

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL**No. 1353** Session of
2013

INTRODUCED BY KAMPF, TRUITT, AUMENT, MILLARD, BLOOM, GROVE,
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MALONEY, TURZAI, TOBASH AND MURT, MAY 17, 2013

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF
REPRESENTATIVES, AS AMENDED, JUNE 25, 2013

AN ACT

1 Amending Titles 51 (Military Affairs) and 71 (State Government)
2 of the Pennsylvania Consolidated Statutes, in Title 51, in
3 employment preferences and pensions, further providing for
4 military leaves of absence; in Title 71, in retirement for
5 State employees and officers, further providing for
6 definitions, for preliminary provisions and for membership,
7 credited service, classes of service, and eligibility
8 benefits, providing for State Employees' Defined Contribution
9 Plan, further providing for contributions, for benefits and
10 for administration, funds and accounts; and making editorial
11 changes.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Section 7306(a) introductory paragraph of Title
15 51 of the Pennsylvania Consolidated Statutes, amended October
16 24, 2012 (P.L.1436, No.181), is amended and the section is
17 amended by adding a subsection to read:

18 § 7306. Retirement rights.

19 (a) Options available to employees.--Any employee who is a
20 member of a retirement system other than an active member or

1 inactive member on leave without pay of the State Employees'
2 Retirement System or an active participant or inactive
3 participant on leave without pay of the State Employees' Defined
4 Contribution Plan at the time he is granted a military leave of
5 absence shall be entitled to exercise any one of the following
6 options in regard thereto:

7 * * *

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

16 Section 2. The definitions of "alternate payee," "average
17 noncovered salary," "beneficiary," "compensation," "creditable
18 nonstate service," "credited service," "date of termination of
19 service," "distribution," "domestic relations order," "final
20 average salary," "inactive member," "intervening military
21 service," "irrevocable beneficiary," "previous State service,"
22 "reemployed from USERRA leave," "retirement counselor," "salary
23 deductions," "special vestee," "State employee," "superannuation
24 age" and "valuation interest" in section 5102 of Title 71,
25 amended or added October 24, 2012 (P.L.1436, No.181), are
26 amended and the section is amended by adding definitions to
27 read:

28 § 5102. Definitions.

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

1 have the following meanings:

2 * * *

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

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

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

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

25 * * *

26 "Active participant." A State employee for whom mandatory
27 pickup participant contributions are being made to the trust or
28 for whom such contributions otherwise required for current State
29 service are not being made solely by reason of any provision of
30 this part relating to the limitations under section 401(a)(17)

1 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
2 26 U.S.C. § 401(a)(17) or § 415).

3 * * *

4 "Alternate payee." Any spouse, former spouse, child or
5 dependent of a member or participant who is recognized by a
6 domestic relations order as having a right to receive all or a
7 portion of the moneys payable to that member or participant
8 under this part.

9 * * *

10 "Average noncovered salary." The average of the amounts of
11 compensation received by an active member each calendar year
12 since January 1, 1956, exclusive of the amount which was or
13 could have been covered by the Federal Social Security Act[,]
14 (42 U.S.C. § 301 et seq.), during that portion of the member's
15 service since January 1, 1956, for which he has received social
16 security integration credit.

17 * * *

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

24 * * *

25 "Combined service employee." A current or former State
26 employee who is both a member of the system and a participant in
27 the plan.

28 * * *

29 "Compensation." Pickup contributions and mandatory pickup
30 contributions plus remuneration actually received as a State

1 employee excluding refunds for expenses, contingency and
2 accountable expense allowances; excluding any severance payments
3 or payments for unused vacation or sick leave; and excluding
4 payments for military leave and any other payments made by an
5 employer while on USERRA leave, leave of absence granted under
6 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
7 government employees), military leave of absence granted under
8 51 Pa.C.S. § 7302 (relating to granting military leaves of
9 absence) or other types of military leave, including other types
10 of leave payments, stipends, differential wage payments as
11 defined in IRC § 414(u)(12) and any other payments: Provided,
12 however, That compensation received prior to January 1, 1973,
13 shall be subject to the limitations for retirement purposes in
14 effect December 31, 1972, if any: Provided further, That the
15 limitation under section 401(a)(17) of the Internal Revenue Code
16 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)) taken into
17 account for the purpose of member contributions, including any
18 additional member contributions in addition to regular or joint
19 coverage member contributions and Social Security integration
20 contributions, regardless of class of service, shall apply to
21 each member who first became a member of the State Employees'
22 Retirement System on or after January 1, 1996, and who by reason
23 of such fact is a noneligible member subject to the application
24 of the provisions of section 5506.1(a) (relating to annual
25 compensation limit under IRC § 401(a)(17)) and shall apply to
26 each participant.

27 * * *

28 "Creditable nonstate service." Service other than:

29 (1) service as a State employee;

30 (2) service converted to State service pursuant to

1 section 5303.1 (relating to election to convert county
2 service to State service); or

3 (3) school service converted to State service pursuant
4 to section 5303.2 (relating to election to convert school
5 service to State service)

6 for which an active member may obtain credit in the system.

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

18 "Date of termination of service." The last day of service
19 for which:

20 (1) pickup contributions are made for an active member
21 [or] ;

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

25 (3) mandatory pickup participant contributions are made
26 for an active participant;

27 (4) in the case of an inactive participant on leave
28 without pay, the date of his resignation or the date his
29 employment is formally discontinued by his employer; or

30 (5) in the case of a combined service employee, the

1 latest of the dates in paragraphs (1), (2), (3) and (4).

2 * * *

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

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

20 * * *

21 "Employer defined contributions."

22 (1) Unless paragraph (2) applies, contributions equal to
23 4% of an active participant's compensation which are made by
24 the Commonwealth or other employer for current service to the
25 trust to be credited in the participant's individual
26 investment account.

27 (2) (i) For Pennsylvania State Police, contributions
28 equal to 12.2% of an active participant's compensation
29 which are made by the Commonwealth for current service to
30 the trust to be credited in the participant's individual

1 investment account.

2 (ii) For an enforcement officer, correction officer,
3 psychiatric security aide, Delaware River Port Authority
4 policeman, park ranger or Capitol police officer,
5 contributions equal to 5.5% of an active participant's
6 compensation which are made by the Commonwealth or other
7 employer for current service to the trust to be credited
8 in the participant's individual investment account.

9 * * *

10 ~~"Final average salary." The highest average compensation~~ <--
11 ~~received as a member during any three nonoverlapping periods of~~
12 ~~four consecutive calendar quarters during which the member was a~~
13 ~~State employee, with the compensation for part-time service~~
14 ~~being annualized on the basis of the fractional portion of the~~
15 ~~year for which credit is received; except if the employee was~~
16 ~~not a member for three nonoverlapping periods of four~~
17 ~~consecutive calendar quarters, the total compensation received~~
18 ~~as a member, annualized in the case of part-time service,~~
19 ~~divided by the number of nonoverlapping periods of four~~
20 ~~consecutive calendar quarters of membership; in the case of a~~
21 ~~member with multiple service, the final average salary shall be~~
22 ~~determined on the basis of the compensation received by him as a~~
23 ~~{State employee} member of the system or as a school employee~~
24 ~~other than as a participant in the School Employees' Defined~~
25 ~~Contribution Plan, or both; in the case of a member with Class~~
26 ~~A-3 or Class A-4 service and service in one or more other~~
27 ~~classes of service, the final average salary shall be determined~~
28 ~~on the basis of the compensation received by him in all classes~~
29 ~~of State service credited in the system; and, in the case of a~~
30 ~~member who first became a member on or after January 1, 1996,~~

1 ~~the final average salary shall be determined as hereinabove~~
2 ~~provided but subject to the application of the provisions of~~
3 ~~section 5506.1(a) (relating to annual compensation limit under~~
4 ~~IRC § 401(a)(17)). Final average salary shall be determined by~~
5 ~~including in compensation payments deemed to have been made to a~~
6 ~~member reemployed from USERRA leave to the extent member~~
7 ~~contributions have been made as provided in section 5302(f)(2)~~
8 ~~(relating to credited State service) and payments made to a~~
9 ~~member on leave of absence under 51 Pa.C.S. § 4102 (relating to~~
10 ~~leaves of absence for certain government employees) as provided~~
11 ~~in section 5302(f)(6).~~

12 "FINAL AVERAGE SALARY." [THE] <--

13 (1) FOR MEMBERS WITH AN EFFECTIVE DATE OF RETIREMENT
14 BEFORE JANUARY 1, 2015, AND FOR PURPOSES OF CALCULATING
15 STANDARD SINGLE LIFE ANNUITIES RESULTING FROM CREDITED
16 SERVICE OTHER THAN POST-JANUARY 2015 SERVICE REGARDLESS OF
17 THE EFFECTIVE DATE OF RETIREMENT, THE HIGHEST AVERAGE
18 COMPENSATION RECEIVED AS A MEMBER DURING ANY THREE
19 NONOVERLAPPING PERIODS OF FOUR CONSECUTIVE CALENDAR QUARTERS
20 DURING WHICH THE MEMBER WAS A STATE EMPLOYEE, WITH THE
21 COMPENSATION FOR PART-TIME SERVICE BEING ANNUALIZED ON THE
22 BASIS OF THE FRACTIONAL PORTION OF THE YEAR FOR WHICH CREDIT
23 IS RECEIVED; EXCEPT IF THE EMPLOYEE WAS NOT A MEMBER FOR
24 THREE NONOVERLAPPING PERIODS OF FOUR CONSECUTIVE CALENDAR
25 QUARTERS, THE TOTAL COMPENSATION RECEIVED AS A MEMBER,
26 ANNUALIZED IN THE CASE OF PART-TIME SERVICE, DIVIDED BY THE
27 NUMBER OF NONOVERLAPPING PERIODS OF FOUR CONSECUTIVE CALENDAR
28 QUARTERS OF MEMBERSHIP[;].

29 (2) FOR MEMBERS WITH AN EFFECTIVE DATE OF RETIREMENT ON
30 OR AFTER JANUARY 1, 2015, FOR PURPOSES OF CALCULATING

1 STANDARD SINGLE LIFE ANNUITIES RESULTING FROM POST-JANUARY
2 2015 SERVICE, THE HIGHEST AVERAGE COMPENSATION, AS ADJUSTED
3 UNDER SECTION 5506.3 (RELATING TO ADJUSTMENT OF COMPENSATION
4 FOR CALCULATING FINAL AVERAGE SALARY ON OR AFTER JANUARY 1,
5 2015), RECEIVED AS A MEMBER OF ANY CLASS OF SERVICE DURING
6 ANY FIVE CALENDAR YEARS DURING WHICH THE MEMBER WAS A STATE
7 EMPLOYEE, EXCEPT IF THE EMPLOYEE WAS NOT AN ACTIVE MEMBER
8 DURING FIVE CALENDAR YEARS, THE AVERAGE OF THE NUMBER OF
9 CALENDAR YEARS DURING WHICH THE EMPLOYEE WAS AN ACTIVE
10 MEMBER.

11 (3) FOR ALL MEMBERS AND FOR THE CALCULATION OF ALL
12 STANDARD SINGLE LIFE ANNUITIES WITHOUT REGARD TO CLASS OF
13 MEMBERSHIP AND CREDITED SERVICE, IN THE CASE OF A MEMBER WITH
14 MULTIPLE SERVICE, THE FINAL AVERAGE SALARY SHALL BE
15 DETERMINED ON THE BASIS OF THE COMPENSATION RECEIVED BY HIM
16 AS A [STATE EMPLOYEE] MEMBER OF THE SYSTEM OR AS A SCHOOL
17 EMPLOYEE, OTHER THAN AS A PARTICIPANT IN THE SCHOOL
18 EMPLOYEES' DEFINED CONTRIBUTION PLAN, OR BOTH; IN THE CASE OF
19 A MEMBER WITH CLASS A-3 OR CLASS A-4 SERVICE AND SERVICE IN
20 ONE OR MORE OTHER CLASSES OF SERVICE, THE FINAL AVERAGE
21 SALARY SHALL BE DETERMINED ON THE BASIS OF THE COMPENSATION
22 RECEIVED BY HIM IN ALL CLASSES OF STATE SERVICE CREDITED IN
23 THE SYSTEM; AND, IN THE CASE OF A MEMBER WHO FIRST BECAME A
24 MEMBER ON OR AFTER JANUARY 1, 1996, THE FINAL AVERAGE SALARY
25 SHALL BE DETERMINED AS HEREINABOVE PROVIDED BUT SUBJECT TO
26 THE APPLICATION OF THE PROVISIONS OF SECTION 5506.1(A)
27 (RELATING TO ANNUAL COMPENSATION LIMIT UNDER IRC § 401(A)
28 (17)). FINAL AVERAGE SALARY SHALL BE DETERMINED BY INCLUDING
29 IN COMPENSATION PAYMENTS DEEMED TO HAVE BEEN MADE TO A MEMBER
30 REEMPLOYED FROM USERRA LEAVE TO THE EXTENT MEMBER

1 CONTRIBUTIONS HAVE BEEN MADE AS PROVIDED IN SECTION 5302 (F)
2 (2) (RELATING TO CREDITED STATE SERVICE) AND PAYMENTS MADE TO
3 A MEMBER ON LEAVE OF ABSENCE UNDER 51 PA.C.S. § 4102
4 (RELATING TO LEAVES OF ABSENCE FOR CERTAIN GOVERNMENT
5 EMPLOYEES) AS PROVIDED IN SECTION 5302 (F) (6) .

6 * * *

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

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

30 "Individual investment account." The account in the trust to

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

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

13 * * *

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

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

25 * * *

26 "Mandatory pickup participant contributions." Contributions
27 equal to 4% of compensation that are made by the Commonwealth or
28 other employer for active participants for current service which
29 are picked up by the employer.

30 * * *

1 "Participant." An active participant, inactive participant
2 or participant receiving distributions.

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

7 * * *

8 "Plan." The State 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 5402 (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 "POST-JANUARY 2015 SERVICE." ALL PREVIOUSLY UNCREDITED STATE <--
16 SERVICE AND CREDITABLE NONSTATE SERVICE THAT IS FIRST CREDITED
17 ON OR AFTER JANUARY 1, 2015, AND ALL STATE SERVICE PERFORMED ON
18 OR AFTER JANUARY 1, 2015, EXCEPT THAT ANY STATE SERVICE CREDITED
19 BY A MEMBER WHO IS REEMPLOYED FROM USERRA LEAVE WHO HAS MADE THE
20 MEMBER CONTRIBUTIONS UNDER SECTION 5302(F) (RELATING TO CREDITED
21 STATE SERVICE) TO RECEIVE STATE SERVICE CREDIT SHALL NOT BE
22 POST-JANUARY 2015 SERVICE IF CREDITED FOR A PERIOD OF USERRA
23 LEAVE PERFORMED BEFORE JANUARY 1, 2015.

24 "Previous State service." Service rendered as a State
25 employee prior to his most recent entrance in the system[.],
26 provided that the State employee was not a participant in the
27 plan, was not eligible to be an optional participant in the plan
28 under section 5301(b.1) (relating to mandatory and optional
29 membership) or was not prohibited from being a participant under
30 section 5301(c.1) during such service.

1 * * *

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

10 * * *

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

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

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

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

29 * * *

30 "Special vestee." An employee of The Pennsylvania State

1 University who is a member of the State Employees' Retirement
2 System with five or more but less than ten eligibility points
3 and who has a date of termination of service from The
4 Pennsylvania State University of June 30, 1997, because of the
5 transfer of his job position or duties to a controlled
6 organization of the Penn State Geisinger Health System or
7 because of the elimination of his job position or duties due to
8 the transfer of other job positions or duties to a controlled
9 organization of the Penn State Geisinger Health System, provided
10 that:

11 (1) subsequent to termination of State service as an
12 employee of The Pennsylvania State University, the member has
13 not returned to State service in any other capacity or
14 position as a State employee;

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

17 (3) the member files an application to vest the member's
18 retirement rights pursuant to section 5907(f) (relating to
19 rights and duties of State employees [and], members and
20 participants) on or before September 30, 1997; and

21 (4) the member elects to leave the member's total
22 accumulated deductions in the fund and to defer receipt of an
23 annuity until attainment of superannuation age.

24 * * *

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

1 members of the General Assembly, and any officer or employee of
2 the following:

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

4 (ii) State-owned educational institutions.

5 (iii) Community colleges.

6 (iv) The Pennsylvania State University, except an
7 employee in the College of Agriculture who is paid wholly
8 from Federal funds or an employee who is participating in
9 the Federal Civil Service Retirement System. The
10 university shall be totally responsible for all employer
11 contributions under [section] sections 5507 (relating to
12 contributions to the system by the Commonwealth and other
13 [employers).] employers before July 1, 2015) and 5507.1
14 (relating to contributions to the system by the
15 Commonwealth and other employers starting July 1, 2015).

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

1 and provided in the case of employees of the Interstate
2 Commission of the Delaware River Basin, that the employee
3 shall have been a member of the system for at least ten years
4 prior to January 1, 1963.

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

18 * * *

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

23 "Superannuation age." For classes of service in the system
24 other than Class A-3 and Class A-4, any age upon accrual of 35
25 eligibility points or age 60, except for a member of the General
26 Assembly, an enforcement officer, a correction officer, a
27 psychiatric security aide, a Delaware River Port Authority
28 policeman or an officer of the Pennsylvania State Police, age
29 50, and, except for a member with Class G, Class H, Class I,
30 Class J, Class K, Class L, Class M or Class N service, age 55

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

15 * * *

16 "Trust." The State Employees' Defined Contribution Trust
17 established under Chapter 54 (relating to State Employees'
18 Defined Contribution Plan).

19 * * *

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

23 * * *

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

30 Section 3. Section 5103 of Title 71 is amended to read:

1 § 5103. Notice to members and participants.

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

11 Section 4. Title 71 is amended by adding a section to read:

12 § 5104. Reference to State Employees' Retirement System.

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

21 (b) Agreement.--The agreement of an employer listed in the
22 definition of "State employee" under section 5102 (relating to
23 definitions) or any other law to make contributions to the State
24 Employees' Retirement Fund or to enroll its employees as members
25 in the State Employees' Retirement System shall be deemed to be
26 an agreement to make contributions to the State Employees'
27 Defined Contribution Trust or to enroll its employees in the
28 State Employees' Defined Contribution Plan.

29 Section 5. Section 5301 heading, (a), (b), (c) and (d) of
30 Title 71 are amended and the section is amended by adding

1 subsections to read:

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

4 (a) Mandatory membership.--[Membership] Unless an election
5 to be a participant in the plan is made, membership in the
6 system shall be mandatory as of the effective date of employment
7 for all State employees except the following:

8 (1) Governor.

9 (2) Lieutenant Governor.

10 (3) Members of the General Assembly.

11 (4) Heads or deputy heads of administrative departments.

12 (5) Members of any independent administrative board or
13 commission.

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

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

16 (8) Secretary to the Governor.

17 (9) Budget Secretary.

18 (10) Legislative employees.

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

21 (12) School employees who have elected membership in an
22 independent retirement program approved by the employer,
23 provided that in no case, except as hereinafter provided,
24 shall the employer contribute on account of such elected
25 membership at a rate greater than the employer normal
26 contribution rate as determined in section 5508(b) (relating
27 to actuarial cost method for fiscal years ending before July
28 1, 2015). For the fiscal year 1986-1987 an employer may
29 contribute on account of such elected membership at a rate
30 which is the greater of 7% or the employer normal

1 contribution rate as determined in section 5508(b) and for
2 the fiscal year 1992-1993 and all years after that at a rate
3 of 9.29%.

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

8 (14) Persons who are not members of the system and are
9 employed on a per diem or hourly basis for less than 100 days
10 or 750 hours in a 12-month period.

11 (15) Employees of the Philadelphia Regional Port
12 Authority who have elected to retain membership in the
13 pension plan or retirement system in which they were enrolled
14 as employees of the predecessor Philadelphia Port Corporation
15 prior to the creation of the Philadelphia Regional Port
16 Authority.

17 (16) Employees of the Juvenile Court Judges' Commission
18 who, before the effective date of this paragraph, were
19 transferred from the State System of Higher Education to the
20 Juvenile Court Judges' Commission as a result of an
21 interagency transfer of staff approved by the Office of
22 Administration and who, while employees of the State System
23 of Higher Education, had elected membership in an independent
24 retirement program approved by the employer.

25 (17) State employees whose most recent period of State
26 service starts on or after January 1, 2015. For purposes of
27 this paragraph and section 5955(c) (relating to construction
28 of part), a State employee who is furloughed under section
29 802 of the act of August 5, 1941 (P.L.752, No.286), known as
30 the Civil Service Act, and reemployed pursuant to the Civil

1 Service Act in any class of service or civil service status
2 which was previously held shall not be treated as having a
3 break in State service.

