service standing to his credit on the effective date of
10 retirement, the balance shall be paid to his designated
11 beneficiary.

12 * * *

13 Section 119. Section 8349(a) and (b) of Title 24 are amended
14 to read:

15 § 8349. Payment of benefits.

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

19 (b) Death benefits.--If the amount of a death benefit
20 payable from the fund to a beneficiary of a member under section
21 8347 (relating to death benefits) or under the provisions of
22 Option 1 of section 8345(a)(1) (relating to member's options) is
23 \$10,000 or more, such beneficiary may elect to receive payment
24 according to one of the following options:

25 (1) A lump sum payment.

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

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

1 * * *

2 Section 120. Title 24 is amended by adding a chapter to
3 read:

4 CHAPTER 84

5 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

6 Sec.

7 8401. Establishment.

8 8402. Plan document.

9 8403. Individual investment accounts.

10 8404. Participant contributions.

11 8405. Mandatory pickup participant contributions.

12 8406. Employer defined contributions.

13 8407. Use of plan savings.

14 8408. Eligibility for benefits.

15 8409. Death benefits.

16 8410. Vesting.

17 8411. Termination of distributions.

18 8412. Agreements with financial institutions and other
19 organizations.

20 8413. Relation of administrators of School Employees' Defined
21 Contribution Plan to providers of 403(b) plans.

22 8414. Powers and duties of board.

23 8415. Responsibility for investment loss.

24 8416. Investments based on participants' investment allocation
25 choices.

26 8417. Expenses.

27 8418. Tax qualification.

28 8419. Establishment of School Employees' Defined Contribution
29 Holding Vehicle Trust.

30 § 8401. Establishment.

1 (a) School Employees' Defined Contribution Plan.--The School
2 Employees' Defined Contribution Plan is established. The board
3 shall administer and manage the plan, which shall be a defined
4 contribution plan exclusively for the benefit of those school
5 employees who participate in the plan and their beneficiaries
6 within the meaning of and in conformity with IRC § 401(a). The
7 board shall determine the terms and provisions of the plan not
8 inconsistent with this part, the IRC and other applicable law
9 and shall provide for the plan's administration.

10 (b) School Employees' Defined Contribution Trust.--The
11 School Employees' Defined Contribution Trust is established as
12 part of the plan in accordance with this part. The trust shall
13 be comprised of the individual investment accounts and all
14 assets and money in those accounts. The members of the board
15 shall be the trustees of the trust, which shall be administered
16 exclusively for the benefit of those school employees who
17 participate in the plan and their beneficiaries within the
18 meaning of and in conformity with IRC § 401(a). The board shall
19 determine the terms and provisions of the trust not inconsistent
20 with this part, the IRC and other applicable law and shall
21 provide for the investment and administration of the trust.

22 (c) Assets held in trust.--All assets and income in the plan
23 that have been or shall be withheld or contributed by the
24 participants, the Commonwealth and employers in accordance with
25 this part shall be held in trust in any funding vehicle
26 permitted by the applicable provisions of IRC for the exclusive
27 benefit of the plan's participants and their beneficiaries until
28 such time as the funds are distributed to the participants or
29 their beneficiaries in accordance with the terms of the plan
30 document. The assets of the plan held in trust for the exclusive

1 benefit of the participants and their beneficiaries may be used
2 for the payment of the fees, costs and expenses related to the
3 administration and investment of the plan and the trust.

4 (d) Name for transacting business.--By the name of "The
5 School Employees' Defined Contribution Plan," all of the
6 business of the plan shall be transacted, the trust invested,
7 all requisitions for money drawn and payments made and all of
8 its cash and securities and other property shall be held, except
9 that, any other law to the contrary notwithstanding, the board
10 may establish a nominee registration procedure for the purpose
11 of registering securities in order to facilitate the purchase,
12 sale or other disposition of securities pursuant to the
13 provisions of this part.

14 § 8402. Plan document.

15 The board shall set forth the terms and provisions of the
16 plan and trust in a document containing the terms and conditions
17 of the plan and in a trust declaration that shall be published
18 in the Pennsylvania Bulletin. The creation of the document
19 containing the terms and conditions of the plan and the trust
20 declaration and the establishment of the terms and provisions of
21 the plan and the trust need not be promulgated by regulation or
22 formal rulemaking and shall not be subject to the act of July
23 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
24 Documents Law. A reference in this part or other law to the plan
25 shall include the plan document unless the context clearly
26 indicates otherwise.

27 § 8403. Individual investment accounts.

28 The board:

29 (1) Shall establish in the trust an individual
30 investment account for each participant in the plan. All

1 contributions by a participant or an employer for or on
2 behalf of a participant shall be credited to the
3 participant's individual investment account, together with
4 all interest and investment earnings and losses. Investment
5 and administrative fees, costs and expenses shall be charged
6 to the participant's individual investment accounts.

7 (2) Shall separately track participant contributions,
8 including investment gains and losses, and employer
9 contributions, including investment gains and losses, but all
10 interest, investment gains and losses and administrative
11 fees, costs and expenses shall be allocated proportionately.

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

17 § 8404. Participant contributions.

18 (a) Mandatory contributions.--A participant shall make
19 mandatory pickup participant contributions through payroll
20 deductions to the participant's individual investment account
21 for required school service. The employer shall cause the pickup
22 contributions for required service to be made and deducted from
23 each payroll or on a schedule established by the board.

24 (b) Voluntary contributions.--A participant may make
25 voluntary contributions through direct trustee-to-trustee
26 transfers or through transfers of money received in an eligible
27 rollover into the trust to the extent allowed by IRC § 402.
28 Rollovers shall be made in a form and manner as determined by
29 the board, shall be credited to the participant's individual
30 investment account and shall be separately accounted for by the

1 board.

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

9 § 8405. Mandatory pickup participant contributions.

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

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

26 § 8406. Employer defined contributions.

27 (a) Contributions for service.--The employer of a
28 participant shall make employer defined contributions for
29 service of an active participant that shall be credited to the
30 active participant's individual investment account. Employer

1 defined contributions must be recorded and accounted for
2 separately from participant contributions.

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

16 (c) Limitations on contributions.--No contributions shall 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 § 8407. Use of plan savings.

25 (a) Determination.--The system shall determine the
26 difference between:

27 (1) The current aggregate employer contributions and the
28 aggregate employer contributions that would have been
29 required by Act 120 of 2010.

30 (2) The current plan expenditures and the plan

1 expenditures that would have been required by Act 120 of
2 2010.

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

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

9 (d) Definition.--As used in this section, the term "Act 120
10 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
11 No.120), entitled, "An act amending Titles 24 (Education) and 71
12 (State Government) of the Pennsylvania Consolidated Statutes, in
13 Title 24, further providing for definitions, for mandatory and
14 optional membership, for contributions by the Commonwealth, for
15 payments by employers, for actuarial cost method, for additional
16 supplemental annuities, for further additional supplemental
17 annuities, for supplemental annuities commencing 1994, for
18 supplemental annuities commencing 1998, for supplemental
19 annuities commencing 2002, for supplemental annuities commencing
20 2003, for administrative duties of board, for payments to school
21 entities by Commonwealth, for eligibility points for retention
22 and reinstatement of service credits and for creditable
23 nonschool service; providing for election to become a Class T-F
24 member; further providing for classes of service, for
25 eligibility for annuities, for eligibility for vesting, for
26 regular member contributions, for member contributions for
27 creditable school service, for contributions for purchase of
28 credit for creditable nonschool service, for maximum single life
29 annuity, for disability annuities, for member's options, for
30 duties of board regarding applications and elections of members

1 and for rights and duties of school employees and members;
2 providing for Independent Fiscal Office study; in Title 71,
3 establishing an independent fiscal office and making a related
4 repeal; further providing for definitions, for credited State
5 service, for retention and reinstatement of service credits, for
6 creditable nonstate service and for classes of service;
7 providing for election to become a Class A-4 member; further
8 providing for eligibility for annuities and for eligibility for
9 vesting; providing for shared-risk member contributions for
10 Class A-3 and Class A-4 service; further providing for waiver of
11 regular member contributions and Social Security integration
12 member contributions, for member contributions for purchase of
13 credit for previous State service or to become a full coverage
14 member, for contributions for the purchase of credit for
15 creditable nonstate service, for contributions by the
16 Commonwealth and other employers, for actuarial cost method, for
17 maximum single life annuity, for disability annuities and for
18 member's options; providing for payment of accumulated
19 deductions resulting from Class A-3 service; further providing
20 for additional supplemental annuities, for further additional
21 supplemental annuities, for supplemental annuities commencing
22 1994, for supplemental annuities commencing 1998, for
23 supplemental annuities commencing 2002, for supplemental
24 annuities commencing 2003, for special supplemental
25 postretirement adjustment of 2002, for administrative duties of
26 the board, for duties of board to advise and report to heads of
27 departments and members, for duties of board regarding
28 applications and elections of members, for installment payments
29 of accumulated deductions, for rights and duties of State
30 employees and members, for members' savings account, for State

1 accumulation account, for State Police Benefit Account, for
2 Enforcement Officers' Benefit Account, for supplemental annuity
3 account and for construction of part; and providing for
4 Independent Fiscal Office study, for retirement eligibility of
5 Pennsylvania State Police officers or members, for a prohibition
6 on the issuance of pension obligation bonds, for holding certain
7 public officials harmless, for construction of calculation or
8 actuarial method, for applicability and for certain operational
9 provisions."

10 § 8408. Eligibility for benefits.

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

24 (b) Required distributions.--All payments under this section
25 shall start and be made in compliance with the minimum
26 distribution requirements and incidental death benefit rules of
27 IRC § 401(a)(9). The board shall take any action and make any
28 distributions it may determine are necessary to comply with
29 those requirements.

30 (c) Prohibited distributions.--A school employee must be

1 terminated from all positions that result in either membership
2 in the system or participation in the plan to be eligible to
3 receive a distribution.

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

8 (e) (Reserved).

9 (f) Small individual investment accounts.--A participant who
10 terminates school service and whose vested accumulated total
11 defined contributions are below the threshold established by law
12 as of the date of termination of service may be paid the vested
13 accumulated total defined contributions in a lump sum as
14 provided in IRC § 401(a)(31).
15 § 8409. Death benefits.

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

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

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

6 § 8410. Vesting.

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

16 (b) Employer defined contributions.--

17 (1) Subject to the forfeiture and attachment provisions
18 of section 8533 or otherwise as provided by law, a
19 participant shall be vested with respect to employer defined
20 contributions paid plus interest and investment earnings by
21 or on behalf of the participant to the trust after attaining
22 three eligibility points.

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

27 (c) USERRA leave and eligibility points.--A participant in
28 the plan who is reemployed from USERRA leave or who dies while
29 performing USERRA leave shall receive eligibility points under
30 this section for the school service that would have been

1 performed had the member not performed USERRA leave.

2 § 8411. Termination of distributions.

3 (a) Return to school service.--

4 (1) A participant receiving distributions or an inactive
5 participant who returns to school service shall cease
6 receiving distributions and shall not be eligible to receive
7 distributions until the participant subsequently terminates
8 school service, without regard to whether the participant is
9 a mandatory, optional or prohibited member of the system or
10 participant in the plan.

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

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

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

21 (2) The amount payable shall be certified in each case
22 by the board in accordance with methods approved by the
23 actuary and shall be paid in a lump sum within 30 days or, in
24 the case of an active participant, may be amortized with
25 interest as provided in the plan document through salary
26 deductions to the trust in amounts agreed upon by the active
27 participant and the board, but not longer than a period that
28 starts with the date of reemployment and continuing for up to
29 three times the length of the active participant's immediate
30 past period of USERRA leave. The repayment period shall not

1 exceed five years.

2 § 8412. Agreements with financial institutions and other
3 organizations.

4 (a) Written agreement.--To establish and administer the
5 plan, the board shall enter into a written agreement with one or
6 more financial institutions or pension management organizations
7 to administer the plan and the investment of funds held pursuant
8 to the plan. The administrator shall be selected in accordance
9 with the following:

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

12 (2) The board shall publish the solicitation in the
13 Pennsylvania Bulletin.

14 (3) Proposals received shall be evaluated based on
15 specific criteria adopted by the board. The criteria shall
16 include experience, customer service history and other
17 criteria.

18 (b) Rebid.--A contract to administer the plan under
19 subsection (a) shall be rebid at least once every 10 years.

20 § 8413. Relation of administrators of School Employees' Defined
21 Contribution Plan to providers of 403(b) plans.

22 (a) General rule.--A financial institution or pension
23 management organization entering into a written agreement under
24 section 8412 (relating to agreements with financial institutions
25 and other organizations) may offer or provide services to any
26 plan established or maintained by a school district under IRC §
27 403(b) or 457 if the written agreement for the administration of
28 the School Employees' Defined Contribution Plan is not combined
29 with any other written agreement for the administration of a
30 school district's 403(b) plan or 457 plan. Each school district

1 that provides a 403(b) plan shall make available, in the manner
2 provided by subsection (c), to participants, multiple financial
3 institutions or pension management organizations that have not
4 entered into a written agreement under section 8412 and which
5 provide services to the school district's 403(b) plan or 457
6 plan.

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

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

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

23 (c) Provider selection.--A school district that establishes
24 or maintains a plan under IRC § 403(b) or 457 shall select a
25 minimum of four financial institutions or pension management
26 organizations, in addition to the financial institution or
27 pension management organization that entered into an agreement
28 under section 8412, to provide services to the 403(b) plan or
29 457 plan. If fewer than four such additional financial
30 institutions or pension management organizations are determined

1 to be available or able to meet the requirements established in
2 this section, then the school district shall select the number
3 of available providers able to meet the school district's
4 requirements. A financial institution or pension management
5 organization shall be designated a 403(b) plan or 457 plan
6 provider if the financial institution or pension management
7 organization enters into an agreement in accordance with
8 subsection (b).

9 § 8414. Powers and duties of board.

10 The board shall have the following powers and duties to
11 establish the plan and trust and to administer the provisions of
12 this part:

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

15 (2) The board shall pay all administrative fees, costs
16 and expenses of managing, investing and administering the
17 plan, the trust and the individual investment accounts from
18 the balance of the individual investment accounts, except as
19 the General Assembly otherwise provides through
20 appropriations from the General Fund.

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

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

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

30 (6) The board may perform an annual or more frequent

1 review of any qualified fund manager for the purpose of
2 assuring it continues to meet all standards and criteria
3 established.

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

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

11 (9) The board shall administer or ensure the
12 administration of the plan in compliance with the
13 qualifications and other rules of the IRC.

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

16 (11) The board shall determine what constitutes a
17 termination of school service.

18 (12) The board may establish procedures for
19 distributions of small accounts as required or permitted by
20 the IRC.

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

25 (i) Procedures by which eligible participants may
26 change their investment choices on a periodic basis or
27 make other elections regarding their participation in the
28 plan.

29 (ii) Procedures for deducting mandatory pickup
30 participant contributions from a participant's

1 compensation.

2 (iii) Procedures for rollovers and trustee-to-
3 trustee transfers allowed under the IRC and permitted by
4 the board as part of the plan.

5 (iv) Standards and criteria for providing not less
6 than 10 options in accordance with three or more
7 providers of investment options to eligible individuals
8 regarding investment of amounts deferred under the plan.
9 The standards and criteria must provide for a variety of
10 investment options and shall be reviewed in accordance
11 with criteria established by the board. One of the
12 available options must serve as the default option for
13 participants who do not make a timely election and, to
14 the extent commercially available, one option must have
15 an annuity.

16 (v) Standards and criteria for disclosing to the
17 participants the anticipated and actual income
18 attributable to amounts invested, property rights and all
19 fees, costs and expenses to be made against amounts
20 deferred to cover the costs and expenses of administering
21 and managing the plan or trust.

22 (vi) Procedures, standards and criteria for the
23 making of distributions from the plan upon termination
24 from employment or death or in other circumstances
25 consistent with the purpose of the plan.

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

30 (15) The board may contract any services and duties in

1 lieu of staff except final adjudications and as prohibited by
2 law. Any duties or responsibilities of the board not required
3 by law to be performed by the board may be delegated to a
4 third-party provider, subject to appeal to the board.

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

8 (17) The board shall ensure that participants are
9 provided with educational materials about investment options
10 and choices.

11 § 8415. Responsibility for investment loss.

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

18 § 8416. Investments based on participants' investment
19 allocation choices.

20 (a) Investment by participant.--All contributions, interest
21 and investment earnings shall be invested based on a
22 participant's investment allocation choices. All investment
23 allocation choices shall be credited proportionally between
24 contributions from the participant and employer defined
25 contributions. Each participant shall be credited individually
26 with the amount of contributions, interest and investment
27 earnings.

28 (b) Investment of contributions made by entities other than
29 the Commonwealth.--Investment of contributions by any
30 corporation, institution, insurance company or custodial bank or

1 other entity that the board has approved shall not be
2 unreasonably delayed, and in no case shall the investment of
3 contributions be delayed more than 30 days from the date each
4 payroll deduction is made to the date that the funds are
5 invested. Any interest earned on the funds pending investment
6 shall be allocated to the employers and credited to the
7 individual investment accounts of participants who are then
8 participating in the plan, unless the interest is used to defray
9 administrative costs and fees that would otherwise be required
10 to be borne by participants who are then participating in the
11 plan.

12 § 8417. Expenses.

13 All expenses, fees and costs of administering the plan and
14 the trust and investing the assets of the trust shall be borne
15 by the participants and paid from assessments against the
16 balances of the individual investment accounts as established by
17 the board, except that, for fiscal years ending before July 1,
18 2020, the expenses, fees and costs of establishing and
19 administering the plan and trust shall be paid by the
20 Commonwealth through annual appropriations from the General
21 Fund, made on the basis of estimates from the board.

22 § 8418. Tax qualification.

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

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

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

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

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

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

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

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

23 § 8419. Establishment of School Employees' Defined Contribution
24 Holding Vehicle Trust.

25 (a) School Employees' Defined Contribution Holding Vehicle
26 Trust.--The School Employees' Defined Contribution Holding
27 Vehicle Trust is established as part of the plan. The holding
28 vehicle trust shall be comprised of the individual investment
29 accounts and all assets and money in those accounts from July 1,
30 2018, until the earlier of the date the board certifies that the

1 School Employees' Defined Contribution Trust is operational and
2 able to accept participant and employer contributions or
3 December 31, 2018. The members of the board shall be the
4 trustees of the holding vehicle trust, which shall be held in a
5 separate account established by the Treasury Department and
6 shall not be inconsistent with this part, the IRC or other
7 applicable law. The holding vehicle trust shall be administered
8 exclusively for the benefit of those school employees who
9 participate in the plan and their beneficiaries within the
10 meaning of and in conformity with IRC § 401(a) subject to the
11 requirements of Chapter 85 (relating to administration and
12 miscellaneous provisions).

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

26 (c) Mandatory pickup participant contributions.--All
27 mandatory pickup participant contributions and employer defined
28 contributions that will be required under sections 8404
29 (relating to participant contributions), 8405 (relating to
30 mandatory pickup participant contributions) and 8406 (relating

1 to employer defined contributions) to be made to the School
2 Employees' Defined Contribution Trust upon certification of such
3 trust shall be made to the holding vehicle trust prior to the
4 date the board certifies the School Employees' Defined
5 Contribution Trust. The employer shall cause those contributions
6 for service required to be credited in the plan to be made and
7 deducted from each payroll or on a schedule as established by
8 the board, and participant contributions shall be picked up by
9 the Commonwealth or other employer and shall be treated as the
10 employer's contribution for purposes of IRC § 414(h). After the
11 effective date of this section, an employer employing a
12 participant in the plan shall pick up the required mandatory
13 participant contributions by a reduction in the compensation of
14 the participant. No participant is permitted to make voluntary
15 contributions to the holding vehicle trust.

16 (d) Treatment for other purposes.--For all purposes other
17 than the IRC, the mandatory pickup participant contributions
18 shall be treated as contributions made by a participant in the
19 same manner and to the same extent as if the contributions were
20 made directly by the participant and not picked up.

21 (e) Limitations on contributions.--No contributions may be
22 allowed that would cause a violation of the limitations related
23 to contributions applicable to governmental plans contained in
24 IRC § 415 or in other provisions of law. In the event that any
25 disallowed contributions are made, any employer defined
26 contributions in excess of the limitations and investment
27 earnings on the contributions shall be refunded to the employer
28 by the board.

29 (f) Death benefits.--In the event of the death of an active
30 participant or inactive participant, the board shall pay to the

1 participant's beneficiary the vested balance in the
2 participant's individual investment account in a lump sum.

3 (g) Interest.--Upon the disbursement of a return of
4 accumulated deductions to a participant who has terminated
5 school service or of a death benefit to a participant's
6 designated beneficiaries or upon the transfer of all assets in
7 the holding vehicle trust to the School Employees' Defined
8 Contribution Trust or December 31, 2018, whichever occurs first,
9 the Commonwealth shall make an interest payment to the holding
10 vehicle trust. The interest payment shall be equal to 4% annual
11 rate of return on the mandatory pickup participant contributions
12 and employer defined contributions made for the participant,
13 increased or decreased for any investment losses or earnings
14 while in the holding vehicle trust, but in no case shall the
15 interest payment be less than zero.

16 (h) Responsibility for loss of investment opportunity.--The
17 board, the Commonwealth, an employer or other political
18 subdivision shall not be responsible for the failure of any
19 investment in the holding vehicle trust to earn any specific or
20 expected return greater than the 4% interest rate paid under
21 subsection (g) or to earn as much as any other investment
22 opportunity, whether or not the other opportunity was offered to
23 participants in the holding vehicle trust.

24 (i) Termination of holding vehicle trust.--After the
25 disbursement or transfer of all assets in the holding vehicle
26 trust and the certification by the board that no further
27 liabilities from the holding vehicle trust exist, the holding
28 vehicle trust shall be closed.

29 (j) Expiration.--The board shall publish the certification
30 under subsection (i) in the Pennsylvania Bulletin. Subsections

1 (a), (b), (c), (d), (e), (f), (g) and (i) and this subsection
2 shall expire on the date of publication of the certification.

3 Section 121. Section 8501(a), (c), (d) and (e) of Title 24
4 are amended to read:

5 § 8501. Public School Employees' Retirement Board.

6 (a) Status and membership.--The board shall be an
7 independent administrative board and shall consist of 15
8 members: the Secretary of Education, ex officio; the State
9 Treasurer, ex officio; two Senators; two members of the House of
10 Representatives; the executive secretary of the Pennsylvania
11 School Boards Association, ex officio; two to be appointed by
12 the Governor, at least one of whom shall not be a school
13 employee or an officer or employee of the State; three to be
14 elected by the active professional members of the system and
15 active professional participants of the plan from among their
16 number; one to be elected by annuitants or a participant of the
17 plan who has terminated school service and is receiving or is
18 eligible to receive distributions from among their number; one
19 to be elected by the active nonprofessional members of the
20 system or active nonprofessional participants of the plan from
21 among their number; and one to be elected by members of
22 Pennsylvania public school boards from among their number. The
23 appointments made by the Governor shall be confirmed by the
24 Senate and each election shall be conducted in a manner approved
25 by the board. The terms of the appointed and nonlegislative
26 elected members shall be three years. The members from the
27 Senate shall be appointed by the President pro tempore of the
28 Senate and shall consist of one member from the majority and one
29 member from the minority. The members from the House of
30 Representatives shall be appointed by the Speaker of the House

1 of Representatives and shall consist of one member from the
2 majority and one member from the minority. The legislative
3 members shall serve on the board for the duration of their
4 legislative terms and shall continue to serve until 30 days
5 after the convening of the next regular session of the General
6 Assembly after the expiration of their respective legislative
7 terms or until a successor is appointed for the new term,
8 whichever occurs first. The chairman of the board shall be
9 elected by the board members. Each ex officio member of the
10 board and each legislative member of the board may appoint a
11 duly authorized designee to act in his stead. In the event that
12 a board member, who is designated as an active participant or as
13 the participant in the plan who is receiving or is eligible to
14 receive distributions, receives a total distribution of the
15 board member's interest in the plan, that board member may
16 continue to serve on the board for the remainder of the term.

17 * * *

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

27 (d) Compensation and expenses.--The members of the board who
28 are members of the system or participants in the plan shall
29 serve without compensation. Members of the board who are members
30 of the system or participants in the plan and who are employed

1 by a governmental entity shall not suffer loss of salary or
2 wages through serving on the board. The board, on request of the
3 employer of any member of the board who is an active
4 professional or nonprofessional member of the system or active
5 professional or nonprofessional participant in the plan, may
6 reimburse such employer for the salary or wages of the member or
7 participant, or for the cost of employing a substitute for such
8 member or participant, while the member or participant is
9 necessarily absent from employment to execute the duties of the
10 board. The members of the board who are not members of either
11 the school system or the State Employees' Retirement System may
12 be paid \$100 per day when attending meetings and all board
13 members shall be reimbursed for any necessary expenses. However,
14 when the duties of the board as mandated are not executed, no
15 compensation or reimbursement for expenses of board members
16 shall be paid or payable during the period in which such duties
17 are not executed.

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

24 Section 122. Section 8502(b), (c), (e), (h), (i), (j), (k),
25 (n) and (o) of Title 24 are amended and the section is amended
26 by adding a subsection to read:

27 § 8502. Administrative duties of board.

28 * * *

29 (b) Professional personnel.--

30 (1) The board shall contract for the services of a chief

1 medical examiner, an actuary, investment advisors,
2 counselors, an investment coordinator, and such other
3 professional personnel as it deems advisable.

4 (2) The board may utilize the same individuals and firms
5 contracted under this subsection for both the system and the
6 plan but shall allocate the fees, costs and expenses incurred
7 under this subsection between the system and the plan as
8 appropriate.

9 (c) Expenses.--

10 (1) The board shall, through the Governor, submit to the
11 General Assembly annually a budget covering the
12 administrative expenses of [this part.] the system and a
13 separate budget covering the administrative expenses of the
14 plan. The separate budget shall include those expenses
15 necessary to establish the plan and trust.

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

19 (3) For fiscal years ending on or before June 30, 2020,
20 such expenses of the plan as approved by the General Assembly
21 through an appropriation shall be paid from the General Fund.
22 For fiscal years beginning on or after July 1, 2020, such
23 expenses of the plan as approved by the General Assembly
24 shall be paid from interest, pursuant to section 8416(b)
25 (relating to investments based on participant investment
26 allocation choices) or assessments on the balances of the
27 participants' individual investment accounts.

28 (4) Concurrently with its administrative budget, the
29 board shall also submit to the General Assembly annually a
30 list of proposed expenditures which the board intends to pay

1 through the use of directed commissions, together with a list
2 of the actual expenditures from the past year actually paid
3 by the board through the use of directed commissions. All
4 such directed commission expenditures shall be made by the
5 board for the exclusive benefit of the system and its members
6 and for the exclusive benefit of the plan and its
7 participants, respectively.

8 * * *

9 (e) Records.--

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

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

22 (i) in the case of an alternative investment or
23 alternative investment vehicle involve the release of
24 sensitive investment or financial information relating to
25 the alternative investment or alternative investment
26 vehicle which the fund or trust was able to obtain only
27 upon agreeing to maintain its confidentiality;

28 (ii) cause substantial competitive harm to the
29 person from whom sensitive investment or financial
30 information relating to the investment was received; or

1 (iii) have a substantial detrimental impact on the
2 value of an investment to be acquired, held or disposed
3 of by the fund or trust, or would cause a breach of the
4 standard of care or fiduciary duty set forth in this
5 part.

6 (3) (i) The sensitive investment or financial
7 information excluded from [inspection] access under
8 paragraph (2) (i), to the extent not otherwise excluded
9 from [inspection] access, shall constitute a public
10 record subject to public [inspection] access under the
11 Right-to-Know Law once the board is no longer required by
12 its agreement to maintain confidentiality.

13 (ii) The sensitive investment or financial
14 information excluded from [inspection] access under
15 paragraph (2) (ii), to the extent not otherwise excluded
16 from [inspection] access, shall constitute a public
17 record subject to public [inspection] access under the
18 Right-to-Know Law once:

19 (A) the [inspection] access no longer causes
20 substantial competitive harm to the person from whom
21 the information was received; or

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

24 whichever is later.

25 (iii) The sensitive investment or financial
26 information excluded from [inspection] access under
27 paragraph (2) (iii), 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 has a
2 substantial detrimental impact on the value of an
3 investment of the fund or trust and would not cause a
4 breach of the standard of care or fiduciary duty set
5 forth in this part; or

6 (B) the entity in which the investment was made
7 is liquidated;

8 whichever is later.

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

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

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

21 (ii) The identity of the manager of the alternative
22 investment vehicle.

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

25 (iv) The dollar amount of cash contributions made by
26 the system or plan to the alternative investment vehicle
27 since inception.

28 (v) The dollar amount of cash distributions received
29 by the system or plan from the alternative investment
30 vehicle since inception.

1 (vi) The net internal rate of return of the
2 alternative investment vehicle since inception, provided
3 that the system or plan shall not be required to disclose
4 the net internal rate of return under circumstances in
5 which, because of the limited number of portfolio assets
6 remaining in the alternative investment vehicle, the
7 disclosure could reveal the values of specifically
8 identifiable remaining portfolio assets to the detriment
9 of the alternative investment.

10 (vii) The aggregate value of the remaining portfolio
11 assets attributable to the system's or plan's investment
12 in the alternative investment vehicle, provided that the
13 system or plan shall not be required to disclose the
14 value under circumstances in which, because of the
15 limited number of portfolio assets remaining in the
16 alternative investment vehicle, the disclosure could
17 reveal the values of specifically identifiable remaining
18 portfolio assets to the detriment of the alternative
19 investment.

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

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

29 (i) The existence, date, amount and any other
30 information pertaining to the voluntary contributions,

1 including rollover contributions and trustee-to-trustee
2 transfers, of any participant.

3 (ii) The investment option selections of any
4 participant.

5 (iii) The balance of a participant's individual
6 investment account, including the amount distributed to
7 the participant, and any investment gains or losses or
8 rates of return.

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

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

12 (7) (i) Nothing in this part shall be construed to
13 designate any record, material or data received,
14 prepared, used or retained by the board or its employees
15 or agents relating to the contributions, investments,
16 account value or benefits payable to or on account of a
17 participant as a public record subject to public access
18 under the Right-to-Know Law.

19 (ii) This paragraph shall apply to a record,
20 material or data under this subsection notwithstanding
21 whether:

22 (A) the record, material or data was created,
23 generated or stored before the effective date of this
24 paragraph;

25 (B) the record, material or data was previously
26 released or made public; or

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

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

3 * * *

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

21 (i) Data.--The board shall keep in convenient form such data
22 as are stipulated by the actuary in order that an annual
23 actuarial valuation of the various accounts of the fund can be
24 completed within six months of the close of each fiscal year.
25 The board shall have final authority over the means by which
26 data is collected, maintained and stored and in so doing shall
27 protect the rights of its membership as to privacy and
28 confidentiality.

29 (j) Actuarial investigation and valuation.--The board shall
30 have the actuary make an annual valuation of the various

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

25 (k) Certification of employer contributions to the fund.--
26 The board shall, each year in addition to the itemized budget
27 required under section 8330 (relating to appropriations by the
28 Commonwealth), certify to the employers and the Commonwealth the
29 employer contribution rate expressed as a percentage of members'
30 payroll necessary for the funding of prospective annuities for

1 active members and the annuities of annuitants, and certify the
2 rates and amounts of the normal contributions as determined
3 pursuant to section 8328(b) (relating to actuarial cost method),
4 accrued liability contributions as determined pursuant to
5 section 8328(c), supplemental annuities contribution rate as
6 determined pursuant to section 8328(d), the experience
7 adjustment factor as determined pursuant to section 8328(e),
8 premium assistance contributions as determined pursuant to
9 section 8328(f), the costs added by legislation as determined
10 pursuant to section 8328(i), the actuarial required contribution
11 rate as determined pursuant to section 8328(i), the collared
12 contribution rate as determined pursuant to section 8328(g), the
13 final contribution rate as determined pursuant to section
14 8328(h) and the shared-risk contribution rate as determined
15 under section 8321(b) (relating to regular member contributions
16 for current service), which shall be paid to the fund and
17 credited to the appropriate accounts. These certifications shall
18 be regarded as final and not subject to modification by the
19 Secretary of the Budget.

20 * * *

21 (n) Annual financial statement.--The board shall prepare and
22 have published, on or before January 1 of each year, [a
23 financial statement] financial statements as of the fiscal year
24 ending June 30 of the previous year showing the condition of the
25 fund, the trust and the various accounts, including, but not
26 limited to, the board's accrual and expenditure of directed
27 commissions, and setting forth such other facts, recommendations
28 and data as may be of use in the advancement of knowledge
29 concerning annuities and other benefits provided by this part.
30 The board shall submit said financial [statement] statements to

1 the Governor and shall make copies available to the employers
2 for the use of the school employees and the public.

3 (o) Independent [audit] audits.--The board shall provide for
4 [an annual audit] annual audits of the system and the plan by an
5 independent certified public accounting firm, which [audit]
6 audits shall include the board's accrual and expenditure of
7 directed commissions. The board may use the same independent
8 certified public accounting firm for the audits of both the
9 system and the plan.

10 * * *

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

23 Section 123. Section 8502.2(a) of Title 24 is amended to
24 read:

25 § 8502.2. Health insurance.

26 (a) Authority.--The board may sponsor a participant-funded
27 group health insurance program for annuitants, participants
28 receiving distributions, spouses of annuitants and participants
29 receiving distributions, survivor annuitants and their
30 dependents. The board may promulgate regulations regarding the

1 prudent and efficient operation of the program, including, but
2 not limited to:

3 (1) Establishment of an annual budget and disbursements
4 in accordance with the budget.

5 (2) Determination of the benefits structure.

6 (3) Determination of enrollment procedures.

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

9 (5) Contracting for goods, equipment, services,
10 consultants and other professional personnel as needed to
11 operate the program.

12 * * *

13 Section 124. Section 8503 heading of Title 24 is amended and
14 the section is amended by adding a subsection to read:

15 § 8503. Duties of board to advise and report to employers [and
16 members], members and participants.

17 * * *

18 (b.1) Participant status statements.--The board shall
19 furnish annually to each participant on or before December 31,
20 and more frequently as the board may agree or as required by
21 law, a statement showing the accumulated total defined
22 contributions credited to the participant's individual
23 investment account, the nature and type of investments and the
24 investment allocation of future contributions as of June 30 of
25 the current year and requesting the participant to make any
26 necessary correction or revision regarding his designated
27 beneficiary.

28 * * *

29 Section 125. Section 8505 heading, (h) and (i) of Title 24
30 are amended and the section is amended by adding a subsections

1 to read:

2 § 8505. Duties of board regarding applications and elections of
3 members and participants.

4 * * *

5 (e.1) Certification to participants terminating service.--In
6 the case of a participant terminating service, the board shall
7 certify to a participant in writing of the vested accumulated
8 total defined contributions credited to the participant's
9 individual investment account as of the date stated in the
10 writing, any notices regarding rollover or other matters
11 required by IRC or other law, the obligation of the participant
12 to commence distributions from the plan by the participant's
13 required beginning date and the ability to receive all or part
14 of the vested balance in the participant's individual investment
15 account in a lump sum or in such other form as the board may
16 authorize or as required by law.

17 * * *

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

26 * * *

27 (g.1) Initial payment to participants.--The board shall make
28 the initial payment to a participant who has applied for a
29 distribution within 60 days of the filing of the application and
30 receipt of the required data from the employer of the

1 participant and other necessary data.

2 (h) Death benefits.--Upon receipt of notification of the
3 death of a member or former member on USERRA leave, an active
4 participant, an inactive participant or a former participant on
5 USERRA leave, the board shall notify the designated beneficiary
6 or survivor annuitant of the benefits to which he is entitled
7 and shall make the first payment to the beneficiary under the
8 plan elected by the beneficiary within 60 days of receipt of
9 certification of death and other necessary data. If no
10 beneficiary designation is in effect at the date of the member's
11 or participant's death or no notice has been filed with the
12 board to pay the amount of such benefits to the member's or
13 participant's estate, the board is authorized to pay such
14 benefits to the executor, administrator, surviving spouse or
15 next-of-kin of the deceased member or participant, and payment
16 pursuant hereto shall fully discharge the fund or plan from any
17 further liability to make payment of such benefits to any other
18 person.

19 (i) Medical insurance coverage.--Upon receipt of
20 notification from an insurance carrier offering a health
21 insurance program approved by the board that an annuitant who
22 has attained age 65 has elected medical, major medical, and
23 hospitalization insurance coverage or notification that
24 annuitants with less than 24 1/2 eligibility points (other than
25 disability annuitants), spouses of annuitants and survivor
26 annuitants eligible to elect to enroll in the approved health
27 insurance program have elected participation in such health
28 insurance program, the board may deduct from the annuity
29 payments, from payments to a participant receiving distributions
30 or from a successor payee, the appropriate annual charges in

1 equal monthly installments. Such deductions shall be transmitted
2 to the insurance carrier.

3 * * *

4 Section 126. Sections 8506(a), (d), (e), (g), (h), (i) and
5 (k) and 8507(a), (c), (e) and (f) of Title 24 are amended and
6 the sections are amended by adding subsections to read:

7 § 8506. Duties of employers.

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

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

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

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

27 * * *

28 (c.1) Participant and employer defined contributions.--The
29 employer shall cause the mandatory pickup participant
30 contributions on behalf of a participant to be made. The

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

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

27 (e) New employees subject to optional membership or
28 participation.--The employer shall inform any eligible school
29 employee whose membership in the system or participation in the
30 plan is not mandatory of his opportunity to become a member of

1 the system or a participant in the plan provided that he elects
2 to purchase credit for all such continuous creditable service.
3 If such employee so elects, the employer shall no later than 30
4 days thereafter cause an application for membership or
5 participation which application shall include the employee's
6 home address, birthdate certified by the employer, previous
7 school or State service and any other information requested by
8 the board, and a nomination of beneficiary to be made by him and
9 filed with the board and shall cause proper contributions to be
10 made from the date of election of membership or participation.

11 * * *

12 (g) Former State employee contributors.--The employer shall,
13 upon the employment of a former member of the State Employees'
14 Retirement System who is not an annuitant of the State
15 Employees' Retirement System, advise such employee [of his] if
16 he has a right to elect multiple service membership within 365
17 days of entry into the system or, for a member of Class T-G, if
18 he has a right to elect within 45 days of entry into the system
19 and, in the case any such employee who so elects has withdrawn
20 his accumulated deductions, require him to restore his
21 accumulated deductions as they would have been at the time of
22 his separation had he been a full coverage member, together with
23 statutory interest for all periods of subsequent State and
24 school service to date of repayment. The employer shall advise
25 the board of such election.

26 (h) Former State employee annuitants.--The employer shall,
27 upon the employment of an annuitant of the State Employees'
28 Retirement System who applies for membership in the system,
29 advise such employee [that] if he may elect multiple service
30 membership within 365 days of entry into the system or, for a

1 member of Class T-G, if he has a right to elect within 45 days
2 of entry into the system and that if he so elects his annuity
3 from the State Employees' Retirement System will be discontinued
4 effective upon the date of his return to school service and,
5 upon termination of school service and application for an
6 annuity, the annuity will be adjusted in accordance with section
7 8346 (relating to termination of annuities). The employer shall
8 advise the board of such election.

9 (i) Termination of service.--The employer shall, in the case
10 of any member terminating school service, advise such member in
11 writing of any benefits to which he may be entitled under the
12 provisions of this part and shall have the member prepare, on or
13 before the date of termination of school service, one or more of
14 the following three forms, a copy of which shall be given to the
15 member and the original of which shall be filed with the board:

16 (1) An application for the return of accumulated
17 deductions, if eligible.

18 (2) An election to vest his retirement rights, if
19 eligible, and, if he is a joint coverage member and so
20 desires, an election to become a full coverage member and an
21 agreement to pay within 30 days of the date of termination of
22 service the lump sum required.

23 (3) An application for an immediate annuity, if
24 eligible, and, if he is a joint coverage member and so
25 desires, an election to become a full coverage member and an
26 agreement to pay within 30 days of date of termination of
27 service the lump sum required.

28 * * *

29 (k) School employees performing USERRA or military-related
30 leave of absence.--The employer shall report to the board all of

1 the following:

2 (1) Any school employee who:

3 (i) ceases to be an active member or active
4 participant to perform USERRA service; or

5 (ii) is granted a leave of absence under 51 Pa.C.S.
6 § 4102 (relating to leaves of absence for certain
7 government employees) or a military leave of absence
8 under 51 Pa.C.S. § 7302 (relating to granting military
9 leaves of absence).

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

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

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

16 (1) Differential wage payments and military leave of absence
17 payments.--Notwithstanding the exclusion of differential wage
18 payments as defined in IRC § 414(u)(12) from compensation under
19 this part, the employer of any school employee on USERRA leave
20 shall report differential wage payments made to the employee to
21 the board, and the employer of any school employee on leave of
22 absence pursuant to 51 Pa.C.S. § 4102 shall report any payment
23 made to the employee, in the form and manner established by the
24 board.

25 § 8507. Rights and duties of school employees [and members],
26 members and participants.

27 (a) Information on new employees.--Upon his assumption of
28 duties, each new school employee shall furnish his employer with
29 a complete record of his previous school or State service, or
30 creditable nonschool service, proof of his date of birth, his

1 home address, his current status in the system and the plan and
2 in the State Employees' Retirement System and the State
3 Employees' Defined Contribution Plan and such other information
4 as the board may require. Willful failure to provide the
5 information required by this subsection to the extent available
6 or the provision of erroneous information upon entrance into the
7 system shall result in the forfeiture of the right of the member
8 to subsequently assert any right to benefits based on erroneous
9 information or on any of the required information which he
10 failed to provide. In any case in which the board finds that a
11 member is receiving an annuity based on false information, the
12 additional amounts received predicated on such false information
13 together with statutory interest doubled and compounded shall be
14 deducted from the present value of any remaining benefits to
15 which the member is legally entitled and such remaining benefits
16 shall be correspondingly decreased.

17 * * *

18 (b.1) Application for participation.--On or after July 1,
19 2018, in the case of a new employee who is not currently a
20 participant in the plan and whose participation is mandatory,
21 the new employee shall execute an application for participation
22 and a nomination of a beneficiary.

23 (c) Multiple service membership.--

24 (1) Any [active member] school employee who is an active
25 member in a class of service other than Class T-G and who was
26 formerly an active member in the State Employees' Retirement
27 System in a class of service other than Class A-5 may elect
28 to become a multiple service member. Such election for a
29 member in other than Class T-G shall occur no later than 365
30 days after becoming an active member in a class of service

1 other than Class T-G in this system.

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

7 (3) A school employee who is eligible to elect to become
8 a multiple service member and who begins USERRA leave during
9 the election period without having elected multiple service
10 membership may make the election within 365 days, or 45 days
11 if a member of Class T-G, after being reemployed from USERRA
12 leave.

13 * * *

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

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

1 other applicable law.

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

10 (e.1) Beneficiary for death benefits from plan.--Every
11 participant shall nominate a beneficiary by written designation
12 filed with the board as provided in section 8506 (relating to
13 duties of employers) to receive the death benefit payable under
14 section 8347 (relating to death benefits). A participant may
15 also nominate a contingent beneficiary or beneficiaries to
16 receive the death benefit provided under section 8409 (relating
17 to death benefits). Such nomination may be changed at any time
18 by the participant by written designation filed with the board.

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

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

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

30 (2) Vest his retirement rights, if eligible, and if he

1 is a joint coverage member, and so desires, elect to become a
2 full coverage member and agree to pay within 30 days of the
3 date of termination of service the lump sum required.

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

8 * * *

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

17 * * *

18 Section 127. Sections 8521(b), 8522, 8524, 8525 and 8531 of
19 Title 24 are amended to read:

20 § 8521. Management of fund and accounts.

21 * * *

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

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

9 * * *

10 § 8522. Public School Employees' Retirement Fund.

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

25 (b) Individual investment accounts and trust.--The
26 individual investment accounts that are part of the trust shall
27 not be part of the fund. Mandatory pickup participant
28 contributions, voluntary contributions and employer defined
29 contributions made under this part and any income earned by the
30 investment of such contributions shall not be paid or credited

1 to the fund but instead shall be paid to the trust and credited
2 to the individual investment accounts.

3 § 8524. State accumulation account.

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

25 § 8525. Annuity reserve account.

26 (a) Credits and charges to account.--The annuity reserve
27 account shall be the ledger account to which shall be credited
28 the reserves held for the payment of annuities and death
29 benefits resulting from membership in the system on account of
30 all annuitants and the contributions from the Commonwealth and

1 other employers as determined in accordance with section 8328
2 (relating to actuarial cost method) for the payment of the
3 supplemental annuities provided in sections 8348 (relating to
4 supplemental annuities), 8348.1 (relating to additional
5 supplemental annuities), 8348.2 (relating to further additional
6 supplemental annuities), 8348.3 (relating to supplemental
7 annuities commencing 1994), 8348.4 (relating to special
8 supplemental postretirement adjustment), 8348.5 (relating to
9 supplemental annuities commencing 1998), 8348.6 (relating to
10 supplemental annuities commencing 2002) and 8348.7 (relating to
11 supplemental annuities commencing 2003). The annuity reserve
12 account shall be credited with valuation interest. After the
13 transfers provided in sections 8523 (relating to members'
14 savings account) and 8524 (relating to State accumulation
15 account), all annuity and death benefit payments shall be
16 charged to the annuity reserve account and paid from the fund.

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

27 § 8531. State guarantee regarding the system.

28 Statutory interest charges payable, the maintenance of
29 reserves in the fund, and the payment of all annuities and other
30 benefits granted by the board from the system under the

1 provisions of this part relating to the establishment and
2 administration of the system are hereby made obligations of the
3 Commonwealth. All income, interest, and dividends derived from
4 deposits and investments of the system authorized by this part
5 shall be used for the payment of the said obligations of the
6 Commonwealth and shall not be used for any obligations of the
7 plan or trust.

8 Section 128. Section 8533(a), (b) and (d) of Title 24 are
9 amended and the section is amended by adding a subsection to
10 read:

11 § 8533. Taxation, attachment and assignment of funds.

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

22 (a.1) Individual investment accounts and distributions.--No
23 participant or beneficiary, successor payee or alternate payee
24 of a participant shall have the ability to commute, sell,
25 assign, alienate, anticipate, mortgage, pledge, hypothecate,
26 commutate or otherwise transfer or convey any benefit or
27 interest in an individual investment account or rights to
28 receive or direct distributions under this part or under
29 agreements entered into under this part except as otherwise
30 provided in this part and in the case of either a member or a

1 participant.

2 (b) Forfeiture.--

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

9 (2) Notwithstanding paragraph (1) and the provisions of
10 section 16(b) of Article V of the Constitution of
11 Pennsylvania, the act of July 8, 1978 (P.L.752, No.140),
12 known as the Public Employee Pension Forfeiture Act and 42
13 Pa.C.S. § 3352 (relating to pension rights), the accumulated
14 mandatory participant contributions and accumulated voluntary
15 contributions standing to the credit of a participant shall
16 not be forfeited but shall be available for payment of fines
17 and restitution as provided by law. Amounts in the trust that
18 have been ordered to be distributed to an alternate payee as
19 the result of an equitable distribution of marital property
20 as part of an approved domestic relations order entered
21 before the date of the order or action in a court or other
22 tribunal resulting in a forfeiture of a participant's
23 interest in the trust shall not be subject to the provisions
24 of section 16(b) of the Article V of the Constitution of
25 Pennsylvania, the Public Employee Pension Forfeiture Act or
26 42 Pa.C.S. § 3352. Any accumulated employer defined
27 contributions forfeited as a result of this subsection or
28 other law shall be retained by the board and used for the
29 payment of expenses of the plan.

30 * * *

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

26 Section 129. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)
27 of Title 24 are amended to read:

28 § 8533.1. Approval of domestic relations orders.

29 (a) Certification regarding members.--A domestic relations
30 order pertaining to a member of the system shall be certified as

1 an approved domestic relations order by the secretary of the
2 board, or his designated representative, only if [such] the
3 order meets all of the following:

4 (1) Requires the system to provide any type or form of
5 benefit or any option applicable to members already provided
6 under this part.

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

13 (3) Specifies the amount or percentage of the member's
14 benefits to be paid by the system to each such alternate
15 payee or the manner in which the amount or percentage is to
16 be determined.

17 (4) Specifies the retirement option to be selected by
18 the member upon retirement or states that the member may
19 select any retirement option offered by this part upon
20 retirement.

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

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

28 (7) Requires the member to execute an authorization
29 allowing each alternate payee to monitor the member's
30 compliance with the terms of the domestic relations order

1 through access to information concerning the member
2 maintained by the system.

3 (a.1) Certification regarding participants.--A domestic
4 relations order pertaining to a participant shall be certified
5 as an approved domestic relations order by the secretary of the
6 board, or his designated representative, only if the order meets
7 all of the following:

8 (1) Does not require the segregation of the alternate
9 payee's share of the participant's individual investment
10 account into a subaccount or newly established individual
11 account titled in the name of the alternate payee.

12 (2) Does not require the plan to recover or distribute
13 any funds which were distributed to the participant or at the
14 participant's direction prior to the approval of the domestic
15 relations order by the secretary of the board or his
16 designated representative.

17 (3) Requires the plan to pay to the alternate payee no
18 more than the lesser of the vested amount of the
19 participant's individual investment account specified by the
20 domestic relations order or the vested amount of the
21 participant's individual investment account as of the date of
22 the transfer of the alternate payee's share to the alternate
23 payee.

24 (4) States that the plan shall not be required to recoup
25 or make good for losses in value to the participant's
26 individual investment account incurred between the date of
27 the valuation of the account used for equitable distribution
28 purposes and the date of distribution to the alternate payee.

29 (5) Specifies the amount or percentage of the
30 participant's individual investment account to be paid to the

1 alternate payee and the date upon which such valuation is
2 based.

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

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

11 (8) In the case of a participant who has not yet begun
12 to receive distributions as of the date the domestic
13 relations order is approved by the secretary of the board or
14 his designated representative, requires the immediate
15 distribution of the alternate payee's share of the
16 participant's individual investment account, which may be
17 made by direct payment, eligible rollover or trustee-to-
18 trustee transfer to another eligible plan or qualified
19 account owned by the alternate payee.

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

30 (b) Determination by secretary.--Within a reasonable period

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

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

1 contributions in the form of an annuity or to require the
2 purchase of an annuity.

3 (d) Obligation discharged.--Only the requirements of this
4 part and any regulations promulgated hereunder shall be used to
5 govern the approval or disapproval of a domestic relations
6 order. Therefore, if the secretary of the board, or his
7 designated representative, acts in accordance with the
8 provisions of this part and any promulgated regulations in
9 approving or disapproving a domestic relations order, then the
10 obligations of the system or plan with respect to such approval
11 or disapproval shall be discharged.

12 § 8533.2. Irrevocable beneficiary.

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

27 § 8533.3. Irrevocable survivor annuitant.

28 Notwithstanding any other provisions of this part, a domestic
29 relations order may provide for an irrevocable survivor
30 annuitant pertaining to a member. A domestic relations order

1 requiring the designation of an irrevocable survivor annuitant
2 shall be deemed to be one that requires a member to designate an
3 alternate payee as a survivor annuitant and that prohibits the
4 removal or change of that survivor annuitant without approval of
5 a court of competent jurisdiction, except by operation of law.
6 Such a domestic relations order may be certified as an approved
7 domestic relations order by the secretary of the board, or his
8 designated representative, in which case the irrevocable
9 survivor annuitant so ordered by the court cannot be changed by
10 the member without approval by the court. A person ineligible to
11 be designated as a survivor annuitant may not be designated an
12 irrevocable survivor annuitant.

13 § 8533.4. Amendment of approved domestic relations orders.

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

20 * * *

21 Section 130. Title 24 is amended by adding a section to
22 read:

23 § 8533.5. Irrevocable successor payee.

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

29 (b) Determination.--A domestic relations order requiring the
30 designation of an irrevocable successor payee shall be deemed to

1 be one that requires a participant who is receiving payments
2 from an annuity or other distribution option to designate an
3 alternate payee as a successor payee and that prohibits the
4 removal or change of that successor payee without approval of a
5 court of competent jurisdiction, except by operation of law.

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

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

18 Section 131. Sections 8534 and 8535 of Title 24 are amended
19 to read:

20 § 8534. Fraud and adjustment of errors.

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

26 (b) Adjustment of errors.--Should any change or mistake in
27 records result in any member, participant, beneficiary, [or],
28 survivor annuitant or successor payee receiving from the system
29 or plan more or less than he would have been entitled to receive
30 had the records been correct, then regardless of the intentional

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

10 § 8535. Payments to school entities by Commonwealth.

11 For each school year beginning with the 1995-1996 school year
12 and ending with the 2017-2018 school year, each school entity
13 shall be paid by the Commonwealth for contributions based upon
14 school service of active members of the system after June 30,
15 1995, as follows:

16 (1) 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, whose
20 effective dates of employment with their school entities are
21 after June 30, 1994, and who also had not previously been
22 employed by any school entity within this Commonwealth an
23 amount equal to the amount certified by the Public School
24 Employees' Retirement Board as necessary to provide, together
25 with the members' contributions, reserves on account of
26 prospective annuities, supplemental annuities and the premium
27 assistance program as provided in this part in accordance
28 with section 8328 (relating to actuarial cost method),
29 multiplied by the market value/income aid ratio of the school
30 entity. For no school year shall any school entity receive

1 less than the amount that would result if the market
2 value/income aid ratio as defined in section 2501(14.1) of
3 the Public School Code [of 1949] was 0.50.

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

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

24 Section 132. Title 24 is amended by adding sections to read:

25 § 8535.1. Payments to school entities by Commonwealth
26 commencing with 2018-2019 school year.

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

1 as follows:

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

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

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

10 § 8537. Internal Revenue Code limitations.

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

20 Section 133. Section 8702(a) of Title 24 is amended to read:

21 § 8702. Definitions.

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

28 "Eligible person." An individual who is:

29 (1) an annuitant or survivor annuitant or the spouse or
30 dependent of an annuitant or survivor annuitant[.]; or

1 * * *

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

3 (1) An employee who is an active or inactive participant
4 of the School Employees' Defined Contribution Plan at the
5 time the employee is granted a military leave of absence
6 shall be entitled to make contributions to the Public School
7 Employees' Defined Contribution Trust for the leave as
8 provided in 24 Pa.C.S. Pt. IV (relating to retirement for
9 school employees).

10 (2) An employee who is an active participant or inactive
11 participant on leave without pay of the State Employees'
12 Defined Contribution Plan at the time he is granted a
13 military leave of absence shall be entitled to make
14 contributions to the State Employees' Defined Contribution
15 Trust for the leave as provided in 71 Pa.C.S. Pt. XXV
16 (relating to retirement for State employees and officers).

17 ARTICLE III

18 Section 301. The definitions of "active member," "alternate
19 payee," "average noncovered salary," "beneficiary," "class of
20 service multiplier," "compensation," "creditable nonstate
21 service," "credited service," "date of termination of service,"
22 "distribution," "domestic relations order," "final average
23 salary," "inactive member," "intervening military service,"
24 "irrevocable beneficiary," "member's annuity," "reemployed from
25 USERRA leave," "regular membership contributions," "required
26 beginning date," "retirement counselor," "salary deductions,"
27 "shared-risk member contributions," "special vestee," "standard
28 single life annuity," "State employee," "superannuation age,"
29 "superannuation score," "total accumulated deductions,"
30 "valuation interest" and "vestee" in section 5102 of Title 71

1 are amended and the section is amended by adding definitions to
2 read:

3 § 5102. Definitions.

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

7 * * *

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

13 "Accumulated mandatory participant contributions." The total
14 of the mandatory pickup participant contributions paid into the
15 trust on account of a participant's State service, together with
16 any investment earnings and losses and adjustments for fees,
17 costs and expenses credited or charged thereon.

18 "Accumulated total defined contributions." The total of the
19 accumulated mandatory participant contributions, accumulated
20 employer defined contributions and accumulated voluntary
21 contributions, reduced by any distributions, standing to the
22 credit of a participant in an individual investment account in
23 the trust.

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

29 "Active member." A State employee, or a member on leave
30 without pay, for whom pickup contributions are being made to the

1 fund or 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
9 applicable to a Class A-5 member who is making mandatory pickup
10 participant contributions to the trust.

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

18 * * *

19 "Alternate payee." Any spouse, former spouse, child or
20 dependent of a member or participant who is recognized by a
21 domestic relations order as having a right to receive all or a
22 portion of the moneys payable to that member or participant
23 under this part.

24 * * *

25 "Average noncovered salary." The average of the amounts of
26 compensation received by an active member, other than
27 compensation attributable to service as a Class A-5 member, each
28 calendar year since January 1, 1956, exclusive of the amount
29 which was or could have been covered by the Federal Social
30 Security Act[, 42 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et

1 seq.), during that portion of the member's service since January
2 1, 1956, for which he has received social security integration
3 credit.

4 * * *

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

13 * * *

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

24 "Class A-5 annual compensation limit." For calendar year
25 2018, the amount of \$50,000. For each subsequent calendar year,
26 the limit shall be 1% greater than the previous year's amount,
27 rounded to the nearest hundred dollars.

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

29 "Class of service multiplier."

30 Class of Service Multiplier

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

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

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

1		<u>Employees'</u>		
2		<u>Retirement</u>		
3		<u>System</u>		<u>0</u>
4	B			.625
5	C			1
6	D			1.25
7	D-1	prior to January		
8		1, 1973		1.875
9	D-1	on and		
10		subsequent to		
11		January 1, 1973		1.731
12	D-2	prior to January		
13		1, 1973		2.5
14	D-2	on and		
15		subsequent to		
16		January 1, 1973		1.731
17	D-3	prior to January		
18		1, 1973		3.75
19	D-3	on and		
20		subsequent to		
21		January 1, 1973		1.731
22				except prior to
23				December 1, 1974
24				as applied to
25				any additional
26				legislative
27				compensation as
28				an officer of
29				the General
30				Assembly
				3.75

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

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

1 Code)

2 * * *

3 "Compensation." Pickup contributions and mandatory pickup
4 participant contributions plus remuneration actually received as
5 a State employee excluding refunds for expenses, contingency and
6 accountable expense allowances; excluding any severance payments
7 or payments for unused vacation or sick leave; and excluding
8 payments for military leave and any other payments made by an
9 employer while on USERRA leave, leave of absence granted under
10 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
11 government employees), military leave of absence granted under
12 51 Pa.C.S. § 7302 (relating to granting military leaves of
13 absence) or other types of military leave, including other types
14 of leave payments, stipends, differential wage payments as
15 defined in IRC § 414(u)(12) and any other payments[:]; and for a
16 member who first becomes an officer of the State police on or
17 after January 1, 2018, excluding remuneration received in any
18 pay period for voluntary overtime service for service as an
19 officer of the State police that exceeds 10% of the member's
20 base salary as an officer of the State police in that pay
21 period, notwithstanding the provisions of a binding arbitration
22 award issued before July 1, 1989, under the act of June 24, 1968
23 (P.L.237, No.111), referred to as the Policemen and Firemen
24 Collective Bargaining Act, and implemented by the board:
25 Provided, however, That compensation received prior to January
26 1, 1973, shall be subject to the limitations for retirement
27 purposes in effect December 31, 1972, if any: Provided further,
28 That the limitation under section 401(a)(17) of the Internal
29 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
30 taken into account for the purpose of member contributions,

1 including any additional member contributions in addition to
2 regular or joint coverage member contributions and Social
3 Security integration contributions, regardless of class of
4 service, shall apply to each member who first became a member of
5 the State Employees' Retirement System on or after January 1,
6 1996, and who by reason of such fact is a noneligible member
7 subject to the application of the provisions of section
8 5506.1(a) (relating to annual compensation limit under IRC §
9 401(a)(17)) and shall apply to each participant pertaining to
10 his participation in the plan.

11 * * *

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

14 (1) service as a State employee;

15 (2) service converted to State service pursuant to
16 section 5303.1 (relating to election to convert county
17 service to State service); or

18 (3) school service converted to State service pursuant
19 to section 5303.2 (relating to election to convert school
20 service to State service) [for which an active member may
21 obtain credit].

22 "Credited service." State or creditable nonstate service for
23 which the required contributions have been made to the fund or
24 for which the contributions otherwise required for such service
25 were not made solely by reason of section 5502.1 (relating to
26 waiver of regular member contributions and Social Security
27 integration member contributions) or any provision of this part
28 relating to the limitations under section 401(a)(17) or 415 of
29 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
30 § 401(a)(17) or 415), or limitations on contributions to the

1 system applicable to a Class A-5 member who is making mandatory
2 pickup participant contributions to the trust, except as
3 otherwise provided in this part, or for which salary deductions
4 or lump sum payments to the system have been agreed upon in
5 writing.

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

8 (1) the last day of service for which pickup
9 contributions are made for an active member or for which the
10 contributions otherwise required for such service were not
11 made solely by reason of section 5502.1 (relating to waiver
12 of regular member contributions and social security
13 integration member contributions) or any provision of this
14 part relating to the limitations under section 401(a)(17) or
15 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
16 26 U.S.C. § 401(a)(17) or 415) or limitations on
17 contributions to the system applicable to a Class A-5 member;

18 (2) the last day of service for which mandatory pickup
19 participant contributions are made for an active participant;
20 or

21 (3) in the case of an inactive member on leave without
22 pay or an inactive participant on leave without pay, the date
23 of his resignation or the date his employment is formally
24 discontinued by his employer.

25 * * *

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

30 "Domestic relations order." Any judgment, decree or order,

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

13 * * *

14 "Employer defined contributions." Contributions that are
15 made by the Commonwealth or other employer to the trust to be
16 credited in an active participant's individual investment
17 account as follows:

18 (1) Except as provided under paragraph (2),
19 contributions equal to 4% of an active participant's
20 compensation.

21 (2) For participants who have less than 25 eligibility
22 points credited as a member of Class A-5 or, if a multiple
23 service member, in Class T-G in the Public School Employees'
24 Retirement System, contributions equal to 0.5% of an active
25 participant's compensation up to the Class A-5 annual
26 compensation limit and for other compensation contributions
27 as set forth in paragraph (1).

28 * * *

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

30 (1) For purposes of calculating all annuities and

1 benefits from the system attributable to a class of service
2 other than Class A-5, the highest average compensation
3 received as a member during any three nonoverlapping periods
4 of four consecutive calendar quarters during which the member
5 was a State employee, excluding compensation received from
6 State service credited as a member of Class A-5, with the
7 compensation for part-time service being annualized on the
8 basis of the fractional portion of the year for which credit
9 is received; except if the employee was not a member in
10 classes of service other than Class A-5 for three
11 nonoverlapping periods of four consecutive calendar quarters,
12 the total compensation received as a member for State service
13 credited other than as a member of Class A-5, annualized in
14 the case of part-time service, divided by the number of
15 nonoverlapping periods of four consecutive calendar quarters
16 of membership in classes of service other than Class A-5; in
17 the case of a member with multiple service, the final average
18 salary for purposes of calculating all annuities and benefits
19 from the system attributable to a class of service other than
20 Class A-5 shall be determined on the basis of the
21 compensation received by him as a [State employee] member of
22 the system or as a school employee, or both[;], excluding
23 compensation received for service performed as a member of
24 Class A-5 or Class T-G in the Public School Employees'
25 Retirement System; and, in the case of a member with Class A-
26 3 or Class A-4 service and service in one or more other
27 classes of service other than Class A-5, the final average
28 salary shall be determined on the basis of the compensation
29 received by him in all classes of State service[; and] other
30 than Class A-5.

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

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

1 (relating to leaves of absence for certain government
2 employees) as provided in section 5302(f)(6).

3 * * *

4 "Holding vehicle trust." The State Employees' Defined
5 Contribution Holding Vehicle Trust.

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

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

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

7 "Intervening military service." Active military service of a
8 member who was a State employee and active member of the system
9 immediately preceding his induction into the armed services or
10 forces of the United States in order to meet a military
11 obligation excluding any voluntary extension of such service and
12 who becomes a State employee within 90 days of the expiration of
13 such service.

14 * * *

15 "Irrevocable beneficiary." The person or persons permanently
16 designated by a member or participant in writing to the State
17 Employees' Retirement Board pursuant to an approved domestic
18 relations order to receive all or a portion of the accumulated
19 deductions, vested accumulated total defined contributions or
20 lump sum benefit payable upon the death of such member or
21 participant.

22 "Irrevocable successor payee." The person permanently
23 designated by a participant receiving distributions in writing
24 to the board pursuant to an approved domestic relations order to
25 receive one or more distributions from the plan upon the death
26 of such participant.

27 * * *

28 "Mandatory pickup participant contributions." Contributions
29 that are made by the Commonwealth or other employer for active
30 participants for State service required to be credited in the

1 plan as follows:

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

4 (2) For participants who have less than 25 eligibility
5 points credited as a member of Class A-5 or, if a multiple
6 service member, in Class T-G in the Public School Employees'
7 Retirement System, contributions equal to 1.5% of an active
8 participant's compensation for State service required to be
9 credited in the plan up to the Class A-5 annual compensation
10 limit and for other compensation contributions as set forth
11 in paragraph (1).

12 * * *

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

23 * * *

24 "Participant." An active participant, inactive participant
25 or participant receiving distributions.

26 "Participant receiving distributions." A participant in the
27 plan who has commenced receiving distributions from his
28 individual investment account but who has not received a total
29 distribution of his vested interest in the individual investment
30 account.

1 * * *

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

4 "Plan document." The documents created by the board under
5 section 5802 (relating to plan document) that contain the terms
6 and provisions of the plan and trust as established by the board
7 regarding the establishment, administration and investment of
8 the plan and trust.

9 * * *

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

18 * * *

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

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

27 "Retirement counselor." The State Employees' Retirement
28 System or State Employees' Defined Contribution Plan employee
29 whose duty it shall be to advise each employee of his rights and
30 duties as a member of the system or as a participant of the

1 plan.

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

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

10 * * *

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

16 * * *

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

28 (1) subsequent to termination of State service as an
29 employee of The Pennsylvania State University, the member has
30 not returned to State service in any other capacity or

1 position as a State employee;

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

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

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

12 "Standard single life annuity." An annuity equal to 2% of
13 the final average salary, multiplied by the total number of
14 years and fractional part of a year of credited service of a
15 member in each class service, limited in the case of Class A-5
16 service to 25 years.

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

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

26 (ii) State-owned educational institutions.

27 (iii) Community colleges.

28 (iv) The Pennsylvania State University, except an
29 employee in the College of Agriculture who is paid wholly
30 from Federal funds or an employee who is participating in

1 the Federal Civil Service Retirement System. The
2 university shall be totally responsible for all employer
3 contributions under section 5507 (relating to
4 contributions to the system by the Commonwealth and other
5 employers).

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

25 (3) Any separate independent public corporation created
26 by statute, not including any municipal or quasi-municipal
27 corporation, so long as he remains an officer or employee of
28 such public corporation, and provided that such officer or
29 employee of such public corporation was an employee of the
30 Commonwealth immediately prior to his employment by such

1 corporation, and further provided such public corporation
2 shall agree to contribute and contributes to the fund or
3 trust, from time to time, the moneys required to build up the
4 reserves necessary for the payment of the annuities or other
5 benefits of such officers and employees without any liability
6 on the part of the Commonwealth to make appropriations for
7 such purposes.

8 * * *

9 "Successor payee." The person or persons last designated in
10 writing to the board by a participant receiving distributions to
11 receive one or more distributions upon the death of the
12 participant.

13 "Superannuation age." For classes of service in the system
14 other than Class A-3 [and], Class A-4 and Class A-5, any age
15 upon accrual of 35 eligibility points other than eligibility
16 points attributable to service in Class A-5 or, if a multiple
17 service member, in Class T-G or age 60, except for a member of
18 the General Assembly, an enforcement officer, a correction
19 officer, a psychiatric security aide, a Delaware River Port
20 Authority policeman or an officer of the Pennsylvania State
21 Police, age 50, and, except for a member with Class G, Class H,
22 Class I, Class J, Class K, Class L, Class M or Class N service,
23 age 55 upon accrual of 20 eligibility points other than
24 eligibility points attributable to service in Class A-5 or, if a
25 multiple service member, in Class T-G. For Class A-3 and Class
26 A-4 service, any age upon attainment of a superannuation score
27 of 92, provided the member has accrued 35 eligibility points
28 other than eligibility points attributable to service in Class
29 A-5 or, if a multiple service member, in Class T-G, or age 65,
30 or for park rangers or capitol police officers, age 55 with 20

1 years of service as a park ranger or capitol police officer in
2 classes of service other than Class A-5, except for a member of
3 the General Assembly, an enforcement officer, a correction
4 officer, a psychiatric security aide, a Delaware River Port
5 Authority policeman or an officer of the Pennsylvania State
6 Police, age 55. For Class A-5, age 65. A vestee with Class A-3
7 or Class A-4 service credit attains superannuation age on the
8 birthday the vestee attains the age resulting in a
9 superannuation score of 92, provided that the vestee has at
10 least 35 eligibility points other than eligibility points
11 attributable to service in Class A-5 or, if a multiple service
12 member, in Class T-G, or attains another applicable
13 superannuation age, whichever occurs first.