4 (a.1) Mandatory participation in the plan.--State employees
5 listed in subsection (a)(17) who are not listed in subsection
6 (a)(1) through (13) shall be mandatory participants as of the
7 most recent effective date of State service without regard to
8 whether or not they are combined service employees.

9 (b) Optional membership in the system.--The State employees
10 listed in subsection (a)(1) through (11) shall have the right to
11 elect membership in the system on or before December 31, 2014;
12 once such election is exercised, membership shall continue until
13 the termination of State service or until the State employee
14 elects to be a participant of the plan.

15 (b.1) Optional participation in the plan.--The State
16 employees listed in subsection (a)(17) who also are listed in
17 subsection (a)(1) through (10) shall have the right to elect
18 participation in the plan; once such election is exercised,
19 participation will be effective as of the date of election and
20 shall continue until the termination of State service.

21 (c) Prohibited membership in the system.--The State
22 employees listed in subsection (a)(12), (13), (14) [and], (15)
23 and (17) shall not have the right to elect membership in the
24 system.

25 (c.1) Prohibited participation in the plan.--The State
26 employees listed in subsection (a)(17) who also are listed in
27 subsection (a)(13) and (15) or who are employees of The
28 Pennsylvania State University, the State System of Higher
29 Education, State-owned educational institutions or community
30 colleges shall not be eligible to participate in the plan.

1 (d) Return to service.--An annuitant who returns to service
2 as a State employee before January 1, 2015, shall resume active
3 membership in the system as of the effective date of employment,
4 except as otherwise provided in section 5706(a) (relating to
5 termination of annuities), regardless of the optional membership
6 category of the position. An annuitant, inactive participant or
7 a participant receiving distributions who returns to service as
8 a State employee on or after January 1, 2015, shall be an active
9 participant of the plan as of the effective date of employment
10 unless the position is eligible for optional participation or is
11 not eligible for participation in the plan, or except as
12 otherwise provided in section 5706(a).

13 * * *

14 Section 6. Section 5302(a), (b), (e) and (f) of Title 71,
15 amended October 24, 2012 (P.L.1436, No.181), are amended to
16 read:

17 § 5302. Credited State service.

18 (a) Computation of credited service.--In computing credited
19 State service of a member for the determination of benefits, a
20 full-time salaried State employee, including any member of the
21 General Assembly, shall receive credit for service in each
22 period for which contributions as required are made to the fund,
23 or for which contributions otherwise required for such service
24 were not made to the fund solely by reason of section 5502.1
25 (relating to waiver of regular member contributions and Social
26 Security integration member contributions) or any provision of
27 this part relating to the limitations under IRC § 401(a)(17) or
28 415(b), but in no case shall he receive more than one year's
29 credit for any 12 consecutive months or 26 consecutive biweekly
30 pay periods. A per diem or hourly State employee shall receive

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

19 (b) Creditable leaves of absence.--

20 (1) A member on leave without pay who is studying under
21 a Federal grant approved by the head of his department or who
22 is engaged up to a maximum of two years of temporary service
23 with the United States Government, another state or a local
24 government under the Intergovernmental Personnel Act of 1970
25 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
26 be eligible for credit for such service: Provided, That
27 contributions are made in accordance with sections 5501
28 (relating to regular member contributions for current
29 service), 5501.1 (relating to shared-risk member
30 contributions for Class A-3 and Class A-4 service), 5505.1

1 (relating to additional member contributions) [and], 5507
2 (relating to contributions to the system by the Commonwealth
3 and other employers before July 1, 2015) and 5507.1 (relating
4 to contributions to the system by the Commonwealth and other
5 employers starting July 1, 2015), the member returns from
6 leave without pay to active State service as a member of the
7 system for a period of at least one year, and he is not
8 entitled to retirement benefits for such service under a
9 retirement system administered by any other governmental
10 agency.

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

1 Statewide employee organization shall fully reimburse the
2 employer for all expenses and costs of such paid leave,
3 including, but not limited to, contributions and payment in
4 accordance with [sections] section 5404 (relating to
5 participant contributions), 5405 (relating to mandatory
6 pickup participant contributions), 5406 (relating to employer
7 defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or
8 5507.1, if the employee organization either directly pays, or
9 reimburses the Commonwealth or other employer for,
10 contributions made in accordance with [section] sections
11 5404, 5405, 5406, 5507 and 5507.1.

12 * * *

13 (e) Cancellation of credited service.--All credited service
14 in the system shall be cancelled if a member withdraws his total
15 accumulated deductions, except that a member with Class A-3 or
16 Class A-4 service credit and one or more other classes of
17 service credit shall not have his service credit as a member of
18 any classes of service other than as a member of Class A-3 or
19 Class A-4 cancelled when the member receives a lump sum payment
20 of accumulated deductions resulting from Class A-3 or Class A-4
21 service pursuant to section 5705.1 (relating to payment of
22 accumulated deductions resulting from Class A-3 and Class A-4
23 service). A partial or total distribution of accumulated total
24 defined contributions to a combined service employee shall not
25 cancel service credited in the system.

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

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

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

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

15 (1.2) State employees may not participate in the plan or
16 exercise the options under 51 Pa.C.S. § 7306 (relating to
17 retirement rights) for military leaves that begin on or after
18 the effective date of this paragraph, except as otherwise
19 provided by this subsection.

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

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

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

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

1 section 5506 (relating to incomplete payments). Upon a
2 subsequent return to State service or to school service
3 as a multiple service member, the required member
4 contributions treated as incomplete payments shall be
5 treated as member contributions that were either
6 withdrawn in a lump sum at termination or paid as a lump
7 sum pursuant to section 5705(a)(4) OR (A.1) (relating to <--
8 member's options), as the case may be.

9 (iii) A State employee who is reemployed from USERRA
10 leave as an active member of the system who does not make
11 the required member contributions or makes only part of
12 the required member contributions within the allowed
13 payment period shall not be granted credited service for
14 the period of USERRA leave for which the required member
15 contributions were not timely made, shall not be eligible
16 to subsequently make contributions and shall not be
17 granted either State service credit or nonstate service
18 credit for the period of USERRA leave for which the
19 required member contributions were not timely made.

20 (2.1) The following shall apply:

21 (i) A participant who is reemployed from USERRA
22 leave shall be treated as not having incurred a break in
23 State service by reason of the USERRA leave. If a
24 participant who is reemployed from USERRA leave
25 subsequently makes mandatory pickup participant
26 contributions in the amounts and in the time periods
27 required by 38 U.S.C. Ch. 43 and IRC § 414(u) as if the
28 participant had continued in his State office or
29 employment and performed State service and been
30 compensated during the period of USERRA leave, the

1 participant's employer shall make the corresponding
2 employer defined contributions. Such an employee shall
3 have his contributions, benefits, rights and obligations
4 determined under this part as if he were an active
5 participant who performed State service during the USERRA
6 leave in the job position that he would have held had he
7 not been on USERRA leave and received the compensation on
8 which the mandatory pickup participant contributions to
9 receive State service credit for the USERRA leave were
10 determined, including the right to make voluntary
11 contributions on such compensation as permitted by law.

12 (ii) A participant who is reemployed from USERRA
13 leave who does not make the mandatory pickup participant
14 contributions or makes only part of the mandatory pickup
15 participant contributions within the allowed payment
16 period shall not be eligible to make mandatory pickup
17 participant contributions or voluntary contributions at a
18 later date for the period of USERRA leave for which the
19 mandatory pickup participant contributions were not
20 timely made.

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

1 (3.1) A State employee who is a participant in the plan
2 and performs USERRA leave from which the employee could have
3 been reemployed from USERRA leave had the employee returned
4 to State service in the time frames required by 38 U.S.C. Ch.
5 43 for reemployment rights, but was not reemployed, shall not
6 be eligible to make mandatory pickup participant
7 contributions or voluntary contributions for the period of
8 USERRA leave should the employee later return to State
9 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 or voluntary contributions during
26 or for the leave of absence or military leave and shall not
27 have employer defined contributions made during such leave,
28 without regard to whether or not the State employee received
29 salary, wages, stipends, differential wage payments or other
30 payments from his employer during the leave, notwithstanding

1 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
2 Pa.C.S. Ch. 73.

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

10 (5.1) If a participant dies while performing USERRA
11 leave, the beneficiaries or successor payees of the deceased
12 participant are entitled to any additional benefits, other
13 than benefit accruals relating to the period of qualified
14 military service, provided under this part had the
15 participant resumed and terminated employment on account of
16 death.

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

28 Section 7. Sections 5303(b)(2), (d)(1), (e)(1) and (4),
29 5303.2(a) and (e), 5304(a) and (b), 5305(b) introductory
30 paragraph and (3) and 5305.1 of Title 71 are amended to read:

1 § 5303. Retention and reinstatement of service credits.

2 * * *

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

4 * * *

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

16 * * *

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

18 (1) Any person who was an employee of any county in this
19 Commonwealth on the personal staff of an appellate court
20 judge prior to September 9, 1985, and who had that employment
21 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
22 (relating to local chamber facilities) shall be a member of
23 the system for all service rendered as an employee of the
24 Commonwealth on the personal staff of an appellate court
25 judge subsequent to the date of the transfer unless
26 specifically prohibited pursuant to section 5301(c) (relating
27 to mandatory and optional membership in the system and
28 participation in the plan). The employee shall be entitled to
29 have any prior service credit in that county or other
30 municipal pension plan or retirement system transferred to

1 the system and deemed to be State service for all purposes
2 under this part. However, for those employees who were in
3 continuous county employment which commenced prior to July
4 22, 1983, section 5505.1 shall not apply. The transfer of
5 prior service credit to the system shall occur upon the
6 transfer, by the member, county or other municipal pension
7 plan or retirement system, to the system of the amount of
8 accumulated member contributions, pick-up contributions and
9 credited interest standing in the employee's county or
10 municipal pension plan or retirement system account as of the
11 date that these funds are transferred to the system. In the
12 event that these funds have been refunded to the member, the
13 transfer of service credit shall occur when the member
14 transfers an amount equal to either the refund which the
15 member received from the county or municipal pension plan or
16 retirement system or the amount due under section 5504, if
17 less. In the case of a transfer by the member, the transfer
18 shall occur by December 31, 1987, in order for the member to
19 receive credit for the prior service. In the case of a
20 transfer by the county or other municipal pension plan or
21 retirement system, the transfer shall also occur by December
22 31, 1987. If the amount transferred to the system by the
23 member of a county or municipal pension plan or retirement
24 system is greater than the amount that would have accumulated
25 in the member's account if the employee had been a member of
26 the system, all excess funds shall be returned to the
27 employee within 90 days of the date on which such funds are
28 credited to the member's account in the system. Within 60
29 days of receipt of written notice that an employee has
30 elected to transfer credits under the provisions of this

1 subsection, the county or other municipal pension plans or
2 retirement systems shall be required to transfer to the
3 system an amount, excluding contributions due under section
4 5504(a), equal to the liability of the prior service in
5 accordance with county or other municipal pension plan or
6 retirement system benefit provisions, multiplied by the ratio
7 of system actuarial value of assets for active members to the
8 system actuarial accrued liability for active members. The
9 Public Employee Retirement Study Commission shall determine
10 the appropriate amount of employer contributions to be
11 transferred to the system by the county or other municipal
12 pension plans or retirement systems.

13 * * *

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

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

27 * * *

28 (4) Any person who became employed by the Philadelphia
29 Regional Port Authority between July 10, 1989, and passage of
30 this act and who becomes a State employee, as defined in

1 section 5102, and an active member of the system shall be
2 eligible to obtain retirement credit for service from the
3 date of employment with the Philadelphia Regional Port
4 Authority, provided that the contributions are made in
5 accordance with sections 5501, 5504, 5505.1 and 5506.

6 * * *

7 § 5303.2. Election to convert school service to State service.

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

30 * * *

1 (e) Transfer.--Within 180 days after the effective date of
2 this subsection, the Public School Employees' Retirement System
3 shall transfer to the board for each member electing to convert
4 under this section the accumulated member contributions and
5 statutory interest credited in the Public School Employees'
6 Retirement System, plus an amount equal to the value of all
7 annual employer contributions made to the Public School
8 Employees' Retirement System with interest at the annual rate
9 adopted by the board for the calculation of the normal
10 contribution rate under section 5508(b) (relating to actuarial
11 cost method for fiscal years ending before July 1, 2015), from
12 the date of each contribution to the date of the transfer of the
13 funds to the board. Any debt owed by a member to the Public
14 School Employees' Retirement System for whatever reason shall be
15 transferred to the system and shall be paid in a manner and in
16 accordance with conditions prescribed by the board.

17 * * *

18 § 5304. Creditable nonstate service.

19 (a) Eligibility.--

20 (1) An active member who first becomes an active member
21 before January 1, 2011, or before December 1, 2010, as a
22 member of the General Assembly, or a multiple service member
23 who first becomes an active member before January 1, 2011, or
24 before December 1, 2010, as a member of the General Assembly,
25 and who is a school employee and an active member of the
26 Public School Employees' Retirement System shall be eligible
27 for Class A service credit for creditable nonstate service as
28 set forth in subsections (b) and (c) except that intervening
29 military service shall be credited in the class of service
30 for which the member was eligible at the time of entering

1 into military service and for which he makes the required
2 contributions to the fund and except that a multiple service
3 member who is a school employee and an active member of the
4 Public School Employees' Retirement System shall not be
5 eligible to purchase service credit for creditable nonstate
6 service set forth in subsection (c)(5).

7 (2) An active member who first becomes an active member
8 on or after January 1, 2011, or on or after December 1, 2010,
9 as a member of the General Assembly, or a multiple service
10 member who first becomes an active member on or after January
11 1, 2011, or on or after December 1, 2010, as a member of the
12 General Assembly, and who is a school employee and an active
13 member of the Public School Employees' Retirement System
14 shall be eligible for Class A-3 service credit for creditable
15 nonstate service as set forth in subsections (b) and (c)
16 except that intervening military service shall be credited in
17 the class of service for which the member was eligible at the
18 time of entering into military service and for which he makes
19 the required contributions to the fund and except that a
20 multiple service member who is a school employee and an
21 active member of the Public School Employees' Retirement
22 System shall not be eligible to purchase service credit for
23 creditable nonstate service set forth in subsection (c)(5).

24 * * *

25 (b) Limitations on eligibility.--An active member or a
26 multiple service member who is a school employee and an active
27 member of the Public School Employees' Retirement System shall
28 be eligible to receive credit for nonstate service provided that
29 he does not have credit for such service in the system or in the
30 school system and is not entitled to receive, eligible to

1 receive now or in the future, or is receiving retirement
2 benefits for such service in the system or under a retirement
3 system administered and wholly or partially paid for by any
4 other governmental agency or by any private employer, or a
5 retirement program approved by the employer in accordance with
6 section 5301(a)(12) (relating to mandatory and optional
7 membership in the system and participation in the plan), and
8 further provided, that such service is certified by the previous
9 employer and contributions are agreed upon and made in
10 accordance with section 5505 (relating to contributions for the
11 purchase of credit for creditable nonstate service).

12 * * *

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
26 415(b), in accordance with section 5502 (relating to Social
27 Security integration member contributions), and he:

28 * * *

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

1 system.

2 * * *

3 § 5305.1. Eligibility for actuarial increase factor.

4 A person who is:

5 (1) an active member;

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

7 (3) a multiple service member who is a school employee

8 and an active member of the Public School Employees'

9 Retirement System; or

10 (4) a combined service employee who is an active

11 participant or inactive participant on leave without pay

12 who terminates State service or school service, as the case may

13 be, after attaining age 70 and who applies for a superannuation

14 annuity with an effective date of retirement the day after the

15 date of termination of State service or school service shall

16 have that person's maximum single life annuity calculated

17 pursuant to section 5702(a.1) (relating to maximum single life

18 annuity).

19 Section 8. Section 5306(a), (a.1)(2) and (6), (a.2)(1) and

20 (2) and (b) of Title 71 are amended and the section is amended

21 by adding a subsection to read:

22 § 5306. Classes of service.

23 (a) Class A and Class A-3 membership.--

24 (1) A State employee who is a member of Class A on the

25 effective date of this part or who first becomes a member of

26 the system subsequent to the effective date of this part and

27 before January 1, 2011, or before December 1, 2010, as a

28 member of the General Assembly, shall be classified as a

29 Class A member and receive credit for Class A service upon

30 payment of regular and additional member contributions for

1 Class A service, provided that the State employee does not
2 become a member of Class AA pursuant to subsection (a.1)
3 [or], a member of Class D-4 pursuant to subsection (a.2) or a
4 participant in the plan.

5 (2) A State employee who first becomes a member of the
6 system on or after January 1, 2011, or on or after December
7 1, 2010, as a member of the General Assembly, shall be
8 classified as a Class A-3 member and receive credit for Class
9 A-3 service upon payment of regular member contributions and
10 shared-risk member contributions for Class A-3 service
11 provided that the State employee does not become a member of
12 Class A-4 pursuant to subsection (a.3), except that a member
13 of the judiciary shall be classified as a member of such
14 other class of service for which the member of the judiciary
15 is eligible, shall elect and make regular member
16 contributions[.] and further provided that the State employee
17 does not become a participant in the plan or is not eligible
18 to be an optional participant of the plan under section 5301
19 (relating to mandatory and optional membership in the system
20 and participation in the plan).

21 (a.1) Class AA membership.--

22 * * *

23 (2) A person who is a State employee on June 30, 2001,
24 and July 1, 2001, but is not an active member of the system
25 because membership in the system is optional or prohibited
26 pursuant to section 5301 (relating to mandatory and optional
27 membership in the system and participation in the plan) and
28 who first becomes an active member after June 30, 2001, and
29 before January 1, 2011, or before December 1, 2010, as a
30 member of the General Assembly, and who is not a State police

1 officer and not employed in a position for which a class of
2 service other than Class A is credited or could be elected
3 shall be classified as a Class AA member and receive credit
4 for Class AA State service upon payment of regular member
5 contributions for Class AA service and, subject to the
6 limitations contained in paragraph (7), if previously a
7 member of Class A or previously employed in a position for
8 which Class A service could have been earned, shall have all
9 Class A State service (other than State service performed as
10 a State Police officer or for which a class of service other
11 than Class A was earned or could have been elected)
12 classified as Class AA service.

13 * * *

14 (6) A State employee who after June 30, 2001, becomes a
15 State police officer or who is employed in a position in
16 which the member could elect membership in the system in a
17 class of service other than Class AA or Class D-4 shall
18 retain any Class AA service credited prior to becoming a
19 State police officer or being so employed but shall be
20 ineligible to receive Class AA credit thereafter and instead
21 shall receive Class A credit for service as a member of the
22 judiciary if such judicial service begins before January 1,
23 2015, or if he first became a member before January 1, 2011,
24 or December 1, 2010, as a member of the General Assembly, or
25 Class A-3 credit for service other than as a member of the
26 judiciary if such nonjudicial service begins before January
27 1, 2015, and he first became a member on or after January 1,
28 2011, or December 1, 2010, as a member of the General
29 Assembly, unless a class of membership other than Class A is
30 elected.

1 * * *

2 (a.2) Class of membership for members of the General
3 Assembly.--

4 (1) A person who:

5 (i) becomes a member of the General Assembly and an
6 active member of the system after June 30, 2001, and
7 before December 1, 2010; or

8 (ii) is a member of the General Assembly on July 1,
9 2001, but is not an active member of the system because
10 membership in the system is optional pursuant to section
11 5301 and who becomes an active member after June 30,
12 2001, and before December 1, 2010;

13 and who was not a State police officer on or after July 1,
14 1989, shall be classified as a Class D-4 member and receive
15 credit as a Class D-4 member for all State service as a
16 member of the system performed as a member of the General
17 Assembly upon payment of regular member contributions for
18 Class D-4 service and, subject to the limitations contained
19 in subsection (a.1)(7), if previously a member of Class A or
20 employed in a position for which Class A service could have
21 been earned, shall receive Class AA service credit for all
22 Class A State service, other than State service performed as
23 a State police officer or for which a class of service other
24 than Class A or Class D-4 was or could have been elected or
25 credited.

26 (2) Provided an election to become a Class D-4 member is
27 made pursuant to section 5306.2 (relating to elections by
28 members of the General Assembly), a State employee who was
29 not a State police officer on or after July 1, 1989, who on
30 July 1, 2001, is a member of the General Assembly and an

1 active member of the system and not a member of Class D-3
2 shall be classified as a Class D-4 member and receive credit
3 as a Class D-4 member for all State service as a member of
4 the system performed as a member of the General Assembly not
5 credited as another class other than Class A upon payment of
6 regular member contributions for Class D-4 service and,
7 subject to the limitations contained in paragraph (a.1)(7),
8 shall receive Class AA service credit for all Class A State
9 service, other than State service performed as a State police
10 officer or as a State employee in a position in which the
11 member could have elected a class of service other than Class
12 A, performed before July 1, 2001.