14 * * *

15 "Superannuation score." The sum of the member's age in whole
16 years on his last birthday and the amount of the member's total
17 eligibility points, other than eligibility points resulting from
18 Class A-5 service credit or, if a multiple service member, in
19 Class T-G on the member's effective date of retirement,
20 expressed in whole years and whole eligibility points and
21 disregarding fractions of a year and fractions of total
22 eligibility points.

23 * * *

24 "Sworn police officer." A State police officer who is
25 employed and serving as an officer of the Pennsylvania State
26 Police.

27 * * *

28 "Total accumulated deductions." The sum of the regular
29 accumulated deductions, additional accumulated deductions, the
30 social security integration accumulated deductions, shared-risk

1 member contributions and all other contributions other than
2 Class A-5 accumulated deductions paid into the fund for the
3 purchase, transfer or conversion of credit for service or other
4 coverage other than service or coverage in Class A-5 together
5 with all statutory interest credited thereon until the date of
6 termination of service. In the case of a vestee or a special
7 vestee, statutory interest shall be credited until the effective
8 date of retirement. A member's account shall not be credited
9 with statutory interest for more than two years during a leave
10 without pay.

11 "Trust." The State Employees' Defined Contribution Trust
12 established under Chapter 58 (relating to State Employees'
13 Defined Contribution Plan).

14 * * *

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

18 "Vestee." Any of the following:

19 (1) A member with:

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

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

29 (iii) Class A-3 or Class A-4 service with ten or
30 more eligibility points in classes of service other than

1 Class A-5 or Class T-G in the Public School Employees'
2 Retirement System ; or

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

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

10 "Voluntary contributions." Contributions made by a
11 participant to the trust and credited to his individual
12 investment account in excess of his mandatory pickup participant
13 contributions by an eligible rollover or direct trustee-to-
14 trustee transfer.

15 Section 302. Section 5103 of Title 71 is amended to read:

16 § 5103. Notice to members and participants.

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

27 Section 303. Title 71 is amended by adding a section to
28 read:

29 § 5104. Reference to State Employees' Retirement System.

30 (a) Construction.--Unless the context clearly indicates

1 otherwise, any reference to the State Employees' Retirement
2 System in a statutory provision other than this part and 24
3 Pa.C.S. Pt. IV (relating to retirement for school employees)
4 shall include a reference to the State Employees' Defined
5 Contribution Plan and any reference to the State Employees'
6 Retirement Fund shall include a reference to the State
7 Employees' Defined Contribution Trust.

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

14 Section 304. Section 5301 heading and (a), (b), (c) and (d)
15 of Title 71 are amended and the section is amended by adding
16 subsections to read:

17 § 5301. Mandatory and optional membership in the system and
18 participation in the plan.

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

- 22 (1) Governor.
- 23 (2) Lieutenant Governor.
- 24 (3) Members of the General Assembly.
- 25 (4) Heads or deputy heads of administrative departments.
- 26 (5) Members of any independent administrative board or
27 commission.
- 28 (6) Members of any departmental board or commission.
- 29 (7) Members of any advisory board or commission.
- 30 (8) Secretary to the Governor.

1 (9) Budget Secretary.

2 (10) Legislative employees.

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

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

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

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

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

30 (16) Employees of the Juvenile Court Judges' Commission

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

8 (a.1) Mandatory participation in the plan.--A State employee
9 who is a mandatory member of the system as a member of Class A-5
10 shall be a mandatory participant in the plan as of the effective
11 date of membership in the system except for service as a Class
12 A-5 exempt employee.

13 (b) Optional membership in the system.--The State employees
14 listed in subsection (a) (1) through [(11)] (10) whose first
15 period of State service begins before January 1, 2018, shall
16 have the right to elect membership in the system[; once such
17 election is] before January 1, 2018, or the termination of State
18 service, whichever occurs first. The State employees listed in
19 subsection (a) (1) through (10) who first become State employees
20 on or after January 1, 2018, shall be members of the system
21 effective as of the date of their employment unless they elect
22 not to be members within 30 days after beginning State service.
23 Once such elections are exercised, membership or nonmembership,
24 as the case may be, shall continue until the termination of
25 State service. The State employees listed under subsection (a)
26 (11) shall have the right to elect membership in the system.
27 Once the election is exercised, membership shall continue until
28 the termination of State service.

29 (b.1) Optional participation in the plan.--The State
30 employees who are optional members of the system as a member of

1 Class A-5 also are optional participants in the plan. The State
2 employees who elect membership in the system as members of Class
3 A-5 also automatically elect participation in the plan as of the
4 effective date of membership in the system except for service as
5 a Class A-5 exempt employee.

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

9 (c.1) Prohibited participation in the plan.--The State
10 employees who are listed in subsection (a) (11), (12), (13), (14)
11 and (15) or who are not members of Class A-5 shall not be
12 eligible to participate in the plan.

13 (d) Return to service.--

14 (1) An annuitant who returns to service as a State
15 employee before January 1, 2018, or as a Class A-5 exempt
16 employee after December 31, 2017, shall resume active
17 membership in the system as of the effective date of
18 employment, except as otherwise provided in section 5706(a)
19 (relating to termination of annuities), regardless of the
20 optional membership category of the position.

21 (2) An annuitant, inactive participant or a participant
22 receiving distributions who returns to service as a State
23 employee on or after January 1, 2018, shall resume active
24 membership in the system, if an active member of Class A-5
25 shall, and be an active participant in the plan as of the
26 effective date of employment, except as otherwise provided in
27 section 5706(a), regardless of the optional membership or
28 participation category of the position.

29 * * *

30 Section 305. Section 5302(a), (b), (e) and (f) of Title 71

1 are amended to read:

2 § 5302. Credited State service.

3 (a) Computation of credited service.--In computing credited
4 State service of a member for the determination of benefits, a
5 full-time salaried State employee, including any member of the
6 General Assembly, shall receive credit for service in each
7 period for which contributions as required are made to the fund,
8 or for which contributions otherwise required for such service
9 were not made to the fund solely by reason of section 5502.1
10 (relating to waiver of regular member contributions and Social
11 Security integration member contributions) or any provision of
12 this part relating to the limitations under IRC § 401(a)(17) or
13 415, or limitations on contributions applicable to a Class A-5
14 member, except as otherwise provided in this part, but in no
15 case shall he receive more than one year's credit for any 12
16 consecutive months or 26 consecutive biweekly pay periods. A per
17 diem or hourly State employee shall receive one year of credited
18 service for each nonoverlapping period of 12 consecutive months
19 or 26 consecutive biweekly pay periods in which he is employed
20 and for which contributions are made to the fund or would have
21 been made to the fund but for such waiver under section 5502.1
22 or limitations under the IRC or limitations on contributions
23 applicable to a Class A-5 member for at least 220 days or 1,650
24 hours of employment. If the member was employed and
25 contributions were made to the fund for less than 220 days or
26 1,650 hours, he shall be credited with a fractional portion of a
27 year determined by the ratio of the number of days or hours of
28 service actually rendered to 220 days or 1,650 hours, as the
29 case may be. A part-time salaried employee shall be credited
30 with the fractional portion of the year which corresponds to the

1 number of hours or days of service actually rendered and for
2 which contributions are or would have been made to the fund
3 except for the waiver under section 5502.1, limitations under
4 the IRC or limitations on contributions applicable to a Class A-
5 5 member in relation to 1,650 hours or 220 days, as the case may
6 be. In no case shall a member who has elected multiple service
7 receive an aggregate in the two systems of more than one year of
8 credited service for any 12 consecutive months.

9 (b) Creditable leaves of absence.--

10 (1) A member on leave without pay who is studying under
11 a Federal grant approved by the head of his department or who
12 is engaged up to a maximum of two years of temporary service
13 with the United States Government, another state or a local
14 government under the Intergovernmental Personnel Act of 1970
15 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
16 be eligible for credit for such service: Provided, That
17 contributions are made in accordance with sections 5501
18 (relating to regular member contributions for current
19 service), 5501.1 (relating to shared-risk member
20 contributions for Class A-3 [and], Class A-4 and Class A-5
21 service), 5505.1 (relating to additional member
22 contributions) and 5507 (relating to contributions to the
23 system by the Commonwealth and other employers), the member
24 returns from leave without pay to active State service as a
25 member of the system for a period of at least one year, and
26 he is not entitled to retirement benefits for such service
27 under a retirement system administered by any other
28 governmental agency.

29 (2) An active member or active participant on paid leave
30 granted by an employer for purposes of serving as an elected

1 full-time officer for a Statewide employee organization which
2 is a collective bargaining representative under the act of
3 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
4 and Firemen Collective Bargaining Act, or the act of July 23,
5 1970 (P.L.563, No.195), known as the Public Employe Relations
6 Act, and up to 14 full-time business agents appointed by an
7 employee organization that represents correction officers
8 employed at State correctional institutions: Provided, That
9 for elected full-time officers such leave shall not be for
10 more than three consecutive terms of the same office and for
11 up to 14 full-time business agents appointed by an employee
12 organization that represents correction officers employed at
13 State correctional institutions no more than three
14 consecutive terms of the same office; that the employer shall
15 fully compensate the member or participant, including, but
16 not limited to, salary, wages, pension and retirement
17 contributions and benefits, other benefits and seniority, as
18 if he were in full-time active service; and that the
19 Statewide employee organization shall fully reimburse the
20 employer for all expenses and costs of such paid leave,
21 including, but not limited to, contributions and payment in
22 accordance with sections 5501, 5501.1, 5505.1 and 5507, 5804
23 (relating to participant contributions), 5805 (relating to
24 mandatory pickup participant contributions) and 5806
25 (relating to employer defined contributions), if the employee
26 organization either directly pays, or reimburses the
27 Commonwealth or other employer for, contributions made in
28 accordance with [section 5507] sections 5507, 5804, 5805 and
29 5806.

30 * * *

1 (e) Cancellation of credited service.--

2 (1) All credited service in the system shall be
3 cancelled if a member withdraws his total accumulated
4 deductions and Class A-5 accumulated deductions, except that:

5 (i) a member with Class A-3 or Class A-4 service
6 credit and one or more other classes of service credit
7 shall not have his service credit as a member of any
8 classes of service other than as a member of Class A-3 or
9 Class A-4 cancelled when the member receives a lump sum
10 payment of accumulated deductions resulting from Class A-
11 3 or Class A-4 service pursuant to section [5705.1]
12 5705.1 (relating to payment of accumulated deductions
13 resulting from Class A-3 [and], Class A-4 and Class A-5
14 service) [.];

15 (ii) a member with Class A-5 service credit and one
16 or more other classes of service credit shall not have
17 his service credit in the classes of service other than
18 Class A-5 canceled when the member receives a lump sum
19 payment of Class A-5 accumulated deductions pursuant to
20 section 5705.1; and

21 (iii) a member with Class A-5 service credit and one
22 or more other classes of service credit shall not have
23 his service credit as a member of Class A-5 canceled when
24 the member receives a lump sum payment of total
25 accumulated deductions resulting from the other classes
26 of service pursuant to section 5705.1.

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

30 (f) Credit for military service.--A State employee who has

1 performed USERRA leave may receive credit in the system or
2 participate in the plan as follows:

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

14 (1.1) State employees may not receive service credit in
15 the system or exercise the options under 51 Pa.C.S. § 7306
16 (relating to retirement rights) for military leaves that
17 begin on or after the effective date of this subsection,
18 except as otherwise provided by this subsection.

19 (1.2) State employees may not participate in the plan or
20 exercise the options under 51 Pa.C.S. § 7306 for military
21 leaves that begin on or after the effective date of this
22 paragraph, except as otherwise provided by this subsection.

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

26 (i) A State employee who is reemployed from USERRA
27 leave as an active member of the system shall be treated
28 as not having incurred a break in State service by reason
29 of the USERRA leave and shall be granted eligibility
30 points as if the State employee had not been on the

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

23 (ii) For purposes of determining whether a State
24 employee has made the required employee contributions for
25 State service credit for USERRA leave, if an employee who
26 is reemployed from USERRA leave as an active member of
27 the system terminates State service or dies in State
28 service before the expiration of the allowed payment
29 period, then State service credit for the USERRA leave
30 will be granted as if the required member contributions

1 were paid the day before termination or death. The amount
2 of the required member contributions will be treated as
3 an incomplete payment subject to the provisions of
4 section 5506 (relating to incomplete payments). Upon a
5 subsequent return to State service or to school service
6 as a multiple service member, the required member
7 contributions treated as incomplete payments shall be
8 treated as member contributions that were either
9 withdrawn in a lump sum at termination or paid as a lump
10 sum pursuant to section 5705(a)(4) (relating to member's
11 options), as the case may be.

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

23 (2.1) (i) A participant who is reemployed from USERRA
24 leave shall be treated as not having incurred a break in
25 State service by reason of the USERRA leave and shall be
26 granted eligibility points as if the participant had not
27 been on USERRA leave. If a participant who is reemployed
28 from USERRA leave subsequently makes mandatory pickup
29 participant contributions in the amounts and in the time
30 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as

1 if the participant had continued in his State office or
2 employment and performed State service and been
3 compensated during the period of USERRA leave, the
4 participant's employer shall make the corresponding
5 employer defined contributions. The employee shall have
6 his contributions, benefits, rights and obligations
7 determined under this part as if he were an active
8 participant who performed State service during the USERRA
9 leave in the job position that he would have held had he
10 not been on USERRA leave and received the compensation on
11 which the mandatory pickup participant contributions to
12 receive State service credit for the USERRA leave were
13 determined.

14 (ii) A participant who is reemployed from USERRA
15 leave who does not make the mandatory pickup participant
16 contributions or makes only part of the mandatory pickup
17 participant contributions within the allowed payment
18 period shall not be eligible to make mandatory pickup
19 participant contributions at a later date for the period
20 of USERRA leave for which the mandatory pickup
21 participant contributions were not timely made.

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

1 as nonintervening military service.

2 (3.1) A State employee who is a participant in the plan
3 and performs USERRA leave from which the employee could have
4 been reemployed from USERRA leave had the employee returned
5 to State service in the time frames required by 38 U.S.C. Ch.
6 43 for reemployment rights, but did not do so, shall not be
7 eligible to make mandatory pickup participant contributions
8 for the period of USERRA leave should the employee later
9 return to State service and be a participant in the plan.

10 (4) [A State employee] An active member or inactive
11 member on leave without pay who on or after the effective
12 date of this subsection is granted a leave of absence under
13 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
14 government employees) or a military leave under 51 Pa.C.S.
15 Ch. 73, that is not USERRA leave shall be able to receive
16 creditable nonstate service as nonintervening military
17 service should the employee return to State service as an
18 active member of the system and is otherwise eligible to
19 purchase the service as nonintervening military service.

20 (4.1) An active participant or inactive participant on
21 leave without pay who on or after the effective date of this
22 paragraph is granted a leave of absence under 51 Pa.C.S. §
23 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
24 USERRA leave shall not be able to make mandatory pickup
25 participant contributions during or for the leave of absence
26 or military leave and shall not have employer defined
27 contributions made during such leave, without regard to
28 whether or not the State employee received salary, wages,
29 stipends, differential wage payments or other payments from
30 his employer during the leave, notwithstanding any provision

1 to the contrary under 51 Pa.C.S. § 4102 or Ch. 73.

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

9 (5.1) If a participant dies while performing USERRA
10 leave, the beneficiaries or successor payees of the deceased
11 participant are entitled to any additional benefits, other
12 than benefit accruals relating to the period of qualified
13 military service, provided under this part had the
14 participant resumed and then terminated employment on account
15 of death.

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

27 Section 306. Section 5303(b) and (d)(1) of Title 71 are
28 amended and the section is amended by adding a subsection to
29 read:

30 § 5303. Retention and reinstatement of service credits.

1 * * *

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

3 (1) [Every] Subject to the limitations in subsection
4 (i), an active member of the system or a multiple service
5 member who is a school employee and a member of the Public
6 School Employees' Retirement System on or after the effective
7 date of this part shall receive eligibility points in
8 accordance with section 5307 for current State service,
9 previous State service, or creditable nonstate service upon
10 compliance with sections 5501 (relating to regular member
11 contributions for current service), 5501.1 (relating to
12 shared-risk contributions for Class A-3 [and], Class A-4 and
13 Class A-5 service), 5504 (relating to member contributions
14 for the purchase of credit for previous State service or to
15 become a full coverage member), 5505 (relating to
16 contributions for the purchase of credit for creditable
17 nonstate service), 5505.1 (relating to additional member
18 contributions) or 5506 (relating to incomplete payments).
19 Subject to the limitations in subsection (i) and sections
20 5306.1 (relating to election to become a Class AA member) and
21 5306.2 (relating to elections by members of the General
22 Assembly), the class or classes of service in which the
23 member may be credited for previous State service prior to
24 the effective date of this part shall be the class or classes
25 in which he was or could have at any time elected to be
26 credited for such service, except that a State employee who
27 first becomes a member of the system on or after January 1,
28 2011, or on or after December 1, 2010, as a member of the
29 General Assembly and:

30 (i) is credited with Class A-3 service for such

1 membership, shall be credited only with Class A-3 service
2 for previous State service performed before January 1,
3 2011, that was not previously credited in the system; or
4 (ii) is credited with Class A-4 service for such
5 membership, shall be credited only with Class A-4 service
6 for previous State service performed before January 1,
7 2011, that was not previously credited in the system.

8 The class of service in which a member shall be credited for
9 service subsequent to the effective date of this part shall
10 be determined in accordance with subsection (i) and section
11 5306 (relating to classes of service).

12 (1.1) Every active member of the system who elects to
13 convert county service to State service pursuant to section
14 5303.1 (relating to election to convert county service to
15 State service) shall receive eligibility points in accordance
16 with section 5307 for converted county service upon
17 compliance with section 5303.1(b). The class or classes of
18 service in which the member may be credited for converted
19 county service shall be determined in accordance with section
20 5306(c).

21 (1.2) Every member of the system who elects to convert
22 school service to State service pursuant to section 5303.2
23 (relating to election to convert school service to State
24 service) shall receive eligibility points in accordance with
25 section 5307 for converted school service. The class or
26 classes of service in which the member may be credited for
27 converted school service shall be determined in accordance
28 with section 5306(d).

29 (1.3) A member of the system who is reemployed from
30 USERRA leave or who dies while performing USERRA leave shall

1 receive eligibility points in accordance with section 5307
2 for the State service that would have been performed had the
3 member not performed USERRA leave.

4 (2) A special vestee or person otherwise eligible to be
5 a special vestee who returns to State service or withdraws
6 his accumulated deductions pursuant to section 5311 (relating
7 to eligibility for refunds) or 5701 (relating to return of
8 [total] accumulated deductions) shall receive or retain
9 eligibility points in accordance with paragraph (1) but upon
10 subsequent termination of State service shall only be
11 eligible to be an annuitant vestee or inactive member without
12 regard to previous status as a special vestee and without
13 regard to the provisions of this part providing for special
14 vestees.

15 (3) A special vestee or person otherwise eligible to be
16 a special vestee who becomes an active member of the Public
17 School Employees' Retirement System and elects multiple
18 service shall receive or retain eligibility points as
19 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
20 (relating to retirement for school employees) but upon
21 subsequent termination of school service shall only be
22 eligible to be an annuitant, vestee or inactive member as
23 otherwise eligible as a multiple service member without
24 regard to previous status as a special vestee and without
25 regard to the provisions of this part providing for special
26 vestees.

27 * * *

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

29 (1) Any person who was an employee of any county in this
30 Commonwealth on the personal staff of an appellate court

1 judge prior to September 9, 1985, and who had that employment
2 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
3 (relating to local chamber facilities) shall be a member of
4 the system for all service rendered as an employee of the
5 Commonwealth on the personal staff of an appellate court
6 judge subsequent to the date of the transfer unless
7 specifically prohibited pursuant to section 5301(c) (relating
8 to mandatory and optional membership in the system and
9 participation in the plan). The employee shall be entitled to
10 have any prior service credit in that county or other
11 municipal pension plan or retirement system transferred to
12 the system and deemed to be State service for all purposes
13 under this part. However, for those employees who were in
14 continuous county employment which commenced prior to July
15 22, 1983, section 5505.1 shall not apply. The transfer of
16 prior service credit to the system shall occur upon the
17 transfer, by the member, county or other municipal pension
18 plan or retirement system, to the system of the amount of
19 accumulated member contributions, pick-up contributions and
20 credited interest standing in the employee's county or
21 municipal pension plan or retirement system account as of the
22 date that these funds are transferred to the system. In the
23 event that these funds have been refunded to the member, the
24 transfer of service credit shall occur when the member
25 transfers an amount equal to either the refund which the
26 member received from the county or municipal pension plan or
27 retirement system or the amount due under section 5504, if
28 less. In the case of a transfer by the member, the transfer
29 shall occur by December 31, 1987, in order for the member to
30 receive credit for the prior service. In the case of a

1 transfer by the county or other municipal pension plan or
2 retirement system, the transfer shall also occur by December
3 31, 1987. If the amount transferred to the system by the
4 member of a county or municipal pension plan or retirement
5 system is greater than the amount that would have accumulated
6 in the member's account if the employee had been a member of
7 the system, all excess funds shall be returned to the
8 employee within 90 days of the date on which such funds are
9 credited to the member's account in the system. Within 60
10 days of receipt of written notice that an employee has
11 elected to transfer credits under the provisions of this
12 subsection, the county or other municipal pension plans or
13 retirement systems shall be required to transfer to the
14 system an amount, excluding contributions due under section
15 5504(a), equal to the liability of the prior service in
16 accordance with county or other municipal pension plan or
17 retirement system benefit provisions, multiplied by the ratio
18 of system actuarial value of assets for active members to the
19 system actuarial accrued liability for active members. The
20 Public Employee Retirement Study Commission shall determine
21 the appropriate amount of employer contributions to be
22 transferred to the system by the county or other municipal
23 pension plans or retirement systems.

24 * * *

25 (i) Ineligibility to purchase previous State service
26 credit.--An active member of Class A-5 or a multiple service
27 member who is an active member of Class T-G in the Public School
28 Employees' Retirement System shall not be eligible to purchase
29 service credit for previous State service, whether or not
30 previously credited in the system, except to reinstate

1 previously credited Class A-5 service credit for which Class A-5
2 accumulated deductions were withdrawn under section 5311 or
3 5701, and except to the extent that any other provision of law
4 requires or allows any period of leave to be credited as State
5 service after the member returns from the leave to State
6 service.

7 Section 307. Sections 5303.2(a) and 5304(a) and (b) of Title
8 71 are amended to read:

9 § 5303.2. Election to convert school service to State service.

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

1 the system.

2 * * *

3 § 5304. Creditable nonstate service.

4 (a) Eligibility.--

5 (1) An active member who first becomes an active member
6 before January 1, 2011, or before December 1, 2010, as a
7 member of the General Assembly and who is an active member of
8 a class of service other than Class A-5, or a multiple
9 service member who first becomes an active member before
10 January 1, 2011, or before December 1, 2010, as a member of
11 the General Assembly, and who is a school employee and an
12 active member of the Public School Employees' Retirement
13 System in a class of service other than Class T-G shall be
14 eligible for Class A service credit for creditable nonstate
15 service as set forth in subsections (b) and (c) except that
16 intervening military service shall be credited in the class
17 of service for which the member was eligible at the time of
18 entering into military service and for which he makes the
19 required contributions to the fund and except that a multiple
20 service member who is a school employee and an active member
21 of the Public School Employees' Retirement System shall not
22 be eligible to purchase service credit for creditable
23 nonstate service set forth in subsection (c)(5).

24 (2) An active member who first becomes an active member
25 on or after January 1, 2011, or on or after December 1, 2010,
26 as a member of the General Assembly and is an active member
27 of a class of service other than Class A-5, or a multiple
28 service member who first becomes an active member on or after
29 January 1, 2011, or on or after December 1, 2010, as a member
30 of the General Assembly, [and who] is a school employee and

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

14 (3) An active member of Class A-5 or a multiple service
15 member who is a school employee and an active member of the
16 Public School Employees' Retirement System as a member of
17 Class T-G shall be eligible for Class A-5 service credit for
18 creditable nonstate service as set forth in subsections (b)
19 and (c) (2) for which the member makes the required
20 contributions to the fund.

21 * * *

22 (b) Limitations on eligibility.--An active member or a
23 multiple service member who is a school employee and an active
24 member of the Public School Employees' Retirement System shall
25 be eligible as set forth in subsection (a) to receive credit for
26 nonstate service provided that he does not have credit for such
27 service in the system or in the [school system] Public School
28 Employees' Retirement System and is not entitled to receive,
29 eligible to receive now or in the future, or is receiving
30 retirement benefits for such service in the system or under a

1 retirement system administered and wholly or partially paid for
2 by any other governmental agency or by any private employer, or
3 a retirement program approved by the employer in accordance with
4 section 5301(a)(12) (relating to mandatory and optional
5 membership in the system and participation in the plan), and
6 further provided, that such service is certified by the previous
7 employer and contributions are agreed upon and made in
8 accordance with section 5505 (relating to contributions for the
9 purchase of credit for creditable nonstate service).

10 * * *

11 Section 308. Section 5305(b) of Title 71 is amended and the
12 section is amended by adding a subsection to read:

13 § 5305. Social security integration credits.

14 * * *

15 (b) Accrual of subsequent credits.--Any active member who
16 has social security integration accumulated deductions to his
17 credit or is receiving a benefit on account of social security
18 integration credits may accrue one social security integration
19 credit for each year of service as a State employee on or
20 subsequent to March 1, 1974 and a fractional credit for a
21 corresponding fractional year of service provided that
22 contributions are made to the fund, or would have been made to
23 the fund but for section 5502.1 (relating to waiver of regular
24 member contributions and Social Security integration member
25 contributions) or the limitations under IRC § 401(a)(17) or 415,
26 except as otherwise provided in this part, in accordance with
27 section 5502 (relating to Social Security integration member
28 contributions), and he:

29 (1) continues subsequent to March 1, 1974 as an active
30 member in either the [State or school system;] system in a

1 class of service other than Class A-5 or, if a multiple
2 service member, as an active member in the Public School
3 Employees' Retirement System in a class of service other than
4 Class T-G;

5 (2) terminates such continuous service in the [State or
6 school] system or the Public School Employees' Retirement
7 System and returns to active membership in the [State] system
8 within six months in a class of service other than Class A-5;
9 or

10 (3) terminates his status as a vestee or an annuitant
11 and returns to State service as an active member of the
12 system in a class of service other than Class A-5.

13 * * *

14 (e) Class A-5 service ineligible for credit.--No social
15 security integration credits shall accrue for any service
16 performed or credited as Class A-5 service.

17 Section 309. Section 5305.1 of Title 71 is amended to read:

18 § 5305.1. Eligibility for actuarial increase factor.

19 A person who has credit for a class of service other than
20 Class A-5 and is:

21 (1) an active member;

22 (2) an inactive member on leave without pay; or

23 (3) a multiple service member who is a school employee
24 and an active member of the Public School Employees'
25 Retirement System;

26 who terminates State service or school service, as the case
27 may be, after attaining age 70 and who applies for a
28 superannuation annuity with an effective date of retirement the
29 day after the date of termination of State service or school
30 service shall have that person's maximum single life annuity

1 calculated pursuant to section 5702(a.1) (relating to maximum
2 single life annuity).

3 Section 310. Section 5306(a), (a.1), (a.2), (a.3) and (b) of
4 Title 71 are amended and the section is amended by adding a
5 subsection to read:

6 § 5306. Classes of service.

7 (a) Class A and Class A-3 membership.--

8 (1) A State employee who is a member of Class A on the
9 effective date of this part or who first becomes a member of
10 the system subsequent to the effective date of this part and
11 before January 1, 2011, or before December 1, 2010, as a
12 member of the General Assembly, shall be classified as a
13 Class A member and receive credit for Class A service upon
14 payment of regular and additional member contributions for
15 Class A service, provided that the State employee does not
16 become a member of Class AA pursuant to subsection (a.1) or a
17 member of Class D-4 pursuant to subsection (a.2) or a member
18 of Class A-5.

19 (2) A State employee who first becomes a member of the
20 system on or after January 1, 2011, or on or after December
21 1, 2010, as a member of the General Assembly, and, unless a
22 Class A-5 exempt employee, before January 1, 2018, shall be
23 classified as a Class A-3 member and receive credit for Class
24 A-3 service upon payment of regular member contributions and
25 shared-risk member contributions for Class A-3 service
26 provided that the State employee does not become a member of
27 Class A-4 pursuant to subsection (a.3) or a member of Class
28 A-5, except that a member of the judiciary shall be
29 classified as a member of such other class of service for
30 which the member of the judiciary is eligible[,] and shall

1 elect and make regular member contributions unless the member
2 of the judiciary subsequently becomes a member of Class A-5.

3 (3) A Class A-5 exempt employee who is a member of Class
4 A-3 shall have all other State service performed concurrently
5 with being a Class A-5 exempt employee classed as Class A-3
6 service instead of any other class of service the service
7 might otherwise be credited as. This paragraph shall apply
8 only to service performed concurrently with Class A-5 exempt
9 service. Notwithstanding the provisions of a binding
10 arbitration award issued before July 1, 1989, under the act
11 of June 24, 1968 (P.L.237, No.111), referred to as the
12 Policemen and Firemen Collective Bargaining Act, and
13 implemented by the board, for a member who first becomes an
14 officer of the Pennsylvania State Police on or after January
15 1, 2018, other service performed before or after service as a
16 State police officer shall be credited in the class of
17 service as provided under this part.

18 (a.1) Class AA membership.--

19 (1) A person who becomes a State employee and an active
20 member of the system after June 30, 2001, and who first
21 became an active member before January 1, 2011, or before
22 December 1, 2010, as a member of the General Assembly, and
23 who is not a State police officer and not employed in a
24 position for which a class of service other than Class A is
25 credited or could be elected shall be classified as a Class
26 AA member and receive credit for Class AA State service upon
27 payment of regular member contributions for Class AA service
28 and, subject to the limitations contained in paragraph (7)
29 and section 5303(i) (relating to retention and reinstatement
30 of service credits), if previously a member of Class A or

1 previously employed in a position for which Class A service
2 could have been earned, shall have all Class A State service
3 (other than State service performed as a State police officer
4 or for which a class of service other than Class A was earned
5 or could have been elected) classified as Class AA service.

6 (2) A person who is a State employee on June 30, 2001,
7 and July 1, 2001, but is not an active member of the system
8 because membership in the system is optional or prohibited
9 pursuant to section 5301 (relating to mandatory and optional
10 membership in the system and participation in the plan) and
11 who first becomes an active member after June 30, 2001, and
12 before January 1, 2011, or before December 1, 2010, as a
13 member of the General Assembly, and who is not a State police
14 officer and not employed in a position for which a class of
15 service other than Class A is credited or could be elected
16 shall be classified as a Class AA member and receive credit
17 for Class AA State service upon payment of regular member
18 contributions for Class AA service and, subject to the
19 limitations contained in paragraph (7) and section 5303(i),
20 if previously a member of Class A or previously employed in a
21 position for which Class A service could have been earned,
22 shall have all Class A State service (other than State
23 service performed as a State Police officer or for which a
24 class of service other than Class A was earned or could have
25 been elected) classified as Class AA service.

26 (3) Provided that an election to become a Class AA
27 member is made pursuant to section 5306.1 (relating to
28 election to become a Class AA member), a State employee,
29 other than a State employee who is a State police officer on
30 or after July 1, 1989, who on June 30, 2001, and July 1,

1 2001, is:

2 (i) a member of Class A, other than a member of
3 Class A who could have elected membership in a Class C,
4 Class D-3, Class E-1 or Class E-2; or

5 (ii) an inactive member on a leave without pay from
6 a position in which the State employee would be a Class A
7 active member if the employee was not on leave without
8 pay, other than a position in which the State employee
9 could elect membership in Class C, Class D-3, Class E-1
10 or Class E-2;

11 shall be classified as a Class AA member and receive
12 credit for Class AA State service performed after June 30,
13 2001, upon payment of regular member contributions for Class
14 AA service and, subject to the limitations contained in
15 paragraph (7) and section 5303(i), shall receive Class AA
16 service credit for all Class A State service, other than
17 State service performed as a State police officer or as a
18 State employee in a position for which the member could have
19 elected membership in Class C, Class D-3, Class E-1 or Class
20 E-2, performed before July 1, 2001.

21 (4) Provided that an election to become a Class AA
22 member is made pursuant to section 5306.1, a former State
23 employee, other than a former State employee who was a State
24 police officer on or after July 1, 1989, who on June 30,
25 2001, and July 1, 2001, is a multiple service member and a
26 school employee and a member of the Public School Employees'
27 Retirement System, subject to the limitations contained in
28 paragraph (7) and section 5303(i), shall receive Class AA
29 service credit for all Class A State service, other than
30 State service performed as a State police officer or as a

1 State employee in a position in which the former State
2 employee could have elected a class of service other than
3 Class A, performed before July 1, 2001.

4 (5) A former State employee who first becomes a member
5 before January 1, 2011, or before December 1, 2010, as a
6 member of the General Assembly, other than a former State
7 employee who was a State police officer on or after July 1,
8 1989, who is a school employee and who on or after July 1,
9 2001, becomes a multiple service member, subject to the
10 limitations contained in paragraph (7) and section 5303(i),
11 shall receive Class AA service credit for all Class A State
12 service other than State service performed as a State
13 employee in a position in which the former State employee
14 could have elected a class of service other than Class A.