13 * * *

14 (b) Other class membership.--

15 (1) A State employee who is a member of a class of
16 service other than Class A on the effective date of this part
17 shall retain his membership in that class until such service
18 is discontinued; any service as a member of the system
19 thereafter shall be credited as Class A service, Class AA
20 service or Class D-4 service as provided for in this section.

21 (2) Notwithstanding any other provision of this section,
22 a State employee who is appointed bail commissioner of the
23 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
24 (relating to jurisdiction and venue) and is eligible to be a
25 member of the system as a bail commissioner may, within 30
26 days of the effective date of this sentence or within 30 days
27 of his initial appointment as a bail commissioner, whichever
28 is later, elect Class E-2 service credit for service
29 performed as a bail commissioner. This class of service
30 multiplier for E-2 service as a bail commissioner shall be

1 1.5.

2 * * *

3 (e) Ineligibility for active membership and classes of
4 service.--An individual who elects to be a participant in the
5 plan or who is a State employee on January 1, 2015, but is not a
6 member of the system or who first becomes a State employee on or
7 after January 1, 2015, or who returns to State service after a
8 termination of State service, without regard to whether the
9 termination occurred before or after January 1, 2015, shall be
10 ineligible for active membership in the system or the several
11 classes of State service as otherwise provided for under this
12 section. Any such State employee, if eligible, may be a
13 participant in the plan as a result of such State service.

14 Section 9. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
15 (d) of Title 71 are amended to read:

16 § 5306.1. Election to become a Class AA member.

17 * * *

18 (c) Effect of election.--An election to become a Class AA
19 member shall become effective the later of July 1, 2001, or the
20 date when the election is filed with the board and shall remain
21 in effect until the termination of employment or election to be
22 a participant in the plan. Upon termination and a subsequent
23 reemployment that occurs before January 1, 2015, the member's
24 class of service shall be credited in the class of service
25 otherwise provided for in this part. If the reemployment occurs
26 on or after January 1, 2015, the State employee's eligibility
27 for membership in the system or participation in the plan shall
28 be as provided in this part.

29 * * *

30 § 5306.2. Elections by members of the General Assembly.

1 * * *

2 (b) Effect of election.--Membership as a Class D-4 member
3 shall become effective on July 1, 2001, and shall remain in
4 effect until the termination of service as a member of the
5 General Assembly or election to be a participant in the plan.
6 Upon termination and a subsequent reemployment that occurs
7 before January 1, 2015, the member's class of service shall be
8 credited in the class of service otherwise provided for in this
9 part. If the reemployment occurs on or after January 1, 2015,
10 the State employee's eligibility for membership in the system or
11 participation in the plan shall be as provided in this part.

12 * * *

13 § 5306.3. Election to become a Class A-4 member.

14 * * *

15 (c) Effect of election.--An election to become a Class A-4
16 member shall be irrevocable and shall become effective on the
17 effective date of membership in the system and shall remain in
18 effect for all future [creditable] State service creditable in
19 the system, other than service performed as a member of the
20 judiciary and service performed after a termination and a
21 reemployment when the reemployment occurs on or after January 1,
22 2015. Payment of regular member contributions for Class A-4
23 State service performed prior to the election of Class A-4
24 membership shall be made in a form, manner and time determined
25 by the board. Upon termination and a subsequent reemployment
26 before January 1, 2015, a member who elected Class A-4
27 membership shall be credited as a Class A-4 member for
28 creditable State service performed after reemployment and before
29 the next termination of State service or election to be a
30 participant, except as a member of the judiciary, regardless of

1 termination of employment, termination of membership by
2 withdrawal of accumulated deductions or status as an annuitant,
3 vestee or inactive member after the termination of service and
4 before reemployment occurring before January 1, 2015.

5 (d) Effect of failure to make election.--Failure to elect to
6 become a Class A-4 member within the election period set forth
7 in subsection (b) shall result in all of the member's State
8 service, other than service performed as a member of the
9 judiciary, being credited as Class A-3 service, unless the State
10 employee elects or is required to be a participant in the plan,
11 and not subject to further election or crediting as Class A-4
12 service. Upon termination and subsequent employment, a member
13 who failed to elect to become a Class A-4 member shall not be
14 eligible to make another election to become a Class A-4 member
15 for either past or future State service.

16 Section 10. Sections 5307(b)(1) and 5308(a) and (b) of Title
17 71, amended October 24, 2012 (P.L.1436, No.181), are amended and
18 the sections are amended by adding subsections to read:

19 § 5307. Eligibility points.

20 * * *

21 (b) Transitional rule.--

22 (1) In determining whether a member who is not a State
23 employee or school employee on June 30, 2001, and July 1,
24 2001, and who has previous State service (except a disability
25 annuitant who returns to State service after June 30, 2001,
26 upon termination of the disability annuity) has the five
27 eligibility points required by sections 5102 (relating to
28 definitions), 5308(b) (relating to eligibility for
29 annuities), 5309 (relating to eligibility for vesting),
30 5704(b) (relating to disability annuities) and 5705(a)

1 (relating to member's options), only eligibility points
2 earned by performing credited State service as an active
3 member of the system, USERRA leave or credited school service
4 as an active member of the Public School Employees'
5 Retirement System after June 30, 2001, shall be counted until
6 such member earns one eligibility point by performing
7 credited State service or credited school service after June
8 30, 2001, at which time all eligibility points as determined
9 pursuant to subsection (a) shall be counted.

10 * * *

11 (c) Transitional rule for members electing participation.--
12 In determining whether a State employee who is an active member
13 or an inactive member on leave without pay on January 1, 2015,
14 and who elects to become a participant in the plan under section
15 5416 (relating to election by members to be participants) has
16 the five eligibility points required by sections 5102, 5308(b)
17 (1), 5309(1) and 5705(a) or the ten eligibility points required
18 by sections 5102, 5308(b) (2), 5309(2) and 5705(a), any such
19 combined service employee shall be considered to have satisfied
20 any requirement for five or ten eligibility points, as the case
21 may be, if the combined service employee does not terminate
22 State service for three or more years after the effective date
23 of participation in the plan.

24 § 5308. Eligibility for annuities.

25 (a) Superannuation annuity.--Attainment of superannuation
26 age by an active member [or], an inactive member on leave
27 without pay or a combined service employee who is an active
28 participant or inactive participant on leave without pay with
29 three or more eligibility points other than eligibility points
30 resulting from nonstate service or nonschool service shall

1 entitle him to receive a superannuation annuity upon termination
2 of State service and compliance with section 5907(f) (relating
3 to rights and duties of State employees [and], members and
4 participants).

5 (b) Withdrawal annuity.--

6 (1) Any vestee or any active member [or], inactive
7 member on leave without pay or a combined service employee
8 who is an active participant or inactive participant on leave
9 without pay who terminates State service having five or more
10 eligibility points and who does not have Class A-3 or Class
11 A-4 service credit or Class T-E or Class T-F service credit
12 in the Public School Employees' Retirement System, or who has
13 Class G, Class H, Class I, Class J, Class K, Class L, Class M
14 or Class N service and terminates State service having five
15 or more eligibility points, upon compliance with section
16 5907(f), (g) or (h) shall be entitled to receive an annuity.

17 (2) Any vestee, active member [or], inactive member on
18 leave without pay or combined service employee who is an
19 active participant or inactive participant on leave without
20 pay who has Class A-3 or Class A-4 service credit or Class T-
21 E or Class T-F service credit in the Public School Employees'
22 Retirement System who terminates State service having ten or
23 more eligibility points, upon compliance with section
24 5907(f), (g) or (h), shall be entitled to receive an annuity.

25 (3) Any vestee, active member [or], inactive member on
26 leave without pay or combined service employee who is an
27 active participant or inactive participant on leave without
28 pay who has either Class A-3 or Class A-4 service credit or
29 Class T-E or Class T-F service credit in the Public School
30 Employees' Retirement System and also has service credited in

1 the system in one or more other classes of service who has
2 five or more, but fewer than ten, eligibility points, upon
3 compliance with section 5907(f), (g) or (h), shall be
4 eligible to receive an annuity calculated on his service
5 credited in classes of service other than Class A-3 or Class
6 A-4, provided that the member has five or more eligibility
7 points resulting from service in classes other than Class A-3
8 or Class A-4 or Class T-E or Class T-F service in the Public
9 School Employees' Retirement System.

10 * * *

11 (d) Eligibility of combined service employees for
12 superannuation annuity.--A State employee who is an active
13 member or inactive member on leave without pay on January 1,
14 2015, and who elects to become a participant under section 5416
15 (relating to election by members to be participants) will be
16 deemed to have satisfied the requirement of three or more years
17 of credited State or school service under subsection (a) if the
18 State employee does not terminate State service before three
19 years after the effective date of the election to be a
20 participant. Nothing in this subsection amends or waives any
21 other requirement to be eligible for a superannuation annuity.

22 Section 11. Sections 5308.1(1) and 5311(a) of Title 71 are
23 amended to read:

24 § 5308.1. Eligibility for special early retirement.

25 Notwithstanding any provisions of this title to the contrary,
26 the following special early retirement provisions shall be
27 applicable to specified eligible members as follows:

28 (1) During the period of July 1, 1985, to September 30,
29 1991, an active member who has attained the age of at least
30 53 years and has accrued at least 30 eligibility points shall

1 be entitled, upon termination of State service and compliance
2 with section 5907(f) (relating to rights and duties of State
3 employees [and], members and participants), to receive a
4 maximum single life annuity calculated under section 5702
5 (relating to maximum single life annuity) without a reduction
6 by virtue of an effective date of retirement which is under
7 the superannuation age.

8 * * *

9 § 5311. Eligibility for refunds.

10 (a) Total accumulated deductions.--Any active member,
11 regardless of eligibility for benefits, may elect to receive his
12 total accumulated deductions upon termination of service in lieu
13 of any benefit from the system to which he is entitled.

14 * * *

15 Section 12. Title 71 is amended by adding a chapter to read:

16 CHAPTER 54

17 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

18 Sec.

19 5401. Establishment.

20 5402. Plan document.

21 5403. Individual investment accounts.

22 5404. Participant contributions.

23 5405. Mandatory pickup participant contributions.

24 5406. Employer defined contributions.

25 5407. Eligibility for benefits.

26 5408. Death benefits.

27 5409. Vesting.

28 5410. Termination of distributions.

29 5411. Agreements with financial institutions and other
30 organizations.

- 1 5412. Powers and duties of board.
2 5413. Responsibility for investment loss.
3 5414. Investments based on participants' investment allocation
4 choices.
5 5415. Expenses.
6 5416. Election by members to be participants.
7 5417. Required distributions.
8 § 5401. Establishment.

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

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

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

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

23 § 5402. Plan document.

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

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

6 § 5403. Individual investment accounts.

7 The board shall establish in the trust an individual
8 investment account for each participant in the plan. All
9 contributions by a participant or an employer for or on behalf
10 of a participant shall be credited to the participant's
11 individual investment account, together with all interest and
12 investment earnings and losses. Investment and administrative
13 fees, costs and expenses shall be charged to the participants'
14 individual investment accounts. Employer defined contributions
15 shall be recorded and accounted for separately from participant
16 contributions, but all interest, investment earnings and losses,
17 and investment and administrative fees, costs and expenses shall
18 be allocated proportionately.

19 § 5404. Participant contributions.

20 (a) Mandatory contributions.--Each participant shall make
21 mandatory pickup participant contributions through payroll
22 deductions to the participant's individual investment account
23 equal to 4% of compensation for current State service. The
24 employer shall cause such contributions for current service to
25 be made and deducted from each payroll or on such schedule as
26 established by the board.

27 (b) Voluntary contributions.--A participant may make
28 voluntary contributions through payroll deductions or through
29 direct trustee-to-trustee transfers or through transfers of
30 money received in an eligible rollover into the trust to the

1 extent allowed by IRC § 402. Such rollovers shall be made in a
2 form and manner as determined by the board, shall be credited to
3 the participant's individual investment account and shall be
4 separately accounted for by the board.

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

12 § 5405. Mandatory pickup participant contributions.

13 (a) Treatment for purposes of IRC § 414(h).--All
14 contributions to the trust required to be made under section
15 5404(a) (relating to participant contributions) with respect to
16 current State service rendered by an active participant shall be
17 picked up by the Commonwealth or other employer and shall be
18 treated as the employer's contribution for purposes of IRC §
19 414(h). After the effective date of this section, an employer
20 employing a participant in the plan shall pick up the required
21 mandatory participant contributions by a reduction in the
22 compensation of the participant.

23 (b) Treatment for other purposes.--For all purposes other
24 than the IRC, such mandatory pickup participant contributions
25 shall be treated as contributions made by a participant in the
26 same manner and to the same extent as if the contributions were
27 made directly by the participant and not picked up.

28 § 5406. Employer defined contributions.

29 (a) Contributions for current service.--The Commonwealth or
30 other employer of a participant shall make employer defined

1 contributions for current service of each active participant
2 which shall be credited to each respective participant's
3 individual investment account.

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

17 (c) Limitations on contributions.--No contributions shall be
18 allowed which would cause a violation of the limitations related
19 to contributions applicable to governmental plans contained in
20 IRC § 415 or in other provisions of law. In the event that any
21 disallowed contributions are made, any employer defined
22 contributions in excess of the limitations and investment
23 earnings thereon shall be refunded to the employer by the board.
24 § 5407. Eligibility for benefits.

25 (a) Termination of service.--A participant who terminates
26 State service shall be eligible to withdraw the accumulated
27 total defined contributions standing to his credit in the
28 participant's individual investment account or such lesser
29 amount as the participant may request. Payment shall be made in
30 a lump sum unless the board has established other forms of

1 distribution in the plan document. A participant who withdraws
2 his accumulated total defined contributions shall no longer be a
3 participant in the plan, notwithstanding that the participant
4 may have contracted to receive an annuity or other form of
5 payment from a provider retained by the board for such purposes.

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

12 (c) Combined service participant.--A participant who is a
13 combined service employee must be terminated from all positions
14 that result in either membership in the system or participation
15 in the plan to be eligible to receive a distribution.

16 (d) Loans.--Loans or other distributions from the plan to
17 State employees who have not terminated State service are not
18 permitted, except as required by law.

19 (e) Small individual investment accounts.--A participant who
20 terminates State service and whose accumulated total defined
21 contributions are below the threshold established by law as of
22 the date of termination of service may be paid the accumulated
23 total defined contributions in a lump sum as provided in IRC §
24 401(a) (31).

25 § 5408. Death benefits.

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

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

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

16 § 5409. Vesting.

17 Subject to the forfeiture and attachment provisions of
18 section 5953 (relating to taxation, attachment and assignment of
19 funds) or otherwise as provided by law, a participant shall be
20 100% vested with respect to all mandatory pickup participant
21 contributions, voluntary contributions and employer defined
22 contributions paid by or on behalf of the participant to the
23 trust in addition to interest and earnings on the participant
24 and employer contributions but not including investment fees and
25 administrative charges.

26 § 5410. Termination of distributions.

27 (a) Return to State service.--A participant receiving
28 distributions or an inactive participant who returns to State
29 service shall cease receiving distributions and shall not be
30 eligible to receive distributions until the participant

1 subsequently terminates State service, without regard to whether
2 the participant is a mandatory, optional or prohibited member of
3 the system or participant in the plan.

4 (b) Return of benefits paid during USERRA leave.--If a
5 former State employee is reemployed from USERRA leave and has
6 previously received any payments or annuity from the plan during
7 the USERRA leave, the employee shall return to the board the
8 amount so received plus interest as provided in the plan
9 document. The amount payable shall be certified in each case by
10 the board in accordance with methods approved by the actuary and
11 shall be paid in a lump sum within 30 days, or in the case of an
12 active participant, may be amortized with interest as provided
13 in the plan document through salary deductions to the trust in
14 amounts agreed upon by the participant and the board, but for
15 not longer than a period that starts with the date of
16 reemployment and continues for up to three times the length of
17 the participant's immediate past period of USERRA leave. The
18 repayment period shall not exceed five years.

19 § 5411. Agreements with financial institutions and other
20 organizations.

21 To establish and administer the State Employees' Defined
22 Contribution Plan, the board shall have the power to enter into
23 written agreements with one or more financial institutions or
24 other organizations relating to the plan's administration and
25 investment of funds held pursuant to the plan.

26 § 5412. Powers and duties of board.

27 The board shall have the following powers and duties to
28 establish the plan and trust and administer the provisions of
29 this chapter and part:

30 (1) The board may commingle or pool assets with the

1 assets of other persons or entities.

2 (2) The board shall pay all administrative fees, costs
3 and expenses of managing, investing and administering the
4 plan, the trust and the individual investment accounts from
5 the balance of such individual investment accounts except as
6 may be provided otherwise by law.

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

10 (4) The board shall at all times have the power to
11 change the terms of the plan as may be necessary to maintain
12 the tax-qualified status of the plan.

13 (5) The board may establish a process for election to
14 participate in the plan by those State employees for whom
15 participation is not mandatory.

16 (6) The board may perform an annual review of any
17 qualified fund manager for the purpose of assuring that the
18 fund manager continues to meet all standards and criteria
19 established.

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

24 (8) The board may allow a former participant to maintain
25 his or her individual investment account within the plan.

26 (9) The board shall administer the program in compliance
27 with the qualifications and other rules of the IRC.

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

30 (11) The board shall determine what constitutes a

1 termination of State service.

2 (12) The board may establish procedures for
3 distributions of small accounts as required or permitted by
4 the IRC.

5 (13) The board shall have the power to establish
6 procedures in the plan document or to promulgate rules and
7 regulations as it deems necessary for the administration and
8 management of the plan, including, but not limited to,
9 establishing:

10 (i) Procedures whereby eligible participants may
11 change voluntary contribution amounts or their investment
12 choices on a periodic basis or make other elections
13 regarding their participation in the plan.

14 (ii) Procedures for deducting mandatory pickup
15 participant contributions and voluntary contributions
16 from a participant's compensation.

17 (iii) Procedures for rollovers and trustee-to-
18 trustee transfers allowed under the IRC and permitted as
19 part of the plan.

20 (iv) Standards and criteria for disclosing and
21 providing options to eligible individuals regarding
22 investments of amounts deferred under the plan, provided
23 that one of the available options must serve as the
24 default option for participants who do not make a timely
25 election and that, to the extent commercially available,
26 one option must have an annuity investment feature.

27 (v) Standards and criteria for disclosing to the
28 participants the anticipated and actual income
29 attributable to amounts invested, property rights and all
30 fees, costs and charges to be made against amounts

1 deferred to cover the fees, costs and expenses of
2 administering and managing the plan or trust.

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

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

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

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

19 (17) The provisions and restrictions of the act of July
20 2, 2010 (P.L.266, No.44), known as the Protecting
21 Pennsylvania's Investments Act, shall not apply to the plan
22 or trust or the investments thereof, but the board is
23 authorized to offer to the plan participants investment
24 vehicles that would be permitted under the Protecting
25 Pennsylvania's Investments Act.

26 § 5413. Responsibility for investment loss.

27 The board, the Commonwealth, an employer or other political
28 subdivision shall not be responsible for any investment loss
29 incurred under the plan, or for the failure of any investment to
30 earn any specific or expected return or to earn as much as any

1 other investment opportunity, whether or not such other
2 opportunity was offered to participants in the plan.
3 § 5414. Investments based on participants' investment
4 allocation choices.

5 (a) General rule.--All contributions, interest and
6 investment earnings shall be 100% vested and shall be invested
7 based on the participant's investment allocation choices. All
8 investment allocation choices shall be credited proportionally
9 between participant contributions and employer defined
10 contributions. Each participant shall be credited individually
11 with the amount of contributions, interest and investment
12 earnings.

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

27 § 5415. Expenses.

28 All fees, costs and expenses of administering the plan and
29 the trust and investing the assets of the trust shall be borne
30 by the participants and paid from assessments against the

1 balances of the individual investment accounts as established by
2 the board, except as may be provided otherwise by law.

3 § 5416. Election by members to be participants.

4 (a) General rule.--Any State employee who is an active
5 member or inactive member on leave without pay of the system on
6 or after January 1, 2015, and who is employed in a position
7 which would otherwise be eligible for participation in the plan
8 may elect to become a participant in the plan.

9 (b) Time for making the election.--An eligible State
10 employee may elect to become a participant and a combined
11 service employee at any time before termination of State service
12 by filing a written election with the board.

13 (c) Effect of election.--An election to become a participant
14 shall be irrevocable. Participation shall be effective at the
15 beginning of the next pay period starting after the election is
16 filed with the board. A member who elects to become a
17 participant shall remain a participant for all future State
18 service. Any prior State or nonstate service credited in the
19 system shall remain in the class of service in which it is
20 credited on the effective date of participation. A combined
21 service employee shall not be eligible to receive an annuity
22 from the system or a withdrawal of accumulated deductions until
23 the employee has terminated State service. A participant shall
24 not be entitled to purchase any previous State service or
25 creditable nonstate service. The eligibility of a combined
26 service employee for an annuity from the system and, if
27 eligible, the amount of such annuity shall be as determined
28 under this part.

29 § 5417. Required distributions.

30 All payments pursuant to this chapter shall start and be made

1 in compliance with the minimum distribution requirements and
2 incidental death benefit rules of IRC § 401(a).

3 Section 13. Section 5501.1(b) (7) and (8) of Title 71 are
4 amended and the subsection is amended by adding a paragraph to
5 read:

6 § 5501.1. Shared-risk member contributions for Class A-3 and
7 Class A-4 service.

8 * * *

9 (b) Determination of shared-risk contribution rate.--

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 by the Commonwealth and other
15 employers)] (relating to contributions to the system by the
16 Commonwealth and other employers before July 1, 2015) or
17 5507.1 (relating to contributions to the system by the
18 Commonwealth and other employers starting July 1, 2015), the
19 prospective shared-risk contribution rate for those employees
20 whose employers are not making the contributions required by
21 section 5507(d) shall be zero and shall not subsequently be
22 increased, except as 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)] section 5508
26 (relating to actuarial cost method for fiscal years ending
27 before July 1, 2015) or 5508.1 (relating to actuarial cost
28 method for fiscal years beginning July 1, 2015, or later), as
29 adjusted by the experience adjustment factor, are zero or
30 less, then the shared-risk contribution rate for the next

1 fiscal year shall be zero and shall not subsequently be
2 increased, except as otherwise provided in this section.

3 (9) For periods commencing on or after July 1, 2015, the
4 determination of shared-risk member contribution rate shall
5 be based on the annual interest rate adopted by the board for
6 the calculation of the accrued liability contribution rate
7 under section 5508.1(c).

8 Section 14. The definition of "actuarially required
9 contribution rate" in section 5501.2 of Title 71 is amended to
10 read:

11 § 5501.2. Definitions.

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

15 "Actuarially required contribution rate." The employer
16 contribution rate as calculated pursuant to section 5508(a),
17 (b), (c), (e) and (f) (relating to actuarial cost method for
18 fiscal years ending before July 1, 2015) or 5508.1(a), (b), (c),
19 (e) and (f) (relating to actuarial cost method for fiscal years
20 beginning July 1, 2015, or later).

21 * * *

22 Section 15. Sections 5502, 5503.1(a) and 5504(a)(1), (a.1)
23 and (b) of Title 71 are amended to read:

24 § 5502. Social Security integration member contributions.

25 Except for any period of current service in which the making
26 of regular member contributions has ceased solely by reason of
27 section 5502.1 (relating to waiver of regular member
28 contributions and Social Security integration member
29 contributions) or any provision of this part relating to
30 limitations under IRC § 401(a)(17) or 415(b), contributions

1 shall be made on behalf of [a] an active member of any class who
2 prior to March 1, 1974, has elected Social Security integration
3 coverage. The amount of such contributions shall be 6 1/4% of
4 that portion of his compensation as an active member in excess
5 of the maximum wages taxable under the provisions of the Social
6 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
7 addition to the regular member contributions which, after such
8 election, shall be determined on the basis of the basic
9 contribution rate of 5% and the additional member contribution
10 of 1 1/4%: Provided, That a member may elect to discontinue
11 Social Security integration coverage and shall thereafter be
12 ineligible to accrue any further Social Security integration
13 credits or any additional benefits on account of Social Security
14 integration membership.

15 § 5503.1. Pickup contributions.

16 (a) Treatment for purposes of IRC § 414(h).--All
17 contributions to the fund required to be made under sections
18 5501 (relating to regular member contributions for current
19 service), 5501.1 (relating to shared-risk member contributions
20 for Class A-3 and Class A-4 service), 5502 (relating to Social
21 Security integration member contributions), 5503 (relating to
22 joint coverage member contributions) and [section] 5505.1
23 (relating to additional member contributions), with respect to
24 current State service rendered by an active member on or after
25 January 1, 1982, shall be picked up by the Commonwealth or other
26 employer and shall be treated as the employer's contribution for
27 purposes of IRC § 414(h).

28 * * *

29 § 5504. Member contributions for the purchase of credit for
30 previous State service or to become a full coverage

1 member.

2 (a) Amount of contributions for service in other than Class
3 G through N.--

4 (1) The contributions to be paid by an active member or
5 eligible school employee for credit in the system for total
6 previous State service other than service in Class G, Class
7 H, Class I, Class J, Class K, Class L, Class M and Class N or
8 to become a full coverage member shall be sufficient to
9 provide an amount equal to the regular and additional
10 accumulated deductions which would have been standing to the
11 credit of the member for such service had regular and
12 additional member contributions been made with full coverage
13 in the class of service and at the rate of contribution
14 applicable during such period of previous service and had his
15 regular and additional accumulated deductions been credited
16 with statutory interest during all periods of subsequent
17 State service as an active member or inactive member on leave
18 without pay and school service as an active member or
19 inactive member on leave without pay of the Public School
20 Employees' Retirement System up to the date of purchase.

21 * * *

22 (a.1) Converted county service.--No contributions shall be
23 required to restore credit for previously credited State service
24 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
25 and Class N. Such service shall be restored upon the
26 commencement of payment of the contributions required to restore
27 credit in the system for all other previous State service.

28 (b) Certification and method of payment.--The amount payable
29 shall be certified in each case by the board in accordance with
30 methods approved by the actuary and shall be paid in a lump sum

1 within 30 days or in the case of an active member or eligible
2 school employee who is an active member of the Public School
3 Employees' Retirement System may be amortized with statutory
4 interest through salary deductions to the system in amounts
5 agreed upon by the member and the board. The salary deduction
6 amortization plans agreed to by members and the board may
7 include a deferral of payment amounts and statutory interest
8 until the termination of school service or State service or
9 beginning service as a participant as the board in its sole
10 discretion decides to allow. The board may limit the salary
11 deduction amortization plans to such terms as the board in its
12 sole discretion determines. In the case of an eligible school
13 employee who is an active member of the Public School Employees'
14 Retirement System, the agreed upon salary deductions shall be
15 remitted to the Public School Employees' Retirement Board, which
16 shall certify and transfer to the board the amounts paid.

17 Section 16. Section 5505(b)(1), (c), (d) and (i)(4) of Title
18 71, amended October 24, 2012 (P.L.1436, No.181), are amended to
19 read:

20 § 5505. Contributions for the purchase of credit for creditable
21 nonstate service.

22 * * *

23 (b) Nonintervening military service.--

24 (1) The amount due for the purchase of credit for
25 military service other than intervening military service
26 shall be determined by applying the member's basic
27 contribution rate, the additional contribution rate plus the
28 Commonwealth normal contribution rate for active members at
29 the time of entry, subsequent to such military service, of
30 the member into State service to his average annual rate of

1 compensation over the first three years of such subsequent
2 State service and multiplying the result by the number of
3 years and fractional part of a year of creditable
4 nonintervening military service being purchased together with
5 statutory interest during all periods of subsequent State
6 service as an active member or inactive member on leave
7 without pay and school service as an active member or
8 inactive member on leave without pay of the Public School
9 Employees' Retirement System to date of purchase. Upon
10 application for credit for such service, payment shall be
11 made in a lump sum within 30 days or in the case of an active
12 member or eligible school employee who is an active member of
13 the Public School Employees' Retirement System it may be
14 amortized with statutory interest through salary deductions
15 to the system in amounts agreed upon by the member and the
16 board. The salary deduction amortization plans agreed to by
17 members and the board may include a deferral of payment
18 amounts and statutory interest until the termination of
19 school service or State service or beginning service as a
20 participant as the board in its sole discretion decides to
21 allow. The board may limit salary deduction amortization
22 plans to such terms as the board in its sole discretion
23 determines. In the case of an eligible school employee who is
24 an active member of the Public School Employees' Retirement
25 System, the agreed upon salary deductions shall be remitted
26 to the Public School Employees' Retirement Board, which shall
27 certify and transfer to the board the amounts paid.
28 Application may be filed for all such military service credit
29 upon completion of three years of subsequent State service
30 and shall be credited as Class A service.

1 * * *

2 (c) Intervening military service.--Contributions on account
3 of credit for intervening military service shall be determined
4 by the member's regular contribution rate, shared-risk
5 contribution rate, Social Security integration contribution
6 rate, the additional contribution rate which shall be applied
7 only to those members who began service on or after the
8 effective date of this amendatory act and compensation at the
9 time of entry of the member into active military service,
10 together with statutory interest during all periods of
11 subsequent State service as an active member or inactive member
12 on leave without pay and school service as an active member or
13 inactive member on leave without pay of the Public School
14 Employees' Retirement System to date of purchase. Upon
15 application for such credit the amount due shall be certified in
16 the case of each member by the board in accordance with methods
17 approved by the actuary, and contributions may be made by:

18 (1) regular monthly payments during active military
19 service; or

20 (2) a lump sum payment within 30 days of certification;
21 or

22 (3) salary deductions to the system in amounts agreed
23 upon by the member or eligible school employee who is an
24 active member of the Public School Employees' Retirement
25 System and the board.

26 The salary deduction amortization plans agreed to by members and
27 the board may include a deferral of payment amounts and
28 statutory interest until the termination of school service or
29 State service or beginning service as a participant as the board
30 in its sole discretion decides to allow. The board may limit

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

8 (d) Nonmilitary and nonmagisterial service.--Contributions
9 on account of credit for creditable nonstate service other than
10 military and magisterial service by State employees who first
11 become members of the system before January 1, 2011, or before
12 December 1, 2010, as a member of the General Assembly shall be
13 determined by applying the member's basic contribution rate, the
14 additional contribution rate plus the Commonwealth normal
15 contribution rate for active members at the time of entry
16 subsequent to such creditable nonstate service of the member
17 into State service to his compensation at the time of entry into
18 State service as a member of the system and multiplying the
19 result by the number of years and fractional part of a year of
20 creditable nonstate service being purchased together with
21 statutory interest during all periods of subsequent State
22 service as an active member or inactive member on leave without
23 pay and school service as an active member or inactive member on
24 leave without pay of the Public School Employees' Retirement
25 System to the date of purchase. Upon application for credit for
26 such service payment shall be made in a lump sum within 30 days
27 or in the case of an active member or eligible school employee
28 who is an active member of the Public School Employees'
29 Retirement System it may be amortized with statutory interest
30 through salary deductions to the system in amounts agreed upon

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

13 * * *

14 (i) Purchases of nonstate service credit by State employees
15 who first became members of the system on or after December 1,
16 2010.--

17 * * *

18 (4) The payment for credit purchased under this
19 subsection shall be certified in each case by the board in
20 accordance with methods approved by the actuary and shall be
21 paid in a lump sum within 30 days or in the case of an active
22 member or eligible school employee who is an active member of
23 the Public School Employees' Retirement System may be
24 amortized with statutory interest through salary deductions
25 to the system in amounts agreed upon by the member and the
26 board. The salary deduction amortization plans agreed to by
27 members and the board may include a deferral of payment
28 amounts and interest until the termination of school service
29 or State service or beginning service as a participant as the
30 board in its sole discretion decides to allow. The board may

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

8 Section 17. Section 5505.1 of Title 71 is amended to read:

9 § 5505.1. Additional member contributions.

10 In addition to regular or joint coverage member contributions
11 and social security integration contributions, contributions
12 shall be made on behalf of each active member, regardless of
13 class of service, at the rate of 1 1/4% of compensation until
14 such time as the actuary certifies that all accrued liability
15 contributions have been completed in accordance with the
16 actuarial cost method provided in section 5508(b) (relating to
17 actuarial cost method for fiscal years ending before July 1,
18 2015).

19 Section 18. Section 5506 of Title 71, amended October 24,
20 2012 (P.L.1436, No.181), is amended to read:

21 § 5506. Incomplete payments.

22 In the event that a member terminates State service or
23 becomes a participant or a multiple service member who is an
24 active member of the Public School Employees' Retirement System
25 terminates school service before the agreed upon payments for
26 credit for previous State service, USERRA leave, creditable
27 nonstate service, social security integration, full coverage
28 membership or return of benefits on account of returning to
29 State service or entering school service and electing multiple
30 service have been completed, the member or multiple service

1 member who is an active member of the Public School Employees'
2 Retirement System shall have the right to pay within 30 days of
3 termination of State service or school service or becoming a
4 participant the balance due, including interest, in a lump sum
5 and the annuity shall be calculated including full credit for
6 the previous State service, creditable nonstate service, social
7 security integration, or full coverage membership. In the event
8 a member does not pay the balance due within 30 days of
9 termination of State service or becoming a participant or in the
10 event a member dies in State service or within 30 days of
11 termination of State service or becoming a participant or in the
12 case of a multiple service member who is an active member of the
13 Public School Employees' Retirement System does not pay the
14 balance due within 30 days of termination of school service or
15 dies in school service or within 30 days of termination of
16 school service and before the agreed upon payments have been
17 completed, the present value of the benefit otherwise payable
18 shall be reduced by the balance due, including interest, and the
19 benefit payable shall be calculated as the actuarial equivalent
20 of such reduced present value.

21 Section 19. Section 5506.1(a) of Title 71 is amended to
22 read:

23 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

24 (a) General rule.--In addition to other applicable
25 limitations set forth in this part, and notwithstanding any
26 provision of this part to the contrary, the annual compensation
27 of each noneligible member and each participant taken into
28 account for benefit purposes under this part shall not exceed
29 the limitation under IRC § 401(a)(17). On and after January 1,
30 1996, any reference in this part to the limitation under IRC §

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

14 * * *

15 SECTION 19.1. TITLE 71 IS AMENDED BY ADDING A SECTION TO <--
16 READ:

17 § 5506.3. ADJUSTMENT OF COMPENSATION FOR CALCULATING FINAL
18 AVERAGE SALARY ON OR AFTER JANUARY 1, 2015.

19 FOR PURPOSES OF CALCULATING FINAL AVERAGE SALARY FOR THE
20 DETERMINATION OF STANDARD SINGLE LIFE ANNUITIES RESULTING FROM
21 POST-JANUARY 2015 SERVICE, THE COMPENSATION RECEIVED EACH
22 CALENDAR YEAR AS A MEMBER OF THE SYSTEM OR, IF A MULTIPLE
23 SERVICE MEMBER, RECEIVED AS BOTH A MEMBER OF THE SYSTEM AND AS A
24 SCHOOL EMPLOYEE AND MEMBER OF THE PUBLIC SCHOOL EMPLOYEES'
25 RETIREMENT SYSTEM SHALL BE ADJUSTED FIRST BY ANNUALIZING THE
26 COMPENSATION RECEIVED FOR ANY PART-TIME SERVICE OR FOR ANY
27 PARTIAL YEAR OF CREDIT ON THE BASIS OF THE FRACTIONAL PORTION OF
28 THE YEAR FOR WHICH CREDIT IS RECEIVED. AFTER ANNUALIZATION, THE
29 AMOUNT OF COMPENSATION IN ANY CALENDAR YEAR SHALL BE FURTHER
30 ADJUSTED DOWNWARD IF NECESSARY SO AS NOT TO EXCEED 110% OF THE

1 AVERAGE OF THE ANNUALIZED COMPENSATION OF THE FOUR IMMEDIATELY
2 PREVIOUS CALENDAR YEARS IN WHICH THE STATE EMPLOYEE WAS AN
3 ACTIVE MEMBER, OR, IF A MULTIPLE SERVICE MEMBER, AN ACTIVE
4 MEMBER OF THE SYSTEM OR PUBLIC SCHOOL EMPLOYEES' RETIREMENT
5 SYSTEM. IF FOR ANY CALENDAR YEAR THERE ARE ONE OR MORE, BUT LESS
6 THAN FOUR, PRECEDING CALENDAR YEARS IN WHICH THE STATE EMPLOYEE
7 WAS AN ACTIVE MEMBER OF THE SYSTEM OR, IF A MULTIPLE SERVICE
8 MEMBER, ALSO AN ACTIVE MEMBER OF THE PUBLIC SCHOOL EMPLOYEES'
9 RETIREMENT SYSTEM, THEN THE ADJUSTED COMPENSATION MAY NOT EXCEED
10 110% OF THE AVERAGE OF THE ANNUALIZED COMPENSATION OF THE NUMBER
11 OF PRECEDING YEARS OF ACTIVE MEMBERSHIP IN THE SYSTEM OR THE
12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM.

13 Section 20. Section 5507(a), (b), (d), (e) and (f) of Title
14 71, amended October 24, 2012 (P.L.1436, No.181), are amended to
15 read:

16 § 5507. Contributions to the system by the Commonwealth and
17 other employers before July 1, 2015.

18 (a) Contributions on behalf of active members.--[The] Until
19 June 30, 2015, the Commonwealth and other employers whose
20 employees are members of the system, and from January 1, 2015,
21 to June 30, 2015, the Commonwealth and other employers whose
22 employees are participants in the plan, shall make contributions
23 to the fund on behalf of all active members in such amounts as
24 shall be certified by the board as necessary to provide,
25 together with the members' total accumulated deductions, annuity
26 reserves on account of prospective annuities other than those
27 provided in sections 5708 (relating to supplemental annuities),
28 5708.1 (relating to additional supplemental annuities), 5708.2
29 (relating to further additional supplemental annuities), 5708.3
30 (relating to supplemental annuities commencing 1994), 5708.4

1 (relating to special supplemental postretirement adjustment),
2 5708.5 (relating to supplemental annuities commencing 1998),
3 5708.6 (relating to supplemental annuities commencing 2002),
4 5708.7 (relating to supplemental annuities commencing 2003) and
5 5708.8 (relating to special supplemental postretirement
6 adjustment of 2002), in accordance with the actuarial cost
7 method provided in section 5508(a), (b), (c), (d) and (f)
8 (relating to actuarial cost method for fiscal years ending
9 before July 1, 2015).

10 (b) Contributions on behalf of annuitants.--[The] Until June
11 30, 2015, the Commonwealth and other employers whose employees
12 are members of the system shall make contributions on behalf of
13 annuitants in such amounts as shall be certified by the board as
14 necessary to fund the liabilities for supplemental annuities in
15 accordance with the actuarial cost method provided in section
16 5508(e) [(relating to actuarial cost method)].

17 * * *

18 (d) Payment of final contribution rate.--Notwithstanding the
19 calculation of the actuarially required contribution rate and
20 the provisions of subsections (a) and (b), until June 30, 2015,
21 the Commonwealth and other employers whose employees are members
22 of the system shall make contributions to the fund on behalf of
23 all active members and annuitants in such amounts as shall be
24 certified by the board in accordance with section 5508(i).

25 (e) Benefits completion plan contributions.--In addition to
26 all other contributions required under this section and section
27 5508, until June 30, 2015, the Commonwealth and other employers
28 whose employees are members of the system shall make
29 contributions as certified by the board pursuant to section 5941
30 (relating to benefits completion plan).

1 (f) Contributions resulting from members reemployed from
2 USERRA leave.--When a State employee reemployed from USERRA
3 leave makes the member contributions required to be granted
4 State service credit for the USERRA leave before July 1, 2015,
5 either by actual payment or by actuarial debt under section 5506
6 (relating to incomplete payments), then the Commonwealth
7 employer or other employer by whom the State employee is
8 employed at the time the member contributions are made, or the
9 last employer before termination in the case of payment under
10 section 5506, shall make whatever employer contributions would
11 have been made under this section had the employee making the
12 member contributions after being reemployed from USERRA leave
13 continued to be employed in his State office or position instead
14 of performing USERRA leave.

15 Section 21. Title 71 is amended by adding a section to read:
16 § 5507.1. Contributions to the system by the Commonwealth and
17 other employers starting July 1, 2015.

18 (a) Contributions on behalf of members.--For fiscal years
19 beginning on or after July 1, 2015, the Commonwealth and other
20 employers whose employees are or were members of the system
21 shall make contributions to the fund on behalf of all members in
22 such amounts as shall be certified by the board as necessary to
23 provide, together with the members' total accumulated
24 deductions, annuity reserves on account of annuities including
25 those provided in sections 5708 (relating to supplemental
26 annuities), 5708.1 (relating to additional supplemental
27 annuities), 5708.2 (relating to further additional supplemental
28 annuities), 5708.3 (relating to supplemental annuities
29 commencing 1994), 5708.4 (relating to special supplemental
30 postretirement adjustment), 5708.5 (relating to supplemental

1 annuities commencing 1998), 5708.6 (relating to supplemental
2 annuities commencing 2002), 5708.7 (relating to supplemental
3 annuities commencing 2003) and 5708.8 (relating to special
4 supplemental postretirement adjustment of 2002), in accordance
5 with the actuarial cost method provided in section 5508.1
6 (relating to actuarial cost method for fiscal years beginning
7 July 1, 2015, or later).

8 (b) Payment of employer contributions to the system.--

9 (1) Payment of employer normal contributions shall be as
10 a percentage of compensation of active members.