15 (6) A State employee who after June 30, 2001, becomes a
16 State police officer or who is employed in a position in
17 which the member could elect membership in the system in a
18 class of service other than Class AA or Class D-4 shall
19 retain any Class AA service credited prior to becoming a
20 State police officer or being so employed but shall be
21 ineligible to receive Class AA credit thereafter and instead
22 shall receive Class A credit for service as a member of the
23 judiciary if the judicial service begins before January 1,
24 2018, and the State employee first becomes a member of the
25 system before January 1, 2018, or if he first became a member
26 before January 1, 2011, or December 1, 2010, as a member of
27 the General Assembly, or Class A-3 credit for service other
28 than as a member of the judiciary and other than service as a
29 Class A-5 exempt employee before January 1, 2018, and he
30 first became a member on or after January 1, 2011, or

1 December 1, 2010, as a member of the General Assembly, unless
2 a class of membership other than Class A is elected.

3 (7) (i) State service performed as Class A service
4 before July 1, 2001, and State service for which Class A
5 service could have been credited but was not credited
6 because membership in the system was optional or
7 prohibited pursuant to section 5301 shall be credited as
8 Class AA service only upon the completion of all acts
9 necessary for the State service to be credited as Class A
10 service had this subsection not been enacted and upon
11 payment of required Class AA member contributions as
12 provided in section 5504 (relating to member
13 contributions for the purchase of credit for previous
14 State service or to become a full coverage member).

15 (ii) A person who is not a State employee or a
16 school employee on June 30, 2001, and July 1, 2001, and
17 who has previous State service (except a disability
18 annuitant who returns to State service after June 30,
19 2001, upon termination of the disability annuity) shall
20 not receive Class AA service credit for State service
21 performed before July 1, 2001, until such person becomes
22 an active member, or an active member of the Public
23 School Employees' Retirement System and a multiple
24 service member, and earns three eligibility points by
25 performing credited State service in a class of service
26 other than Class A-5 or credited school service in a
27 class of service other than Class T-G after June 30,
28 2001.

29 (iii) Nothing in this paragraph shall be construed
30 to authorize a member of Class A-5 or a multiple service

1 member who is a member of Class T-G in the Public School
2 Employees' Retirement System to reinstate or purchase
3 credit for previously credited or uncredited State
4 service other than as allowed under section 5303(i).

5 (a.2) Class of membership for members of the General
6 Assembly.--

7 (1) A person who:

8 (i) becomes a member of the General Assembly and an
9 active member of the system after June 30, 2001, and
10 before December 1, 2010; or

11 (ii) is a member of the General Assembly on July 1,
12 2001, but is not an active member of the system because
13 membership in the system is optional pursuant to section
14 5301 and who becomes an active member after June 30,
15 2001, and before December 1, 2010;

16 and who was not a State police officer on or after July 1,
17 1989, shall be classified as a Class D-4 member and unless he
18 later becomes a member of Class A-5 receive credit as a Class
19 D-4 member for all State service as a member of the system
20 performed as a member of the General Assembly upon payment of
21 regular member contributions for Class D-4 service and,
22 subject to the limitations contained in subsection (a.1)(7)
23 and section 5303(i), if previously a member of Class A or
24 employed in a position for which Class A service could have
25 been earned, shall receive Class AA service credit for all
26 Class A State service, other than State service performed as
27 a State police officer or for which a class of service other
28 than Class A or Class D-4 was or could have been elected or
29 credited.

30 (2) Provided an election to become a Class D-4 member is

1 made pursuant to section 5306.2 (relating to elections by
2 members of the General Assembly), a State employee who was
3 not a State police officer on or after July 1, 1989, who on
4 July 1, 2001, is a member of the General Assembly and an
5 active member of the system and not a member of Class D-3
6 shall be classified as a Class D-4 member and, unless he
7 later becomes a member of Class A-5, receive credit as a
8 Class D-4 member for all State service performed as a member
9 of the General Assembly not credited as another class other
10 than Class A upon payment of regular member contributions for
11 Class D-4 service and, subject to the limitations contained
12 in paragraph (a.1)(7), shall receive Class AA service credit
13 for all Class A State service, other than State service
14 performed as a State police officer or as a State employee in
15 a position in which the member could have elected a class of
16 service other than Class A, performed before July 1, 2001.

17 (3) A member of the General Assembly who after June 30,
18 2001, becomes a State police officer shall retain any Class
19 AA service or Class D-4 service credited prior to becoming a
20 State police officer or being so employed but shall be
21 ineligible to receive Class AA or Class D-4 credit thereafter
22 and instead shall receive Class A credit or Class A-3 credit
23 if he first becomes a member of the system on or after
24 January 1, 2011, and before January 1, 2018, or Class A-5
25 credit if his most recent period of State service begins on
26 or after January 1, 2018.

27 (4) Notwithstanding the provisions of this subsection,
28 no service as a member of the General Assembly performed
29 before December 1, 2010, that is not credited as Class D-4
30 service on November 30, 2010, shall be credited as Class D-4

1 service, unless such service was previously credited in the
2 system as Class D-4 service and the member withdrew his total
3 accumulated deductions as provided in section 5311 (relating
4 to eligibility for refunds) or 5701 (relating to return of
5 total accumulated deductions). No service as a member of the
6 General Assembly performed on or after December 1, 2010,
7 shall be credited as Class D-4 service unless the member
8 previously was credited with Class D-4 service credits.

9 (a.3) Class A-4 membership.--Provided that an election to
10 become a Class A-4 member is made pursuant to section 5306.3
11 (relating to election to become a Class A-4 member), a State
12 employee who otherwise would be a member of Class A-3 shall be
13 classified as a Class A-4 member and receive Class A-4 credit
14 for all creditable State service performed after the effective
15 date of membership in the system, except as a member of the
16 judiciary, upon payment of regular member contributions and
17 shared-risk member contributions for Class A-4 service[.],
18 provided that the member does not terminate service and then, on
19 or after January 1, 2018, returns to the State service in a
20 position other than a Class A-5 exempt employee and elects to be
21 a member of Class A-5 under section 5306.4 (relating to election
22 to become a Class A-5 member and participant).

23 (a.4) Class A-5 membership.--

24 (1) A State employee who begins State service or becomes
25 a member of the system on or after January 1, 2018, other
26 than as a Class A-5 exempt employee, shall be classified as a
27 Class A-5 member without regard to position or office held or
28 class of service that the employee would have been a member
29 of or benefits that the member would have been eligible to
30 accrue and receive but for this subsection and shall receive

1 credit for Class A-5 service upon payment of regular member
2 contributions for Class A-5 service.

3 (2) The provisions of this part regarding the
4 establishment of and membership in Class A-5 shall apply to
5 all current and former members of the State Employees'
6 Retirement System who have returned to State service on or
7 after January 1, 2018, other than as a Class A-5 exempt
8 employee, after a termination of State service and who have
9 elected to be a member of Class A-5 under section 5306.4.

10 (3) A terminated State employee who is a member of Class
11 A-5 or who elects to be a member of Class A-5 under section
12 5306.4 who returns to State service on or after January 1,
13 2018, shall be subject to the provisions of this part
14 regarding membership in Class A-5 that are in effect on the
15 effective date of reemployment, including benefit formulas
16 and accrual rates, eligibility for annuities and
17 distributions, contribution rates, definitions, purchase of
18 creditable school, nonschool, State and nonstate service
19 provisions and actuarial and funding assumptions.

20 (4) An individual who is a State employee on January 1,
21 2018, but is not a member of the system or who first becomes
22 a State employee on or after January 1, 2018, other than as a
23 Class A-5 exempt employee, shall be ineligible for active
24 membership in any of the several classes of State service as
25 otherwise provided for under this section other than Class A-
26 5. Any such State employee, if eligible, may be a member of
27 Class A-5 as a result of such State service.

28 (5) Notwithstanding this subsection the following shall
29 apply:

30 (i) A current or former Class A-5 exempt employee

1 who has service as a Class A-5 exempt employee credited
2 as Class A service shall receive Class A service credit
3 for any State service that otherwise would be credited as
4 Class A-5 and shall not be eligible to be an active
5 participant in the plan for the service.

6 (ii) A current or former Class A-5 exempt employee
7 who has service as a Class A-5 exempt employee credited
8 as Class A-3 or Class A-4 service before January 1, 2018,
9 shall receive Class A-3 or Class A-4 service credit, as
10 the case may be, for any State service that otherwise
11 would be credited as Class A-5 and shall not be eligible
12 to be an active participant in the plan for the service.

13 (iii) A person who first becomes a Class A-5 exempt
14 employee on or after January 1, 2018, shall receive
15 credit for service as a State police officer as a member
16 of Class A-3, unless the member would otherwise be
17 eligible to receive Class A credit for service as a Class
18 A-5 exempt employee, upon payment of the required member
19 contributions and shall not be eligible to be an active
20 participant in the plan for such service. All other
21 creditable State service shall be credited as otherwise
22 provided under this part, including as Class A-5 service,
23 except that any State service performed concurrently with
24 service as an active or inactive member on leave without
25 pay as a Class A-5 exempt employee shall be credited as
26 Class A-3 service and shall not be eligible for active
27 participation in the plan. Class A-3 service provided for
28 under this subparagraph shall be subject to an election
29 to be credited as Class A-4 service.

30 (iv) Notwithstanding the provisions of a binding

1 arbitration award issued before July 1, 1989, under the
2 act of June 24, 1968 (P.L.237, No.111), referred to as
3 the Policemen and Firemen Collective Bargaining Act, and
4 implemented by the board, for a member who first becomes
5 an officer of the Pennsylvania State Police on or after
6 January 1, 2018, other service performed before or after
7 service as a officer of the Pennsylvania State Police
8 shall be credited in the class of service provided under
9 this part.

10 (b) Other class membership.--

11 (1) A State employee who is a member of a class of
12 service other than Class A on the effective date of this part
13 shall retain his membership in that class until such service
14 is discontinued; any service thereafter shall be credited as
15 Class A service, Class AA service, Class A-5 service or Class
16 D-4 service as provided for in this section.

17 (2) Notwithstanding any other provision of this section,
18 a State employee [who] whose first period of State service
19 began before January 1, 2018, is appointed [bail
20 commissioner] arraignment court magistrate of the
21 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
22 (relating to jurisdiction and venue) and is eligible to be a
23 member of the system as an arraignment court magistrate may,
24 within 30 days of the effective date of this sentence or
25 within 30 days of his initial appointment as a [bail
26 commissioner] arraignment court magistrate, whichever is
27 later, elect Class E-2 service credit for service performed
28 as [a bail commissioner] an arraignment court magistrate
29 until the termination of State service. This class of service
30 multiplier for E-2 service as a bail commissioner shall be

1 1.5.

2 * * *

3 Section 311. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
4 (d) of Title 71 are amended to read:

5 § 5306.1. Election to become a Class AA member.

6 * * *

7 (c) Effect of election.--An election to become a Class AA
8 member shall become effective the later of July 1, 2001, or the
9 date when the election is filed with the board and shall remain
10 in effect until the termination of employment. Upon termination
11 and a subsequent reemployment that occurs before January 1,
12 2018, the member's class of service shall be credited in the
13 class of service otherwise provided for in this part. If the
14 reemployment occurs on or after January 1, 2018, the State
15 employee's eligibility for membership and class of service in
16 the system or participation in the plan shall be as provided in
17 this part.

18 * * *

19 § 5306.2. Elections by members of the General Assembly.

20 * * *

21 (b) Effect of election.--Membership as a Class D-4 member
22 shall become effective on July 1, 2001, and shall remain in
23 effect until the termination of service as a member of the
24 General Assembly. Upon termination and a subsequent reemployment
25 that occurs before January 1, 2018, unless the reemployment is
26 as a Class A-5 exempt employee, the member's class of service
27 shall be credited in the class of service otherwise provided for
28 in this part. If the reemployment occurs on or after January 1,
29 2018, the State employee's eligibility for membership and class
30 of service in the system or participation in the plan shall be

1 as provided in this part.

2 * * *

3 § 5306.3. Election to become a Class A-4 member.

4 * * *

5 (c) Effect of election.--An election to become a Class A-4
6 member shall be irrevocable and shall become effective on the
7 effective date of membership in the system and shall remain in
8 effect for all future [creditable] State service creditable in
9 the system that otherwise is not credited as Class A-5 service,
10 other than service performed as a member of the judiciary[.],
11 but shall not apply to service performed after a termination of
12 State service and a reemployment when the reemployment occurs on
13 or after January 1, 2018, and the member elects to be a member
14 of Class A-5 under section 5306.4 (relating to election to
15 become a Class A-5 member and participant). Payment of regular
16 member contributions for Class A-4 State service performed prior
17 to the election of Class A-4 membership shall be made in a form,
18 manner and time determined by the board. Upon termination of
19 State service and a subsequent reemployment, a member who
20 elected Class A-4 membership shall be credited as a Class A-4
21 member for creditable State service performed after
22 reemployment, except as a member of the judiciary, regardless of
23 termination of employment, termination of membership by
24 withdrawal of accumulated deductions or status as an annuitant,
25 vestee or inactive member after the termination of service;
26 provided that the member does not elect to be a member of Class
27 A-5.

28 (d) Effect of failure to make election.--Failure to elect to
29 become a Class A-4 member within the election period set forth
30 in subsection (b) shall result in all of the member's State

1 service, other than service performed as a member of the
2 judiciary or that would otherwise be credited as Class A-5 after
3 a termination and return to State service, being credited as
4 Class A-3 service and not subject to further election or
5 crediting as Class A-4 service. Upon termination and subsequent
6 employment, a member who failed to elect to become a Class A-4
7 member shall not be eligible to make another election to become
8 a Class A-4 member for either past or future State service.

9 Section 312. Title 71 is amended by adding a section to
10 read:

11 § 5306.4. Election to become a Class A-5 member and
12 participant.

13 (a) General rule.--A person who returns to State service on
14 or after January 1, 2018, and becomes a member of a class of
15 service other than Class A-5 who has not previously declined to
16 elect Class A-5 membership under this section may elect to
17 become a member of Class A-5 and a participant in the plan.

18 (b) Time for making election.--The election to become a
19 Class A-5 member and participant must be made by the member
20 filing written notice with the board in a form and manner
21 determined by the board no later than 45 days after notice from
22 the board of the member's eligibility to elect Class A-5
23 membership and participation. A State employee who is eligible
24 to elect to become a Class A-5 member and participant who begins
25 USERRA leave during the election period without having elected
26 Class A-5 membership and participation may make the election
27 within 45 days after being reemployed from USERRA leave.

28 (c) Effect of election.--An election to become a Class A-5
29 member and participant shall be irrevocable and shall become
30 effective on the effective date of active membership in the

1 system resulting from the member's return to service. Payment of
2 regular member contributions and shared-risk member
3 contributions for Class A-5 State service performed prior to the
4 election of Class A-5 membership shall be made in a form, manner
5 and time determined by the board. Payment of employer defined
6 contributions and mandatory participant contributions to the
7 plan for State service performed prior to the election of
8 participation in the plan shall be as established in the plan
9 document. Upon termination and subsequent reemployment, a member
10 who elected Class A-5 membership and participation in the plan
11 shall be credited as a Class A-5 member and participant for
12 creditable State service performed after reemployment,
13 regardless of termination of employment or termination of
14 membership or participation by withdrawal of total accumulated
15 deductions, Class A-5 accumulated deductions or distribution of
16 all or part of accumulated total defined contributions or status
17 as an annuitant, vestee, inactive member, participant receiving
18 distributions or inactive participant after the termination of
19 service.

20 (d) Effect of failure to make election.--Failure to elect to
21 become a Class A-5 member and participant within the election
22 period set forth in subsection (b) shall result in all of the
23 member's State service being credited in the class of membership
24 otherwise provided for under this part and not subject to
25 further election or crediting as Class A-5 service or eligible
26 for participation in the plan. Upon termination and subsequent
27 employment, a member who failed to elect to become a Class A-5
28 member and participant shall not be eligible to make another
29 election to become a Class A-5 member or participant for either
30 past or future State service.

1 Section 313. Sections 5307, 5308, 5308.1, introductory
2 paragraph and (1), 5309, 5310, 5311 and 5501 of Title 71 are
3 amended to read:

4 § 5307. Eligibility points.

5 (a) General rule.--An active member of the system shall
6 accrue one eligibility point for each year of credited service
7 as a member of the [State or] system and if a multiple service
8 member as a member of the Public School Employees' Retirement
9 System. A member shall accrue an additional two-thirds of an
10 eligibility point for each year of Class D-3 credited service.
11 In the case of a fractional part of a year of credited service,
12 a member shall accrue the corresponding fractional portion of
13 eligibility points to which the class of service entitles him.

14 (a.1) USERRA leave.--A member of the system or participant
15 in the plan who is reemployed from USERRA leave or who dies
16 while performing USERRA leave shall be granted the eligibility
17 points that he would have accrued had he continued in his State
18 office or employment instead of performing USERRA leave. In the
19 event that a State employee who is reemployed from USERRA leave
20 makes the member contributions or mandatory pickup participant
21 contributions to be granted State service credit for the USERRA
22 leave, no additional eligibility points will be granted.

23 (b) Transitional rule.--

24 (1) In determining whether a member who is not a State
25 employee or school employee on June 30, 2001, and July 1,
26 2001, and who has previous State service (except a disability
27 annuitant who returns to State service after June 30, 2001,
28 upon termination of the disability annuity) has the five
29 eligibility points required by sections 5102 (relating to
30 definitions), 5308(b) (relating to eligibility for

1 annuities), 5309 (relating to eligibility for vesting),
2 5704(b) (relating to disability annuities) and 5705(a)
3 (relating to member's options), only eligibility points
4 earned by performing credited State service[,] or USERRA
5 leave in a class of service other than Class A-5, or credited
6 school service as an active member of the Public School
7 Employees' Retirement System in a class of service other than
8 Class T-G after June 30, 2001, shall be counted until such
9 member earns one such eligibility point by performing
10 credited State service or credited school service after June
11 30, 2001, at which time all eligibility points other than
12 eligibility points in classes of service other than Class A-5
13 or Class T-G as determined pursuant to subsection (a) shall
14 be counted.

15 (2) Any member to whom paragraph (1) applies shall be
16 considered to have satisfied any requirement for five
17 eligibility points contained in this part if the member:

18 (i) has ten or more eligibility points of the
19 applicable class of service as determined pursuant to
20 subsection (a); or

21 (ii) has Class G, Class H, Class I, Class J, Class
22 L, Class M or Class N service and has eight or more
23 eligibility points of a class of service other than Class
24 A-5 or Class T-G as determined pursuant to subsection

25 (a).

26 (c) Transitional rule for members with Class A-5 service
27 credit.--

28 (1) Any provision of this part pertaining to eligibility
29 points applicable to the eligibility for or calculation of
30 annuities or benefits attributable to classes of service

1 other than Class A-5 shall not include any eligibility points
2 attributable to service credited in Class A-5 or as a member
3 of Class T-G in the Public School Employees' Retirement
4 System.

5 (2) Any provision of this part pertaining to eligibility
6 points applicable to the eligibility for or calculation of
7 annuities or benefits attributable to service in Class A-5
8 shall include only eligibility points attributable to service
9 credited in Class A-5 or, if a multiple service member, as a
10 member of Class T-G in the Public School Employees'
11 Retirement System.

12 (3) Only eligibility points earned as a member of Class
13 A-5 or, if a multiple service member, as a member of Class T-
14 G in the Public School Employees' Retirement System, shall be
15 applicable to any provision in this part requiring
16 eligibility points for the determination or payment of
17 benefits from the plan.

18 § 5308. Eligibility for annuities.

19 (a) Superannuation annuity.--Attainment of superannuation
20 age by an active member or an inactive member on leave without
21 pay with three or more eligibility points other than eligibility
22 points resulting from nonstate service or nonschool service
23 shall entitle him to receive a superannuation annuity upon
24 termination of State service and compliance with section 5907(f)
25 (relating to rights and duties of State employees [and
26 members).], members and participants); provided that only
27 eligibility points earned in classes of service other than Class
28 A-5 or, if a multiple service member, in Class T-G shall be used
29 to determine if a member has the three eligibility points
30 necessary to be eligible to receive a superannuation annuity

1 attributable to classes of service other than Class A-5; and
2 further provided, that only eligibility points earned in Class
3 A-5 or, if a multiple service member, in Class T-G shall be used
4 to determine if a member has the three eligibility points
5 necessary to be eligible to receive a superannuation annuity
6 attributable to Class A-5 service.

7 (b) Withdrawal annuity.--

8 (1) Any vestee or any active member or inactive member
9 on leave without pay who terminates State service having five
10 or more eligibility points and who does not have Class A-3
11 [or], Class A-4 or Class A-5 service credit or Class T-E
12 [or], Class T-F or Class T-G service credit in the Public
13 School Employees' Retirement System, or who has Class G,
14 Class H, Class I, Class J, Class K, Class L, Class M or Class
15 N service and terminates State service having five or more
16 eligibility points, upon compliance with section 5907(f), (g)
17 or (h) shall be entitled to receive an annuity.

18 (2) Any vestee, active member or inactive member on
19 leave without pay who has Class A-3 or Class A-4 service
20 credit or, if a multiple service member, Class T-E or Class
21 T-F service credit in the Public School Employees' Retirement
22 System who terminates State service having ten or more
23 eligibility points in classes of service other than Class A-5
24 or Class T-G in the Public School Employees' Retirement
25 System, upon compliance with section 5907(f), (g) or (h),
26 shall be entitled to receive an annuity based on service and
27 compensation in classes of service other than Class A-5 or
28 Class T-G.

29 (3) Any vestee, active member or inactive member on
30 leave without pay who has either Class A-3 [or], Class A-4 or

1 Class A-5 service credit or, if a multiple service member,
2 Class T-E [or], Class T-F or Class T-G service credit in the
3 Public School Employees' Retirement System and also has
4 service credited in the system in one or more other classes
5 of service who has five or more, but fewer than ten,
6 eligibility points from classes of service other than Class
7 A-5 or Class T-G, upon compliance with section 5907(f), (g)
8 or (h), shall be eligible to receive an annuity calculated on
9 his service credited in classes of service other than Class
10 A-3 [or], Class A-4 or Class A-5, provided that the member
11 has five or more eligibility points resulting from service in
12 classes other than Class A-3 [or], Class A-4 or Class A-5 or
13 Class T-E [or], Class T-F or Class T-G service in the Public
14 School Employees' Retirement System.

15 (4) In addition to any withdrawal annuity payable under
16 paragraph (2) or (3), any vestee, active member or inactive
17 member on leave without pay who terminates State service
18 having ten or more eligibility points resulting from Class A-
19 5 service credit or, if a multiple service member, Class T-G
20 service credit in the Public School Employees' Retirement
21 System, upon compliance with section 5907 (f), (g) or (h)
22 shall be entitled to receive an annuity based on service and
23 compensation as a member of Class A-5 and Class T-G in
24 addition to any annuity the member is eligible to receive
25 from other classes of service.

26 (c) Disability annuity.--An active member or inactive member
27 on leave without pay who:

28 (1) has five or more eligibility points other than
29 eligibility points resulting from service as a member of
30 Class A-5 or membership in the Public School Employees'

1 Retirement System [or any active member or inactive member on
2 leave without pay who];

3 (2) is an officer of the Pennsylvania State Police or an
4 enforcement officer; or

5 (3) has five or more eligibility points resulting from
6 service as a member of Class A-5;

7 shall, upon compliance with section 5907(k), be entitled to a
8 disability annuity based on service and compensation in classes
9 other than Class A-5 if he is eligible for a disability annuity
10 on service other than as a member of Class A-5 and a disability
11 annuity based on service and compensation in Class A-5 if he is
12 eligible for a disability annuity based on service and
13 compensation as a member of Class A-5 if he becomes mentally or
14 physically incapable of continuing to perform the duties for
15 which he is employed and qualifies in accordance with the
16 provisions of section 5905(c)(1) (relating to duties of the
17 board regarding applications and elections of members).

18 (d) Required beginning date.--Members eligible for an
19 annuity must commence receiving the annuity by the member's
20 required beginning date.

21 § 5308.1. Eligibility for special early retirement.

22 Notwithstanding any provisions of this title to the contrary,
23 the following special early retirement provisions shall be
24 applicable to specified eligible members [as follows]:

25 (1) During the period of July 1, 1985, to September 30,
26 1991, an active member who has attained the age of at least
27 53 years and has accrued at least 30 eligibility points shall
28 be entitled, upon termination of State service and compliance
29 with section 5907(f) (relating to rights and duties of State
30 employees [and], members and participants), to receive a

1 maximum single life annuity calculated under section 5702
2 (relating to maximum single life annuity) without a reduction
3 by virtue of an effective date of retirement which is under
4 the superannuation age.

5 * * *

6 § 5309. Eligibility for vesting.

7 Any member who:

8 (1) Does not have Class A-3 [or], Class A-4 or Class A-5
9 service credit or if a multiple service member, Class T-E
10 [or], Class T-F or Class T-G service credit in the Public
11 School Employees' Retirement System and terminates State
12 service, or, if a multiple service member and an active
13 member of the Public School Employees' Retirement System
14 terminates school service, with five or more eligibility
15 points, or any member with Class G, Class H, Class I, Class
16 J, Class K, Class L, Class M or Class N service with five or
17 more eligibility points, shall be eligible until his required
18 beginning date to vest his retirement benefits.

19 (2) Has only Class A-3 [or] and, if a multiple service
20 member, only Class A-4 service credit or Class T-E or Class
21 T-F service credit in the Public School Employees' Retirement
22 System and terminates State service, or, if a multiple
23 service member and an active member of the Public School
24 Employees' Retirement System terminates school service, with
25 ten or more eligibility points shall be eligible until his
26 required beginning date to vest his retirement benefits.

27 (3) Has either Class A-3 [or] and, if a multiple service
28 member, Class A-4 service credit or Class T-E or Class T-F
29 service credit in the Public School Employees' Retirement
30 System, also has service other than Class A-5 credited in the

1 system in one or more other classes of service and has five
2 or more, but fewer than ten, eligibility points resulting
3 from service in classes other than Class A-5 or Class T-G and
4 terminates State service, or if a multiple service member and
5 an active member of the Public School Employees' Retirement
6 System terminates school service, shall be eligible until his
7 required beginning date to vest his retirement benefits
8 calculated on his service credited in classes of service
9 other than Class A-3 [or], Class A-4 or Class A-5 and to be
10 credited with statutory interest on total accumulated
11 deductions, regardless of whether or not any part of his
12 accumulated deductions are a result of Class A-3 or Class A-4
13 service credit.

14 (4) Has only Class A-5 service credit and, if a multiple
15 service member, only Class T-G service credit in the Public
16 School Employees' Retirement System and terminates State
17 service, or, if a multiple service member and an active
18 member of the Public School Employees' Retirement System,
19 terminates school service with ten or more eligibility points
20 shall be eligible until his required beginning date to vest
21 his retirement benefits resulting from Class A-5 service.

22 (5) Has Class A-5 service credit and service credited in
23 one or more other classes of service and terminates State
24 service, or if a multiple service member and an active member
25 of the Public School Employees' Retirement System terminates
26 school service, shall be eligible to vest his retirement
27 benefits based on Class A-5 service until the attainment of
28 the applicable superannuation age if he would be required or
29 eligible to vest his retirement benefits based on Class A-5
30 service under paragraph (4) disregarding all classes of

1 service other than Class A-5 and Class T-G and shall be
2 eligible to vest his retirement benefits in each other class
3 of service other than Class A-5 in accordance with the
4 requirements of each class of service until the attainment of
5 the applicable superannuation ages for each class of service
6 for which he would be able to vest his retirement benefits
7 under paragraph (1), (2) or (3), disregarding service in
8 Class A-5 and Class T-G.

9 § 5310. Eligibility for death benefits.

10 In the event of the death of a member who is eligible for an
11 annuity in accordance with section 5308(a) or (b) (relating to
12 eligibility for annuities), his beneficiary shall be entitled to
13 a death benefit. For purposes of this section, a member with ten
14 or more but less than 25 eligibility points resulting from Class
15 A-5 service credit or, if a multiple service member, Class T-G
16 service credit in the Public School Employees' Retirement System
17 shall be considered eligible for an annuity based on Class A-5
18 service even if under superannuation age.

19 § 5311. Eligibility for refunds.

20 (a) Total accumulated deductions.--Any active member,
21 regardless of eligibility for benefits, may elect to receive his
22 total accumulated deductions by his required beginning date upon
23 termination of service in lieu of any benefit from the system to
24 which he is entitled.

25 (b) Social security integration accumulated deductions.--Any
26 active member at any time after the attainment of normal
27 retirement age may elect to receive his social security
28 integration accumulated deductions and thereby to have all his
29 social security integration credits and benefits therefor
30 cancelled, and shall not be entitled to accrue any further

1 social security integration credits or benefits; except that a
2 disability annuitant who returns to State service in a class of
3 service other than Class A-5 shall have the right to reinstate
4 his social security integration accumulated deductions and
5 credits therefor.

6 § 5501. Regular member contributions for current service.

7 Regular member contributions shall be made to the fund on
8 behalf of each active member for current service except for any
9 period of current service in which the making of such
10 contributions has ceased solely by reason of section 5502.1
11 (relating to waiver of regular member contributions and Social
12 Security integration member contributions) or any provision of
13 this part relating to the limitations under IRC § 401(a)(17) or
14 415[.] or limitations on contributions to the system applicable
15 to a Class A-5 member who is making mandatory pickup participant
16 contributions to the trust.

17 Section 314. Section 5501.1(a) and (b)(1) and (7) of Title
18 71 are amended, subsection (b) is amended by adding an
19 introductory paragraph and the section is amended by adding a
20 subsection to read:

21 § 5501.1. Shared-risk member contributions for Class A-3 [and],
22 Class A-4 and Class A-5 service.

23 (a) General.--Shared-risk member contributions shall be made
24 to the fund on behalf of each member of Class A-3 [or],
25 Class A-4 or Class A-5 for current service credited as Class A-3 [or],
26 Class A-4 or Class A-5 as provided under this section, except
27 for any period of current service in which the making of the
28 contributions has ceased solely by reason of any provision of
29 this part relating to the limitations under IRC § 401(a)(17) or
30 415 or any provision of this part limiting contributions

1 applicable to a Class A-5 member. Shared-risk member
2 contributions shall be credited to the members' savings account.

3 (b) Determination of shared-risk contribution rate[.--] for
4 Class A-3 and Class A-4 service.--The shared-risk contribution
5 for Class A-3 and Class A-4 service shall be determined as
6 follows:

7 (1) For the period from the effective date of this
8 section until June 30, 2014, the shared-risk contribution
9 rate for Class A-3 and Class A-4 service shall be zero.

10 * * *

11 (7) For any fiscal year in which the actual
12 contributions by the Commonwealth or an employer are lower
13 than those required to be made under section 5507(d)
14 (relating to contributions to the system by the Commonwealth
15 and other employers), the prospective shared-risk
16 contribution rate for those employees whose employers are not
17 making the contributions required by section 5507(d) shall be
18 zero and shall not subsequently be increased, except as
19 otherwise provided in this section.

20 * * *

21 (c) Determination of shared-risk contribution rate for Class
22 A-5 service.--The shared risk contribution for Class A-5 service
23 shall be determined as follows:

24 (1) For the period from the effective date of this
25 section until June 30, 2020, the shared-risk contribution
26 rate for Class A-5 service shall be zero.

27 (2) For the period from July 1, 2020, to June 30, 2023,
28 if the annual interest rate adopted by the board for use
29 during the period from January 1, 2017, to December 31, 2019,
30 for the calculation of the normal contribution rate is more

1 than 1% greater than the actual rate of return, net of fees,
2 of the investments of the fund based on market value over the
3 period, the shared-risk contribution rate shall be 0.5%. In
4 all other situations, the shared-risk contribution rate shall
5 be zero.

6 (3) For each subsequent three-year period, the shared-
7 risk contribution rate shall be increased by 0.5% if the
8 annual interest rate adopted by the board for use during the
9 previous ten-year period for the calculation of the normal
10 contribution rate is more than 1% greater than the actual
11 rate of return, net of fees, of the investments of the fund
12 based on market value over the period. The shared-risk
13 contribution rate shall be decreased by 0.5% if the annual
14 interest rate adopted by the board for use during the
15 previous ten-year period for the calculation of the normal
16 contribution rate is equal to or less than the actual rate of
17 return, net of fees, of the investments of the fund based on
18 market value over that period.

19 (4) Notwithstanding paragraphs (2) and (3), the shared-
20 risk contribution rate may not be less than zero and may not
21 be more than the experience adjustment factor resulting from
22 investment gains or losses in effect on the first day when
23 the new rate would be applied, expressed as a percentage of
24 member compensation, provided that in no event may the
25 shared-risk contribution rate be more than 2%. For the
26 determination of the shared-risk contribution rate to be
27 effective July 1, 2023, the determination period shall be
28 January 1, 2017, through December 31, 2022. For the
29 determination of the shared-risk contribution rate to be
30 effective July 1, 2026, the determination period shall be

1 January 1, 2020, through December 31, 2025.

2 (5) The shared-risk contribution rate and the factors
3 entering into its calculation shall be certified by the
4 actuary as part of the annual valuations and the actuarial
5 investigation and evaluation of the system conducted every
6 five years under section 5902(j) (relating to administrative
7 duties of the board).

8 (6) In the event that the annual interest rate adopted
9 by the board for the calculation is changed during the period
10 used to determine the shared-risk contribution rate, the
11 board, with the advice of the actuary, shall determine the
12 applicable rate during the entire period, expressed as an
13 annual rate.

14 (7) For any fiscal year in which the actual
15 contributions by the Commonwealth or an employer are lower
16 than those required to be made under section 5507(d)
17 (relating to contributions to the system by the Commonwealth
18 and other employers), the prospective shared-risk
19 contribution rate for those employees whose employers are not
20 making the contributions required by section 5507(d) shall be
21 zero and shall not subsequently be increased, except as
22 otherwise provided in this section.

23 (8) If the actuary certifies that the accrued liability
24 contributions calculated in accordance with the actuarial
25 cost method provided in section 5508(b), as adjusted by the
26 experience adjustment factor, are zero or less, then the
27 shared-risk contribution rate for the next fiscal year shall
28 be zero and shall not subsequently be increased, except as
29 otherwise provided in this section.

30 Section 315. Sections 5502, 5503.1(a), 5504, 5505(b)(1),

1 (c), (d) and (i) (4) and 5506.1(a) of Title 71 are amended to
2 read:

3 § 5502. Social Security integration member contributions.

4 Except for any period of current service in which the making
5 of regular member contributions has ceased solely by reason of
6 section 5502.1 (relating to waiver of regular member
7 contributions and Social Security integration member
8 contributions) or any provision of this part relating to
9 limitations under IRC § 401(a) (17) or 415, contributions shall
10 be made on behalf of [a] an active member of any class other
11 than Class A-5 who prior to March 1, 1974, has elected Social
12 Security integration coverage. The amount of such contributions
13 shall be 6 1/4% of that portion of his compensation as an active
14 member in excess of the maximum wages taxable under the
15 provisions of the Social Security Act (49 Stat. 620, 42 U.S.C. §
16 301 et seq.), in addition to the regular member contributions
17 which, after such election, shall be determined on the basis of
18 the basic contribution rate of 5% and the additional member
19 contribution of 1 1/4%: Provided, That a member may elect to
20 discontinue Social Security integration coverage and shall
21 thereafter be ineligible to accrue any further Social Security
22 integration credits or any additional benefits on account of
23 Social Security integration membership.