11 (2) Payment of accrued liability contributions as
12 modified by the experience adjustment factor shall be as a
13 percentage of compensation of active members and active
14 participants.

15 (3) Payment of the additional accrued liability
16 contributions determined under section 5508.1(d) shall be in
17 equal monthly payments during the fiscal year on the first
18 day of each month, or in such other time and manner as the
19 board may establish.

20 (c) Payment of final contribution rate.--Notwithstanding the
21 calculation of the actuarially required contribution rate and
22 the provisions of subsections (a) and (b) (1) and (2), after June
23 30, 2015, the Commonwealth and other employers whose employees
24 are members of the system shall make contributions to the fund
25 on behalf of all active members and annuitants in such amounts
26 as shall be certified by the board in accordance with section
27 5508.1(h).

28 (d) Benefits completion plan contributions.--In addition to
29 all other contributions required under this section and section
30 5508.1, after June 30, 2015, the Commonwealth and other

1 employers whose employees are active members of the system shall
2 make contributions as certified by the board pursuant to section
3 5941 (relating to benefits completion plan).

4 (e) Contributions resulting from members reemployed from
5 USERRA leave.--When a State employee reemployed from USERRA
6 leave makes the member contributions required to be granted
7 State service credit for the USERRA leave after June 30, 2015,
8 either by actual payment or by actuarial debt under section 5506
9 (relating to incomplete payments), the Commonwealth employer or
10 other employer that employed the State employee when the member
11 contributions are made or the last employer before termination
12 in the case of payment under section 5506 shall make the
13 employer contributions that would have been made under this
14 section if the employee making the member contributions after
15 the employee is reemployed from USERRA leave continued to be
16 employed in the employee's State office or position instead of
17 performing USERRA leave.

18 Section 22. Section 5508 heading, (a), (b), (c) (3), (e) (2),
19 (f) (1), (h) and (i) of Title 71 are amended and subsection (c)
20 is amended by adding a paragraph to read:

21 § 5508. Actuarial cost method for fiscal years ending before
22 July 1, 2015.

23 (a) Employer contribution rate on behalf of active
24 members.--[The] For the fiscal years ending before July 1, 2015,
25 the amount of the Commonwealth and other employer contributions
26 on behalf of all active members shall be computed by the actuary
27 as a percentage of the total compensation of all active members
28 during the period for which the amount is determined and shall
29 be so certified by the board. The actuarially required
30 contribution rate on behalf of all active members shall consist

1 of the employer normal contribution rate, as defined in
2 subsection (b), and the accrued liability contribution rate as
3 defined in subsection (c). The actuarially required contribution
4 rate on behalf of all active members shall be modified by the
5 experience adjustment factor as calculated in subsection (f).

6 (b) Employer normal contribution rate.--[The] For the fiscal
7 years ending before July 1, 2015, the employer normal
8 contribution rate shall be determined after each actuarial
9 valuation on the basis of an annual interest rate and such
10 mortality and other tables as shall be adopted by the board in
11 accordance with generally accepted actuarial principles. The
12 employer normal contribution rate shall be determined as a level
13 percentage of the compensation of the average new active member,
14 which percentage, if contributed on the basis of his prospective
15 compensation through his entire period of active State service,
16 would be sufficient to fund the liability for any prospective
17 benefit payable to him in excess of that portion funded by his
18 prospective member contributions, excluding shared-risk member
19 contributions.

20 (c) Accrued liability contribution rate.--

21 * * *

22 (3) For the fiscal year beginning July 1, 2010, the
23 accrued liability contribution rate shall be computed as the
24 rate of total compensation of all active members which shall
25 be certified by the actuary as sufficient to fund in equal
26 dollar installments over a period of 30 years from July 1,
27 2010, the present value of the liabilities for all
28 prospective benefits calculated as of the immediately prior
29 valuation date, including the supplemental benefits as
30 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,

1 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
2 payable from the retirement benefit plan established pursuant
3 to section 5941 (relating to benefits completion plan), in
4 excess of the actuarially calculated assets in the fund
5 (calculated recognizing all realized and unrealized
6 investment gains and losses each year in level annual
7 installments over five years), including the balance in the
8 supplemental annuity account, and the present value of
9 employer normal contributions and of member contributions
10 payable with respect to all active members, inactive members
11 on leave without pay, vestees and special vestees on December
12 31, 2009. If the accrued liability is changed by legislation
13 enacted subsequent to December 31, 2009, and before January
14 1, 2014, such change in liability shall be funded in equal
15 dollar installments over a period of ten years from the first
16 day of July following the valuation date coincident with or
17 next following the date such legislation is enacted.

18 (4) For the fiscal year beginning July 1, 2014, the
19 accrued liability contribution rate shall be computed as
20 provided for under this section, except that the rate shall
21 be computed as a rate of total compensation of all active
22 members and active participants for the fiscal year. In
23 addition to any employer defined contributions made to the
24 trust, the Commonwealth and other employers of participants
25 shall make the accrued liability contributions to the fund
26 certified by the board.

27 * * *

28 (e) Supplemental annuity contribution rate.--

29 * * *

30 (2) For fiscal years beginning on or after July 1, 2010,

1 and ending on or before June 30, 2015, contributions from the
2 Commonwealth and other employers whose employees are members
3 of the system required to provide for the payment of
4 supplemental annuities as provided in sections 5708, 5708.1,
5 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
6 shall be paid as part of the accrued liability contribution
7 rate as provided for in subsection (c)(3), and there shall
8 not be a separate supplemental annuity contribution rate
9 attributable to those supplemental annuities. In the event
10 that supplemental annuities are increased by legislation
11 enacted subsequent to December 31, 2009, and before January
12 1, 2014, the additional liability for the increase in
13 benefits shall be funded in equal dollar installments over a
14 period of ten years from the first day of July following the
15 valuation date coincident with or next following the date
16 such legislation is enacted.

17 (f) Experience adjustment factor.--

18 (1) For each [year] fiscal year ending before July 1,
19 2015, after the establishment of the accrued liability
20 contribution rate and the supplemental annuity contribution
21 rate for the fiscal year beginning July 1, 2010, any increase
22 or decrease in the unfunded accrued liability and any
23 increase or decrease in the liabilities and funding for
24 supplemental annuities, due to actual experience differing
25 from assumed experience (recognizing all realized and
26 unrealized investment gains and losses over a five-year
27 period), changes in contributions caused by the final
28 contribution rate being different from the actuarially
29 required contribution rate, State employees making shared-
30 risk member contributions, changes in actuarial assumptions

1 or changes in the terms and conditions of the benefits
2 provided by the system by judicial, administrative or other
3 processes other than legislation, including, but not limited
4 to, reinterpretation of the provisions of this part
5 recognized by the actuarial valuations on December 31, 2010,
6 and through December 31, 2013, shall be amortized in equal
7 dollar annual contributions over a period of 30 years
8 beginning with the July 1 succeeding the actuarial valuation
9 determining said increases or decreases.

10 * * *

11 (h) Temporary application of collared contribution rate.--
12 The collared contribution rate for each [year] fiscal year
13 ending on or before June 30, 2015, shall be determined by
14 comparing the actuarially required contribution rate calculated
15 without regard for costs added by legislation to the prior
16 year's final contribution rate. If, for any of the fiscal years
17 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,
18 2013, and July 1, 2014, the actuarially required contribution
19 rate calculated without regard for costs added by legislation is
20 more than 3%, 3.5%, 4.5% and 4.5%, respectively, of the total
21 compensation of all active members greater than the prior year's
22 final contribution rate, then the collared contribution rate
23 shall be applied and be equal to the prior year's final
24 contribution rate increased by the respective percentage above
25 of total compensation of all active members. Otherwise, and for
26 all subsequent fiscal years, the collared contribution rate
27 shall not be applicable. In no case shall the collared
28 contribution rate be less than 4% of total compensation of all
29 active members.

30 (i) Final contribution rate.--For the fiscal year beginning

1 July 1, 2010, the final contribution rate shall be 5% of total
2 compensation of all active members. For each subsequent fiscal
3 year for which the collared contribution rate is applicable, the
4 final contribution rate shall be the collared contribution rate
5 plus the costs added by legislation. For all other fiscal years
6 ending before July 1, 2015, the final contribution rate shall be
7 the actuarially required contribution rate, provided that the
8 final contribution rate shall not be less than the employer
9 normal contribution rate, as defined in subsection (b).

10 Section 23. Title 71 is amended by adding a section to read:

11 § 5508.1. Actuarial cost method for fiscal years beginning July
12 1, 2015, or later.

13 (a) Employer contributions on behalf of members.--For fiscal
14 years beginning on or after July 1, 2015, the amount of the
15 Commonwealth and other employer contributions on behalf of all
16 members shall be computed by the actuary and certified by the
17 board as an employer normal contribution rate as defined in
18 subsection (b) and the accrued liability contribution amount as
19 defined in subsection (c). The accrued liability contribution
20 amount shall be modified by the experience adjustment factor as
21 calculated in subsection (f).

22 (b) Employer normal contribution rate.--For fiscal years
23 beginning on or after July 1, 2015, the employer normal
24 contribution rate for all active members of the system shall be
25 the employer normal contribution rate that would have been
26 applicable if the employer normal contribution rate was
27 determined as part of the December 31, 2014, actuarial valuation
28 under section 5508(b) (relating to actuarial cost method for
29 fiscal years ending before July 1, 2015) without regard to the
30 provisions of this section and the inapplicability of that rate

1 to periods on or after July 1, 2015.

2 (c) Accrued liability contribution amount.--

3 (1) For fiscal years beginning July 1, 2015, the accrued
4 liability contribution rate shall be computed as the rate of
5 total compensation of all active members and active
6 participants which shall be determined by the actuary as
7 sufficient to fund in equal dollar installments over a period
8 of 30 years from July 1, 2015, the present value of all the
9 liabilities for all prospective benefits of members of the
10 system calculated as of the immediately prior valuation date,
11 including the supplemental benefits as provided in sections
12 5708 (relating to supplemental annuities), 5708.1 (relating
13 to additional supplemental annuities), 5708.2 (relating to
14 further additional supplemental annuities), 5708.3 (relating
15 to supplemental annuities commencing 1994), 5708.4 (relating
16 to special supplemental postretirement adjustment), 5708.5
17 (relating to supplemental annuities commencing 1998), 5708.6
18 (relating to supplemental annuities commencing 2002), 5708.7
19 (relating to supplemental annuities commencing 2003) and
20 5708.8 (relating to special supplemental postretirement
21 adjustment of 2002), but excluding the benefits payable from
22 the retirement benefit plan established pursuant to section
23 5941 (relating to benefits completion plan), in excess of the
24 actuarially calculated assets in the fund, calculated
25 recognizing all realized and unrealized investment gains and
26 losses each year in level annual installments over five
27 years, including the balance in the supplemental annuity
28 account, and the present value of employer normal
29 contributions and of member contributions payable with
30 respect to all active members, inactive members on leave

1 without pay, vestees and special vestees on December 31,
2 2014. If the accrued liability is changed by legislation
3 enacted subsequent to December 31, 2014, such change in
4 liability shall be funded in equal dollar installments as a
5 percentage of compensation of all active members and active
6 participants over a period of ten years from the first day of
7 July following the valuation date coincident with or next
8 following the date such legislation is enacted. The accrued
9 liability contribution rate shall be determined after each
10 actuarial valuation on the basis of an annual interest rate
11 and such mortality and other tables as shall be adopted by
12 the board in accordance with generally accepted actuarial
13 principles.

14 (2) For purposes of determining the accrued liability
15 contribution rate in paragraph (1) and subsection (e) and the
16 experience adjustment factor in subsection (f), the term
17 "compensation of all active members and active participants"
18 shall include an additional amount equal to the difference
19 between:

20 (i) The actual compensation of all active members
21 and active participants of The Pennsylvania State
22 University, the State System of Higher Education, State-
23 owned educational institutions and community colleges.

24 (ii) The compensation of all employees of The
25 Pennsylvania State University, the State System of Higher
26 Education, State-owned educational institutions and
27 community colleges who are active members, active
28 participants, active members of the Public School
29 Employees' Retirement System, active participants of the
30 School Employees' Defined Contribution Plan and employees

1 who are members or participants of an independent
2 retirement program approved by the employer multiplied by
3 a fraction equal to the amount determined under
4 subparagraph (i) as part of the December 31, 2014,
5 actuarial valuation divided by the amount determined
6 under this subparagraph as of December 31, 2014.

7 (d) Allocation of accrued liability contribution amount.--

8 For the fiscal year beginning July 1, 2015, and all subsequent
9 fiscal years, The Pennsylvania State University, the State
10 System of Higher Education, each State-owned educational
11 institution and each community college shall make such
12 additional actuarial accrued liability contributions as shall be
13 certified by the board. The additional actuarial accrued
14 liability contributions shall be the product of:

15 (1) the amount by which the final contribution rate
16 exceeds the employer normal contribution rate determined
17 under subsection (b)(1); multiplied by

18 (2) the difference between:

19 (i) the actual compensation of all active members
20 and active participants of each such educational
21 institution; and

22 (ii) the compensation of all active members, active
23 participants, active members of the Public School
24 Employees' Retirement System, active participants of the
25 School Employees' Defined Contribution Plan and employees
26 who are members or participants of an independent
27 retirement program approved by the employer of each such
28 educational institution multiplied by a fraction equal to
29 the amount determined under subparagraph (i) as part of
30 the December 31, 2014, actuarial valuation divided by the

1 amount of compensation of all active members, active
2 participants, active members of the Public School
3 Employees' Retirement System, active participants of the
4 School Employees' Defined Contribution Plan and employees
5 who are members or participants of an independent
6 retirement program approved by the employer of each such
7 educational institution determined as of December 31,
8 2014.

9 (e) Supplemental annuity contribution amounts.--For fiscal
10 years beginning on or after July 1, 2015, contributions from the
11 Commonwealth and other employers whose employees are members of
12 the system required to provide for the payment of supplemental
13 annuities as provided in sections 5708, 5708.1, 5708.2, 5708.3,
14 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8 shall be paid as part
15 of the accrued liability contribution rate as provided for in
16 subsection (c) and there shall not be a separate supplemental
17 annuity contribution amount attributable to those supplemental
18 annuities. In the event that supplemental annuities are
19 increased by legislation enacted subsequent to December 31,
20 2014, the additional liability for the increase in benefits
21 shall be funded in equal dollar installments as a percentage of
22 compensation of all active members and active participants over
23 a period of ten years from the first day of July following the
24 valuation date coincident with or next following the date such
25 legislation is enacted as part of the accrued liability amount
26 and not as a separate supplemental annuity contribution amount.

27 (f) Experience adjustment factor.--

28 (1) For each year after the establishment of the accrued
29 liability contribution amount for the fiscal year beginning
30 July 1, 2015, any increase or decrease in the unfunded

1 accrued liability and any increase or decrease in the
2 liabilities and funding for supplemental annuities, due to
3 actual experience differing from assumed experience,
4 recognizing all realized and unrealized investment gains and
5 losses over a five-year period, changes in contributions
6 caused by the final contribution rate being different from
7 the actuarially required contribution rate, State employees
8 making shared-risk member contributions, changes in actuarial
9 assumptions or changes in the terms and conditions of the
10 benefits provided by the system by judicial, administrative
11 or other processes other than legislation, including, but not
12 limited to, reinterpretation of the provisions of this part,
13 shall be amortized in equal dollar installments expressed as
14 a level percentage of compensation of all active members and
15 active participants over a period of 30 years beginning with
16 the July 1 succeeding the actuarial valuation determining
17 said increases or decreases.

18 (2) The actuarially required contribution rate shall be
19 the sum of the normal contribution rate determined under
20 subsection (b) (2), the accrued liability contribution rate
21 and the supplemental annuity contribution rate modified by
22 the experience adjustment factor as calculated in paragraph
23 (1).

24 (g) Temporary application of collared contribution rate.--
25 The collared contribution rate for each fiscal year beginning on
26 or after July 1, 2015, shall be determined by comparing the
27 actuarially required contribution rate calculated without regard
28 for costs added by legislation to the prior year's final
29 contribution rate. If the actuarially required contribution rate
30 calculated without regard for costs added by legislation is more

1 than 4.5% of the total compensation of all active members
2 greater than the prior year's final contribution rate, then the
3 collared contribution rate shall be applied and be equal to the
4 prior year's final contribution rate increased by 4.5% of total
5 compensation of all active members. Otherwise, and for all
6 subsequent fiscal years, the collared contribution rate shall
7 not be applicable. In no case shall the collared contribution
8 rate be less than 4% of total compensation of all active
9 members.

10 (h) Final contribution rate.--For the fiscal year beginning
11 July 1, 2015, if the collared contribution rate is applicable,
12 the final contribution rate shall be the collared contribution
13 rate plus the costs added by legislation. For each subsequent
14 fiscal year for which the collared contribution rate is
15 applicable, the final contribution rate shall be the collared
16 contribution rate plus the costs added by legislation. For all
17 other fiscal years beginning on or after July 1, 2015, the final
18 contribution rate shall be the actuarially required contribution
19 rate, provided that the final contribution rate shall not be
20 less than the employer normal contribution rate, as provided
21 under subsection (b).

22 Section 24. Section 5509 of Title 71, amended October 24,
23 2012 (P.L.1436, No.181), is amended to read:

24 § 5509. Appropriations and assessments by the Commonwealth.

25 (a) Annual submission of budget.--The board shall prepare
26 and submit annually an itemized budget consisting of the amounts
27 necessary to be appropriated by the Commonwealth out of the
28 General Fund and special operating funds and the amounts to be
29 assessed the other employers required to meet the separate
30 obligations to both the fund and the trust accruing during the

1 fiscal period beginning the first day of July of the following
2 year.

3 (b) Appropriation and payment.--The General Assembly shall
4 make an appropriation sufficient to provide for the separate
5 obligations of the Commonwealth to both the fund and the trust.
6 Such amount shall be paid by the State Treasurer through the
7 Department of Revenue into the fund or the trust, as the case
8 may be, in accordance with requisitions presented by the board.
9 The contributions to the system by the Commonwealth on behalf of
10 active members who are officers of the Pennsylvania State Police
11 shall be charged to the General Fund and to the Motor License
12 Fund in the same ratios as used to apportion the appropriations
13 for salaries of members of the Pennsylvania State Police. The
14 contributions to the system by the Commonwealth on behalf of
15 active members who are enforcement officers and investigators of
16 the Pennsylvania Liquor Control Board shall be charged to the
17 General Fund and to the State Stores Fund.

18 (c) Contributions from funds other than General Fund.--The
19 amounts assessed other employers who are required to make the
20 necessary separate contributions to both the fund and the trust
21 out of funds other than the General Fund shall be paid by such
22 employers into the fund or the trust, as the case may be, in
23 accordance with requisitions presented by the board. The General
24 Fund of the Commonwealth shall not be held liable to appropriate
25 the moneys required to build up the reserves in the fund
26 necessary for the payment of benefits from the system to
27 employees or to make the employer defined contributions for
28 employees of such other employers. In case any such other
29 employer shall fail to provide to the fund the moneys necessary
30 for such purpose, then the service of such members of the system

1 for such period for which money is not so provided shall be
2 credited and pickup contributions with respect to such members
3 shall continue to be credited to the members' savings account.
4 The annuity to which such member is entitled shall be determined
5 as actuarially equivalent to the present value of the maximum
6 single life annuity of each such member reduced by the amount of
7 employer contributions to the system payable on account and
8 attributable to his compensation during such service, except
9 that no reduction shall be made as a result of the failure of an
10 employer to make contributions required for a period of USERRA
11 leave.

12 Section 25. Sections 5701 and 5701.1 of Title 71 are amended
13 to read:

14 § 5701. Return of total accumulated deductions.

15 Any member upon termination of service may, in lieu of all
16 benefits payable from the system under this chapter to which he
17 may be entitled, elect to receive his total accumulated
18 deductions.

19 § 5701.1. Transfer of accumulated deductions.

20 When an employee of the Juvenile Court Judges' Commission
21 elects membership in an independent retirement program pursuant
22 to section 5301(f) (relating to mandatory and optional
23 membership in the system and participation in the plan), the
24 board shall transfer directly to the trustee or administrator of
25 the independent retirement program all accumulated deductions
26 resulting from service credited while an employee of the
27 Juvenile Court Judges' Commission.

28 Section 26. Sections 5702(a)(1) ~~and 5704(e)~~, 5704(C) AND (F) <--
29 AND 5705(A) of Title 71 are amended and the sections are amended
30 by adding subsections to read:

1 § 5702. Maximum single life annuity.

2 (a) General rule.--Any full coverage member who is eligible
3 to receive an annuity pursuant to the provisions of section
4 5308(a) or (b) (relating to eligibility for annuities) who
5 terminates State service, or if a multiple service member who is
6 a school employee who is an active member of the Public School
7 Employees' Retirement System who terminates school service,
8 before attaining age 70 shall be entitled to receive a maximum
9 single life annuity attributable to his credited service and
10 equal to the sum of the following single life annuities
11 beginning at the effective date of retirement:

12 (1) A standard single life annuity multiplied by the sum
13 of the products, determined separately for each class of
14 service, obtained by multiplying the appropriate class of
15 service multiplier by the ratio of years of service credited
16 in that class to the total credited service. In case the
17 member on the effective date of retirement is under
18 superannuation age for any service, a reduction factor
19 calculated to provide benefits actuarially equivalent to an
20 annuity starting at superannuation age shall be applied to
21 the product determined for that service. The class of service
22 multiplier for any period of concurrent service shall be
23 multiplied by the proportion of total State and school
24 compensation during such period attributable to State service
25 as a member of the system. In the event a member has two
26 multipliers for one class of service the class of service
27 multiplier to be used for calculating benefits for that class
28 shall be the average of the two multipliers weighted by the
29 proportion of compensation attributable to each multiplier
30 during the three years of highest annual compensation in that

1 class of service: Provided, That in the case of a member of
2 Class E-1, a portion but not all of whose three years of
3 highest annual judicial compensation is prior to January 1,
4 1973, two class of service multipliers shall be calculated on
5 the basis of his entire judicial service, the one applying
6 the judicial class of service multipliers effective prior to
7 January 1, 1973 and the second applying the class of service
8 multipliers effective subsequent to January 1, 1973. The
9 average class of service multiplier to be used for
10 calculating benefits for his judicial service shall be the
11 average of the two calculated multipliers weighted by the
12 proportion of compensation attributable to each of the
13 calculated multipliers during the three years of highest
14 annual compensation in that class of service.

15 * * *

16 (e) 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 combined service employee may be
19 entitled to receive, has received or is receiving as a result of
20 being a participant in the plan.

21 § 5704. Disability annuities.

22 * * *

23 (c) Reduction on account of earned income.--Subsequent to
24 January 1, 1972, payments on account of disability shall be
25 reduced by that amount by which the earned income of the
26 annuitant, as reported in accordance with section 5908(b)
27 (relating to rights and duties of annuitants), for the preceding
28 calendar year together with the disability annuity payments
29 provided in this section other than subsection (b), for the
30 year, exceeds the product of:

1 AND CALCULATION OF THE SERVICE CONNECTED DISABILITY
2 SUPPLEMENT SHALL BE DETERMINED BY DIVIDING THE LUMP SUM
3 PAYMENT BY THE AVERAGE WEEKLY WAGE AS DETERMINED BY THE
4 WORKERS' COMPENSATION BOARD.

5 (2) FOR A MEMBER WHO DOES NOT HAVE POST-JANUARY 2015
6 SERVICE, THE AMOUNT TO BE USED TO DETERMINE ELIGIBILITY FOR
7 THE SUPPLEMENT UNDER PARAGRAPH (1) SHALL BE 70% OF HIS FINAL
8 AVERAGE SALARY. FOR A MEMBER WHO HAS POST-JANUARY 2015
9 SERVICE, THE AMOUNT TO BE USED TO DETERMINE ELIGIBILITY FOR
10 THE SUPPLEMENT UNDER PARAGRAPH (1) SHALL BE CALCULATED
11 ACCORDING TO THE FOLLOWING FORMULA:

$$12 \quad A = .7 \left[\left(\frac{Y^W}{Y^T} \text{ MULTIPLIED BY } FAS^W \right) + \left(\frac{Y^{XYZ}}{Y^T} \text{ MULTIPLIED BY } FAS^{XYZ} \right) \right]$$

13
14 (3) THE FOLLOWING APPLY TO THE FORMULA IN PARAGRAPH (2):

15 (I) A EQUALS THE AMOUNT USED TO DETERMINE THE
16 SUPPLEMENT;

17 (II) Y^T EQUALS TOTAL YEARS OF CREDITED SERVICE;

18 (III) Y^W EQUALS YEARS OF CREDITED SERVICE THAT ARE
19 NOT POST-JANUARY 2015 SERVICE;

20 (IV) FAS^W EQUALS FINAL AVERAGE SALARY CALCULATED FOR
21 CREDITED SERVICE OTHER THAN POST-JANUARY 2015 SERVICE;

22 (V) Y^{XYZ} EQUALS YEARS OF SERVICE CREDITED AS POST-
23 JANUARY 2015 SERVICE; AND

24 (VI) FAS^{XYZ} EQUALS FINAL AVERAGE SALARY CALCULATED
25 FOR SERVICE CREDITED AS POST-JANUARY 2015 SERVICE.

26 * * *

27 (h) Coordination of benefits.--The determination and payment
28 of a disability annuity under this section shall be in addition
29 to any payments a combined service employee may be entitled to
30 receive, has received or is receiving as a result of being a

1 participant in the plan.

2 § 5705. MEMBER'S OPTIONS. <--

3 (A) GENERAL RULE.--ANY SPECIAL VESTEE WHO HAS ATTAINED
4 SUPERANNUATION AGE, ANY VESTEE WHO DOES NOT HAVE CLASS A-3 OR
5 CLASS A-4 SERVICE CREDIT HAVING FIVE OR MORE ELIGIBILITY POINTS
6 FOR SERVICE OTHER THAN CLASS T-E OR CLASS T-F SERVICE IN THE
7 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, OR VESTEE WHO HAS
8 CLASS A-3 OR CLASS A-4 SERVICE CREDIT HAVING TEN OR MORE
9 ELIGIBILITY POINTS, ANY MEMBER WITH CLASS G, CLASS H, CLASS I,
10 CLASS J, CLASS K, CLASS L, CLASS M OR CLASS N SERVICE HAVING
11 FIVE OR MORE ELIGIBILITY POINTS OR ANY OTHER ELIGIBLE MEMBER
12 UPON TERMINATION OF STATE SERVICE WHO HAS NOT WITHDRAWN HIS
13 TOTAL ACCUMULATED DEDUCTIONS AS PROVIDED IN SECTION 5701
14 (RELATING TO RETURN OF TOTAL ACCUMULATED DEDUCTIONS) MAY APPLY
15 FOR AND ELECT TO RECEIVE EITHER A MAXIMUM SINGLE LIFE ANNUITY,
16 AS CALCULATED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 5702
17 (RELATING TO MAXIMUM SINGLE LIFE ANNUITY), OR A REDUCED ANNUITY
18 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE
19 MAXIMUM SINGLE LIFE ANNUITY PAYABLE AFTER REDUCTION UNDER
20 SUBSECTION (A.1) AND IN ACCORDANCE WITH ONE OF THE FOLLOWING
21 OPTIONS; EXCEPT THAT NO MEMBER SHALL ELECT AN ANNUITY PAYABLE TO
22 ONE OR MORE SURVIVOR ANNUITANTS OTHER THAN HIS SPOUSE OR
23 ALTERNATE PAYEE OF SUCH A MAGNITUDE THAT THE PRESENT VALUE OF
24 THE ANNUITY PAYABLE TO HIM FOR LIFE PLUS ANY LUMP SUM PAYMENT
25 UNDER THIS SUBSECTION AND SUBSECTION (A.1) HE MAY HAVE ELECTED
26 TO RECEIVE IS LESS THAN 50% OF THE PRESENT VALUE OF HIS MAXIMUM
27 SINGLE LIFE ANNUITY BEFORE REDUCTION UNDER SUBSECTION (A.1):

28 (1) OPTION 1.--A LIFE ANNUITY TO THE MEMBER WITH A
29 GUARANTEED TOTAL PAYMENT EQUAL TO THE PRESENT VALUE OF THE
30 MAXIMUM SINGLE LIFE ANNUITY ON THE EFFECTIVE DATE OF

1 RETIREMENT WITH THE PROVISION THAT, IF, AT HIS DEATH, HE HAS
2 RECEIVED LESS THAN SUCH PRESENT VALUE, THE UNPAID BALANCE
3 SHALL BE PAYABLE TO HIS BENEFICIARY.

4 (2) OPTION 2.--A JOINT AND SURVIVOR ANNUITY PAYABLE
5 DURING THE LIFETIME OF THE MEMBER WITH THE FULL AMOUNT OF
6 SUCH ANNUITY PAYABLE THEREAFTER TO HIS SURVIVOR ANNUITANT, IF
7 LIVING AT HIS DEATH.

8 (3) OPTION 3.--A JOINT AND FIFTY PERCENT (50%) SURVIVOR
9 ANNUITY PAYABLE DURING THE LIFETIME OF THE MEMBER WITH ONE-
10 HALF OF SUCH ANNUITY PAYABLE THEREAFTER TO HIS SURVIVOR
11 ANNUITANT, IF LIVING AT HIS DEATH.

12 (4) OPTION 4.--SOME OTHER BENEFIT WHICH SHALL BE
13 CERTIFIED BY THE ACTUARY TO BE ACTUARIALLY EQUIVALENT TO THE
14 MAXIMUM SINGLE LIFE ANNUITY, SUBJECT TO THE FOLLOWING
15 RESTRICTIONS:

16 (I) ANY ANNUITY SHALL BE PAYABLE WITHOUT REDUCTION
17 DURING THE LIFETIME OF THE MEMBER;

18 (II) THE SUM OF ALL ANNUITIES PAYABLE TO THE
19 DESIGNATED SURVIVOR ANNUITANTS SHALL NOT BE GREATER THAN
20 ONE AND ONE-HALF TIMES THE ANNUITY PAYABLE TO THE MEMBER;
21 AND

22 (III) A PORTION OF THE BENEFIT MAY BE PAYABLE AS A
23 LUMP SUM, EXCEPT THAT SUCH LUMP SUM PAYMENT SHALL NOT
24 EXCEED AN AMOUNT EQUAL TO THE TOTAL ACCUMULATED
25 DEDUCTIONS STANDING TO THE CREDIT OF THE MEMBER THAT ARE
26 NOT THE RESULT OF CONTRIBUTIONS AND STATUTORY INTEREST
27 MADE OR CREDITED AS A RESULT OF CLASS A-3 OR CLASS A-4
28 SERVICE. THE BALANCE OF THE PRESENT VALUE OF THE MAXIMUM
29 SINGLE LIFE ANNUITY ADJUSTED IN ACCORDANCE WITH SECTION
30 5702(B) SHALL BE PAID IN THE FORM OF AN ANNUITY WITH A

1 GUARANTEED TOTAL PAYMENT, A SINGLE LIFE ANNUITY, OR A
2 JOINT AND SURVIVOR ANNUITY OR ANY COMBINATION THEREOF BUT
3 SUBJECT TO THE RESTRICTIONS OF SUBPARAGRAPHS (I) AND (II)
4 UNDER THIS OPTION. IF A MEMBER'S EFFECTIVE DATE OF
5 RETIREMENT IS ON OR AFTER JANUARY 1, 2015, THEN THE
6 PORTION OF THE BENEFIT PAYABLE UNDER THIS SUBPARAGRAPH
7 SHALL BE FURTHER LIMITED TO THE TOTAL ACCUMULATED
8 DEDUCTIONS STANDING TO THE CREDIT OF THE MEMBER ON
9 DECEMBER 31, 2014, THAT ARE NOT THE RESULT OF
10 CONTRIBUTIONS AND STATUTORY INTEREST MADE OR CREDITED AS
11 A RESULT OF CLASS A-3 OR CLASS A-4 SERVICE, PLUS ANY
12 STATUTORY INTEREST CREDITED ON THOSE ACCUMULATED
13 DEDUCTIONS BEFORE THE EFFECTIVE DATE OF RETIREMENT.

14 (A.1) ADDITIONAL LUMP SUM WITHDRAWAL.--THE FOLLOWING SHALL
15 APPLY:

16 (1) ON OR AFTER JANUARY 1, 2015, IF A MEMBER HAS ELECTED
17 TO HAVE THE FULL AMOUNT ALLOWED UNDER SUBSECTION (A) (4) (III)
18 PAID IN LUMP SUM, THEN THE MEMBER MAY ELECT TO RECEIVE AN
19 ADDITIONAL AMOUNT PAYABLE IN A LUMP SUM AT THE SAME TIME AS
20 THE PAYMENT ELECTED UNDER SUBSECTION (A) (4) (III).

21 (2) THE ADDITIONAL AMOUNT PAYABLE IN A LUMP SUM MAY NOT
22 EXCEED THE AMOUNT EQUAL TO THE EXCESS OF THE TOTAL
23 ACCUMULATED DEDUCTIONS STANDING TO THE CREDIT OF THE MEMBER
24 ON THE EFFECTIVE DATE OF RETIREMENT THAT ARE NOT THE RESULT
25 OF CONTRIBUTIONS AND STATUTORY INTEREST MADE OR CREDITED AS A
26 RESULT OF CLASS A-3 OR CLASS A-4 SERVICE OVER THE AMOUNT
27 PAYABLE UNDER SUBSECTION (A) (4) (III).

28 (3) IF A MEMBER ELECTS TO BE PAID AN ADDITIONAL LUMP SUM
29 AMOUNT UNDER THIS SUBSECTION, THEN THE MAXIMUM SINGLE LIFE
30 ANNUITY CALCULATED UNDER SECTION 5702 AND PAYABLE UNDER

1 SUBSECTION (A) SHALL BE REDUCED BY THE ADDITIONAL AMOUNT
2 WITHDRAWN DIVIDED BY THE COST OF A DOLLAR ANNUITY ON THE
3 EFFECTIVE DATE OF RETIREMENT COMPUTED ON THE BASIS OF THE
4 ANNUAL INTEREST RATE ADOPTED FOR THAT FISCAL YEAR BY THE
5 BOARD FOR THE CALCULATION OF THE ACCRUED LIABILITY
6 CONTRIBUTION RATE UNDER SECTION 5508.1(C) (RELATING TO
7 ACTUARIAL COST METHOD FOR FISCAL YEARS BEGINNING JULY 1,
8 2015, OR LATER) AND THE MORTALITY TABLES ADOPTED BY THE BOARD
9 FOR THE DETERMINATION OF ACTUARIALLY EQUIVALENT BENEFITS
10 UNDER THIS PART. THE REDUCTION IN THE MAXIMUM SINGLE LIFE
11 ANNUITY UNDER THIS SUBSECTION SHALL APPLY BEFORE THE ELECTION
12 AND CALCULATION OF ANY REDUCED ANNUITIES PAYABLE UNDER
13 SUBSECTION (A).

14 * * *

15 Section 27. Section 5706(a), (a.1), (a.2), (b) and (c) (1)
16 and (3) of Title 71 are amended to read:

17 § 5706. Termination of annuities.

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

1 full coverage, shall be frozen as of the date such annuity
2 ceases. An annuitant who is credited with an additional 10% of
3 Class A and Class C service as provided in section 5302(c)
4 (relating to credited State service) and who returns to State
5 service shall forfeit such credited service and shall have his
6 frozen present value adjusted as if his 10% retirement incentive
7 had not been applied to his account. In the event that the cost-
8 of-living increase enacted December 18, 1979 occurred during the
9 period of such State or school employment, the frozen present
10 value shall be increased, on or after the member attains
11 superannuation age, by the percent applicable had he not
12 returned to service. This subsection shall not apply in the case
13 of any annuitant who may render services to the Commonwealth in
14 the capacity of an independent contractor or as a member of an
15 independent board or commission or as a member of a departmental
16 administrative or advisory board or commission when such members
17 of independent or departmental boards or commissions are
18 compensated on a per diem basis for not more than 150 days per
19 calendar year or as a member of an independent board or
20 commission requiring appointment by the Governor, with advice
21 and consent of the Senate, where the annual salary payable to
22 the member does not exceed \$35,000 and where the member has been
23 an annuitant for at least six months immediately preceding the
24 appointment. Such service shall not be subject to member
25 contributions or be eligible for qualification as creditable
26 State service or for participation in the plan, mandatory pickup
27 participant contributions or employer defined contributions.

28 (a.1) Return to State service during emergency.--When, in
29 the judgment of the employer, an emergency creates an increase
30 in the work load such that there is serious impairment of

1 service to the public, an annuitant may be returned to State
2 service for a period not to exceed 95 days in any calendar year
3 without loss of his annuity. In computing the number of days an
4 annuitant has returned to State service, any amount of time less
5 than one-half of a day shall be counted as one-half of a day.
6 For agencies, boards and commissions under the Governor's
7 jurisdiction, the approval of the Governor that an emergency
8 exists shall be required before an annuitant may be returned to
9 State service. Such service shall not be subject to member
10 contributions or be eligible for qualification as creditable
11 State service or for participation in the plan, mandatory pickup
12 participant contributions or employer defined contributions.

13 (a.2) Return of benefits.--In the event an annuitant whose
14 annuity ceases pursuant to this section receives any annuity
15 payment, including a lump sum payment pursuant to section 5705
16 (relating to member's options) on or after the date of his
17 return to State service or entering school service, the
18 annuitant shall return to the board the amount so received plus
19 statutory interest. The amount payable shall be certified in
20 each case by the board in accordance with methods approved by
21 the actuary and shall be paid in a lump sum within 30 days or in
22 the case of an active member or school employee who is an active
23 member of the Public School Employees' Retirement System may be
24 amortized with statutory interest through salary deductions to
25 the system in amounts agreed upon by the member and the board.
26 The salary deduction amortization plans agreed to by the member
27 and the board may include a deferral of payment amounts and
28 statutory interest until the termination of school service or
29 State service or beginning service as a participant as the board
30 in its sole discretion decides to allow. The board may limit

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

7 (b) Subsequent discontinuance of service.--Upon subsequent
8 discontinuance of service, such [member] terminating State
9 employee other than a former annuitant who had the effect of his
10 frozen present value eliminated in accordance with subsection
11 (c) or a former disability annuitant shall be entitled to an
12 annuity which is actuarially equivalent to [the sum of] the
13 present value as determined under subsection (a) [and] to which
14 shall be added, if the service after reemployment was as a
15 member of the system, the present value of a maximum single life
16 annuity based on years of service credited subsequent to reentry
17 in the system and his final average salary computed by reference
18 to his compensation as a member of the system or as a member of
19 the Public School Employees' Retirement System during his entire
20 period of State and school service.

21 (c) Elimination of the effect of frozen present value.--

22 (1) An annuitant who returns to State service as an
23 active member of the system and earns three eligibility
24 points by performing credited State service following the
25 most recent period of receipt of an annuity under this part,
26 or an annuitant who enters school service other than as a
27 participant in the School Employees' Defined Contribution
28 Plan and:

29 (i) is a multiple service member; or

30 (ii) who elects multiple service membership, and

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

13 * * *

14 (3) In addition to any other adjustment to the present
15 value of the maximum single life annuity that a member may be
16 entitled to receive that occurs as a result of any other
17 provision of law, the present value of the maximum single
18 life annuity shall be reduced by all amounts paid or payable
19 to him during all previous periods of retirement plus
20 interest on these amounts until the date of subsequent
21 retirement. The interest for each year shall be calculated
22 based upon the annual interest rate adopted for that fiscal
23 year by the board for the calculation of the normal
24 contribution rate pursuant to section 5508(b) (relating to
25 actuarial cost method[.] for fiscal years ending before July
26 1, 2015) or for the calculation of the accrued liability
27 contribution rate under section 5508.1(c) (relating to
28 actuarial cost method for fiscal years beginning July 1,
29 2015, or later) for fiscal years starting on or after July 1,
30 2015.

1 Section 28. Section 5707(a), (b) and (f) of Title 71,
2 amended October 24, 2012 (P.L.1436, No.181), are amended to
3 read:

4 § 5707. Death benefits.

5 (a) Members eligible for annuities.--Any active member,
6 inactive member on leave without pay, combined service employee
7 who is an active participant or inactive participant on leave
8 without pay, vestee or current or former State employee
9 performing USERRA leave who dies and was eligible for an annuity
10 in accordance with section 5308(a) or (b) (relating to
11 eligibility for annuities) or special vestee who has attained
12 superannuation age and dies before applying for a superannuation
13 annuity shall be considered as having applied for an annuity to
14 become effective the day before his death and in the event he
15 has not elected an option or such election has not been approved
16 prior to his death, it shall be assumed that he elected Option
17 1.

18 (b) Members ineligible for annuities.--In the event of the
19 death of a special vestee, an active member, an inactive member
20 on leave without pay, combined service employee who is an active
21 participant or inactive participant on leave without pay, or a
22 current or former State employee performing USERRA leave who is
23 not entitled to a death benefit as provided in subsection (a),
24 his designated beneficiary shall be paid the full amount of his
25 total accumulated deductions.

26 * * *

27 (f) Members subject to limitations under section 5702(c).--
28 Subject to the limitations contained in section 401(a)(9) of the
29 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
30 401(a)(9)), the present value of any annuity in excess of that

1 payable under section 5702 (relating to maximum single life
2 annuity) that is not subject to the limitations under section
3 415(b) of the Internal Revenue Code of 1986 shall be paid in a
4 lump sum to the beneficiary designated by the member after the
5 death of the member. A beneficiary receiving a benefit under
6 this subsection shall not be able to elect a payment method
7 otherwise allowed under section 5709(b) (2) and (3) (relating to
8 payment of benefits from the system).