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 § 5504. Member contributions for the purchase of credit for
9 previous State service or to become a full coverage
10 member.

11 (a) Amount of contributions for service in other than Class
12 G through N.--

13 (1) The contributions to be paid by an active member or
14 eligible school employee for credit [for] in the system for
15 the portion of total previous State service other than
16 service in Class G, Class H, Class I, Class J, Class K, Class
17 L, Class M and Class N that a member is eligible to have
18 credited or to become a full coverage member shall be
19 sufficient to provide an amount equal to the regular and
20 additional accumulated deductions which would have been
21 standing to the credit of the member for such service had
22 regular and additional member contributions been made with
23 full coverage in the class of service and at the rate of
24 contribution applicable during such period of previous
25 service and had his regular and additional accumulated
26 deductions been credited with statutory interest during all
27 periods of subsequent State service as an active member or
28 inactive member on leave without pay and school service as an
29 active member or inactive member of the Public School
30 Employees' Retirement System up to the date of purchase.

1 (2) Notwithstanding paragraph (1), active members [with]
2 who perform State service credited as Class A-3 [State]
3 service shall make contributions and receive credit as if the
4 previous State service was Class A-3 service, and active
5 members [with] who perform State service credited as Class A-
6 4 [State] service shall make contributions and receive credit
7 as if the previous State service was Class A-4 service, even
8 if it would have been credited as a different class of
9 service had the State employee been a member of the system at
10 the time the service was performed unless it was mandatory
11 that the State employee be an active member of the system and
12 the previous State service is being credited as the result of
13 a mandatory active membership requirement.

14 (a.1) Converted county service.--No contributions shall be
15 required to restore credit for previously credited State service
16 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
17 and Class N. Such service shall be restored upon the
18 commencement of payment of the contributions by an active member
19 of a class of service other than Class A-5 required to restore
20 credit in the system for all other previous State service other
21 than Class A-5 service.

22 (b) Certification and method of payment.--

23 (1) The amount payable shall be certified in each case
24 by the board in accordance with methods approved by the
25 actuary and shall be paid in a lump sum within 30 days or in
26 the case of an active member or eligible school employee who
27 is an active member of the Public School Employees'
28 Retirement System may be amortized with statutory interest
29 through salary deductions to the system in amounts agreed
30 upon by the member and the board. The salary deduction

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

12 (2) No payments for service or coverage shall be allowed
13 for which the required contributions would cause a violation
14 of the limitation related to contributions applicable to
15 governmental plans contained in IRC § 415. In the event that
16 any service credit or coverage based on such disallowed
17 contributions is granted after the effective date of this
18 paragraph, then such service credit shall be canceled and
19 benefits calculated without regard to such service or
20 contributions and any member contributions in excess of the
21 limitations and statutory interest credited on those
22 contributions shall be refunded to the member by the board.

23 § 5505. Contributions for the purchase of credit for creditable
24 nonstate service.

25 * * *

26 (b) Nonintervening military service.--

27 (1) (i) The amount due for the purchase of credit for
28 military service other than intervening military service
29 by a member who is eligible to make the purchase under
30 section 5304(a)(1) or (2) (relating to creditable

1 nonstate service) shall be determined by applying the
2 member's basic contribution rate, the additional
3 contribution rate plus the Commonwealth normal
4 contribution rate for active members at the time of
5 entry, subsequent to such military service, of the member
6 into State service to his average annual rate of
7 compensation, excluding compensation received for Class
8 A-5 service, over the first three years of such
9 subsequent State service and multiplying the result by
10 the number of years and fractional part of a year of
11 creditable nonintervening military service being
12 purchased together with statutory interest during all
13 periods of subsequent State service as an active member
14 or inactive member on leave without pay and school
15 service as an active member or inactive member of the
16 Public School Employees' Retirement System to date of
17 purchase.

18 (ii) The amount due for the purchase of credit for
19 military service other than intervening military service
20 by a member who is eligible to make the purchase under
21 section 5304(a)(3) shall be determined by applying the
22 member's basic contribution rate, plus the Commonwealth
23 normal contribution rate for active members at the time
24 of entry, subsequent to such military service, of the
25 member into Class A-5 State service to his average annual
26 rate of compensation received for Class A-5 service
27 subject to any limit each year by the application of the
28 Class A-5 annual compensation limit, over the first three
29 years of such subsequent Class A-5 State service and
30 multiplying the result by the number of years and

1 fractional part of a year of creditable nonintervening
2 military service being purchased, together with statutory
3 interest during all periods of subsequent State service
4 as an active member or inactive member on leave without
5 pay and school service as an active member or inactive
6 member of the Public School Employees' Retirement System
7 to date of purchase.

8 (iii) Upon application for credit for such service,
9 payment shall be made in a lump sum within 30 days or in
10 the case of an active member or eligible school employee
11 who is an active member of the Public School Employees'
12 Retirement System it may be amortized with statutory
13 interest through salary deductions in amounts agreed upon
14 by the member and the board. The salary deduction
15 amortization plans agreed to by members and the board may
16 include a deferral of payment amounts and statutory
17 interest until the termination of school service or State
18 service as the board in its sole discretion decides to
19 allow. The board may limit salary deduction amortization
20 plans to such terms as the board in its sole discretion
21 determines. In the case of an eligible school employee
22 who is an active member of the Public School Employees'
23 Retirement System, the agreed upon salary deductions
24 shall be remitted to the Public School Employees'
25 Retirement Board, which shall certify and transfer to the
26 board the amounts paid. Application may be filed for all
27 such military service credit upon completion of three
28 years of subsequent State service and shall be credited
29 as Class A service.

30 * * *

1 (c) Intervening military service.--Contributions on account
2 of credit for intervening military service shall be determined
3 by the member's regular contribution rate, shared-risk
4 contribution rate, Social Security integration contribution
5 rate, the additional contribution rate which shall be applied
6 only to those members who began service on or after the
7 effective date of this amendatory act 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 State service as an active member or inactive member
11 on leave without pay and school service as an active member or
12 inactive member of the Public School Employees' Retirement
13 System to date of purchase. Upon application for such credit the
14 amount due shall be certified in the case of each member by the
15 board in accordance with methods approved by the actuary, and
16 contributions may be made by:

17 (1) regular monthly payments during active military
18 service; or

19 (2) a lump sum payment within 30 days of certification;
20 or

21 (3) salary deductions to the system in amounts agreed
22 upon by the member or eligible school employee who is an
23 active member of the Public School Employees' Retirement
24 System and the board.

25 The salary deduction amortization plans agreed to by members and
26 the board may include a deferral of payment amounts and
27 statutory interest until the termination of school service or
28 State service as the board in its sole discretion decides to
29 allow. The board may limit salary deduction amortization plans
30 to such terms as the board in its sole discretion determines. In

1 the case of an eligible school employee who is an active member
2 of the Public School Employees' Retirement System, the agreed
3 upon salary deductions shall be remitted to the Public School
4 Employees' Retirement Board, which shall certify and transfer to
5 the board the amounts paid.

6 (d) Nonmilitary and nonmagisterial service.--Contributions
7 on account of credit for creditable nonstate service other than
8 military and magisterial service by State employees who first
9 become members of the system before January 1, 2011, or before
10 December 1, 2010, as a member of the General Assembly shall be
11 determined by applying the member's basic contribution rate, the
12 additional contribution rate plus the Commonwealth normal
13 contribution rate for active members at the time of entry
14 subsequent to such creditable nonstate service of the member
15 into State service to his compensation at the time of entry into
16 State service as a member of the system and multiplying the
17 result by the number of years and fractional part of a year of
18 creditable nonstate service being purchased together with
19 statutory interest during all periods of subsequent State
20 service as an active member or inactive member on leave without
21 pay and school service as an active member or inactive member of
22 the Public School Employees' Retirement System to the date of
23 purchase. Upon application for credit for such service payment
24 shall be made in a lump sum within 30 days or in the case of an
25 active member or eligible school employee who is an active
26 member of the Public School Employees' Retirement System it may
27 be amortized with statutory interest through salary deductions
28 to the system in amounts agreed upon by the member and the
29 board. The salary deduction amortization plans agreed to by
30 members and the board may include a deferral of payment amounts

1 and statutory interest until the termination of school service
2 or 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 deduction shall be remitted to the Public School
8 Employees' Retirement Board, which shall certify and transfer to
9 the board the amounts paid.

10 * * *

11 (i) Purchases of nonstate service credit by State employees
12 who first became members of the system on or after December 1,
13 2010.--

14 * * *

15 (4) The payment for credit purchased under this
16 subsection shall be certified in each case by the board in
17 accordance with methods approved by the actuary and shall be
18 paid in a lump sum within 30 days or in the case of an active
19 member or eligible school employee who is an active member of
20 the Public School Employees' Retirement System may be
21 amortized with statutory interest through salary deductions
22 to the system in amounts agreed upon by the member and the
23 board. The salary deduction amortization plans agreed to by
24 members and the board may include a deferral of payment
25 amounts and interest until the termination of school service
26 or State service as the board in its sole discretion decides
27 to allow. The board may limit the salary deduction
28 amortization plans to such terms as the board in its sole
29 discretion determines. In the case of an eligible school
30 employee who is an active member of the Public School

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

5 * * *

6 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

27 * * *

28 Section 316. Title 71 is amended by adding a section to
29 read:

30 § 5506.2. Application of Class A-5 annual compensation limit.

1 (a) General rule.--The Class A-5 annual compensation limit
2 shall be applied to the total compensation received each
3 calendar year for service as a member of Class A-5 and, if a
4 multiple service member, for service in Class T-G in the Public
5 School Employees' Retirement System.

6 (b) Adjustment required.--For purposes of calculating final
7 average salary for the determination of standard single life
8 annuities and other benefits resulting from Class A-5 service,
9 compensation received each calendar year for Class A-5 service
10 and, if a multiple service member, as a school employee for
11 service as a Class T-G member of the Public School Employees'
12 Retirement System shall be adjusted by first limiting the
13 compensation to the Class A-5 annual compensation limit for that
14 year. The limited Class A-5 service compensation shall then be
15 annualized for any part-time service on the basis of the
16 fractional portion of the year for which credit is received.

17 Section 317. Section 5507 heading, (a), (b), (d) and (e) of
18 Title 71 are amended and the section is amended by adding a
19 subsection to read:

20 § 5507. Contributions to the system by the Commonwealth and
21 other employers.

22 (a) Contributions on behalf of active members.--The
23 Commonwealth and other employers whose employees are members of
24 the system or participants in the plan shall make contributions
25 to the fund on behalf of all active members in such amounts as
26 shall be certified by the board as necessary to provide,
27 together with the members' total accumulated deductions and
28 Class A-5 accumulated deductions, annuity reserves on account of
29 prospective annuities other than those provided in sections 5708
30 (relating to supplemental annuities), 5708.1 (relating to

1 additional supplemental annuities), 5708.2 (relating to further
2 additional supplemental annuities), 5708.3 (relating to
3 supplemental annuities commencing 1994), 5708.4 (relating to
4 special supplemental postretirement adjustment), 5708.5
5 (relating to supplemental annuities commencing 1998), 5708.6
6 (relating to supplemental annuities commencing 2002), 5708.7
7 (relating to supplemental annuities commencing 2003) and 5708.8
8 (relating to special supplemental postretirement adjustment of
9 2002), in accordance with the actuarial cost method provided in
10 section 5508(a), (b), (c), (d) and (f) (relating to actuarial
11 cost method).

12 (b) Contributions on behalf of annuitants.--The Commonwealth
13 and other employers whose employees are members of the system or
14 participants in the plan shall make contributions on behalf of
15 annuitants in such amounts as shall be certified by the board as
16 necessary to fund the liabilities for supplemental annuities in
17 accordance with the actuarial cost method provided in section
18 5508(e) [(relating to actuarial cost method)].

19 (b.1) Payment of employer contributions to the system.--

20 (1) Payment of employer normal contributions shall be as
21 a percentage of:

22 (i) the compensation of active members in classes of
23 service other than Class A-5; and

24 (ii) the compensation of active members of Class A-5
25 who have 25 or fewer eligibility points resulting from
26 Class A-5 service or, if a multiple service member, Class
27 T-G service up to each employee's Class A-5 annual
28 compensation limit.

29 (2) Payment of accrued liability contributions as
30 modified by the experience adjustment factor shall be as a

1 percentage of compensation of active members and active
2 participants.

3 * * *

4 (d) Payment of final contribution rate.--Notwithstanding the
5 calculation of the actuarially required contribution rate and
6 the provisions of subsections (a) and (b), the Commonwealth and
7 other employers whose employees are members of the system or
8 participants in the plan shall make contributions to the fund on
9 behalf of all active members and annuitants in such amounts as
10 shall be certified by the board in accordance with section
11 5508(i).

12 (e) Benefits completion plan contributions.--In addition to
13 all other contributions required under this section and section
14 5508, the Commonwealth and other employers whose employees are
15 members of the system shall make contributions as certified by
16 the board pursuant to section 5941 (relating to benefits
17 completion plan). Payment of contributions under this subsection
18 shall be as a percentage of the compensation of active members
19 in classes of service other than Class A-5 and the compensation
20 of active members of Class A-5 who have 25 or fewer eligibility
21 points resulting from Class A-5 service or, if a multiple
22 service member, Class T-G up to each employee's Class A-5 annual
23 compensation limit.

24 * * *

25 Section 318. Section 5508(a), (b), (c)(1) and (3), (e)(2),
26 (f) and (h) of Title 71 are amended and subsection (c) is
27 amended by adding a paragraph to read:

28 § 5508. Actuarial cost method.

29 (a) Employer contribution rate on behalf of active
30 members.--The amount of the Commonwealth and other employer

1 contributions on behalf of all active members shall be computed
2 by the actuary as a percentage of the total compensation of all
3 active members and participants, subject to the limitations in
4 section 5507(b.1) (relating to contributions to the system by
5 the Commonwealth and other employees), during the period for
6 which the amount is determined and shall be so certified by the
7 board. The actuarially required contribution rate on behalf of
8 all active members shall consist of the employer normal
9 contribution rate, as defined in subsection (b), and the accrued
10 liability contribution rate as defined in subsection (c). The
11 actuarially required contribution rate on behalf of all active
12 members shall be modified by the experience adjustment factor as
13 calculated in subsection (f).

14 (b) Employer normal contribution rate.--The employer normal
15 contribution rate shall be determined after each actuarial
16 valuation on the basis of an annual interest rate and such
17 mortality and other tables as shall be adopted by the board in
18 accordance with generally accepted actuarial principles. The
19 employer normal contribution rate shall be determined as a level
20 percentage of the compensation of the average new active member
21 on which employer normal contributions are made under section
22 5507(b.1), which percentage, if contributed on the basis of his
23 prospective compensation on which employer normal contributions
24 are made under section 5507(b.1) through his entire period of
25 active State service, would be sufficient to fund the liability
26 for any prospective benefit payable to him in excess of that
27 portion funded by his prospective member contributions,
28 excluding shared-risk member contributions. In no case shall the
29 employer normal contribution rate be less than zero.

30 (c) Accrued liability contribution rate.--

1 (1) For the fiscal years beginning July 1, 2002, and
2 July 1, 2003, the accrued liability contribution rate shall
3 be computed as the rate of total compensation of all active
4 members which shall be certified by the actuary as sufficient
5 to fund over a period of ten years from July 1, 2002, the
6 present value of the liabilities for all prospective
7 benefits, except for the supplemental benefits as provided in
8 sections 5708 (relating to supplemental annuities), 5708.1
9 (relating to additional supplemental annuities), 5708.2
10 (relating to further additional supplemental annuities),
11 5708.3 (relating to supplemental annuities commencing 1994),
12 5708.4 (relating to special supplemental postretirement
13 adjustment), 5708.5 (relating to supplemental annuities
14 commencing 1998), 5708.6 (relating to supplemental annuities
15 commencing 2002), 5708.7 (relating to supplemental annuities
16 commencing 2003) and 5708.8 (relating to special supplemental
17 postretirement adjustment of 2002), in excess of the total
18 assets in the fund (calculated recognizing all investment
19 gains and losses over a five-year period), excluding the
20 balance in the supplemental annuity account, and the present
21 value of employer normal contributions and of member
22 contributions payable with respect to all active members on
23 December 31, 2001, and excluding contributions to be
24 transferred by county retirement systems or pension plans
25 pursuant to section 5507(c) (relating to contributions to the
26 system by the Commonwealth and other employers). The amount
27 of each annual accrued liability contribution shall be equal
28 to the amount of such contribution for the fiscal year
29 beginning July 1, 2002, except that, if the accrued liability
30 is increased by legislation enacted subsequent to June 30,

1 2002, but before July 1, 2003, such additional liability
2 shall be funded over a period of ten years from the first day
3 of July, coincident with or next following the effective date
4 of the increase. The amount of each annual accrued liability
5 contribution for such additional legislative liabilities
6 shall be equal to the amount of such contribution for the
7 first annual payment.

8 * * *

9 (3) For the fiscal year beginning July 1, 2010, the
10 accrued liability contribution rate shall be computed as the
11 rate of total compensation of all active members which shall
12 be certified by the actuary as sufficient to fund in equal
13 dollar installments over a period of 30 years from July 1,
14 2010, the present value of the liabilities for all
15 prospective benefits calculated as of the immediately prior
16 valuation date, including the supplemental benefits as
17 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
18 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
19 payable from the retirement benefit plan established pursuant
20 to section 5941 (relating to benefits completion plan), in
21 excess of the actuarially calculated assets in the fund
22 (calculated recognizing all realized and unrealized
23 investment gains and losses each year in level annual
24 installments over five years), including the balance in the
25 supplemental annuity account, and the present value of
26 employer normal contributions and of member contributions
27 payable with respect to all active members, inactive members
28 on leave without pay, vestees and special vestees on December
29 31, 2009. If the accrued liability is changed by legislation
30 enacted subsequent to December 31, 2009, and before January

1 1, 2017, such change in liability shall be funded in equal
2 dollar installments over a period of ten years from the first
3 day of July following the valuation date coincident with or
4 next following the date such legislation is enacted.

5 (4) For fiscal years beginning on or after July 1, 2017,
6 the accrued liability contribution rate shall be computed as
7 provided for under paragraph (3), except that the rate shall
8 be computed as a rate of total compensation of all active
9 members and active participants. In addition to any employer
10 defined contributions made to the trust, the Commonwealth and
11 other employers of participants shall make the accrued
12 liability contributions to the fund certified by the board.
13 If the accrued liability is changed by legislation enacted
14 subsequent to December 31, 2016, the change in liability
15 shall be funded in equal dollar installments as a percentage
16 of compensation of all active members and active participants
17 over a period of ten years from the first day of July
18 following the valuation date coincident with or next
19 following the date such legislation is enacted. The accrued
20 liability contribution rate shall be determined after each
21 actuarial valuation on the basis of an annual interest rate
22 and the mortality and other tables adopted by the board in
23 accordance with generally accepted actuarial principles.

24 * * *

25 (e) Supplemental annuity contribution rate.--

26 * * *

27 (2) For fiscal years beginning on or after July 1, 2010,
28 contributions from the Commonwealth and other employers whose
29 employees are members of the system required to provide for
30 the payment of supplemental annuities as provided in sections

1 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
2 and 5708.8 shall be paid as part of the accrued liability
3 contribution rate as provided for in subsection (c)(3), and
4 there shall not be a separate supplemental annuity
5 contribution rate attributable to those supplemental
6 annuities. In the event that supplemental annuities are
7 increased by legislation enacted subsequent to December 31,
8 2009, the additional liability for the increase in benefits
9 shall be funded in equal dollar installments as a percentage
10 of compensation of all active members and active participants
11 over a period of ten years from the first day of July
12 following the valuation date coincident with or next
13 following the date such legislation is enacted.

14 (f) Experience adjustment factor.--

15 (1) For each year after the establishment of the accrued
16 liability contribution rate and the supplemental annuity
17 contribution rate for the fiscal year beginning July 1, 2010,
18 any increase or decrease in the unfunded accrued liability
19 and any increase or decrease in the liabilities and funding
20 for supplemental annuities, due to actual experience
21 differing from assumed experience (recognizing all realized
22 and unrealized investment gains and losses over a five-year
23 period), changes in contributions caused by the final
24 contribution rate being different from the actuarially
25 required contribution rate, State employees making shared-
26 risk member contributions, changes in actuarial assumptions
27 or changes in the terms and conditions of the benefits
28 provided by the system by judicial, administrative or other
29 processes other than legislation, including, but not limited
30 to, reinterpretation of the provisions of this part, shall be

1 amortized in equal dollar annual contributions as a
2 percentage of compensation of all active members and active
3 participants over a period of 30 years beginning with the
4 July 1 succeeding the actuarial valuation determining said
5 increases or decreases.

6 (2) The actuarially required contribution rate shall be
7 the sum of the normal contribution rate, the accrued
8 liability contribution rate and the supplemental annuity
9 contribution rate, modified by the experience adjustment
10 factor as calculated in paragraph (1).

11 * * *

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

30 * * *

1 Section 319. Sections 5509, 5701 and 5701.1 of Title 71 are
2 amended to read:

3 § 5509. Appropriations and assessments by the Commonwealth.

4 (a) Annual submission of budget.--The board shall prepare
5 and submit annually an itemized budget consisting of the amounts
6 necessary to be appropriated by the Commonwealth out of the
7 General Fund and special operating funds and the amounts to be
8 assessed the other employers required to meet the separate
9 obligations to the fund and the trust accruing during the fiscal
10 period beginning the first day of July of the following year.

11 (b) Appropriation and payment.--The General Assembly shall
12 make an appropriation sufficient to provide for the separate
13 obligations of the Commonwealth to the fund and the trust. Such
14 amount shall be paid by the State Treasurer through the
15 Department of Revenue into the fund or trust, as the case may
16 be, in accordance with requisitions presented by the board. The
17 contributions to the system by the Commonwealth on behalf of
18 active members who are officers of the Pennsylvania State Police
19 shall be charged to the General Fund and to the Motor License
20 Fund in the same ratios as used to apportion the appropriations
21 for salaries of members of the Pennsylvania State Police. The
22 contributions to the system by the Commonwealth on behalf of
23 active members who are enforcement officers and investigators of
24 the Pennsylvania Liquor Control Board shall be charged to the
25 General Fund and to the State Stores Fund.

26 (c) Contributions from funds other than General Fund.--The
27 amounts assessed other employers who are required to make the
28 necessary separate contributions to the fund and the trust out
29 of funds other than the General Fund shall be paid by such
30 employers into the fund or trust, as the case may be, in

1 accordance with requisitions presented by the board. The General
2 Fund of the Commonwealth shall not be held liable to appropriate
3 the moneys required to build up the reserves in the fund
4 necessary for the payment of benefits from the system to
5 employees or to make the employer defined contributions for
6 employees of such other employers. In case any such other
7 employer shall fail to provide to the fund the moneys necessary
8 for such purpose, then the service of such members of the system
9 for such period for which money is not so provided shall be
10 credited and pickup contributions with respect to such members
11 shall continue to be credited to the members' savings account.
12 The annuity to which such member is entitled shall be determined
13 as actuarially equivalent to the present value of the maximum
14 single life annuity of each such member reduced by the amount of
15 employer contributions to the system payable on account and
16 attributable to his compensation during such service, except
17 that no reduction shall be made as a result of the failure of an
18 employer to make contributions required for a period of USERRA
19 leave.

20 § 5701. Return of total accumulated deductions.

21 Any member upon termination of service may, in lieu of all
22 benefits payable from the system under this chapter to which he
23 may be entitled, elect to receive his total accumulated
24 deductions by his required beginning date.

25 § 5701.1. Transfer of accumulated deductions.

26 When an employee of the Juvenile Court Judges' Commission
27 elects membership in an independent retirement program pursuant
28 to section 5301(f) (relating to mandatory and optional
29 membership in the system and participation in the plan), the
30 board shall transfer directly to the trustee or administrator of

1 the independent retirement program all accumulated deductions
2 resulting from service credited while an employee of the
3 Juvenile Court Judges' Commission.

4 Section 320. Sections 5702(a), (a.1), (b) and (c) and
5 5704(a), (c), (e) and (f) of Title 71 are amended and the
6 sections are amended by adding subsections to read:

7 § 5702. Maximum single life annuity.

8 (a) General rule.--Any full coverage member who is eligible
9 to receive an annuity pursuant to the provisions of section
10 5308(a) or (b) (relating to eligibility for annuities) who
11 terminates State service, or if a multiple service member who is
12 a school employee who is an active member of the Public School
13 Employees' Retirement System who terminates school service,
14 before attaining age 70 shall be entitled to receive a maximum
15 single life annuity attributable to his credited service and
16 equal to the sum of the following single life annuities
17 beginning at the effective date of retirement:

18 (1) A single life annuity that is the sum of the
19 standard single life [annuity multiplied by the sum of the
20 products,] annuities determined separately for each class of
21 service[, obtained by multiplying] multiplied by the
22 appropriate class of service multiplier [by the ratio of
23 years of service credited in that class to the total credited
24 service] applicable to each standard single life annuity. In
25 case the member on the effective date of retirement is under
26 superannuation age for any service, a reduction factor
27 calculated to provide benefits actuarially equivalent to an
28 annuity starting at superannuation age shall be applied to
29 the product determined for that service. The class of service
30 multiplier for any period of concurrent service shall be

1 multiplied by the proportion of total State and school
2 compensation during such period attributable to State service
3 as a member of the system. In the event a member has two
4 multipliers for one class of service [the class of service
5 multiplier to be used for calculating benefits for that class
6 shall be the average of the two multipliers weighted by the
7 proportion of compensation attributable to each multiplier
8 during the three years of highest annual compensation in that
9 class of service: Provided, That in the case of a member of
10 Class E-1, a portion but not all of whose three years of
11 highest annual judicial compensation is prior to January 1,
12 1973, two class of service multipliers shall be calculated on
13 the basis of his entire judicial service, the one applying
14 the judicial class of service multipliers effective prior to
15 January 1, 1973 and the second applying the class of service
16 multipliers effective subsequent to January 1, 1973. The
17 average class of service multiplier to be used for
18 calculating benefits for his judicial service shall be the
19 average of the two calculated multipliers weighted by the
20 proportion of compensation attributable to each of the
21 calculated multipliers during the three years of highest
22 annual compensation in that class of service.], separate
23 standard single life annuities shall be calculated for the
24 portion of service in such class applicable to each class of
25 service multiplier.

26 (2) If eligible, a single life annuity of 2% of his
27 average noncovered salary for each year of social security
28 integration credit as provided for in section 5305 (relating
29 to social security integration credits) multiplied, if on the
30 effective date of retirement the member is under

1 superannuation age for any service, by the actuarially
2 determined reduction factor for that service.

3 (3) If eligible, a single life annuity which is
4 actuarially equivalent to the regular and additional
5 accumulated deductions attributable to contributions as a
6 member of Class C, but not less than such annuity determined
7 as if the member were age 60 on the effective date of
8 retirement, actuarially reduced in the event the member is
9 under superannuation age on the effective date of retirement.

10 (4) If eligible, a single life annuity which is
11 actuarially equivalent to the amount by which his regular and
12 additional accumulated deductions attributable to any
13 credited service other than as a member of Class A-3, Class
14 A-4, Class A-5 and Class C are greater than one-half of the
15 actuarially equivalent value on the effective date of
16 retirement of the annuity as provided in paragraph (1)
17 attributable to service other than Class A-3, Class A-4,
18 Class A-5 and Class C for which regular or joint coverage
19 member contributions were made. [This paragraph shall not
20 apply to any member with State service credited as Class A-3
21 or Class A-4.]

22 (5) If eligible, a single life annuity which is
23 actuarially equivalent to the amount by which his social
24 security integration accumulated deductions are greater than
25 one-half of the actuarially equivalent value on the effective
26 date of retirement of the annuity provided for under
27 paragraph (2).

28 (6) If eligible, a single life annuity sufficient
29 together with the annuity provided for in paragraph (1) as a
30 Class A, Class AA, Class A-3 and Class A-4 member and the

1 highest annuity provided for in paragraph (2) to which he is
 2 entitled, or at his option could have been entitled, to
 3 produce that percentage of [a] the sums of the standard
 4 single life [annuity] annuities adjusted by the application
 5 of the class of service multiplier for Class A, Class AA,
 6 Class A-3 or Class A-4 as set forth in paragraph (1) in the
 7 case where any service is credited as a member of Class A,
 8 Class AA, Class A-3 or Class A-4 on the effective date of
 9 retirement as determined by his total years of credited
 10 service as a member of Class A, Class AA, Class A-3 and Class
 11 A-4 and by the following table:

12 Total Years of 13 Credited Service 14 as a Member of 15 Class A, 16 Class AA, Class A-3 17 and Class A-4	Percentage of <u>Sums of</u> Standard Single Life [Annuity] <u>Annunities</u> Adjusted for Class A, Class AA, Class A-3 and Class A-4 Class of Service Multipliers
20 35-40	100%
21 41	102%
22 42	104%
23 43	106%
24 44	108%
25 45 or more	110%

26 (a.1) Rule for terminations after attaining age 70.--

27 (1) Any full coverage member who is eligible to receive
 28 an annuity pursuant to the provisions of section 5308(a) who
 29 terminates State service, or if a multiple service member who
 30 is a school employee and an active member of the Public

1 School Employees' Retirement System who terminates school
2 service, on or after attaining age 70 and who applies for a
3 superannuation annuity to be effective the day after the
4 termination of State service or school service, as the case
5 may be, shall be entitled to receive a maximum single life
6 annuity as of a determination date that is equal to the
7 greater of subparagraph (i) or (ii), plus any annuity he may
8 be eligible to receive attributable to Class A-5 service
9 credit:

10 (i) the sum of the annuities provided in subsection
11 (a)(1) through (6) calculated without including any
12 annuity attributable to Class A-5 service credit as of
13 the determination date; and

14 (ii) the greater of clause (A) or (B):

15 (A) the sum of the annuities provided in
16 subsection (a)(1), (3), (4) and (6) as of the
17 preceding determination date without including any
18 annuity attributable to Class A-5 service credit
19 adjusted by the actuarial increase factor, plus the
20 annuities provided in subsection (a)(2) and (5) as of
21 the determination date; and

22 (B) the maximum single life annuity calculated
23 without including any annuity attributable to Class
24 A-5 service credit as of the preceding determination
25 date adjusted by the actuarial increase factor.

26 The maximum single life annuity calculated without
27 including any annuity attributable to Class A-5 service
28 credit shall be calculated for each determination date.

29 (2) For purposes of this subsection, the determination
30 date shall be:

1 (i) the member's birthday, provided that as of such
2 date the member qualifies for a maximum single life
3 annuity under this subsection, determined excluding
4 eligibility for any annuity attributable to Class A-5
5 service credit; or

6 (ii) if the member's maximum single life annuity is
7 being determined as of the member's effective date of
8 retirement, then the determination date shall be the
9 member's effective date of retirement.

10 (3) In the event an active member, an inactive member on
11 leave without pay or a multiple service member who is a
12 school employee and an active member of the Public School
13 Employees' Retirement System has attained age 70 before the
14 effective date of this subsection, or enters State service or
15 school service, as the case may be, after attaining age 70,
16 then section 5305.1 (relating to eligibility for actuarial
17 increase factor) and subsections (a) and (a.1) shall be
18 effective prospectively with respect to such member at the
19 member's next birthday after the effective date of this
20 subsection, entry into State service, or school service.
21 Nothing in this subsection shall be construed to provide an
22 actuarial increase factor for any period of service prior to the
23 effective date of this subsection.

24 (b) Present value of annuity.--The present value of the
25 maximum single life annuity as calculated in accordance with
26 subsection (a) of this section shall be determined by
27 multiplying the maximum single life annuity by the cost of a
28 dollar annuity on the effective date of retirement, which shall
29 take into account any delay in the receipt of the portion of the
30 annuity based on Class A-5 if the effective date of retirement

1 is under the superannuation age applicable to Class A-5 service.
2 Such present value shall be decreased only as required under the
3 provisions of section 5506 (relating to incomplete payments),
4 5509(c) (relating to appropriations and assessments by the
5 Commonwealth) or 5703 (relating to reduction of annuities on
6 account of social security old-age insurance benefits).

7 (c) Limitation on amount of annuity.--The annuity paid to a
8 member under subsection (a) attributable to any credited service
9 other than as a member of Class A-5 and reduced in accordance
10 with the option elected under section 5705 (relating to member's
11 options) shall not exceed the highest compensation received for
12 any credited service other than service credited as Class A-5
13 during any period of twelve consecutive months of credited
14 service. No limit on the total annuity paid to a member with
15 Class D-3 service shall be applied in the case of a member who
16 served as a constitutional officer of the General Assembly.

17 * * *

18 (e) 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 § 5704. Disability annuities.

24 (a) Amount of annuity.--A member who has made application
25 for a disability annuity and has been found to be eligible in
26 accordance with the provisions of section 5905(c)(1) (relating
27 to duties of the board regarding applications and elections of
28 members) shall receive a disability annuity payable from the
29 effective date of disability as determined by the board and
30 continued until a subsequent determination by the board that the

1 annuitant is no longer entitled to a disability annuity. [The]
2 If the sum of the products of the number of years and fractional
3 part of a year of credited service in each class and the
4 appropriate class of service multiplier is greater than 16.667,
5 then the disability annuity shall be a single life annuity that
6 is equal to [a] the sum of the standard single life [annuity]
7 annuities determined separately for each class of service
8 multiplied by the appropriate class of service multiplier
9 [applicable to the class of service at the time of disability if
10 the product of such class of service multiplier and the total
11 number of years of credited service is greater than 16.667,
12 otherwise the], otherwise each standard single life annuity
13 shall be multiplied by the lesser of the following ratios:

14
$$MY^*/Y \text{ or } 16.667/Y$$

15 where Y = total number of years of credited service, Y* = total
16 years of credited service if the member were to continue as a
17 State employee until attaining superannuation age as applicable
18 to that class of service at the time of disability, or if the
19 member has attained superannuation age, as applicable to that
20 class of service at the time of disability, then the number of
21 years of credited service and M = the class of service
22 multiplier as applicable to that class of service at the
23 effective date of disability. A member of Class C shall receive,
24 in addition, any annuity to which he may be eligible under
25 section 5702(a)(3) (relating to maximum single life annuity).
26 The member shall be entitled to the election of a joint and
27 survivor annuity on that portion of the disability annuity to
28 which he is entitled under section 5702.