9 Section 29. Sections 5708.1(f), 5708.2(f), 5708.3(f),
10 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5709 heading, (a)
11 and (b) and 5901(a), (c) and (d) of Title 71 are amended to
12 read:

13 § 5708.1. Additional supplemental annuities.

14 * * *

15 (f) Funding.--The actuary shall annually certify the amount
16 of appropriations for the next fiscal year needed to fund, over
17 a period of ten years from July 1, 2002, the additional monthly
18 supplemental annuity provided for in this section, which amounts
19 shall be paid during the period beginning July 1, 2002, and
20 ending June 30, 2010. For fiscal years beginning on or after
21 July 1, 2010, the additional liability provided in this section
22 shall be funded as part of the actuarial accrued liability as
23 provided in [section 5508 (relating to actuarial cost method).]
24 sections 5508 (relating to actuarial cost method for fiscal
25 years ending before July 1, 2015) and 5508.1 (relating to
26 actuarial cost method for fiscal years beginning July 1, 2015,
27 or later).

28 * * *

29 § 5708.2. Further additional supplemental annuities.

30 * * *

1 (f) Funding.--The actuary shall annually estimate the amount
2 of Commonwealth appropriations for the next fiscal year needed
3 to fund, over a period of ten years from July 1, 2002, the
4 additional monthly supplemental annuity provided for in this
5 section, which amounts shall be paid during the period beginning
6 July 1, 2002, and ending June 30, 2010. For fiscal years
7 beginning on or after July 1, 2010, the additional liability
8 provided in this section shall be funded as part of the
9 actuarial accrued liability as provided in [section 5508
10 (relating to actuarial cost method).] sections 5508 (relating to
11 actuarial cost method for fiscal years ending before July 1,
12 2015) and 5508.1 (relating to actuarial cost method for fiscal
13 years beginning July 1, 2015, or later).

14 * * *

15 § 5708.3. Supplemental annuities commencing 1994.

16 * * *

17 (f) Funding.--For the period beginning July 1, 2002, and
18 ending June 30, 2010, the additional liability for the increase
19 in benefits provided in this section shall be funded in equal
20 dollar annual installments over a period of ten years beginning
21 July 1, 2002. For fiscal years beginning on or after July 1,
22 2010, the additional liability for the increase in benefits
23 provided in this section shall be funded as part of the
24 actuarial accrued liability as provided in [section 5508
25 (relating to actuarial cost method).] sections 5508 (relating to
26 actuarial cost method for fiscal years ending before July 1,
27 2015) and 5508.1 (relating to actuarial cost method for fiscal
28 years beginning July 1, 2015, or later).

29 * * *

30 § 5708.5. Supplemental annuities commencing 1998.

1 * * *

2 (f) Funding.--For the period beginning July 1, 2002, and
3 ending June 30, 2010, the additional liability for the increase
4 in benefits provided in this section shall be funded in equal
5 dollar annual installments over a period of ten years beginning
6 July 1, 2002. For fiscal years beginning on or after July 1,
7 2010, the additional liability for the increase in benefits
8 provided in this section shall be funded as part of the
9 actuarial accrued liability as provided in [section 5508
10 (relating to actuarial cost method).] sections 5508 (relating to
11 actuarial cost method for fiscal years ending before July 1,
12 2015) and 5508.1 (relating to actuarial cost method for fiscal
13 years beginning July 1, 2015, or later).

14 * * *

15 § 5708.6. Supplemental annuities commencing 2002.

16 * * *

17 (f) Funding.--For the period beginning July 1, 2003, and
18 ending June 30, 2010, the additional liability for the increase
19 in benefits provided in this section shall be funded in equal
20 dollar annual installments over a period of ten years beginning
21 July 1, 2003. For fiscal years beginning on or after July 1,
22 2010, the additional liability for the increase in benefits
23 provided in this section shall be funded as part of the
24 actuarial accrued liability as provided in [section 5508
25 (relating to actuarial cost method).] sections 5508 (relating to
26 actuarial cost method for fiscal years ending before July 1,
27 2015) and 5508.1 (relating to actuarial cost method for fiscal
28 years beginning July 1, 2015, or later).

29 * * *

30 § 5708.7. Supplemental annuities commencing 2003.

1 * * *

2 (f) Funding.--For the period beginning July 1, 2004, and
3 ending June 30, 2010, the additional liability for the increase
4 in benefits provided in this section shall be funded in equal
5 dollar annual installments over a period of ten years beginning
6 July 1, 2004. For fiscal years beginning on or after July 1,
7 2010, the additional liability for the increase in benefits
8 provided in this section shall be funded as part of the
9 actuarial accrued liability as provided in [section 5508
10 (relating to actuarial cost method).] sections 5508 (relating to
11 actuarial cost method for fiscal years ending before July 1,
12 2015) and 5508.1 (relating to actuarial cost method for fiscal
13 years beginning July 1, 2015, or later).

14 * * *

15 § 5708.8. Special supplemental postretirement adjustment of
16 2002.

17 * * *

18 (g) Funding.--For the period beginning July 1, 2003, and
19 ending June 30, 2010, the additional liability for the increase
20 in benefits provided in this section shall be funded in equal
21 dollar annual installments over a period of ten years beginning
22 July 1, 2003. For fiscal years beginning on or after July 1,
23 2010, the additional liability for the increase in benefits
24 provided in this section shall be funded as part of the
25 actuarial accrued liability as provided in [section 5508
26 (relating to actuarial cost method).] sections 5508 (relating to
27 actuarial cost method for fiscal years ending before July 1,
28 2015) and 5508.1 (relating to actuarial cost method for fiscal
29 years beginning July 1, 2015, or later).

30 * * *

1 § 5709. Payment of benefits from the system.

2 (a) Annuities.--Any annuity granted under the provisions of
3 this part and paid from the fund shall be paid in equal monthly
4 installments.

5 (b) Death benefits.--If the amount of a death benefit
6 payable from the fund to a beneficiary of a member under section
7 5707 (relating to death benefits) or under the provisions of
8 Option 1 of section 5705(a)(1) (relating to member's options) is
9 \$10,000 or more, such beneficiary may elect to receive payment
10 according to one of the following options:

11 (1) a lump sum payment;

12 (2) an annuity actuarially equivalent to the amount
13 payable; or

14 (3) a lump sum payment and an annuity such that the
15 annuity is actuarially equivalent to the amount payable less
16 the lump sum payment specified by the beneficiary.

17 * * *

18 § 5901. The State Employees' Retirement Board.

19 (a) Status and membership.--The board shall be an
20 independent administrative board and consist of 11 members: the
21 State Treasurer, ex officio, two Senators, two members of the
22 House of Representatives and six members appointed by the
23 Governor, one of whom shall be an annuitant of the system or a
24 participant of the plan who has terminated State service and is
25 receiving or is eligible to receive distributions, for terms of
26 four years, subject to confirmation by the Senate. At least five
27 board members shall be active members of the system or active
28 participants of the plan, and at least two shall have ten or
29 more years of credited State service or shall have been active
30 participants of the plan for ten calendar years. The chairman of

1 the board shall be designated by the Governor from among the
2 members of the board. Each member of the board who is a member
3 of the General Assembly may appoint a duly authorized designee
4 to act in his stead. In the event that a board member, who is
5 designated as an active participant or as the participant in the
6 plan who is receiving or is eligible to receive distributions,
7 receives a total distribution of his interest in the plan, that
8 board member may continue to serve on the board for the
9 remainder of his term.

10 * * *

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

20 (d) Compensation and expenses.--The members of the board who
21 are members of the system or participants in the plan shall
22 serve without compensation but shall not suffer loss of salary
23 or wages through serving on the board. The members of the board
24 who are not members of the system or participants in the plan
25 shall receive \$100 per day when attending meetings and all board
26 members shall be reimbursed for any necessary expenses. However,
27 when the duties of the board as mandated are not executed, no
28 compensation or reimbursement for expenses of board members
29 shall be paid or payable during the period in which such duties
30 are not executed.

1 * * *

2 Section 30. ~~Sections~~ SECTION 5902(a.1) introductory <--
3 paragraph, (3), (5) and (6), (b), (c), (e), (h), (i), (j), (k),
4 (L), (m) and (n) ~~and 5903 heading and (a) of Title 71 are~~ <--
5 ~~amended and the sections are amended by adding subsections to~~
6 ~~read:~~ OF TITLE 71, AMENDED OCTOBER 24, 2012 (P.L.1436, NO.181), <--
7 ARE AMENDED AND THE SECTION IS AMENDED BY ADDING A SUBSECTION TO
8 READ:

9 § 5902. Administrative duties of the board.

10 * * *

11 (a.1) Secretary.--The secretary shall act as chief
12 administrative officer for the board with respect to both the
13 system and the plan. In addition to other powers and duties
14 conferred upon and delegated to the secretary by the board, the
15 secretary shall:

16 * * *

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

21 * * *

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

28 (6) Supervise a staff of administrative, technical, and
29 clerical employees engaged in record-keeping and clerical
30 processing activities for both the system and the plan in

1 maintaining files of members and participants, accounting for
2 contributions, processing payments to annuitants and
3 terminated participants, preparing required reports, and
4 retirement counseling. The board may utilize the staff of
5 employees provided for under this subsection for both the
6 system and the plan but shall allocate the fees, costs and
7 expenses incurred under this subsection between the system
8 and the plan as appropriate.

9 (b) Professional personnel.--The board shall contract for
10 the services of a chief medical examiner, an actuary, investment
11 advisors and counselors, and such other professional personnel
12 as it deems advisable. The board may, with the approval of the
13 Attorney General, contract for legal services. The board may
14 utilize the same individuals and firms contracted under this
15 subsection for both the system and the plan but shall allocate
16 the fees, costs and expenses incurred under this subsection
17 between the system and the plan as appropriate.

18 (c) Expenses.--The board shall, through the Governor, submit
19 to the General Assembly annually a budget covering the
20 administrative expenses of [this part] the system and a separate
21 budget covering the administrative expenses of the plan. Such
22 expenses of the system as approved by the General Assembly in an
23 appropriation bill shall be paid from investment earnings of the
24 fund. Such expenses of the plan as approved by the General
25 Assembly shall be paid from interest, pursuant to section
26 5414(b) (relating to investments based on members' investment
27 allocation choices), or assessments on the balances of the
28 participants' individual investment accounts except as may be
29 provided otherwise by law. Concurrently with its administrative
30 budget, the board shall also submit to the General Assembly

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

7 * * *

8 (e) Records.--

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

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

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

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

30 (iii) have a substantial detrimental impact on the

1 value of an investment to be acquired, held or disposed
2 of by the fund or trust or would cause a breach of the
3 standard of care or fiduciary duty set forth in this
4 part.

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

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

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

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

23 whichever is later.

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

30 (A) the [inspection] access no longer has a

1 substantial detrimental impact on the value of an
2 investment of the fund or trust and would not cause a
3 breach of the standard of care or fiduciary duty set
4 forth in this part; or

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

7 whichever is later.

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

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

21 (i) The existence, date, amount and any other
22 information pertaining to the voluntary contributions,
23 including rollover contributions or trustee-to-trustee
24 transfers, of any participant.

25 (ii) The investment options selections of any
26 participant.

27 (iii) The balance of a participant's account,
28 including the amount distributed to the participant
29 investment gains or losses or rates of return.

30 (iv) The identity of a participant's designated

1 beneficiary, successor payee or alternate payee.

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

3 (6) Nothing in this subsection shall be construed to
4 designate any record, material or data received, prepared,
5 used or retained by the board or its employees, or agents
6 relating to the contributions, account value or benefits
7 payable to or on account of a participant as a public record
8 subject to public access under the Right-to-Know Law.

9 * * *

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

26 (i) Data.--The board shall keep in convenient form such data
27 as are stipulated by the actuary in order that an annual
28 actuarial valuation of the various accounts of the fund can be
29 completed within six months of the close of each calendar year.

30 (j) Actuarial investigation and valuation.--The board shall

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

26 (k) Certification of employer contributions to the fund.--
27 The board shall, each year in addition to the itemized budget
28 required under section 5509 (relating to appropriations and
29 assessments by the Commonwealth), certify, as a percentage of
30 the members' payroll, the shared-risk contribution rate, the

1 employers' contributions as determined pursuant to [section 5508
2 (relating to actuarial cost method)] sections 5508 (relating to
3 actuarial cost method for fiscal years ending before July 1,
4 2015) and 5508.1 (relating to actuarial cost method for fiscal
5 years beginning July 1, 2015, or later) necessary for the
6 funding of prospective annuities for active members and the
7 annuities of annuitants and certify the rates and amounts of the
8 employers' normal contributions as determined pursuant to
9 [section] sections 5508(b) and 5508.1(b), accrued liability
10 contributions as determined pursuant to [section] sections
11 5508(c) and 5508.1(c) and (d), supplemental annuities
12 contribution rate as determined pursuant to section 5508(e), the
13 experience adjustment factor as determined pursuant to [section]
14 sections 5508(f) and 5508.1(f), the collared contribution rate
15 pursuant to section 5508(h) and the final contribution rate
16 pursuant to section 5508(i), which shall be paid to the fund and
17 credited to the appropriate accounts. The board may allocate the
18 final contribution rate and certify various employer
19 contribution rates and amounts based upon the different benefit
20 eligibility, class of service multiplier, superannuation age, <--
21 FINAL AVERAGE SALARY CALCULATIONS and other benefit differences
22 resulting from State service credited for individual members
23 even though such allocated employer contribution rate on behalf
24 of any given member may be more or less than 5% of the member's
25 compensation for the period from July 1, 2010, to June 30, 2011,
26 or may differ from the prior year's contribution for that member
27 by more or less than the percentages used to calculate the
28 collared contribution rate for that year and may be below any
29 minimum contribution rate established for the collared
30 contribution rate or final contribution rate. These

1 certifications shall be regarded as final and not subject to
2 modification by the Secretary of the Budget.

3 ***

<--

4 (L) MEMBER CONTRIBUTIONS.--THE BOARD SHALL CAUSE ALL PICKUP <--
5 CONTRIBUTIONS MADE ON BEHALF OF A MEMBER TO BE CREDITED TO THE
6 ACCOUNT OF THE MEMBER AND CREDIT TO HIS ACCOUNT ANY OTHER
7 PAYMENT MADE BY SUCH MEMBER, INCLUDING, BUT NOT LIMITED TO,
8 AMOUNTS COLLECTED BY THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT
9 SYSTEM FOR THE REINSTATEMENT OF PREVIOUS STATE SERVICE OR
10 CREDITABLE NONSTATE SERVICE AND AMOUNTS PAID TO RETURN BENEFITS
11 PAID AFTER THE DATE OF RETURN TO STATE SERVICE OR ENTERING
12 SCHOOL SERVICE REPRESENTING LUMP SUM PAYMENTS MADE PURSUANT TO
13 SECTION 5705(A) (4) (III) OR (A.1) (RELATING TO MEMBER'S OPTIONS)
14 AND MEMBER'S ANNUITY PAYMENTS, BUT NOT INCLUDING OTHER BENEFITS
15 RETURNED PURSUANT TO SECTION 5706(A.2) OR (A.3) (RELATING TO
16 TERMINATION OF ANNUITIES), AND SHALL PAY ALL SUCH AMOUNTS INTO
17 THE FUND.

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 and 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 the trust.--
10 The 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 SECTION 30.1. SECTION 5903 HEADING AND (A) OF TITLE 71 ARE <--
23 AMENDED AND THE SECTION IS AMENDED BY ADDING A SUBSECTION TO
24 READ:

25 § 5903. Duties of the board to advise and report to heads of
26 departments [and], members and participants.

27 (a) Manual of regulations.--The board shall, with the advice
28 of the Attorney General and the actuary, prepare and provide,
29 within 90 days of the effective date of this part, a manual
30 incorporating rules and regulations consistent with the

1 provisions of this part to the heads of departments who shall
2 make the information contained therein available to the general
3 membership. The board shall thereafter advise the heads of
4 departments within 90 days of any changes in such rules and
5 regulations due to changes in the law or due to changes in
6 administrative policies. As soon as practicable after the
7 commissioner's announcement with respect thereto, the board
8 shall also advise the heads of departments as to any cost-of-
9 living adjustment for the succeeding calendar year in the amount
10 of the limitation under IRC § 401(a)(17) and the dollar amounts
11 of the limitations under IRC § 415[(b)]. As soon as practicable
12 after January 1 of each year, the board shall also advise the
13 heads of departments of the employees for whom, pursuant to
14 section 5502.1 (relating to waiver of regular member
15 contributions and Social Security integration member
16 contributions), pickup contributions are not to be made.

17 * * *

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

28 * * *

29 Section 31. Section 5904(c)(2) of Title 71 is amended to
30 read:

1 § 5904. Duties of the board to report to the Public School
2 Employees' Retirement Board.

3 * * *

4 (c) Applications for benefits for school employees.--Upon
5 receipt of notification and the required data from the Public
6 School Employees' Retirement Board that a former State employee
7 who elected multiple service has applied for a public school
8 employees' retirement benefit or, in the event of his death, his
9 legally constituted representative has applied for such benefit,
10 the board shall:

11 * * *

12 (2) transfer to the Public School Employees' Retirement
13 Fund the total accumulated deductions standing to such
14 member's credit and the actuarial reserve required on account
15 of years of credited service in the State system, final
16 average salary determined on the basis of his compensation as
17 a member in both systems and the average noncovered salary to
18 be charged to the State accumulation account, the State
19 Police benefit account or the enforcement officers' benefit
20 account, as each case may require.

21 * * *

22 Section 32. Section 5905 heading, (b) (3), (c.1) and (g) of
23 Title 71, amended October 24, 2012 (P.L.1436, No.181), are
24 amended and the section is amended by adding subsections to
25 read:

26 § 5905. Duties of the board regarding applications and
27 elections of members and participants.

28 * * *

29 (b) School employees electing multiple service status.--Upon
30 receipt of notification from the Public School Employees'

1 Retirement Board that a former State employee has become an
2 active member in the Public School Employees' Retirement System
3 and has elected to become a member with multiple service status
4 the board shall:

5 * * *

6 (3) in case of a former State employee who is not
7 receiving an annuity from the system and his total
8 accumulated deductions were withdrawn, certify to the former
9 State employee the accumulated deductions as they would have
10 been at the time of his separation had he been a full
11 coverage member together with statutory interest for all
12 periods of subsequent State service eligible for membership
13 in the system and school service as a member of the Public
14 School Employees' Retirement System to the date of repayment.
15 Such amount shall be restored by him and shall be credited
16 with statutory interest as such payments are restored.

17 * * *

18 (c.1) Termination of service by a member.--In the case of
19 any member terminating State service who is entitled to an
20 annuity and who is not then a disability annuitant, the board
21 shall advise such member in writing of any benefits from the
22 system to which he may be entitled under the provisions of this
23 part and shall have the member prepare, on or before the date of
24 termination of State service, one of the following three forms,
25 a copy of which shall be given to the member and the original of
26 which shall be filed with the board:

27 (1) an application for the return of total accumulated
28 deductions;

29 (2) an election to vest his retirement rights and, if he
30 is a joint coverage member and so desires, elect to become a

1 full coverage member and agree to pay within 30 days of the
2 date of termination of service the lump sum required; or

3 (3) an application for an immediate annuity and, if he
4 desires:

5 (i) an election to convert his medical, major
6 medical and hospitalization insurance coverage to the
7 plan for State annuitants; and

8 (ii) if he is a joint coverage member, an election
9 to become a full coverage member and an agreement to pay
10 within 30 days of date of termination of service the lump
11 sum required.

12 (c.2) Termination of service by a participant.--In the case
13 of any participant terminating State service, the board shall
14 advise the participant in writing of the accumulated total
15 defined contributions credited to the participant's individual
16 investment account as of the date stated in the writing, any
17 notices regarding rollover or other matters required by IRC or
18 other law, the obligation of the participant to commence
19 distributions from the plan by the participant's required
20 beginning date and the ability to receive all or part of the
21 balance in the participant's individual investment account in a
22 lump sum or in such other form as the board may authorize or is
23 required by law.

24 * * *

25 (e.2) Notification to inactive participants approaching
26 required beginning date.--The board shall notify each inactive
27 participant who has terminated State service and had not
28 commenced distribution by 90 days before the participant's
29 required beginning date in writing that the participant has an
30 obligation to commence distributions by his required beginning

1 date in a form and manner required by IRC § 401(a)(9) and other
2 applicable provisions of the IRC.

3 * * *

4 (f.1) Initial payment to a participant.--The board shall
5 make the initial payment to a participant who has applied for a
6 distribution within 60 days of the filing of his application.