29 * * *

30 (c) Reduction on account of earned income.--Subsequent to

1 January 1, 1972, payments on account of disability shall be
2 reduced by that amount by which the earned income of the
3 annuitant, as reported in accordance with section 5908(b)
4 (relating to rights and duties of annuitants), for the preceding
5 calendar year together with the disability annuity payments
6 provided in this section other than subsection (b), for the
7 year, exceeds the product of:

8 [(i)] (1) the last year's salary of the annuitant as a
9 [State employee] member of the system; and

10 [(ii)] (2) the ratio of the current monthly payment to
11 the monthly payment at the effective date of disability;

12 Provided, That the annuitant shall not receive less than his
13 member's annuity or the amount to which he may be entitled under
14 section 5702 whichever is greater.

15 * * *

16 (e) Termination of State service.--Upon termination of
17 disability annuity payments in excess of an annuity calculated
18 in accordance with section 5702, a disability annuitant who:

19 (1) does not have Class A-3 [or], Class A-4 or Class A-5
20 service credit; or

21 (2) has Class A-3 [or], Class A-4 or Class A-5 service
22 credit and fewer than ten eligibility points;

23 and who does not return to State service may file an application
24 with the board for an amount equal to the excess, if any, of the
25 sum of the shared-risk accumulated deductions plus the regular
26 and additional accumulated deductions standing to his credit at
27 the effective date of disability over one-third of the total
28 disability annuity payments received. If the annuitant on the
29 date of termination of service was eligible for an annuity as
30 provided in section 5308(a) or (b) (relating to eligibility for

1 annuities), he may file an application with the board for an
2 election of an optional modification of his annuity.

3 (f) Supplement for service connected disability.--

4 (1) If a member has been found to be eligible for a
5 disability annuity and if the disability has been found to be
6 a service connected disability and if the member is receiving
7 workers' compensation payments for other than medical
8 benefits, such member shall receive a supplement equal to
9 [70% of his final average salary] the amount determined under
10 paragraph (2) less the sum of the annuity as determined under
11 subsection (a) and any payments paid or payable on account of
12 such disability under the act of June 2, 1915 (P.L.736,
13 No.338), known as the Workers' Compensation Act, the act of
14 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
15 Occupational Disease Act, and the Social Security Act (49
16 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
17 continue as long as he is determined to be disabled and is
18 receiving workers' compensation payments for other than
19 medical benefits on account of his service connected
20 disability in accordance with the Workers' Compensation Act
21 or The Pennsylvania Occupational Disease Act. If the member
22 has received a lump sum workers' compensation payment in lieu
23 of future weekly compensation payments, the length in weeks
24 and calculation of the service connected disability
25 supplement shall be determined by dividing the lump sum
26 payment by the average weekly wage as determined by the
27 Workers' Compensation Board.

28 (2) For a member who does not have Class A-5 service or
29 has only Class A-5 service, the amount to be used to
30 determine eligibility for the supplement under paragraph (1)

1 shall be 70% of his final average salary. For a member who
2 has Class A-5 service and other classes of service, the
3 amount to be used to determine eligibility for the supplement
4 under paragraph (1) shall be determined using the following
5 formula:

$$A = 0.7 [(FAS^{A-5} \text{ multiplied by } Y^{A-5}/Y^T) + \\ (FAS^W \text{ multiplied by } Y^W/Y^T)].$$

6
7
8 (3) The following apply to the formula in paragraph (2):

9 (i) A equals the amount used to determine the
10 supplement;

11 (ii) Y^T equals total years of credited service;

12 (iii) Y^W equals years of service credited in classes
13 of service other than Class A-5;

14 (iv) FAS^W equals final average salary calculated for
15 classes of service other than Class A-5;

16 (v) Y^{A-5} equals years of service credited in Class A-
17 5; and

18 (vi) FAS^{A-5} equals final average salary calculated
19 for service credited in Class A-5.

20 * * *

21 (h) Coordination of benefits.--The determination and payment
22 of a disability annuity under this section is in addition to any
23 payments a member may be entitled to receive, has received or is
24 receiving as a result of being a participant in the plan.

25 Section 321. Sections 5705(a), 5705.1 and 5706(a), (a.1),
26 (a.2), (b) and (c) (1) of Title 71 are amended to read:

27 § 5705. Member's options.

28 (a) General rule.--Any special vestee [who has attained
29 superannuation age, any vestee who does not have Class A-3 or
30 Class A-4 service credit having five or more eligibility points

1 for service other than Class T-E or Class T-F service in the
2 Public School Employees' Retirement System, or vestee who has
3 Class A-3 or Class A-4 service credit having ten or more
4 eligibility points, any member with Class G, Class H, Class I,
5 Class J, Class K, Class L, Class M or Class N service having
6 five or more eligibility points or any other eligible member
7 upon termination of State service who has not withdrawn his
8 total accumulated deductions as provided in section 5701
9 (relating to return of total accumulated deductions)] , vestee
10 or any other member upon termination of State service who is
11 eligible to receive an annuity as provided in section 5308(a) or
12 (b) (relating to eligibility for annuities) may apply for and
13 elect to receive either a maximum single life annuity, as
14 calculated in accordance with the provisions of section 5702
15 (relating to maximum single life annuity), or a reduced annuity
16 certified by the actuary to be actuarially equivalent to the
17 maximum single life annuity and in accordance with one of the
18 following options; except that no member shall elect an annuity
19 payable to one or more survivor annuitants other than his spouse
20 or alternate payee of such a magnitude that the present value of
21 the annuity payable to him for life plus any lump sum payment he
22 may have elected to receive is less than 50% of the present
23 value of his maximum single life annuity and no member may elect
24 a payment option that would provide benefits that do not satisfy
25 the minimum distribution requirements or would violate the
26 incidental death benefit rules of IRC § 401(a)(9):

- 27 (1) Option 1.--A life annuity to the member with:
28 (i) a guaranteed total payment attributable to all
29 classes of service other than Class A-5 equal to the
30 present value of the maximum single life annuity

1 attributable to all classes of service other than Class
2 A-5 on the effective date of retirement with the
3 provision that, if, at his death, he has received less
4 than such present value, the unpaid balance shall be
5 payable to his beneficiary[.]; and

6 (ii) a guaranteed total payment attributable to
7 Class A-5 service equal to the present value of the
8 maximum single life annuity attributable to Class A-5
9 service 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.

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

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

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

25 (i) any annuity shall be payable without reduction
26 during the lifetime of the member;

27 (ii) the sum of all annuities payable to the
28 designated survivor annuitants shall not be greater than
29 one and one-half times the annuity payable to the member;
30 and

1 (iii) a portion of the benefit may be payable as a
2 lump sum, except that such lump sum payment shall not
3 exceed an amount equal to the total accumulated
4 deductions standing to the credit of the member that are
5 not the result of contributions and statutory interest
6 made or credited as a result of Class A-3 or Class A-4
7 service. The balance of the present value of the maximum
8 single life annuity adjusted in accordance with section
9 5702(b) shall be paid in the form of an annuity with a
10 guaranteed total payment, a single life annuity, or a
11 joint and survivor annuity or any combination thereof but
12 subject to the restrictions of subparagraphs (i) and (ii)
13 under this option.

14 * * *

15 § 5705.1. Payment of accumulated deductions resulting from
16 Class A-3 [and], Class A-4 and Class A-5 service.

17 Any superannuation or withdrawal annuitant who:

18 (1) has Class A-3 [or], Class A-4 or Class A-5 service
19 credit;

20 (2) has service credited in one or more classes of
21 service; and

22 (3) because he has five or more, but fewer than ten,
23 eligibility points is not eligible to receive an annuity on
24 his Class A-3 [or], Class A-4 and Class A-5 service

25 shall receive in a lump sum at the time of his retirement, in
26 addition to any other annuity or lump sum payment which he may
27 elect, his accumulated deductions resulting from his Class A-3
28 [or], Class A-4 or Class A-5 service credit. Payment of these
29 accumulated deductions resulting from Class A-3 [or], Class A-4
30 and Class A-5 service credit shall not be eligible for

1 installment payments pursuant to section 5905.1 (relating to
2 installment payments of accumulated deductions) but shall be
3 considered a lump sum payment for purposes of section 5905.1(d).
4 § 5706. Termination of annuities.

5 (a) General rule.--

6 (1) If the annuitant returns to State service or enters
7 or has entered school service and elects multiple service
8 membership, any annuity payable to him under this part shall
9 cease effective upon the date of his return to State service
10 or entering school service without regard to whether he is a
11 mandatory, optional or prohibited member of the system or
12 participant in the plan or, if a multiple service member,
13 whether he is a mandatory, optional or prohibited member or
14 participant of the Public School Employees' Retirement System
15 or School Employees' Defined Contribution Plan and in the
16 case of an annuity other than a disability annuity the
17 present value of such annuity, adjusted for full coverage in
18 the case of a joint coverage member who makes the appropriate
19 back contributions for full coverage, shall be frozen as of
20 the date such annuity ceases. An annuitant who is credited
21 with an additional 10% of Class A and Class C service as
22 provided in section 5302(c) (relating to credited State
23 service) and who returns to State service shall forfeit such
24 credited service and shall have his frozen present value
25 adjusted as if his 10% retirement incentive had not been
26 applied to his account. In the event that the cost-of-living
27 increase enacted December 18, 1979 occurred during the period
28 of such State or school employment, the frozen present value
29 shall be increased, on or after the member attains
30 superannuation age, by the percent applicable had he not

1 returned to service.

2 (2) This subsection shall not apply in the case of any
3 annuitant who:

4 (i) may render services to the Commonwealth in the
5 capacity of an independent contractor; or

6 (ii) is over normal retirement age or who has been
7 an annuitant for more than one year and who may render
8 service to the Commonwealth:

9 (A) as a member of an independent board or
10 commission or as a member of a departmental
11 administrative or advisory board or commission when
12 such members of independent or departmental boards or
13 commissions are compensated on a per diem basis for
14 not more than 150 days per calendar year; or

15 (B) as a member of an independent board or
16 commission requiring appointment by the Governor,
17 with advice and consent of the Senate, where the
18 annual salary payable to the member does not exceed
19 \$35,000 and where the member has been an annuitant
20 for at least six months immediately preceding the
21 appointment.

22 Such service shall not be eligible for participation in the
23 plan, mandatory pickup participant contributions or employer
24 defined contributions.

25 (a.1) Return to State service during emergency.--When, in
26 the judgment of the employer, an emergency creates an increase
27 in the work load such that there is serious impairment of
28 service to the public, an annuitant who is over normal
29 retirement age or who has been an annuitant for more than one
30 year may be returned to State service for a period not to exceed

1 95 days in any calendar year without loss of his annuity. In
2 computing the number of days an annuitant has returned to State
3 service, any amount of time less than one-half of a day shall be
4 counted as one-half of a day. For agencies, boards and
5 commissions under the Governor's jurisdiction, the approval of
6 the Governor that an emergency exists shall be required before
7 an annuitant may be returned to State service. His service shall
8 not be subject to member contributions or be eligible for
9 qualification as creditable State service or for participation
10 in the plan, mandatory pickup participant contributions or
11 employer defined contributions.

12 (a.2) Return of benefits.--In the event an annuitant whose
13 annuity from the system ceases pursuant to this section receives
14 any annuity payment, including a lump sum payment pursuant to
15 section 5705 (relating to member's options) on or after the date
16 of his return to State service or entering school service, the
17 annuitant shall return to the board the amount so received from
18 the system plus statutory interest. The amount payable shall be
19 certified in each case by the board in accordance with methods
20 approved by the actuary and shall be paid in a lump sum within
21 30 days or in the case of an active member or school employee
22 who is an active member of the Public School Employees'
23 Retirement System may be amortized with statutory interest
24 through salary deductions to the system in amounts agreed upon
25 by the member and the board. The salary deduction amortization
26 plans agreed to by the member and the board may include a
27 deferral of payment amounts and statutory interest until the
28 termination of school service or State service as the board in
29 its sole discretion decides to allow. The board may limit salary
30 deduction amortization plans to such terms as the board in its

1 sole discretion determines. In the case of a school employee who
2 is an active member of the Public School Employees' Retirement
3 System, the agreed upon salary deductions shall be remitted to
4 the Public School Employees' Retirement Board, which shall
5 certify and transfer to the board the amounts paid.

6 * * *

7 (b) Subsequent discontinuance of service.--Upon subsequent
8 discontinuance of service, such member other than a former
9 annuitant who had the effect of his frozen present value
10 eliminated in accordance with subsection (c) or a former
11 disability annuitant shall be entitled to an annuity which is
12 actuarially equivalent to the sum of:

13 (1) the present value as determined under subsection (a)
14 [and];

15 (2) the present value of a maximum single life annuity
16 based on years of service credited in classes of service
17 other than Class A-5 subsequent to reentry in the system and
18 his final average salary computed by reference to his
19 compensation for service credited in classes of service other
20 than Class A-5 and Class T-G during his entire period of
21 State and school service[.]; and

22 (3) if eligible, the present value of a maximum single
23 life annuity based on years of service credited in Class A-5
24 subsequent to reentry in the system and his final average
25 salary computed by reference to his compensation for service
26 credited in Class A-5 and Class T-G during his entire period
27 of State and school service.

28 (c) Elimination of the effect of frozen present value.--

29 (1) An annuitant who returns to State service as an
30 active member of the system and earns three eligibility

1 points by performing credited State service in a class of
2 service other than Class A-5 following the most recent period
3 of receipt of an annuity under this part, or an annuitant who
4 enters school service and:

5 (i) is a multiple service member; or

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

20 * * *

21 Section 322. Section 5707(b), (e) and (f) of Title 71 are
22 amended and the section is amended by adding a subsection to
23 read:

24 § 5707. Death benefits.

25 * * *

26 (b) Members ineligible for annuities.--In the event of the
27 death of a special vestee, an active member, an inactive member
28 on leave without pay or a current or former State employee
29 performing USERRA leave who is not entitled to a death benefit
30 as provided in subsection (a), his designated beneficiary shall

1 be paid the full amount of his total accumulated deductions and
2 Class A-5 accumulated deductions.

3 (b.1) Members eligible for annuities in some classes of
4 service and ineligible in other classes of service.--In the
5 event of the death of a member who is eligible for an annuity
6 based on service credited in some classes of service and
7 ineligible for an annuity for service credited in other classes
8 of service, a benefit shall be paid under subsection (a) based
9 on the service for which an annuity is deemed payable in
10 addition to payment under subsection (b) of the accumulated
11 deductions attributable to service for which the member was not
12 eligible for an annuity.

13 * * *

14 (e) Annuitants electing maximum single life annuity.--

15 (1) In the event of the death of an annuitant who has
16 elected to receive the maximum single life annuity before he
17 has received in annuity payments based on his service
18 credited in classes other than Class A-5 the full amount of
19 the total accumulated deductions standing to his credit on
20 the effective date of retirement, the balance shall be paid
21 to his designated beneficiary.

22 (2) In the event of the death of an annuitant who has
23 elected to receive the maximum single life annuity before he
24 has received in annuity payments based on his service
25 credited in Class A-5 the full amount of the Class A-5
26 accumulated deductions standing to his credit on the
27 effective date of retirement, the balance shall be paid to
28 his designated beneficiary.

29 (f) Members subject to limitations under section 5702(c).--
30 Subject to the limitations contained in section 401(a)(9) of the

1 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
2 401(a)(9)), the present value of any annuity in excess of that
3 payable under section 5702 (relating to maximum single life
4 annuity) that is not subject to the limitations under section
5 415(b) of the Internal Revenue Code of 1986 shall be paid in a
6 lump sum to the beneficiary designated by the member after the
7 death of the member. A beneficiary receiving a benefit under
8 this subsection shall not be able to elect a payment method
9 otherwise allowed under section 5709(b)(2) and (3) (relating to
10 payment of benefits from the system).

11 * * *

12 Section 323. Section 5709 heading, (a) and (b) of Title 71
13 are amended to read:

14 § 5709. Payment of benefits from the system.

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

18 (b) Death benefits.--If the amount of a death benefit
19 payable from the fund to a beneficiary of a member under section
20 5707 (relating to death benefits) or under the provisions of
21 Option 1 of section 5705(a)(1) (relating to member's options) is
22 \$10,000 or more, such beneficiary may elect to receive payment
23 according to one of the following options:

24 (1) a lump sum payment;

25 (2) an annuity actuarially equivalent to the amount
26 payable; or

27 (3) a lump sum payment and an annuity such that the
28 annuity is actuarially equivalent to the amount payable less
29 the lump sum payment specified by the beneficiary.

30 * * *

1 Section 324. Title 71 is amended by adding a chapter to
2 read:

3 CHAPTER 58

4 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

5 Sec.

6 5801. Establishment.

7 5802. Plan document.

8 5803. Individual investment accounts.

9 5804. Participant contributions.

10 5805. Mandatory pickup participant contributions.

11 5806. Employer defined contributions.

12 5807. Use of plan savings.

13 5808. Eligibility for benefits.

14 5809. Death benefits.

15 5810. Vesting.

16 5811. Termination of distributions.

17 5812. Agreements with financial institutions and other
18 organizations.

19 5813. Powers and duties of board.

20 5814. Responsibility for investment loss.

21 5815. Investments based on participants' investment allocation
22 choices.

23 5816. Expenses.

24 5817. (Reserved).

25 5818. Tax qualification.

26 5819. State Employees' Defined Contribution Holding Vehicle
27 Trust.

28 § 5801. Establishment.

29 (a) State Employees' Defined Contribution Plan.--The State
30 Employees' Defined Contribution Plan is established. The board

1 shall administer and manage the plan, which shall be a defined
2 contribution plan exclusively for the benefit of those State
3 employees who participate in the plan and their beneficiaries
4 within the meaning of and in conformity with IRC § 401(a). The
5 board shall determine the terms and provisions of the plan not
6 inconsistent with this part, IRC or other applicable law and
7 shall provide for the plan's administration.

8 (b) State Employees' Defined Contribution Trust.--The State
9 Employees' Defined Contribution Trust is established as part of
10 the plan. The trust shall be comprised of the individual
11 investment accounts and all assets and money in those accounts.
12 The members of the board shall be the trustees of the trust,
13 which shall be administered exclusively for the benefit of those
14 State employees who participate in the plan and their
15 beneficiaries within the meaning of and in conformity with IRC §
16 401(a). The board shall determine the terms and provisions of
17 the trust not inconsistent with this part, the IRC or other
18 applicable law and shall provide for the investment and
19 administration of the trust.

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

1 administration and investment of the plan and the trust.

2 (d) Name for transacting business.--All of the business of
3 the plan shall be transacted, the trust invested, all
4 requisitions for money drawn and payments made and all of its
5 cash and securities and other property shall be held by the name
6 of the "State Employees' Defined Contribution Plan."
7 Notwithstanding any other law to the contrary, the board may
8 establish a nominee registration procedure for the purpose of
9 registering securities in order to facilitate the purchase, sale
10 or other disposition of securities pursuant to the provisions of
11 this part.

12 § 5802. Plan document.

13 The board shall set forth the terms and provisions of the
14 plan and trust in a document containing the terms and conditions
15 of the plan and in a trust declaration that shall be published
16 in the Pennsylvania Bulletin. The creation of the document
17 containing the terms and conditions of the plan and the trust
18 declaration and the establishment of the terms and provisions of
19 the plan and the trust need not be promulgated by regulation or
20 formal rulemaking and shall not be subject to the act of July
21 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
22 Documents Law. A reference in this part or other law to the plan
23 shall include the plan document unless the context clearly
24 indicates otherwise.

25 § 5803. Individual investment accounts.

26 The board shall establish in the trust an individual
27 investment account for each participant in the plan. All
28 contributions by a participant or an employer for or on behalf
29 of a participant shall be credited to the participant's
30 individual investment account, together with all interest and

1 investment earnings and losses. Investment and administrative
2 fees, costs and expenses shall be charged to the participants'
3 individual investment accounts. Employer defined contributions
4 shall be recorded and accounted for separately from participant
5 contributions, but all interest, investment earnings and losses,
6 and investment and administrative fees, costs and expenses shall
7 be allocated proportionately.

8 § 5804. Participant contributions.

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

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

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

1 § 5805. Mandatory pickup participant contributions.

2 (a) Treatment for purposes of IRC § 414(h).--The
3 contributions to the trust required to be made under section
4 5804(a) (relating to participant contributions) with respect to
5 State service rendered by an active participant shall be picked
6 up by the Commonwealth or other employer and shall be treated as
7 the employer's contribution for purposes of IRC § 414(h). After
8 the effective date of this section, an employer employing a
9 participant in the plan shall pick up the required mandatory
10 participant contributions by a reduction in the compensation of
11 the participant.

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

17 § 5806. Employer defined contributions.

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

24 (b) Contributions resulting from participants reemployed
25 from USERRA leave.--When a State employee reemployed from USERRA
26 leave makes the mandatory pickup participant contributions
27 permitted to be made for the USERRA leave, the Commonwealth or
28 other employer by whom the State employee is employed at the
29 time the participant contributions are made shall make whatever
30 employer defined contributions would have been made under this

1 section had the employee making the participant contributions
2 continued to be employed in the participant's State office or
3 position instead of performing USERRA leave. The employer
4 defined contributions shall be placed in the participant's
5 individual investment account as otherwise provided by this
6 part.

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

15 § 5807. Use of plan savings.

16 (a) Determination.--The system shall determine the
17 difference between:

18 (1) The current aggregate employer contributions and the
19 aggregate employer contributions that would have been
20 required by Act 120 of 2010.

21 (2) The current plan expenditures and the plan
22 expenditures that would have been required by Act 120 of
23 2010.

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

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

30 (d) Definition.--As used in this section, the term "Act 120

1 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
2 No.120), entitled, "An act amending Titles 24 (Education) and 71
3 (State Government) of the Pennsylvania Consolidated Statutes, in
4 Title 24, further providing for definitions, for mandatory and
5 optional membership, for contributions by the Commonwealth, for
6 payments by employers, for actuarial cost method, for additional
7 supplemental annuities, for further additional supplemental
8 annuities, for supplemental annuities commencing 1994, for
9 supplemental annuities commencing 1998, for supplemental
10 annuities commencing 2002, for supplemental annuities commencing
11 2003, for administrative duties of board, for payments to school
12 entities by Commonwealth, for eligibility points for retention
13 and reinstatement of service credits and for creditable
14 nonschool service; providing for election to become a Class T-F
15 member; further providing for classes of service, for
16 eligibility for annuities, for eligibility for vesting, for
17 regular member contributions, for member contributions for
18 creditable school service, for contributions for purchase of
19 credit for creditable nonschool service, for maximum single life
20 annuity, for disability annuities, for member's options, for
21 duties of board regarding applications and elections of members
22 and for rights and duties of school employees and members;
23 providing for Independent Fiscal Office study; in Title 71,
24 establishing an independent fiscal office and making a related
25 repeal; further providing for definitions, for credited State
26 service, for retention and reinstatement of service credits, for
27 creditable nonstate service and for classes of service;
28 providing for election to become a Class A-4 member; further
29 providing for eligibility for annuities and for eligibility for
30 vesting; providing for shared-risk member contributions for

1 Class A-3 and Class A-4 service; further providing for waiver of
2 regular member contributions and Social Security integration
3 member contributions, for member contributions for purchase of
4 credit for previous State service or to become a full coverage
5 member, for contributions for the purchase of credit for
6 creditable nonstate service, for contributions by the
7 Commonwealth and other employers, for actuarial cost method, for
8 maximum single life annuity, for disability annuities and for
9 member's options; providing for payment of accumulated
10 deductions resulting from Class A-3 service; further providing
11 for additional supplemental annuities, for further additional
12 supplemental annuities, for supplemental annuities commencing
13 1994, for supplemental annuities commencing 1998, for
14 supplemental annuities commencing 2002, for supplemental
15 annuities commencing 2003, for special supplemental
16 postretirement adjustment of 2002, for administrative duties of
17 the board, for duties of board to advise and report to heads of
18 departments and members, for duties of board regarding
19 applications and elections of members, for installment payments
20 of accumulated deductions, for rights and duties of State
21 employees and members, for members' savings account, for State
22 accumulation account, for State Police Benefit Account, for
23 Enforcement Officers' Benefit Account, for supplemental annuity
24 account and for construction of part; and providing for
25 Independent Fiscal Office study, for retirement eligibility of
26 Pennsylvania State Police officers or members, for a prohibition
27 on the issuance of pension obligation bonds, for holding certain
28 public officials harmless, for construction of calculation or
29 actuarial method, for applicability and for certain operational
30 provisions."

1 § 5808. Eligibility for benefits.

2 (a) Termination of service.--A participant who terminates
3 State service shall be eligible to withdraw the vested
4 accumulated total defined contributions standing to the
5 participant's credit in the participant's individual investment
6 account or a lesser amount as the participant may request.
7 Payment shall be made in a lump sum unless the board has
8 established other forms of distribution in the plan document. A
9 participant who withdraws his vested accumulated total defined
10 contributions shall no longer be a participant in the plan,
11 notwithstanding that the former State employee may continue to
12 be a member of the system with Class A-5 service credit or may
13 have contracted to receive an annuity or other form of payment
14 from a provider retained by the board for such purposes.

15 (b) Required distributions.--All payments under this section
16 shall start and be made in compliance with the minimum
17 distribution requirements and incidental death benefit rules of
18 IRC § 401(a)(9). The board shall take any action and make any
19 distributions it may determine are necessary to comply with
20 those requirements.

21 (c) (Reserved).

22 (d) Prohibited distributions.--A participant who also is a
23 member of the system must be terminated from all positions that
24 result in either membership in the system or participation in
25 the plan to be eligible to receive a distribution.

26 (e) Loans.--Loans or other distributions, including hardship
27 or unforeseeable emergency distributions, from the plan to State
28 employees who have not terminated State service are not
29 permitted, except as required by law.

30 (f) Small individual investment accounts.--A participant who

1 terminates State service and whose vested accumulated total
2 defined contributions are below the threshold established by law
3 as of the date of termination of service may be paid the vested
4 accumulated total defined contributions in a lump sum as
5 provided in IRC § 401(a)(31).

6 § 5809. Death benefits.

7 (a) General rule.--In the event of the death of an active
8 participant or inactive participant, the board shall pay to the
9 participant's beneficiary the vested balance in the
10 participant's individual investment account in a lump sum or in
11 such other manner as the board may establish in the plan
12 document.

13 (b) Death of participant receiving distributions.--In the
14 event of the death of a participant receiving distributions, the
15 board shall pay to the participant's beneficiary the vested
16 balance in the participant's individual investment account in a
17 lump sum or in such other manner as the board may establish in
18 the plan document or, if the board has established alternative
19 methods of distribution in the plan document under which the
20 participant was receiving distributions, to the participant's
21 beneficiary or successor payee, as the case may be, as provided
22 in the plan document.

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

28 § 5810. Vesting.

29 (a) Participant and voluntary contributions.--Subject to the
30 forfeiture and attachment provisions of section 5953 (relating

1 to taxation, attachment and assignment of funds) or otherwise as
2 provided by law, a participant shall be vested with respect to
3 all mandatory pickup participant contributions and voluntary
4 contributions paid by or on behalf of the participant to the
5 trust in addition to interest and investment gains or losses on
6 the participant contributions but not including investment fees
7 and administrative charges.

8 (b) Employer defined contributions.--

9 (1) Subject to the forfeiture and attachment provisions
10 of section 5953 or otherwise as provided by law, a
11 participant with three eligibility points as provided under
12 section 5307(c)(3) (relating to eligibility points) shall be
13 vested with respect to all employer defined contributions
14 paid to the participant's individual investment account in
15 the trust in addition to interest and investment gains and
16 losses on the employer defined contributions but not
17 including investment fees and administrative charges.

18 (2) Nonvested employer defined contributions and the
19 interest and investment gains and losses on the nonvested
20 employer defined contributions that are forfeited when a
21 participant terminates State service before accruing three
22 eligibility points as provided under section 5307(c)(3) are
23 credited to the participant's most recent employer's future
24 obligation assessed under section 5509 (relating to
25 appropriations and assessments by the Commonwealth).

26 (c) USERRA leave and eligibility points.--A participant in
27 the plan who is reemployed from USERRA leave or who dies while
28 performing USERRA leave shall receive eligibility points under
29 this section for the State service that would have been
30 performed had the member not performed USERRA leave.

1 § 5811. Termination of distributions.

2 (a) Return to State service.--

3 (1) A participant receiving distributions or an inactive
4 participant who returns to State service shall cease
5 receiving distributions and shall not be eligible to receive
6 distributions until the participant subsequently terminates
7 State service, without regard to whether the participant is a
8 mandatory, optional or prohibited member of the system or
9 participant in the plan.

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

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

15 (1) If a former State employee is reemployed from USERRA
16 leave and received any payments or annuity from the plan
17 during the USERRA leave, the employee shall return to the
18 board the amount so received plus interest as provided in the
19 plan document.

20 (2) The amount payable shall be certified in each case
21 by the board in accordance with methods approved by the
22 actuary and shall be paid in a lump sum within 30 days or, in
23 the case of an active participant, may be amortized with
24 interest as provided in the plan document through salary
25 deductions to the trust in amounts agreed upon by the active
26 participant and the board, but for not longer than a period
27 that starts with the date of reemployment and continues for
28 up to three times the length of the active participant's
29 immediate past period of USERRA leave. The repayment period
30 shall not exceed five years.

1 § 5812. Agreements with financial institutions and other
2 organizations.

3 (a) Written agreement.--To establish and administer the
4 plan, the board shall enter into a written agreement with one or
5 more financial institutions or pension management organizations
6 to administer the plan and the investment of funds held pursuant
7 to the plan. The administrator shall be selected in accordance
8 with the following:

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

11 (2) The board shall publish the solicitation in the
12 Pennsylvania Bulletin.

13 (3) Proposals received shall be evaluated based on
14 specific criteria adopted by the board. The criteria shall
15 include experience, customer service history and other
16 criteria.

17 (b) Rebid.--A contract to administer the plan under
18 subsection (a) shall be rebid at least once every 10 years.

19 § 5813. Powers and duties of board.

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

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

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

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

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

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

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

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

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

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

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

26 (11) The board shall determine what constitutes a
27 termination of State service.

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

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

5 (i) Procedures for eligible participants to change
6 their investment choices on a periodic basis or make
7 other elections regarding their participation in the
8 plan.

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

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

15 (iv) Standards and criteria for providing not less
16 than 10 options in accordance with three or more
17 providers of investment options to eligible individuals
18 regarding investments of amounts deferred under the plan.
19 The standards and criteria must provide for variety of
20 investment options and shall be reviewed in accordance
21 with criteria established by the board. One of the
22 available options must serve as the default option for
23 participants who do not make a timely election and, to
24 the extent commercially available, one option must have
25 an annuity.

26 (v) Standards and criteria for disclosing to the
27 participants the anticipated and actual income
28 attributable to amounts invested, property rights and all
29 fees, costs and expenses to be made against amounts
30 deferred to cover the fees, costs and expenses of

1 administering and managing the plan or trust.

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

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

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

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

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

21 § 5814. Responsibility for investment loss.

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

28 § 5815. Investments based on participants' investment
29 allocation choices.

30 (a) Investment by participant.--All contributions, interest

1 and investment earnings shall be invested based on a
2 participant's investment allocation choices. All investment
3 allocation choices shall be credited proportionally between
4 participant contributions and employer defined contributions.
5 Each participant shall be credited individually with the amount
6 of contributions, interest and investment earnings.

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

21 § 5816. Expenses.

22 All fees, costs and expenses of administering the plan and
23 the trust and investing the assets of the trust shall be borne
24 by the participants and paid from assessments against the
25 balances of the individual investment accounts as established by
26 the board, except that for fiscal years ending before July 1,
27 2020, and for any additional fiscal years as the General
28 Assembly may provide, the fees, costs and expenses of
29 establishing and administering the plan and the trust shall be
30 paid by the Commonwealth through annual appropriations from the

1 General Fund, made on the basis of estimates from the board.

2 § 5817. (Reserved).

3 § 5818. Tax qualification.

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

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

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

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

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

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

30 (ii) Notwithstanding subparagraph (i), an increase

1 in benefits on or after the effective date of this
2 section for a participant in the plan shall be authorized
3 and apply to the fullest extent allowed by law.

4 § 5819. State Employees' Defined Contribution Holding Vehicle
5 Trust.

6 (a) Establishment.--The State Employees' Defined
7 Contribution Holding Vehicle Trust is established as part of the
8 plan. The holding vehicle trust shall be comprised of the
9 individual investment accounts and all assets and money in those
10 accounts from January 1, 2018, until the earlier of the date the
11 board certifies that the State Employees' Defined Contribution
12 Trust is operational and able to accept participant and employer
13 contributions or December 31, 2018, unless the board so
14 certifies on or before January 1, 2018. The members of the board
15 shall be the trustees of the holding vehicle trust, which shall
16 be held in a separate account, established by the Treasury
17 Department and shall not be inconsistent with this part, the IRC
18 or other applicable law. The holding vehicle trust shall be
19 administered exclusively for the benefit of those State
20 employees who participate in the plan and their beneficiaries
21 within the meaning of and in conformity with IRC § 401(a)
22 subject to the requirements of Chapter 59 (relating to
23 administration, funds, accounts, general provisions).

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

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

7 (c) Mandatory pickup participant contributions.--All
8 mandatory pickup participant contributions and employer defined
9 contributions that are required under sections 5804 (relating to
10 participant contributions), 5805 (relating to mandatory pickup
11 participant contributions) and 5806 (relating to employer
12 defined contributions) to be made to the State Employees'
13 Defined Contribution Trust upon certification of such trust
14 shall be made to the holding vehicle trust prior to the date the
15 board certifies the State Employees' Defined Contribution Trust.
16 The employer shall cause those contributions for service
17 required to be credited in the plan to be made and deducted from
18 each payroll or on such schedule as established by the board and
19 such participant contributions shall be picked up by the
20 Commonwealth or other employer and shall be treated as the
21 employer's contribution for purposes of IRC § 414(h). On and
22 after the effective date of this section, an employer employing
23 a participant in the plan shall pick up the required mandatory
24 participant contributions by a reduction in the compensation of
25 the participant. No participant is permitted to make voluntary
26 contributions to the holding vehicle trust.

27 (d) Treatment for other purposes.--For all purposes other
28 than the IRC, the mandatory pickup participant contributions
29 shall be treated as contributions made by a participant in the
30 same manner and to the same extent as if the contributions were

1 made directly by the participant and not picked up.

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

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

14 (g) Interest.--Upon the disbursement of a return of Class A-
15 5 accumulated deductions to a participant who has terminated
16 State service or of a death benefit to a participant's
17 designated beneficiaries or upon the transfer of all assets in
18 the holding vehicle trust to the State Employees' Defined
19 Contribution Trust or December 31, 2017, whichever occurs first,
20 the Commonwealth shall make an interest payment to the holding
21 vehicle trust. The interest payment shall be equal to 4% annual
22 rate of return on the mandatory pickup participant contributions
23 and employer defined contributions made for the participant,
24 increased or decreased for any investment losses or earnings
25 while in the holding vehicle trust, but in no case shall the
26 interest payment be less than zero.

27 (h) Responsibility for loss of investment opportunity.--The
28 board, the Commonwealth, an employer or other political
29 subdivision shall not be responsible for the failure of any
30 investment in the holding vehicle trust to earn any specific or

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

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

11 Section 325. Section 5901(a), (c), (d) and (e) of Title 71
12 are amended to read:

13 § 5901. The State Employees' Retirement Board.

14 (a) Status and membership.--The board shall be an
15 independent administrative board and consist of 11 members: the
16 State Treasurer, ex officio, two Senators, two members of the
17 House of Representatives and six members appointed by the
18 Governor, one of whom shall be an annuitant of the system or a
19 participant in the plan who has terminated State service and is
20 receiving or is eligible to receive distributions, for terms of
21 four years, subject to confirmation by the Senate. At least five
22 board members shall be active members of the system or active
23 participants in the plan, and at least two shall have ten or
24 more years of credited State service or shall have been active
25 participants in the plan for ten calendar years. The chairman of
26 the board shall be designated by the Governor from among the
27 members of the board. Each member of the board who is a member
28 of the General Assembly may appoint a duly authorized designee
29 to act in his stead. In the event that a board member, who is
30 designated as an active participant or as a participant in the

1 plan who is receiving or is eligible to receive distributions,
2 receives a total distribution of his interest in the plan, that
3 board member may continue to serve on the board for the
4 remainder of his term.

5 * * *

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

15 (d) Compensation and expenses.--The members of the board who
16 are members of the system or participants in the plan shall
17 serve without compensation but shall not suffer loss of salary
18 or wages through serving on the board. The members of the board
19 who are not members of the system or participants in the plan
20 shall receive \$100 per day when attending meetings and all board
21 members shall be reimbursed for any necessary expenses. However,
22 when the duties of the board as mandated are not executed, no
23 compensation or reimbursement for expenses of board members
24 shall be paid or payable during the period in which such duties
25 are not executed.

26 (e) Corporate power and legal advisor.--For the purposes of
27 this part, the board shall possess the power and privileges of a
28 corporation. [The Attorney General of the Commonwealth shall be
29 the legal advisor of the board.] The board shall be considered
30 to be an independent agency under the act of October 15, 1980

1 (P.L.950, No.164), known as the Commonwealth Attorneys Act.
2 Legal counsel to the board shall serve independently from the
3 Governor's Office of General Counsel, the Attorney General and
4 the General Assembly.

5 Section 326. Sections 5902(a)(2), (a.1), (b), (c), (e), (h),
6 (i), (j), (k), (m) and (n) and 5903 heading and (b) of Title 71
7 are amended and the sections are amended by adding subsections
8 to read:

9 § 5902. Administrative duties of the board.

10 (a) Employees.--

11 * * *

12 (2) Notwithstanding any other provisions of law, the
13 compensation of investment professionals and legal counsel
14 shall be established by the board. The compensation of all
15 other officers and employees of the board who are not covered
16 by a collective bargaining agreement shall be established by
17 the board consistent with the standards of compensation
18 established by the Executive Board of the Commonwealth.

19 (a.1) Secretary.--The secretary shall act as chief
20 administrative officer for the board with respect to both the
21 system and the plan. In addition to other powers and duties
22 conferred upon and delegated to the secretary by the board, the
23 secretary shall:

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

25 (2) Serve as liaison between the board and applicable
26 legislative committees, the Treasury Department, the
27 Department of the Auditor General, and between the board and
28 the investment counsel and the mortgage supervisor in
29 arranging for investments to secure maximum returns to the
30 fund.

1 (3) Review and analyze proposed legislation and
2 legislative developments affecting the system or the plan and
3 present findings to the board, legislative committees, and
4 other interested groups or individuals.

5 (4) Direct the maintenance of files and records and
6 preparation of periodic reports required for actuarial
7 evaluation studies.

8 (5) Receive inquiries and requests for information
9 concerning the system or the plan from the press,
10 Commonwealth officials, State employees, the general public,
11 research organizations, and officials and organizations from
12 other states, and provide information as authorized by the
13 board.

14 (6) (i) Supervise a staff of administrative, technical,
15 and clerical employees engaged in record-keeping and
16 clerical processing activities for both the system and
17 the plan in maintaining files of members and
18 participants, accounting for contributions, processing
19 payments to annuitants and terminated participants,
20 preparing required reports, and retirement counseling.

21 (ii) The board may utilize the staff of employees
22 provided for under this paragraph for both the system and
23 the plan but shall allocate the fees, costs and expenses
24 incurred under this paragraph between the system and the
25 plan as appropriate.

26 (b) Professional personnel.--

27 (1) The board shall contract for the services of a chief
28 medical examiner, an actuary, investment advisors and
29 counselors, and such other professional personnel as it deems
30 advisable. The board may, with the approval of the Attorney

1 General, contract for legal services.

2 (2) The board may utilize the same individuals and firms
3 contracted under this subsection for both the system and the
4 plan but shall allocate the fees, costs and expenses incurred
5 under this subsection between the system and the plan as
6 appropriate.

7 (c) Expenses.--

8 (1) The board shall, through the Governor, submit to the
9 General Assembly annually a budget covering the
10 administrative expenses of [this part.] the system and a
11 separate budget covering the administrative expenses of the
12 plan which budgets shall include those expenses necessary to
13 establish the plan and trust.

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

17 (3) For fiscal years ending on or before June 30, 2019,
18 such expenses of the plan and the holding vehicle trust as
19 approved by the General Assembly in an appropriation bill
20 shall be paid from the General Fund. For fiscal years
21 beginning on or after July 1, 2019, such expenses of the plan
22 and the holding vehicle trust as approved by the General
23 Assembly shall be paid from interest, pursuant to section
24 5815(b) (relating to investments based on participants'
25 investment allocation choices), assessments on the balances
26 of the participants' individual investment accounts or as
27 otherwise provided in this part except as the General
28 Assembly provides by appropriations from the General Fund.

29 (4) Concurrently with its administrative budget, the
30 board shall also submit to the General Assembly annually a

1 list of proposed expenditures which the board intends to pay
2 through the use of directed commissions, together with a list
3 of the actual expenditures from the past year actually paid
4 by the board through the use of directed commissions. All
5 such directed commission expenditures shall be made by the
6 board for the exclusive benefit of the system and its
7 members.

8 * * *

9 (e) Records.--

10 (1) The board shall keep a record of all its proceedings
11 which shall be open to [inspection] access by the public,
12 except as otherwise provided in this part or by other law.

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

22 (i) in the case of an alternative investment or
23 alternative investment vehicle, involve the release of
24 sensitive investment or financial information relating to
25 the alternative investment or alternative investment
26 vehicle which the fund or trust was able to obtain only
27 upon agreeing to maintain its confidentiality;

28 (ii) cause substantial competitive harm to the
29 person from whom sensitive investment or financial
30 information relating to the investment was received; or

1 (iii) have a substantial detrimental impact on the
2 value of an investment to be acquired, held or disposed
3 of by the fund or trust or would cause a breach of the
4 standard of care or fiduciary duty set forth in this
5 part.

6 (3) (i) The sensitive investment or financial
7 information excluded from [inspection] access under
8 paragraph (2) (i), to the extent not otherwise excluded
9 from [inspection] access, shall constitute a public
10 record subject to public [inspection] access under the
11 Right-to-Know Law once the board is no longer required by
12 its agreement to maintain confidentiality.

13 (ii) The sensitive investment or financial
14 information excluded from [inspection] access under
15 paragraph(2) (ii), to the extent not otherwise excluded
16 from [inspection] access, shall constitute a public
17 record subject to public [inspection] access under the
18 Right-to-Know Law once:

19 (A) the [inspection] access no longer causes
20 substantial competitive harm to the person from whom
21 the information was received; or

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

24 whichever is later.

25 (iii) The sensitive investment or financial
26 information excluded from [inspection] access under
27 paragraph(2) (iii), 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 has a
2 substantial detrimental impact on the value of an
3 investment of the fund or trust and would not cause a
4 breach of the standard of care or fiduciary duty set
5 forth in this part; or

6 (B) the entity in which the investment was made
7 is liquidated;

8 whichever is later.

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

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

22 (i) The existence, date, amount and any other
23 information pertaining to the rollover contributions or
24 trustee-to-trustee transfers, of any participant.

25 (ii) The investment options selections of any
26 participant.

27 (iii) The balance of a participant's individual
28 investment account, including the amount distributed to
29 the participant, investment gains or losses or rates of
30 return.

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

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

4 (6) Nothing in this subsection shall be construed to
5 designate any record, material or data received, prepared,
6 used or retained by the board or its employees, or agents
7 relating to the contributions, account value or benefits
8 payable to or on account of a participant as a public record
9 subject to public access under the Right-to-Know Law.

10 (7) The following shall apply:

11 (i) Nothing in this part shall be construed to mean
12 that the release or publicizing of a record, material or
13 data which would not constitute a public record under
14 this subsection shall be a violation of the board's
15 fiduciary duties.

16 (ii) This paragraph shall apply to a record,
17 material or data under this subsection, notwithstanding
18 any of the following:

19 (A) Whether the record, material or data was
20 created, generated or stored before the effective
21 date of this paragraph.

22 (B) Whether the record, material or data was
23 previously released or made public.

24 (C) Whether a request for the record, material
25 or data was made or is pending final response under
26 the Right-to-Know Law.

27 * * *

28 (h) Regulations and procedures.--The board shall, with the
29 advice of the Attorney General, legal counsel and the actuary,
30 adopt and promulgate rules and regulations for the uniform

1 administration of the system. The actuary shall approve in
2 writing all computational procedures used in the calculation of
3 contributions and benefits pertaining to the system, and the
4 board shall by resolution adopt such computational procedures,
5 prior to their application by the board. Such rules, regulations
6 and computational procedures as so adopted from time to time and
7 as in force and effect at any time, together with such tables as
8 are adopted pursuant to subsection (j) as necessary for the
9 calculation of annuities and other benefits, shall be as
10 effective as if fully set forth in this part. Any actuarial
11 assumption specified in or underlying any such rule, regulation
12 or computational procedure and utilized as a basis for
13 determining any benefit shall be applied in a uniform manner.

14 (i) Data.--The board shall keep in convenient form such data
15 as are stipulated by the actuary in order that an annual
16 actuarial valuation of the various accounts of the fund can be
17 completed within six months of the close of each calendar year.

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

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

14 (k) Certification of employer contributions to fund.--The
15 board shall, each year in addition to the itemized budget
16 required under section 5509 (relating to appropriations and
17 assessments by the Commonwealth), certify, as a percentage of
18 the members' payroll, the shared-risk contribution rate, the
19 employers' contributions as determined pursuant to section 5508
20 (relating to actuarial cost method) necessary for the funding of
21 prospective annuities for active members and the annuities of
22 annuitants and certify the rates and amounts of the employers'
23 normal contributions as determined pursuant to section 5508(b),
24 accrued liability contributions as determined pursuant to
25 section 5508(c), supplemental annuities contribution rate as
26 determined pursuant to section 5508(e), the experience
27 adjustment factor as determined pursuant to section 5508(f), the
28 collared contribution rate pursuant to section 5508(h) and the
29 final contribution rate pursuant to section 5508(i), which shall
30 be paid to the fund and credited to the appropriate accounts.

1 The board may allocate the final contribution rate and certify
2 various employer contribution rates and amounts based upon the
3 different benefit eligibility, class of service multiplier,
4 superannuation age, final average salary calculation,
5 compensation limits and other benefit differences resulting from
6 State service credited for individual members even though such
7 allocated employer contribution rate on behalf of any given
8 member may be more or less than 5% of the member's compensation
9 for the period from July 1, 2010, to June 30, 2011, or may
10 differ from the prior year's contribution for that member by
11 more or less than the percentages used to calculate the collared
12 contribution rate for that year and may be below any minimum
13 contribution rate established for the collared contribution rate
14 or final contribution rate. These certifications shall be
15 regarded as final and not subject to modification by the
16 Secretary of the Budget.

17 * * *

18 (m) Annual financial statement.--The board shall prepare and
19 have published, on or before July 1 of each year, [a financial
20 statement] financial statements as of the calendar year ending
21 December 31 of the previous year showing the condition of the
22 fund, the trust and the various accounts, including, but not
23 limited to, the board's accrual and expenditure of directed
24 commissions, and setting forth such other facts,
25 recommendations, and data as may be of use in the advancement of
26 knowledge concerning annuities and other benefits provided by
27 this part. The board shall submit said financial [statement]
28 statements to the Governor and shall file copies with the head
29 of each department for the use of the State employees and the
30 public.

1 (n) Independent [audit] audits.--The board shall provide for
2 [an annual audit] annual audits of the system and the plan by
3 [an] independent certified public [accountant] accountants,
4 which [audit] audits shall include the board's accrual and
5 expenditure of directed commissions. The board may use the same
6 independent certified public accountant for the audits of both
7 the system and the plan.

8 * * *

9 (p) Participant and employer contributions to trust.--The
10 board shall, each year in addition to any fees and itemized
11 budget required under section 5509 (relating to appropriations
12 and assessments by the Commonwealth), certify, as a percentage
13 of each participant's compensation, the employer defined
14 contributions, which shall be paid to the trust and credited to
15 each participant's individual investment account. These
16 certifications shall be regarded as final and not subject to
17 modification by the Secretary of the Budget. The board shall
18 cause all mandatory pickup participant contributions made on
19 behalf of a participant and all voluntary contributions made by
20 a participant to be credited to the participant's individual
21 investment account.

22 § 5903. Duties of the board to advise and report to heads of
23 departments [and], members and participants.

24 * * *

25 (b) Member status statements and certifications.--The board
26 shall furnish annually to the head of each department on or
27 before April 1, a statement for each member employed in such
28 department showing the total accumulated deductions and Class A-
29 5 accumulated deductions standing to his credit as of December
30 31 of the previous year and requesting the member to make any

1 necessary corrections or revisions regarding his designated
2 beneficiary. In addition, for each member employed in any
3 department and for whom the department has furnished the
4 necessary information, the board shall certify the number of
5 years and fractional part of a year of credited service
6 attributable to each class of service, the number of years and
7 fractional part of a year attributable to social security
8 integration credits in each class of service and, in the case of
9 a member eligible to receive an annuity, the benefit to which he
10 is entitled upon the attainment of superannuation age.

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

20 * * *

21 Section 327. Section 5904(c) of Title 71 is amended to read:
22 § 5904. Duties of the board to report to the Public School
23 Employees' Retirement Board.

24 * * *

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

1 the board shall:

2 (1) certify to the Public School Employees' Retirement
3 Board;

4 (i) the salary history as a member of the State
5 Employees' Retirement System and the final average salary
6 as calculated on the basis of the compensation received
7 as a State and school employee; and

8 (ii) the annuity or benefit to which the member or
9 his beneficiary is entitled as modified according to the
10 option selected; and

11 (2) transfer to the Public School Employees' Retirement
12 Fund the total accumulated deductions or Class A-5
13 accumulated deductions standing to such member's credit and
14 the actuarial reserve required on account of years of
15 credited service in the State system, final average salary
16 determined on the basis of his compensation in both systems
17 and the average noncovered salary to be charged to the State
18 accumulation account, the State Police benefit account or the
19 enforcement officers' benefit account, as each case may
20 require.

21 * * *

22 Section 328. Section 5905 heading, (b), (c.1), (f) and (g)
23 of Title 71 are amended and the section is amended by adding
24 subsections to read:

25 § 5905. Duties of the board regarding applications and
26 elections of members and participants.

27 * * *

28 (b) School employees electing multiple service status.--Upon
29 receipt of notification from the Public School Employees'
30 Retirement Board that a former State employee has become an

1 active member in the Public School Employees' Retirement System
2 and has elected to become a member with multiple service status
3 the board shall:

4 (1) in case of a member receiving an annuity from the
5 system:

6 (i) discontinue payments, transfer the present value
7 of the member's annuity at the time of entering school
8 service, plus the amount withdrawn in a lump sum payment,
9 on or after the date of entering school service, pursuant
10 to section 5705 (relating to member's options), with
11 statutory interest to date of transfer, minus the amount
12 to be returned to the board on account of return to
13 service, that the board has determined is to be credited
14 in the members' savings account, from the annuity reserve
15 account to the members' savings account and resume
16 crediting of statutory interest on the amount restored to
17 his credit;

18 (ii) transfer the balance of the present value of
19 the total annuity, minus the amount to be returned to the
20 board on account of return to service that the board has
21 determined is to be credited in the State accumulation
22 account, from the annuity reserve account to the State
23 accumulation account; and

24 (iii) certify to the member the amount of lump sum
25 and annuity payments with statutory interest the member
26 is to return to the board and, of those amounts, which
27 amount shall be credited to the members' savings account
28 and credited with statutory interest as such payments are
29 returned and which amount shall be credited to the State
30 accumulation account; or

1 (2) in case of a member who is not receiving an annuity
2 and has not withdrawn his total accumulated deductions or
3 Class A-5 accumulated deductions, continue or resume the
4 crediting of statutory interest on his total accumulated
5 deductions and Class A-5 accumulated deductions during the
6 period his total accumulated deductions and Class A-5
7 accumulated deductions remain in the fund; or

8 (3) in case of a former State employee who is not
9 receiving an annuity from the system and his total
10 accumulated deductions or Class A-5 accumulated deductions
11 were withdrawn, certify to the former State employee the
12 accumulated deductions as they would have been at the time of
13 his separation had he been a full coverage member together
14 with statutory interest for all periods of subsequent State
15 and school service to the date of repayment and the amount of
16 such total accumulated deductions or Class A-5 accumulated
17 deduction he is eligible to restore. Such amount shall be
18 restored by him and shall be credited with statutory interest
19 as such payments are restored.

20 * * *

21 (c.1) Termination of service by members.--In the case of any
22 member terminating State service who is entitled to an annuity
23 and who is not then a disability annuitant, the board shall
24 advise such member in writing of any benefits from the system to
25 which he may be entitled under the provisions of this part and
26 shall have the member prepare, on or before the date of
27 termination of State service, one or more of the following three
28 forms, a copy of which shall be given to the member and the
29 original of which shall be filed with the board:

30 (1) an application for the return of total accumulated

1 deductions and, if eligible, for the return of Class A-5
2 accumulated deductions;

3 (2) if eligible, an election to vest his retirement
4 rights and, if he is a joint coverage member and so desires,
5 elect to become a full coverage member and agree to pay
6 within 30 days of the date of termination of service the lump
7 sum required; or

8 (3) if eligible, an application for an immediate annuity
9 and, if he desires:

10 (i) an election to convert his medical, major
11 medical and hospitalization insurance coverage to the
12 plan for State annuitants; and

13 (ii) if he is a joint coverage member, an election
14 to become a full coverage member and an agreement to pay
15 within 30 days of date of termination of service the lump
16 sum required.

17 (c.2) Termination of service by participants.--In the case
18 of a participant terminating State service, the board shall
19 advise the 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 (e.2) Notification to inactive participants approaching

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

8 (f) Initial annuity payment and certification.--The board
9 shall make the first monthly payment to a member who is eligible
10 for an annuity within 60 days of the filing of his application
11 for an annuity or, in the case of a vestee or special vestee who
12 has deferred the filing of his application to a date later than
13 90 days following attainment of superannuation age, within 60
14 days of the effective date of retirement, and receipt of the
15 required data from the head of the department and, if the member
16 has Class G, Class H, Class I, Class J, Class K, Class L, Class
17 M or Class N service, any data required from the county
18 retirement system or pension plan to which the member was a
19 contributor before being a State employee. Concurrently, the
20 board shall certify to such member:

21 (1) the total accumulated deductions and Class A-5
22 accumulated deductions standing to his credit showing
23 separately the amount contributed by the member, the pickup
24 contribution and the interest credited to the date of
25 termination of service;

26 (2) the number of years and fractional part of a year
27 credited in each class of service;

28 (3) the final average salary on which his annuity is
29 based as well as any applicable reduction factors due to age
30 and/or election of an option; and

1 (4) the total annuity payable under the option elected
2 and the amount and effective date of any future reduction
3 under section 5703 (relating to reduction of annuities on
4 account of social security old-age insurance benefits).

5 (f.1) Initial payment to participants.--The board shall make
6 the initial payment to a participant who has applied for a
7 distribution within 60 days of the filing of the application.

8 (g) Death benefits.--Upon receipt of notification from the
9 head of a department of the death of an active member, a member
10 performing USERRA leave [or], a member on leave without pay, an
11 active participant, an inactive participant on leave without pay
12 or a former participant performing USERRA leave, the board shall
13 advise the designated beneficiary of the benefits to which he is
14 entitled, and shall make the first payment to the beneficiary
15 within 60 days of receipt of certification of death and other
16 necessary data. If no beneficiary designation is in effect at
17 the date of the member's death or no notice has been filed with
18 the board to pay the amount of the benefits to the member's
19 estate, the board is authorized to pay the benefits to the
20 executor, administrator, surviving spouse or next of kin of the
21 deceased member, and payment pursuant [hereto] to this section
22 shall fully discharge the fund from any further liability to
23 make payment of such benefits to any other person. If no
24 beneficiary designation is in effect at the date of a
25 participant's death or no notice has been filed with the board
26 to pay the amount of the benefits to the participant's estate,
27 the board may pay the benefits to the surviving spouse,
28 executor, administrator or next of kin of the deceased
29 participant, and payment pursuant to this subsection shall fully
30 discharge the fund from any further liability to make payment of

1 such benefits to any other person.

2 * * *

3 Section 329. Section 5905.1(a), (b) and (d) of Title 71 are
4 amended to read:

5 § 5905.1. Installment payments of accumulated deductions.

6 (a) General rule.--Notwithstanding any other provision of
7 this part, whenever a member elects to withdraw his total
8 accumulated deductions or Class A-5 accumulated deductions
9 pursuant to section 5311(a) (relating to eligibility for
10 refunds) or 5701 (relating to return of [total] accumulated
11 deductions) or elects to receive a portion of his benefit
12 payable as a lump sum pursuant to section 5705(a) (4) (iii)
13 (relating to member's options), the member may elect to receive
14 the amount in not more than four installments.

15 (b) Payment of first installment.--The payment of the first
16 installment shall be made in the amount and within seven days of
17 the date specified by the member, except as follows:

18 (1) Upon receipt of a member's application to withdraw
19 his total accumulated deductions or Class A-5 accumulated
20 deductions as provided in section 5311(a) or 5701 and upon
21 receipt of all required data from the head of the department
22 and, if the member has Class G, Class H, Class I, Class J,
23 Class K, Class L, Class M or Class N service, any data
24 required from the county retirement system or pension plan to
25 which the member was a contributor before being transferred
26 to State employment, the board shall not be required to pay
27 the first installment prior to 45 days after the filing of
28 the application and the receipt of the data or the date of
29 termination of service, whichever is later.

30 (2) In the case of an election as provided in section

1 5705(a)(4)(iii) by a member terminating service within 60
2 days prior to the end of a calendar year and upon receipt of
3 all required data from the head of the department and, if the
4 member has Class G, Class H, Class I, Class J, Class K, Class
5 L, Class M or Class N service, any data required from the
6 county retirement system or pension plan to which the member
7 was a contributor before being transferred to State
8 employment, the board shall not be required to pay the first
9 installment prior to 21 days after the later of the filing of
10 the application and the receipt of the data or the date of
11 termination of service, but, unless otherwise directed by the
12 member, the payment shall be made no later than 45 days after
13 the filing of the application and the receipt of the data or
14 the date of termination of service, whichever is later.

15 (3) In the case of an election as provided in section
16 5705(a)(4)(iii) by a member who is not terminating service
17 within 60 days prior to the end of a calendar year and upon
18 receipt of all required data from the head of the department
19 and, if the member has Class G, Class H, Class I, Class J,
20 Class K, Class L, Class M or Class N service, any data
21 required from the county retirement system or pension plan to
22 which the member was a contributor before being transferred
23 to State employment, the board shall not be required to pay
24 the first installment prior to 45 days after the filing of
25 the application and the receipt of the data or the date of
26 termination of service, whichever is later.

27 * * *

28 (d) Statutory interest.--Any lump sum, including a lump sum
29 payable pursuant to section 5705.1 (relating to payment of
30 accumulated deductions resulting from Class A-3 [and] Class A-4

1 and Class A-5 service), or installment payable shall include
2 statutory interest credited to the date of payment, except in
3 the case of a member, other than a vestee or special vestee, who
4 has not filed his application prior to 90 days following his
5 termination of service.

6 Section 330. Sections 5906(a), (b), (d), (e), (g), (h), (i),
7 (j) and (l) and 5907 heading, (a), (c), (d), (e) and (f) of
8 Title 71 are amended and the sections are amended by adding
9 subsections to read:

10 § 5906. Duties of heads of departments.

11 (a) Status of members and participants.--The head of
12 department shall, at the end of each pay period, notify the
13 board in a manner prescribed by the board of salary changes
14 effective during that period for any members and participants of
15 the department, the date of all removals from the payroll, and
16 the type of leave of any members and participants of the
17 department who have been removed from the payroll for any time
18 during that period, and:

19 (1) if the removal is due to leave without pay, he shall
20 furnish the board with the date of beginning leave and the
21 date of return to service, and the reason for leave; or

22 (2) if the removal is due to a transfer to another
23 department, he shall furnish such department and the board
24 with a complete State service record, including past State
25 service in other departments or agencies, or creditable
26 nonstate service; or

27 (3) if the removal is due to termination of State
28 service, he shall furnish the board with a complete State
29 service record, including service in other departments or
30 agencies, or creditable nonstate service and;

1 (i) in the case of death of the member or
2 participant, the head of the department shall so notify
3 the board;

4 (ii) in the case of a service connected disability
5 of a member, the head of department shall, to the best of
6 his ability, investigate the circumstances surrounding
7 the disablement of the member and submit in writing to
8 the board information which shall include but not
9 necessarily be limited to the following: date, place and
10 time of disablement to the extent ascertainable; nature
11 of duties being performed at such time; and whether or
12 not the duties being performed were authorized and
13 included among the member's regular duties. In addition,
14 the head of department shall furnish in writing to the
15 board all such other information as may be related to the
16 member's disablement;

17 (iii) in the case of a member terminating from The
18 Pennsylvania State University who is a member of the
19 system with five or more but less than ten eligibility
20 points and who has terminated State service on June 30,
21 1997, because of the transfer of his job position or
22 duties to a controlled organization of the Penn State
23 Geisinger Health System or because of the elimination of
24 his job position or duties due to the transfer of other
25 job positions or duties to a controlled organization of
26 the Penn State Geisinger Health System, the head of the
27 department shall so certify to the board.

28 (b) Records and information.--At any time at the request of
29 the board and at termination of service of a member or a
30 participant, the head of department shall furnish service and

1 compensation records and such other information as the board may
2 require and shall maintain and preserve such records as the
3 board may direct for the expeditious discharge of its duties.

4 * * *

5 (c.1) Participant and employer defined contributions.--The
6 head of department shall:

7 (1) Cause the mandatory pickup participant contributions
8 on behalf of a participant to be made.

9 (2) Cause the employer defined contributions on behalf
10 of a participant to be made.

11 (3) Notify the board at times and in a manner prescribed
12 by the board of the compensation of any participant to whom
13 the limitation under IRC § 401(a)(17) either applies or is
14 expected to apply and cause the participant's contributions
15 to be deducted from payroll to cease at the limitation under
16 IRC § 401(a)(17) on the payroll date if and when such limit
17 shall be reached.

18 (4) Certify to the State Treasurer the amounts picked up
19 and deducted and the employer defined contributions being
20 made and send the total amount picked up, deducted and
21 contributed together with a duplicate of the voucher to the
22 secretary of the board every pay period or on such schedule
23 as established by the board.

24 (d) New employees subject to mandatory membership or
25 participation.--Upon the assumption of duties of each new State
26 employee whose membership in the system or plan is mandatory,
27 the head of department shall cause an application for membership
28 or participation and a nomination of beneficiary to be made by
29 such employee and filed with the board and shall make pickup
30 contributions or mandatory pickup participant contributions from

1 the effective date of State employment.

2 (e) New employees subject to optional membership or
3 participation.--The head of department shall, upon the
4 employment or entering into office of any State employee whose
5 membership in the system or participation in the plan is not
6 mandatory, inform such employee of his opportunity to become a
7 member of the system or participant in the plan. If such
8 employee so elects, the head of department shall cause an
9 application for membership or participation and a nomination of
10 beneficiary to be made by him and filed with the board and shall
11 cause proper contributions to be made from the effective date of
12 membership or participation.

13 * * *

14 (g) Former school employee contributors.--The head of
15 department shall, upon the employment of a former contributor to
16 the Public School Employees' Retirement System who is not an
17 annuitant of the Public School Employees' Retirement System,
18 advise such employee [of his] if he has a right to elect within
19 365 days of entry into the system or, for a member of Class A-5,
20 if he has a right to elect within 45 days of entry into the
21 system, to become a multiple service member, and in the case of
22 any such employee who so elects and has withdrawn his
23 accumulated deductions, require him to reinstate his credit in
24 the Public School Employees' Retirement System. The head of the
25 department shall advise the board of such election.

26 (h) Former school employee annuitants.--The head of
27 department shall, upon the employment of an annuitant of the
28 Public School Employees' Retirement System who applies for
29 membership in the system, advise such employee [that] if he may
30 elect multiple service membership within 365 days of entry into

1 the system or, for a member of Class A-5, if he has a right to
2 elect multiple service within 45 days of entry into the system,
3 and if he so elects his public school employee's annuity will be
4 discontinued effective upon the date of his return to State
5 service and, upon termination of State service and application
6 for an annuity, the annuity will be adjusted in accordance with
7 section 5706 (relating to termination of annuities). The head of
8 department shall advise the board of such election.

9 (i) Annual statement to members.--Annually, upon receipt
10 from the board, the head of department shall furnish to each
11 member the statement specified in section 5903(b) (relating to
12 duties of the board to advise and report to heads of departments
13 [and], members and participants).

14 (j) Termination of service.--The head of department shall,
15 in the case of any member terminating State service who is
16 ineligible for an annuity before attainment of superannuation
17 age, advise such member in writing of any benefits to which he
18 may be entitled under the provisions of this part and shall have
19 the member prepare, on or before the date of termination of
20 State service, an application for the return of total
21 accumulated deductions and Class A-5 accumulated deductions or,
22 on or before September 30, 1997, an application to be vested as
23 a special vestee, if eligible.

24 * * *

25 (l) State employees performing USERRA or military-related
26 leave of absence.--The head of department shall report to the
27 board any State employee who ceases to be an active member or
28 active participant to perform USERRA service, or who is granted
29 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
30 of absence for certain government employees) or a military leave

1 of absence under 51 Pa.C.S. § 7302 (relating to granting
2 military leaves of absence), the date on which the USERRA
3 service, leave of absence or military leave of absence began,
4 the date on which the State employee is reemployed from USERRA
5 leave or returns after the leave of absence or military leave of
6 absence, if the event occurs, and any other information the
7 board may require or direct.

8 * * *

9 § 5907. Rights and duties of State employees [and], members
10 and participants.

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

28 * * *

29 (b.1) Application for participation.--On or after January 1,
30 2018, in the case of an employee who is not currently a

1 participant in the plan and whose participation is mandatory, or
2 in the case of an employee whose participation is not mandatory
3 but is permitted and who desires to become a participant in the
4 plan, the new employee shall execute an application for
5 participation and a nomination of a beneficiary.

6 (c) Multiple service membership.--Any [active member] State
7 employee who is an active member in a class of service other
8 than Class A-5 who was formerly an active member in the Public
9 School Employees' Retirement System in a class of service other
10 than Class T-G may elect to become a multiple service member.
11 Such election shall occur no later than 365 days after becoming
12 an active member in a class of service other than Class A-5 in
13 this system. Any State employee who is an active member of Class
14 A-5 who was formerly an active member in Public School
15 Employees' Retirement System in Class T-G may elect to become a
16 multiple service member. Such election shall occur no later than
17 45 days after becoming an active member of Class A-5. A State
18 employee who is eligible to elect to become a multiple service
19 member who begins USERRA leave during the election period
20 without having elected multiple service membership may make the
21 election within 365 days, or 45 days if a member of Class A-5,
22 after being reemployed from USERRA leave.

23 (d) Credit for previous service or change in membership
24 status.--Any active member or eligible school employee who
25 desires to receive credit for the portion of his total previous
26 State service or creditable nonstate service to which he is
27 entitled, or a joint coverage member who desires to become a
28 full coverage member, shall so notify the board and upon written
29 agreement by the member and the board as to the manner of
30 payment of the amount due, the member shall receive credit for

1 such service as of the date of such agreement subject to the
2 provisions in this part relating to the limitations under IRC §
3 415.

4 * * *

5 (d.2) Contributions for USERRA leave.--Any active
6 participant or inactive participant on leave without pay or
7 former participant who was reemployed from USERRA leave who
8 desires to make mandatory pickup participant contributions for
9 his USERRA leave shall so notify the board within the time
10 period required under 38 U.S.C. Ch. 43 (relating to employment
11 and reemployment rights of members of the uniformed services)
12 and IRC § 414(u) of his desire to make such contributions. Upon
13 making the permitted mandatory pickup participant contributions
14 within the allowed time period, the head of department shall
15 make the corresponding employer defined contributions at the
16 same time.

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

24 (e) Beneficiary for death benefits from system.--Every
25 member shall nominate a beneficiary by written designation filed
26 with the board as provided in section 5906(d) or (e) (relating
27 to duties of heads of departments) to receive the death benefit
28 payable under section 5707 (relating to death benefits) or the
29 benefit payable under the provisions of Option 1 of section
30 5705(a)(1) (relating to member's options). Such nomination may

1 be changed at any time by the member by written designation
2 filed with the board. A member may also nominate a contingent
3 beneficiary or beneficiaries to receive the death benefit
4 provided under section 5707 or the benefit payable under the
5 provisions of Option 1 of section 5705(a)(1).

6 (e.1) Beneficiary for death benefits from plan.--Every
7 participant shall nominate a beneficiary by written designation
8 filed with the board as provided in section 5906(d) or (e) to
9 receive the death benefit payable under section 5809 (relating
10 to death benefits). A participant may also nominate a contingent
11 beneficiary or beneficiaries to receive the death benefit
12 provided under section 5809. Such nomination may be changed at
13 any time by the participant by written designation filed with
14 the board.

15 (e.2) Beneficiaries for employees who are members and
16 participants.--A State employee who is both a member of the
17 system and a participant in the plan may designate or nominate
18 different persons to be beneficiaries, survivor annuitants and
19 successor payees for his benefits from the system and the plan.

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

26 (1) withdraw his total accumulated deductions and, if
27 eligible, withdraw his Class A-5 accumulated deductions; or

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

1 date of termination of service the lump sum required; or

2 (3) if eligible, receive an immediate annuity and may,

3 (i) if eligible, elect to convert his medical, major
4 medical, and hospitalization coverage to the plan for
5 State annuitants; and

6 (ii) if he is a joint coverage member, elect to
7 become a full coverage member and agree to pay within 30
8 days of date of termination of service the lump sum
9 required.

10 * * *

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

18 * * *

19 Section 331. Sections 5931(b), 5932, 5933, 5934, 5935, 5936,
20 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
21 5953.4(a) of Title 71 are amended to read:
22 § 5931. Management of fund and accounts.

23 * * *

24 (b) Crediting of interest.--The board, annually, shall allow
25 the required interest on the mean amount for the preceding year
26 to the credit of each of the accounts other than the individual
27 investment accounts. The amount so allowed shall be credited
28 thereto by the board and transferred from the interest reserve
29 account.

30 * * *

1 § 5932. State Employees' Retirement Fund.

2 (a) General rule.--The fund shall consist of all balances in
3 the several separate accounts set apart to be used under the
4 direction of the board for the benefit of members of the system;
5 and the Treasury Department shall credit to the fund all moneys
6 received from the Department of Revenue arising from the
7 contributions relating to or on behalf of members of the system
8 required under the provisions of Chapter 55 (relating to
9 contributions), and any income earned by the investments or
10 moneys of said fund. There shall be established and maintained
11 by the board the several ledger accounts specified in sections
12 5933 (relating to members' savings account), 5934 (relating to
13 State accumulation account), 5935 (relating to annuity reserve
14 account), 5936 (relating to State Police benefit account), 5937
15 (relating to enforcement officers' benefit account), 5938
16 (relating to supplemental annuity account) and 5939 (relating to
17 interest reserve account).

18 (b) Individual investment accounts and trust.--The
19 individual investment accounts that are part of the trust shall
20 not be part of the fund. Mandatory pickup participant
21 contributions, voluntary contributions and employer defined
22 contributions made under this part and any income earned by the
23 investment of such contributions shall not be paid or credited
24 to the fund but shall be paid to the trust and credited to the
25 individual investment accounts.

26 § 5933. Members' savings account.

27 (a) Credits to account.--The members' savings account shall
28 be the ledger account to which shall be credited the amounts of
29 the pickup contributions made by the Commonwealth or other
30 employer and contributions or lump sum payments made by active

1 members in accordance with the provisions of sections 5501
2 (relating to regular member contributions for current service),
3 5501.1 (relating to shared-risk member contributions for Class
4 A-3 [and], Class A-4 and Class A-5 service), 5502 (relating to
5 social security integration member contributions), 5503
6 (relating to joint coverage member contributions), 5504
7 (relating to member contributions for the purchase of credit for
8 previous State service or to become a full coverage member),
9 5505.1 (relating to additional member contributions) and 5505
10 (relating to contributions for the purchase of credit for
11 creditable nonstate service) and transferred from the members'
12 savings account of the Public School Employees' Retirement
13 System in accordance with the provisions of section 5303.2
14 (relating to election to convert school service to State
15 service).

16 (b) Interest and transfers from account.--The members'
17 savings account in total and the individual member accounts
18 shall be credited with statutory interest. The total accumulated
19 deductions and Class A-5 accumulated deductions credited to a
20 member whose application for an annuity has been approved shall
21 be transferred from the members' savings account to the annuity
22 reserve account provided for in section 5935 (relating to
23 annuity reserve account), except in the case of a member who is
24 an officer of the Pennsylvania State Police or an enforcement
25 officer the total accumulated deductions and Class A-5
26 accumulated deductions to his credit shall be transferred from
27 the members' savings account to the State Police benefit account
28 provided for in section 5936 (relating to State Police benefit
29 account) or to the enforcement officers benefit account provided
30 for in section 5937 (relating to enforcement officers' benefit

1 account), as the case may be.

2 (c) Charges to account.--Upon the election of a member to
3 withdraw his total accumulated deductions or Class A-5
4 accumulated deductions or upon the transfer of accumulated
5 deductions pursuant to section 5701.1 (relating to transfer of
6 accumulated deductions), the payment of such amount shall be
7 charged to the members' savings account.

8 § 5934. State accumulation account.

9 The State accumulation account shall be the ledger account to
10 which shall be credited all contributions of the Commonwealth or
11 other employers whose employees are members of the system and
12 made in accordance with the provisions of section 5507(a) or (d)
13 (relating to contributions to the system by the Commonwealth and
14 other employers) except that the amounts received under the
15 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
16 amounts received under the provisions of the Liquor Code, act of
17 April 12, 1951 (P.L.90, No.21), shall be credited to the State
18 Police benefit account or the enforcement officers' benefit
19 account as the case may be. All amounts transferred to the fund
20 by county retirement systems or pension plans in accordance with
21 the provisions of section 5507(c) also shall be credited to the
22 State accumulation account. All amounts transferred to the fund
23 by the Public School Employees' Retirement System in accordance
24 with section 5303.2(e) (relating to election to convert school
25 service to State service), except amounts credited to the
26 members' savings account, and all amounts paid by the Department
27 of Corrections in accordance with section 5303.2(f) also shall
28 be credited to the State accumulation account. The State
29 accumulation account shall be credited with valuation interest.
30 The reserves necessary for the payment of annuities and death

1 benefits resulting from membership in the system as approved by
2 the board and as provided in Chapter 57 (relating to benefits)
3 shall be transferred from the State accumulation account to the
4 annuity reserve account provided for in section 5935 (relating
5 to annuity reserve account), except that the reserves necessary
6 on account of a member who is an officer of the Pennsylvania
7 State Police or an enforcement officer shall be transferred from
8 the State accumulation account to the State Police benefit
9 account provided for in section 5936 (relating to State Police
10 benefit account) or to the enforcement officers' benefit account
11 as provided for in section 5937 (relating to enforcement
12 officers' benefit account) as the case may be. The reserves
13 necessary for the payment of supplemental annuities in excess of
14 those reserves credited to the supplemental annuity account on
15 June 30, 2010, shall be transferred from the State accumulation
16 account to the supplemental annuity account. In the event that
17 supplemental annuities are increased by legislation enacted
18 after December 31, 2009, the necessary reserves shall be
19 transferred from the State accumulation account to the
20 supplemental annuity account.

21 § 5935. Annuity reserve account.

22 (a) Credits and charges to account.--The annuity reserve
23 account shall be the ledger account to which shall be credited
24 the reserves held for payment of annuities and death benefits on
25 account of all annuitants except in the case of members who are
26 officers of the Pennsylvania State Police or enforcement
27 officers. The annuity reserve account shall be credited with
28 valuation interest. After the transfers provided in sections
29 5933 (relating to members' savings account), 5934 (relating to
30 State accumulation account) and 5938 (relating to supplemental

1 annuity account), all annuity and death benefit payments
2 resulting from membership in the system except those payable to
3 any member who retires as an officer of the Pennsylvania State
4 Police or an enforcement officer shall be charged to the annuity
5 reserve account and paid from the fund.

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

17 § 5936. State Police benefit account.

18 (a) Credits and charges to account.--The State Police
19 benefit account shall be the ledger account to which shall be
20 credited all contributions received under the provisions of the
21 act of May 12, 1943 (P.L.259, No.120), and any additional
22 Commonwealth or other employer contributions provided for in
23 section 5507 (relating to contributions to the system by the
24 Commonwealth and other employers) which are creditable to the
25 State Police benefit account. The State Police benefit account
26 shall be credited with the required interest. In addition, upon
27 the filing of an application for an annuity by a member who is
28 an officer of the Pennsylvania State Police, the total
29 accumulated deductions and Class A-5 accumulated deductions
30 standing to the credit of the member in the members' savings

1 account and the necessary reserves from the State accumulation
2 account shall be transferred to the State Police benefit
3 account. Thereafter, the total annuity of such annuitant shall
4 be charged to the State Police benefit account and paid from the
5 fund.

6 (b) Transfers from account.--Should the said annuitant be
7 subsequently restored to active service as a member of the
8 system or as a participant in the plan, the present value of the
9 member's annuity at the time of reentry into State service shall
10 be transferred from the State Police benefit account and placed
11 to his individual credit in the members' savings account. In
12 addition, the actuarial reserve for his annuity calculated as if
13 he had been a member of Class A if he has Class A or Class C
14 service credited; as if he had been a member of Class A-3 if the
15 annuitant has Class A-3 State service credited; or as if he had
16 been a member of Class A-4 if the annuitant has Class A-4
17 service credited, less the amount transferred to the members'
18 savings account shall be transferred from the State Police
19 benefit account to the State accumulation account. Upon
20 subsequent retirement other than as an officer of the
21 Pennsylvania State Police the actuarial reserve remaining in the
22 State Police benefit account shall be transferred to the
23 appropriate reserve account.

24 § 5937. Enforcement officers' benefit account.

25 (a) Credits and charges to account.--The enforcement
26 officers' benefit account shall be the ledger account to which
27 shall be credited moneys transferred from the enforcement
28 officers' retirement account in the State Stores Fund according
29 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
30 known as the Liquor Code, and any additional Commonwealth or

1 other employer contributions provided for in section 5507
2 (relating to contributions to the system by the Commonwealth and
3 other employers) which are creditable to the enforcement
4 officers' benefit account. The enforcement officers' benefit
5 account shall be credited with the required interest. In
6 addition, upon the filing of an application for an annuity by a
7 member who is an enforcement officer of the Pennsylvania Liquor
8 Control Board, the total accumulated deductions and Class A-5
9 accumulated deductions standing to the credit of the member in
10 the members' savings account and the necessary reserves from the
11 State accumulation account shall be transferred to the
12 enforcement officers' benefit account. Thereafter, the total
13 annuity of such annuitant shall be charged to the enforcement
14 officers' benefit account and paid from the fund.

15 (b) Transfers from account.--Should the said annuitant be
16 subsequently restored to active service as a member of the
17 system or as a participant in the plan, the present value of the
18 member's annuity at the time of reentry into State service shall
19 be transferred from the enforcement officers' benefit account
20 and placed to his individual credit in the members' savings
21 account. In addition, the actuarial reserve for his annuity
22 calculated as if he had been a member of Class A if the
23 annuitant does not have any Class AA, Class A-3 or Class A-4
24 service credited; as if he had been a member of Class AA if the
25 annuitant does have Class AA service credited; as if he had been
26 a member of Class A-3 if the annuitant has Class A-3 State
27 service credited; or as if he had been a member of Class A-4 if
28 the annuitant has Class A-4 service credited, less the amount
29 transferred to the members' savings account shall be transferred
30 from the enforcement officers' benefit account to the State

1 accumulation account. Upon subsequent retirement other than as
2 an enforcement officer the actuarial reserve remaining in the
3 enforcement officers' benefit account shall be transferred to
4 the appropriate reserve account.

5 § 5938. Supplemental annuity account.

6 The supplemental annuity account shall be the ledger account
7 to which shall be credited all contributions from the
8 Commonwealth and other employers in accordance with section
9 5507(b) (relating to contributions to the system by the
10 Commonwealth and other employers) for the payment of the
11 supplemental annuities provided in sections 5708 (relating to
12 supplemental annuities), 5708.1 (relating to additional
13 supplemental annuities), 5708.2 (relating to further additional
14 supplemental annuities), 5708.3 (relating to supplemental
15 annuities commencing 1994), 5708.4 (relating to special
16 supplemental postretirement adjustment), 5708.5 (relating to
17 supplemental annuities commencing 1998), 5708.6 (relating to
18 supplemental annuities commencing 2002), 5708.7 (relating to
19 supplemental annuities commencing 2003) and 5708.8 (relating to
20 special supplemental postretirement adjustment of 2002) made
21 before July 1, 2010, the amount transferred from the State
22 accumulation account to provide all additional reserves
23 necessary as of June 30, 2010, to pay such supplemental
24 annuities and adjustments, and the amounts transferred from the
25 State accumulation account to provide all additional reserves
26 necessary as a result of supplemental annuities enacted after
27 December 31, 2009. The supplemental annuity account shall be
28 credited with valuation interest. The reserves necessary for the
29 payment of such supplemental annuities shall be transferred from
30 the supplemental annuity account to the annuity reserve account

1 as provided in section 5935 (relating to annuity reserve
2 account).

3 § 5939. Interest reserve account.

4 The interest reserve account shall be the ledger account to
5 which shall be credited all income earned by the fund and to
6 which shall be charged all administrative and investment
7 expenses incurred by the fund. At the end of each year the
8 required interest shall be transferred from the interest reserve
9 account to the credit of each of the accounts of the fund in
10 accordance with the provisions of this subchapter. In addition,
11 at the end of each accounting period, the interest reserve
12 account shall be credited or charged with all recognized changes
13 in the market valuation of the investments of the fund. The
14 administrative and investment expenses of the board relating to
15 the administration of the system and investments of the fund
16 shall be paid from the fund out of earnings. Any surplus or
17 deficit in the interest reserve account at the end of each year
18 shall be transferred to the State accumulation account.

19 § 5951. State guarantee regarding the system.

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

30 § 5953. Taxation, attachment and assignment of funds.

1 (a) General rule.--

2 (1) Except as provided in paragraphs (2), (3) and (4),
3 the right of a person to any benefit or right accrued or
4 accruing under the provisions of this part and the moneys in
5 the fund and the trust are hereby exempt from any State or
6 municipal tax, levy and sale, garnishment, attachment,
7 spouse's election, the provisions of Article XIII.1 of the
8 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
9 Code, or any other process whatsoever and no participant or
10 beneficiary, successor payee, or alternate payee of a
11 participant shall have the ability to commute, sell, assign,
12 alienate, anticipate, mortgage, pledge, hypothecate,
13 commutate or otherwise transfer or convey any benefit or
14 interest in an individual investment account or rights to
15 receive or direct distributions under this part or under
16 agreements entered into under this part except as otherwise
17 provided in this part and in the case of either a member or a
18 participant except for a set-off by the Commonwealth in the
19 case provided in this paragraph, and shall be unassignable
20 except to the Commonwealth in the case of a member or
21 participant who is terminating State service and has been
22 determined to be obligated to the Commonwealth for the
23 repayment of money owed on account of his employment.

24 (2) (i) Rights under this part shall be subject to
25 forfeiture as provided by the act of July 8, 1978 (P.L.752,
26 No.140), known as the Public Employee Pension Forfeiture Act,
27 and by or pursuant to section 16(b) of Article V of the
28 Constitution of Pennsylvania. Forfeitures under this
29 subsection or under any other provision of law may not be
30 applied to increase the benefits that any member would

1 otherwise receive under this part.

2 (ii) Notwithstanding this paragraph and the
3 provisions of section 16(b) of Article V of the
4 Constitution of Pennsylvania, the act of July 8, 1978
5 (P.L.752, No.140), known as the Public Employee Pension
6 Forfeiture Act, or 42 Pa.C.S. § 3352 (relating to pension
7 rights), the accumulated mandatory participant
8 contributions and accumulated voluntary contributions
9 standing to the credit of a participant shall not be
10 forfeited but shall be available for payment of fines and
11 restitution as provided by law. Amounts in the trust that
12 have been ordered to be distributed to an alternate payee
13 as the result of an equitable distribution of marital
14 property as part of an approved domestic relations order
15 entered before the date of the order or action in a court
16 or other tribunal resulting in a forfeiture of a
17 participant's interest in the trust shall not be subject
18 to the provisions of section 16(b) of Article V of the
19 Constitution of Pennsylvania, the Public Employee Pension
20 Forfeiture Act, or 42 Pa.C.S. § 3352. Any accumulated
21 employer defined contributions forfeited as a result of
22 this paragraph or other law shall be retained by the
23 board and notwithstanding sections 5813(2) (relating to
24 powers and duties of board), 5816 (relating to expenses)
25 and 5902(c) (relating to administrative duties of the
26 board) used for the payment of expenses of the plan.

27 (3) Rights under this part shall be subject to
28 attachment in favor of an alternate payee as set forth in an
29 approved domestic relations order.

30 (4) Effective with distributions made on or after

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

26 (b) Authorized payments from fund.--The board shall be
27 authorized to pay from the fund [in]:

28 (1) In the case of a member or participant who is
29 terminating service, the amount determined after
30 certification by the head of the department that the member

1 or participant is so obligated, and after review and approval
2 by the department or agency's legal representative or upon
3 receipt of an assignment from the member or participant in
4 the amount so certified[.], except that no payment shall be
5 made from the individual investment account of a participant
6 until the participant otherwise applies for and receives a
7 distribution and shall not exceed the amount of the
8 distribution.

9 (2) In the case of a participant whose former spouse is
10 an alternate payee of an equitable distribution of marital
11 assets under an approved domestic relations order, a lump sum
12 of the alternate payee's interest in the participant's
13 accumulated total defined contributions. This paragraph shall
14 apply without regard to whether the participant has not
15 terminated, is terminating or has terminated State service.

16 § 5953.1. Approval of domestic relations orders.

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

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

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

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

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

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

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

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

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

26 (1) Does not require the segregation of the alternate
27 payee's share of the participant's individual investment
28 account into a subaccount or newly established individual
29 account titled in the name of the alternate payee.

30 (2) Does not require the plan to recover or distribute

1 any funds which were distributed to the participant or at the
2 participant's direction prior to the approval of the domestic
3 relations order by the secretary of the board or his
4 designated representative.

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

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

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

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

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

29 (8) Includes provisions for the deferred distribution of
30 the equitable distribution share of benefits payable from any

1 defined benefit pension program administered by the system in
2 which the participant may have an interest as a member of the
3 system or states that the alternate payee may not receive any
4 portion or any benefits payable to the participant as a
5 result of his membership in the system.

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

11 (10) In the case of a participant who is currently
12 receiving distributions from the plan as of the date the
13 domestic relations order is approved by the secretary of the
14 board or his designated representative, may not order the
15 board to pay the alternate payee more than the balance
16 available in the participant's individual investment account
17 as of the date the order is approved.

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

1 appeals from government agencies).

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

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

30 § 5953.2. Irrevocable beneficiary.

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

15 § 5953.3. Irrevocable survivor annuitant.

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

1 § 5953.4. Amendment of approved domestic relations orders.

2 (a) Deceased alternate payee.--In the event that the
3 alternate payee predeceases the member or the participant and
4 there are benefits payable to the alternate payee, the divorce
5 court may amend the approved domestic relations order to
6 substitute a person for the deceased alternate payee to receive
7 any benefits payable to the deceased alternate payee.

8 * * *

9 Section 332. Title 71 is amended by adding a section to
10 read:

11 § 5953.6. Irrevocable successor payee.

12 (a) Condition.--Notwithstanding any other provision of this
13 part, a domestic relations order pertaining to a participant may
14 provide for an irrevocable successor payee if the participant is
15 receiving a payment pursuant to a payment option provided by the
16 board that allows for a successor payee.

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

24 (c) Certification.--A domestic relations order under
25 subsection (b) may be certified as an approved domestic
26 relations order by the secretary of the board or his designated
27 representative. If a domestic relations order is certified under
28 this subsection, the irrevocable successor payee ordered by the
29 court shall not be changed by the participant without approval
30 by the court.

1 (d) Ineligibility.--A person ineligible to be designated as
2 a successor payee shall not be designated as an irrevocable
3 successor payee. A court shall not name an irrevocable successor
4 payee if the alternate payee is eligible to receive a lump sum
5 distribution of the alternate payee's portion of the marital
6 portion of the pension benefit.

7 Section 333. Sections 5954, 5955 and 5957 of Title 71 are
8 amended to read:

9 § 5954. Fraud and adjustment of errors.

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

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

29 § 5955. Construction of part.

30 (a) Exclusive source of rights and benefits.--Regardless of

1 any other provision of law, pension and benefit rights of State
2 employees shall be determined solely by this part or any
3 amendment thereto or the plan document established by the board,
4 and no collective bargaining agreement nor any arbitration award
5 between the Commonwealth and [its] other employers and the
6 Commonwealth's and other employers' employees or their
7 collective bargaining representatives shall be construed to
8 change any of the provisions herein, to require the board to
9 administer pension or retirement benefits not set forth in this
10 part or not established by the board in the plan document, to
11 require the board to modify, amend or change any of the terms
12 and provisions of the plan document, or otherwise require action
13 by any other government body pertaining to pension or retirement
14 benefits or rights of State employees. Notwithstanding the
15 foregoing, any pension or retirement benefits or rights
16 previously so established by or as a result of an arbitration
17 award shall remain in effect after the expiration of the current
18 collective bargaining agreement between the State employees so
19 affected and the Commonwealth until the expiration of each of
20 the collective bargaining agreements in effect on January 1,
21 2011, at which time the classes of membership and resulting
22 member contribution rates and contributions for creditable
23 nonstate service, eligibility for vesting, withdrawal and
24 superannuation annuities, optional modification of annuities and
25 other terms and conditions related to class of membership shall
26 be as determined by this part for employees covered by those and
27 successor collective bargaining agreements. For purposes of
28 administering this part, for those State employees who are
29 members of each such collective bargaining unit, the date
30 January 1, 2011, contained in this part, except in this section,

1 shall be replaced with the date of the day immediately following
2 the expiration of each such collective bargaining agreement. The
3 provisions of this part insofar as they are the same as those of
4 existing law are intended as a continuation of such laws and not
5 as new enactments. The provisions of this part shall not affect
6 any act done, liability incurred, right accrued or vested, or
7 any suit or prosecution pending or to be instituted to enforce
8 any right or penalty or to punish any offense under the
9 authority of any repealed laws.

10 (b) (Reserved).

11 (c) (Reserved).

12 (d) (Reserved).

13 (e) Adverse inference.--Nothing in this part shall be
14 construed to mean that the limitations on benefits or other
15 requirements under IRC § 401(a) or other applicable provisions
16 of the IRC which are applicable to participants in the plan do
17 not apply to the participants or to members of the system and
18 the benefits payable under this part.

19 (f) Applicability.--A terminated State employee who has
20 Class A-5 service credit and who returns to State service on or
21 after January 1, 2018, shall be subject to the provisions of
22 this part regarding participation in the plan or membership in
23 the system that are in effect on the effective date of
24 reemployment, including, but not limited to, benefit formulas
25 and accrual rates, eligibility for annuities and distributions,
26 contribution rates, definitions, purchase of creditable school,
27 nonschool, State and nonstate service provisions and actuarial
28 and funding assumptions.

29 (g) Furloughs.--For purposes of sections 5302 (relating to
30 credited State service), 5306 (relating to classes of service)

1 and this section, a State employee who is furloughed under
2 section 802 of the act of August 5, 1941 (P.L. 752, No. 286),
3 known as the Civil Service Act, and reemployed pursuant to the
4 Civil Service Act in any class of service or civil service
5 status which was previously held, shall not be treated as having
6 been terminated from State service and beginning a new period of
7 State service.

8 § 5957. Independent Fiscal Office study.

9 The Independent Fiscal Office shall study and analyze the
10 implementation of shared-risk contributions under section 5501.1
11 (relating to shared-risk member contributions for Class A-3
12 [and], Class A-4 and Class A-5 service) and its impact on the
13 system. The study shall be completed by December 31, 2015, and
14 shall be transmitted to the Appropriations Committee and the
15 Finance Committee of the Senate, the Appropriations Committee
16 and the Finance Committee of the House of Representatives and to
17 the Governor.

18 ARTICLE IV

19 Section 401. The following words and phrases when used in
20 this article shall have the meanings given to them in this
21 section unless the context clearly indicates otherwise:

22 "School Retirement Board." The Public School Employees'
23 Retirement Board.

24 "School System." The Public School Employees' Retirement
25 System.

26 "State Retirement Board." The State Employees' Retirement
27 Board.

28 "State System." The State Employees' Retirement System.

29 Section 402. The following apply to reservation of
30 legislative authority:

1 (1) In regard to the School System:

2 (i) The following provisions shall not create an
3 express or implied contractual right in a member of the
4 School System, a participant in the School Employees'
5 Defined Contribution Plan or another person claiming an
6 interest in the account of a member or participant:

7 (A) A provision of this act which amends 24
8 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77, in relation to
9 requirements for any of the following:

10 (I) Qualification of the School Employees'
11 Defined Contribution Plan as a qualified pension
12 plan under sections 401(a) and 415(b) of the
13 Internal Revenue Code of 1986 (Public Law 99-514,
14 26 U.S.C. §§ 401(a) and 415(b)).

15 (II) Compliance with the Uniformed Services
16 Employment and Reemployment Rights Act of 1994
17 (Public Law 103-353, 38 U.S.C. §§ 4301-4333).

18 (III) A domestic relations order regarding
19 an alternate payee of a participant in the School
20 Employees' Defined Contribution Plan.

21 (B) (Reserved).

22 (ii) The provisions of 24 Pa.C.S. Pt. IV shall
23 remain subject to the Internal Revenue Code of 1986 and
24 the Uniformed Services Employment and Reemployment Rights
25 Act of 1994 and regulations promulgated under those
26 statutes.

27 (iii) The General Assembly reserves to itself the
28 further exercise of its legislative power to amend or
29 supplement the provisions of 24 Pa.C.S. Pt. IV solely in
30 order to maintain the qualification of the system as a

1 qualified pension plan under section 401(a) of the
2 Internal Revenue Code of 1986 and other applicable
3 provisions of the Internal Revenue Code of 1986 and the
4 Uniformed Services Employment and Reemployment Rights Act
5 of 1994.

6 (2) In regard to the State System:

7 (i) The following provisions shall not create an
8 express or implied contractual right in a member of the
9 State System, a participant in the State Employees'
10 Defined Contribution Plan or another person claiming an
11 interest in the account of a member or participant:

12 (A) A provision of this act which amends 51
13 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, in relation to
14 requirements for any of the following:

15 (I) Qualification of the State Employees'
16 Defined Contribution Plan as a qualified pension
17 plan under sections 401(a) and 415(b) of the
18 Internal Revenue Code of 1986 .

19 (II) Compliance with the Uniformed Services
20 Employment and Reemployment Rights Act of 1994.

21 (III) A domestic relations order regarding
22 an alternate payee of a participant in the State
23 Employees' Defined Contribution Plan.

24 (B) (Reserved).

25 (ii) The provisions of 71 Pa.C.S. Pt. XXV shall
26 remain subject to the Internal Revenue Code of 1986 and
27 the Uniformed Services Employment and Reemployment Rights
28 Act of 1994 and regulations promulgated under those
29 statutes.

30 (iii) The General Assembly reserves to itself the

1 further exercise of its legislative power to amend or
2 supplement the provisions of 71 Pa.C.S. Pt. XXV solely
3 in order to maintain the qualification of the State
4 System as a qualified pension plan under section 401(a)
5 of the Internal Revenue Code of 1986 and other applicable
6 provisions of the Internal Revenue Code of 1986 and the
7 Uniformed Services Employment and Reemployment Rights Act
8 of 1994.

9 Section 403. Nothing in this act shall be construed to mean
10 that:

11 (1) a calculation or actuarial method used by the School
12 Retirement Board, its actuaries or the School System was not
13 in accordance with the provisions of 24 Pa.C.S. Pt. IV or
14 other applicable law prior to the effective date of this
15 paragraph; or

16 (2) a calculation or actuarial method used by the State
17 Retirement Board, its actuaries or the State System was not
18 in accordance with the provisions of 71 Pa.C.S. Pt. XXV or
19 other applicable law prior to the effective date of this
20 paragraph.

21 Section 404. The following apply to accrued liability:

22 (1) In regard to the School System:

23 (i) (Reserved).

24 (ii) Payments required to fund a change in accrued
25 liability resulting from this act shall be subject to
26 limits imposed under this act on employer contributions
27 to the School System.

28 (iii) For purposes of 24 Pa.C.S. §§ 8326, 8327 and
29 8328, changes under this paragraph shall not be
30 considered to be costs added by legislation.

1 (2) In regard to the State System:

2 (i) Notwithstanding any other provision of law, a
3 change in accrued liability of the State System created
4 under this act as a result of changes in benefits shall
5 be funded in equal dollar installments over a period of
6 20 years beginning July 1, 2018.

7 (ii) (Reserved).

8 (iii) Payments required to fund a change in accrued
9 liability resulting from this act shall be subject to
10 limits imposed under this act on employer contributions
11 to the State System.

12 (iv) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and
13 5508, changes under this paragraph shall not be
14 considered to be costs added by legislation.

15 Section 405. The following shall apply to construction
16 related to Federal law:

17 (1) In regard to the School System:

18 (i) This act shall be construed and administered in
19 such a manner that the School System and the School
20 Employees' Defined Contribution Plan satisfy the
21 requirements necessary to qualify as a qualified pension
22 plan under section 401(a) of the Internal Revenue Code of
23 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
24 applicable provisions of the Internal Revenue Code of
25 1986 and the Uniformed Services Employment and
26 Reemployment Rights Act of 1994 (Public Law 103-353, 38
27 U.S.C. §§ 4301-4333). Regulations promulgated by the
28 School Retirement Board and terms and conditions of the
29 plan document and trust declaration adopted by the School
30 Retirement Board may include provisions necessary to

1 accomplish the purpose of this subparagraph.

2 (ii) Nothing in this act shall be construed to
3 require a member of Class T-G to make contributions to
4 the School System in excess of the limits established by
5 section 415(n) (3) (A) (iii) of the Internal Revenue Code of
6 1986 (26 U.S.C. § 415(n) (3) (A) (iii)). A contribution made
7 by a member of Class T-G which is determined to be in
8 excess of the limits shall be refunded to the member in a
9 lump sum subject to withholding for all applicable taxes
10 and penalties as soon as administratively possible after
11 the determination is made. A refund under this
12 subparagraph shall not affect the benefit payable to the
13 member and shall not be treated as or deemed to be a
14 withdrawal of the member's accumulated deductions.

15 (2) As to the State System:

16 (i) This act shall be construed and administered in
17 a manner that the State System and the State Employees'
18 Defined Contribution Plan shall satisfy the requirements
19 necessary to qualify as a qualified pension plan under
20 section 401(a) of the Internal Revenue Code of 1986,
21 other applicable provisions of the Internal Revenue Code
22 of 1986 and the Uniformed Services Employment and
23 Reemployment Rights Act of 1994. The regulations
24 promulgated by the State Retirement Board and the terms
25 and conditions of the plan document and trust declaration
26 adopted by the State Retirement Board may include
27 provisions necessary to accomplish the purpose of this
28 subparagraph.

29 (ii) Nothing in this act shall be construed or
30 deemed to imply that any member of Class A-5 shall be

1 required to make contributions to the State System in
2 excess of the limits established by section 415(n) (3) (A)
3 (iii) of the Internal Revenue Code of 1986. A
4 contribution made by a member of Class A-5 which is
5 determined to be in excess of the limits shall be
6 refunded to the member in a lump sum subject to
7 withholding for all applicable taxes and penalties as
8 soon as administratively possible after the determination
9 is made. A refund under this subparagraph shall not
10 affect the benefit payable to the member and shall not be
11 treated as or deemed to be a withdrawal of the member's
12 accumulated deductions.

13 (iii) Nothing in this act shall be construed to mean
14 that an interpretation or application of 71 Pa.C.S. Pt.
15 XXV or benefits available to members of the State System
16 was not in accordance with 71 Pa.C.S. Pt. XXV or other
17 applicable law, including the Internal Revenue Code of
18 1986 and the Uniformed Services Employment and
19 Reemployment Rights Act of 1994, before the effective
20 date of this subparagraph.

21 Section 406. The following shall apply to immunity from
22 personal liability:

23 (1) Notwithstanding any other provision of law,
24 fiduciary requirement, actuarial standard of practice or
25 other requirement, no member of the School Retirement Board
26 nor an actuary, employee or official of the School System
27 shall be held liable or in breach or violation of a law or
28 standard, as an individual, in an official capacity or as a
29 governmental or corporate entity, for an action or
30 calculation related to calculating and certifying a final

1 contribution rate as provided under this act that is
2 different from the actuarially required contribution rate as
3 appropriately calculated under 24 Pa.C.S. Pt. IV.

4 (2) Notwithstanding any other provision of law,
5 fiduciary requirement, actuarial standard of practice or
6 other requirement, no member of the State Retirement Board
7 nor an actuary employee or official of the State System shall
8 be held liable or in breach or violation of a law or
9 standard, as an individual, in an official capacity or as a
10 governmental or corporate entity, for an action or
11 calculation related to calculating and certifying a final
12 contribution rate as provided under this act that is
13 different from the actuarially required contribution rate as
14 appropriately calculated under 71 Pa.C.S. Pt. XXV.

15 Section 407. Notwithstanding the amendment of 71 Pa.C.S. §
16 5901(e), the Governor's Office of General Counsel shall continue
17 to provide legal counsel and legal services to the board until
18 such time as the board appoints a chief counsel and such other
19 counsel as it deems necessary to provide it with legal services.

20 Section 408. Notwithstanding the amendment of 24 Pa.C.S. §
21 8501(e), the Governor's Office of General Counsel shall continue
22 to provide legal counsel and legal services to the board until
23 such time as the board appoints a chief counsel and such other
24 counsel as it deems necessary to provide it with legal services.

25 Section 409. Nothing in this act shall be deemed to permit
26 the restoration of service credit or a retirement benefit which:

27 (1) was or is subject to section 16 of Article V of the
28 Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

29 (2) the subject of an order of forfeiture under the act
30 of July 8, 1978 (P.L.752, No.140), known as the Public

1 Employee Pension Forfeiture Act.

2 Section 410. If a provision of this act or its application
3 to any person or circumstance is held invalid, the invalidity
4 shall not affect other provisions or applications of this act
5 that can be given effect without the invalid provision or
6 application.

7 Section 411. This act shall take effect immediately.