7 (g) Death benefits.--Upon receipt of notification from the
8 head of a department of the death of an active member, a member
9 performing USERRA leave [or], a member on leave without pay, an
10 active participant, an inactive participant on leave without pay
11 or a former participant performing USERRA leave, the board shall
12 advise the designated beneficiary of the benefits to which he is
13 entitled, and shall make the first payment to the beneficiary
14 within 60 days of receipt of certification of death and other
15 necessary data. If no beneficiary designation is in effect at
16 the date of the member's death or no notice has been filed with
17 the board to pay the amount of the benefits to the member's
18 estate, the board is authorized to pay the benefits to the
19 executor, administrator, surviving spouse or next of kin of the
20 deceased member, and payment pursuant hereto shall fully
21 discharge the fund from any further liability to make payment of
22 such benefits to any other person. If the surviving spouse or
23 next of kin of the deceased member cannot be found for the
24 purpose of paying the benefits for a period of seven years from
25 the date of death of the member, then the benefits shall be
26 escheated to the Commonwealth for the benefit of the fund. If no
27 beneficiary designation is in effect at the date of a
28 participant's death or no notice has been filed with the board
29 to pay the amount of the benefits to the participant's estate,
30 the board is authorized to pay the benefits to the surviving

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

5 * * *

6 SECTION 32.1. SECTION 5905.1(A) AND (B) (2) AND (3) OF TITLE <--
7 71 ARE AMENDED TO READ:

8 § 5905.1. INSTALLMENT PAYMENTS OF ACCUMULATED DEDUCTIONS.

9 (A) GENERAL RULE.--NOTWITHSTANDING ANY OTHER PROVISION OF
10 THIS PART, WHENEVER A MEMBER ELECTS TO WITHDRAW HIS TOTAL
11 ACCUMULATED DEDUCTIONS PURSUANT TO SECTION 5311(A) (RELATING TO
12 ELIGIBILITY FOR REFUNDS) OR 5701 (RELATING TO RETURN OF TOTAL
13 ACCUMULATED DEDUCTIONS) OR ELECTS TO RECEIVE A PORTION OF HIS
14 BENEFIT PAYABLE AS A LUMP SUM PURSUANT TO SECTION
15 5705(A) (4) (III) OR (A.1) (RELATING TO MEMBER'S OPTIONS), THE
16 MEMBER MAY ELECT TO RECEIVE THE AMOUNT IN NOT MORE THAN FOUR
17 INSTALLMENTS.

18 (B) PAYMENT OF FIRST INSTALLMENT.--THE PAYMENT OF THE FIRST
19 INSTALLMENT SHALL BE MADE IN THE AMOUNT AND WITHIN SEVEN DAYS OF
20 THE DATE SPECIFIED BY THE MEMBER, EXCEPT AS FOLLOWS:

21 * * *

22 (2) IN THE CASE OF AN ELECTION AS PROVIDED IN SECTION
23 5705(A) (4) (III) OR (A.1) BY A MEMBER TERMINATING SERVICE
24 WITHIN 60 DAYS PRIOR TO THE END OF A CALENDAR YEAR AND UPON
25 RECEIPT OF ALL REQUIRED DATA FROM THE HEAD OF THE DEPARTMENT
26 AND, IF THE MEMBER HAS CLASS G, CLASS H, CLASS I, CLASS J,
27 CLASS K, CLASS L, CLASS M OR CLASS N SERVICE, ANY DATA
28 REQUIRED FROM THE COUNTY RETIREMENT SYSTEM OR PENSION PLAN TO
29 WHICH THE MEMBER WAS A CONTRIBUTOR BEFORE BEING TRANSFERRED
30 TO STATE EMPLOYMENT, THE BOARD SHALL NOT BE REQUIRED TO PAY

1 THE FIRST INSTALLMENT PRIOR TO 21 DAYS AFTER THE LATER OF THE
2 FILING OF THE APPLICATION AND THE RECEIPT OF THE DATA OR THE
3 DATE OF TERMINATION OF SERVICE, BUT, UNLESS OTHERWISE
4 DIRECTED BY THE MEMBER, THE PAYMENT SHALL BE MADE NO LATER
5 THAN 45 DAYS AFTER THE FILING OF THE APPLICATION AND THE
6 RECEIPT OF THE DATA OR THE DATE OF TERMINATION OF SERVICE,
7 WHICHEVER IS LATER.

8 (3) IN THE CASE OF AN ELECTION AS PROVIDED IN SECTION
9 5705(A) (4) (III) OR (A.1) BY A MEMBER WHO IS NOT TERMINATING
10 SERVICE WITHIN 60 DAYS PRIOR TO THE END OF A CALENDAR YEAR
11 AND UPON RECEIPT OF ALL REQUIRED DATA FROM THE HEAD OF THE
12 DEPARTMENT AND, IF THE MEMBER HAS CLASS G, CLASS H, CLASS I,
13 CLASS J, CLASS K, CLASS L, CLASS M OR CLASS N SERVICE, ANY
14 DATA REQUIRED FROM THE COUNTY RETIREMENT SYSTEM OR PENSION
15 PLAN TO WHICH THE MEMBER WAS A CONTRIBUTOR BEFORE BEING
16 TRANSFERRED TO STATE EMPLOYMENT, THE BOARD SHALL NOT BE
17 REQUIRED TO PAY THE FIRST INSTALLMENT PRIOR TO 45 DAYS AFTER
18 THE FILING OF THE APPLICATION AND THE RECEIPT OF THE DATA OR
19 THE DATE OF TERMINATION OF SERVICE, WHICHEVER IS LATER.

20 * * *

21 Section 33. Section 5906(a) introductory paragraph and (3),
22 (b), (d), (e), (g), (h), (i) and (l) of Title 71, amended
23 October 24, 2012 (P.L.1436, No.181), are amended and the section
24 is amended by adding subsections to read:

25 § 5906. Duties of heads of departments.

26 (a) Status of members and participants.--The head of
27 department shall, at the end of each pay period, notify the
28 board in a manner prescribed by the board of salary changes
29 effective during that period for any members and participants of
30 the department, the date of all removals from the payroll, and

1 the type of leave of any members and participants of the
2 department who have been removed from the payroll for any time
3 during that period, and:

4 * * *

5 (3) if the removal is due to termination of State
6 service, he shall furnish the board with a complete State
7 service record, including service in other departments or
8 agencies, or creditable nonstate service and;

9 (i) in the case of death of the member or
10 participant the head of the department shall so notify
11 the board;

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

25 (iii) in the case of a member terminating from The
26 Pennsylvania State University who is a member of the
27 system with five or more but less than ten eligibility
28 points and who has terminated State service on June 30,
29 1997, because of the transfer of his job position or
30 duties to a controlled organization of the Penn State

1 Geisinger Health System or because of the elimination of
2 his job position or duties due to the transfer of other
3 job positions or duties to a controlled organization of
4 the Penn State Geisinger Health System, the head of the
5 department shall so certify to the board.

6 (b) Records and information.--At any time at the request of
7 the board and at termination of service of a member or a
8 participant, the head of department shall furnish service and
9 compensation records and such other information as the board may
10 require and shall maintain and preserve such records as the
11 board may direct for the expeditious discharge of its duties.

12 * * *

13 (c.1) Participant and employer defined contributions.--The
14 head of the department shall:

15 (1) Cause the mandatory pickup participant contributions
16 on behalf of a participant to be made and cause to be
17 deducted any voluntary contributions authorized by a
18 participant.

19 (2) Cause the employer defined contributions on behalf
20 of a participant to be made.

21 (3) Notify the board at times and in a manner prescribed
22 by the board of the compensation of any participant to whom
23 the limitation under IRC § 401(a)(17) either applies or is
24 expected to apply and cause such participant's contributions
25 to be deducted from payroll to cease at the limitation under
26 IRC § 401(a)(17) on the payroll date if and when such limit
27 shall be reached.

28 (4) Certify to the State Treasurer the amounts picked up
29 and deducted and the employer defined contributions being
30 made and send the total amount picked up, deducted and

1 contributed together with a duplicate of such voucher to the
2 secretary of the board every pay period or on such schedule
3 as established by the board.

4 (d) New employees subject to mandatory membership or
5 participation.--Upon the assumption of duties of each new State
6 employee whose membership in the system or plan is mandatory,
7 the head of department shall cause an application for membership
8 or participation and a nomination of beneficiary to be made by
9 such employee and filed with the board and shall make pickup
10 contributions or mandatory pickup participant contributions from
11 the effective date of State employment.

12 (e) New employees subject to optional membership or
13 participation.--The head of department shall, upon the
14 employment or entering into office of any State employee whose
15 membership in the system or participation in the plan is not
16 mandatory, inform such employee of his opportunity to become a
17 member of the system or participant in the plan. If such
18 employee so elects, the head of department shall cause an
19 application for membership and a nomination of beneficiary to be
20 made by him and filed with the board and shall cause proper
21 contributions to be made from the effective date of membership
22 or participation.

23 * * *

24 (g) Former school employee contributors.--The head of
25 department shall, upon the employment of a former contributor to
26 the Public School Employees' Retirement System who is not an
27 annuitant of the Public School Employees' Retirement System,
28 advise such employee of his right to elect within 365 days of
29 entry into the system to become a multiple service member, and
30 in the case of any such employee who so elects and has withdrawn

1 his accumulated deductions, require him to reinstate his credit
2 in the Public School Employees' Retirement System. The head of
3 the department shall advise the board of such election. This
4 subsection shall not apply to a State employee who is employed
5 in a position where he is or may be a participant in the plan
6 other than by an election under section 5416 (relating to
7 election by members to be participants).

8 (h) Former school employee annuitants.--The head of
9 department shall, upon the employment of an annuitant of the
10 Public School Employees' Retirement System who applies for
11 membership in the system, advise such employee that he may elect
12 multiple service membership within 365 days of entry into the
13 system and if he so elects his public school employee's annuity
14 will be discontinued effective upon the date of his return to
15 State service and, upon termination of State service and
16 application for an annuity, the annuity will be adjusted in
17 accordance with section 5706 (relating to termination of
18 annuities). The head of department shall advise the board of
19 such election. This subsection shall not apply to a State
20 employee who is employed in a position where he is or may be a
21 participant in the plan other than by an election under section
22 5416.

23 (i) Annual statement to members.--Annually, upon receipt
24 from the board, the head of department shall furnish to each
25 member the statement specified in section 5903(b) (relating to
26 duties of the board to advise and report to heads of departments
27 [and], members and participants).

28 * * *

29 (l) State employees performing USERRA or military-related
30 leave of absence.--The head of department shall report to the

1 board any State employee who ceases to be an active member or
2 active participant to perform USERRA service, or who is granted
3 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
4 of absence for certain government employees) or a military leave
5 of absence under 51 Pa.C.S. § 7302 (relating to granting
6 military leaves of absence), the date on which the USERRA
7 service, leave of absence or military leave of absence began,
8 the date on which the State employee is reemployed from USERRA
9 leave or returns after the leave of absence or military leave of
10 absence, if the event occurs, and any other information the
11 board may require or direct.

12 * * *

13 (n) Obligation of educational institutions to report
14 participation and compensation of employees in independent
15 retirement programs.--The Pennsylvania State University, the
16 State System of Higher Education, State-owned educational
17 institutions and community colleges shall report to the board
18 the compensation and other information as the board may request
19 for the application and administration of sections 5507.1
20 (relating to contributions to the system by the Commonwealth and
21 other employers starting July 1, 2015) and 5508.1(c) and (d)
22 (relating to actuarial cost method for fiscal years beginning
23 July 1, 2015, or later) of employees who are participants or
24 members in the Public School Employees' Retirement System,
25 School Employees' Defined Contribution Plan or independent
26 retirement programs approved by the employer.

27 Section 34. Section 5907 heading, (a), (e) and (f) of Title
28 71 are amended and the section is amended by adding subsections
29 to read:

30 § 5907. Rights and duties of State employees [and], members and

1 participants.

2 (a) Information on new employees.--Upon his assumption of
3 duties each new State employee shall furnish the head of
4 department with a complete record of his previous State service,
5 his school service or creditable nonstate service, and proof of
6 his date of birth and current status in the system and the plan
7 and in the Public School Employees' Retirement System and the
8 School Employees' Defined Contribution Plan. Willful failure to
9 provide the information required by this subsection to the
10 extent available upon entrance into the system shall result in
11 the forfeiture of the right of the member to subsequently assert
12 any right to benefits based on any of the required information
13 which he failed to provide. In any case in which the board finds
14 that a member is receiving an annuity based on false
15 information, the total amount received predicated on such false
16 information together with statutory interest doubled and
17 compounded shall be deducted from the present value of any
18 remaining benefits to which the member is legally entitled.

19 * * *

20 (b.1) Application for participation.--On or after January 1,
21 2015, in the case of a new employee who is not currently a
22 participant in the plan and whose participation is mandatory or
23 in the case of a new employee whose participation is not
24 mandatory but is permitted and who desires to become a
25 participant in the plan, the new employee shall execute an
26 application for participation and a nomination of a beneficiary.

27 * * *

28 (d.2) Contributions for USERRA leave.--Any active
29 participant or inactive participant on leave without pay or
30 former participant who was reemployed from USERRA leave who

1 desires to make mandatory pickup participant contributions and
2 voluntary contributions for his USERRA leave shall so notify the
3 board within the time period required under 38 U.S.C. Ch. 43
4 (relating to employment and reemployment rights of members of
5 the uniformed services) and IRC § 414(u) of his desire to make
6 such contributions. Upon making the permitted mandatory pickup
7 participant contributions within the allowed time period, the
8 head of the department shall make the corresponding employer
9 defined contributions at the same time.

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

17 (e) Beneficiary for death benefits from the system.--Every
18 member shall nominate a beneficiary by written designation filed
19 with the board as provided in section 5906(d) or (e) (relating
20 to duties of heads of departments) to receive the death benefit
21 payable under section 5707 (relating to death benefits) or the
22 benefit payable under the provisions of Option 1 of section
23 5705(a)(1) (relating to member's options). Such nomination may
24 be changed at any time by the member by written designation
25 filed with the board. A member may also nominate a contingent
26 beneficiary or beneficiaries to receive the death benefit
27 provided under section 5707 or the benefit payable under the
28 provisions of Option 1 of section 5705(a)(1).

29 (e.1) Beneficiary for death benefits from the plan.--Every
30 participant shall nominate a beneficiary by written designation

1 filed with the board as provided in section 5906(d) or (e) to
2 receive the death benefit payable under section 5408 (relating
3 to death benefits). A participant may also nominate a contingent
4 beneficiary or beneficiaries to receive the death benefit
5 provided under section 5408. Such nomination may be changed at
6 any time by the participant by written designation filed with
7 the board.

8 (e.2) Beneficiary for combined service employee.--A combined
9 service employee may designate or nominate different persons to
10 be beneficiaries, survivor annuitants and successor payees for
11 his benefits from the system and the plan.

12 (f) Termination of service by members.--Each member who
13 terminates State service and who is not then a disability
14 annuitant shall execute on or before the date of termination of
15 service the appropriate application, duly attested by the member
16 or his legally constituted representative, electing to:

17 (1) withdraw his total accumulated deductions; or
18 (2) vest his retirement rights; and if he is a joint
19 coverage member, and so desires, elect to become a full
20 coverage member and agree to pay within 30 days of the date
21 of termination of service the lump sum required; or

22 (3) receive an immediate annuity and may,
23 (i) if eligible, elect to convert his medical, major
24 medical, and hospitalization coverage to the plan for
25 State annuitants; and

26 (ii) if he is a joint coverage member, elect to
27 become a full coverage member and agree to pay within 30
28 days of date of termination of service the lump sum
29 required.

30 * * *

1 (g.1) Deferral of retirement rights.--If a participant
2 terminates State service and does not commence receiving a
3 distribution, he shall nominate a beneficiary, and he may
4 anytime thereafter, but no later than his required beginning
5 date, withdraw the accumulated total defined contributions
6 standing to his credit or apply for another form of distribution
7 required by law or authorized by the board.

8 * * *

9 Section 35. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,
10 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

11 § 5931. Management of fund and accounts.

12 * * *

13 (b) Crediting of interest.--The board, annually, shall allow
14 the required interest on the mean amount for the preceding year
15 to the credit of each of the accounts other than the individual
16 investment accounts. The amount so allowed shall be credited
17 thereto by the board and transferred from the interest reserve
18 account.

19 * * *

20 § 5932. State Employees' Retirement Fund.

21 The fund shall consist of all balances in the several
22 separate accounts set apart to be used under the direction of
23 the board for the benefit of members of the system; and the
24 Treasury Department shall credit to the fund all moneys received
25 from the Department of Revenue arising from the contributions
26 relating to or on behalf of members of the system required under
27 the provisions of Chapter 55 (relating to contributions), and
28 any income earned by the investments or moneys of said fund.
29 There shall be established and maintained by the board the
30 several ledger accounts specified in sections 5933 (relating to

1 members' savings account), 5934 (relating to State accumulation
2 account), 5935 (relating to annuity reserve account), 5936
3 (relating to State Police benefit account), 5937 (relating to
4 enforcement officers' benefit account), 5938 (relating to
5 supplemental annuity account) and 5939 (relating to interest
6 reserve account). The individual investment accounts that are
7 part of the trust shall not be part of the fund. Mandatory
8 pickup participant contributions, voluntary contributions and
9 employer defined contributions made under this part and any
10 income earned by the investment of such contributions shall not
11 be paid or credited to the fund but shall be paid to the trust
12 and credited to the individual investment accounts.

13 § 5934. State accumulation account.

14 The State accumulation account shall be the ledger account to
15 which shall be credited all contributions of the Commonwealth or
16 other employers whose employees are members of the system and
17 made in accordance with the provisions of [section 5507(a) or
18 (d) (relating to contributions by the Commonwealth and other
19 employers)] sections 5507(a) or (d) (relating to contributions
20 to the system by the Commonwealth before July 1, 2015) and
21 5507.1 (relating to contributions to the system by the
22 Commonwealth and other employers starting July 1, 2015) except
23 that the amounts received under the provisions of the act of May
24 12, 1943 (P.L.259, No.120), and the amounts received under the
25 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,
26 No.21), shall be credited to the State Police benefit account or
27 the enforcement officers' benefit account as the case may be.
28 All amounts transferred to the fund by county retirement systems
29 or pension plans in accordance with the provisions of section
30 5507(c) also shall be credited to the State accumulation

1 account. All amounts transferred to the fund by the Public
2 School Employees' Retirement System in accordance with section
3 5303.2(e) (relating to election to convert school service to
4 State service), except amounts credited to the members' savings
5 account, and all amounts paid by the Department of Corrections
6 in accordance with section 5303.2(f) also shall be credited to
7 the State accumulation account. The State accumulation account
8 shall be credited with valuation interest. The reserves
9 necessary for the payment of annuities and death benefits
10 resulting from membership in the system as approved by the board
11 and as provided in Chapter 57 (relating to benefits) shall be
12 transferred from the State accumulation account to the annuity
13 reserve account provided for in section 5935 (relating to
14 annuity reserve account), except that the reserves necessary on
15 account of a member who is an officer of the Pennsylvania State
16 Police or an enforcement officer shall be transferred from the
17 State accumulation account to the State Police benefit account
18 provided for in section 5936 (relating to State Police benefit
19 account) or to the enforcement officers' benefit account as
20 provided for in section 5937 (relating to enforcement officers'
21 benefit account) as the case may be. The reserves necessary for
22 the payment of supplemental annuities in excess of those
23 reserves credited to the supplemental annuity account on June
24 30, 2010, shall be transferred from the State accumulation
25 account to the supplemental annuity account. In the event that
26 supplemental annuities are increased by legislation enacted
27 after December 31, 2009, the necessary reserves shall be
28 transferred from the State accumulation account to the
29 supplemental annuity account.

30 § 5935. Annuity reserve account.

1 (a) Credits and charges to account.--The annuity reserve
2 account shall be the ledger account to which shall be credited
3 the reserves held for payment of annuities and death benefits on
4 account of all annuitants except in the case of members who are
5 officers of the Pennsylvania State Police or enforcement
6 officers. The annuity reserve account shall be credited with
7 valuation interest. After the transfers provided in sections
8 5933 (relating to members' savings account), 5934 (relating to
9 State accumulation account) and 5938 (relating to supplemental
10 annuity account), all annuity and death benefit payments
11 resulting from membership in the system except those payable to
12 any member who retires as an officer of the Pennsylvania State
13 Police or an enforcement officer shall be charged to the annuity
14 reserve account and paid from the fund.

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

26 § 5936. State Police benefit account.

27 (a) Credits and charges to account.--The State Police
28 benefit account shall be the ledger account to which shall be
29 credited all contributions received under the provisions of the
30 act of May 12, 1943 (P.L.259, No.120), and any additional

1 Commonwealth or other employer contributions provided for in
2 [section 5507 (relating to contributions by the Commonwealth and
3 other employers)] sections 5507 (relating to contributions to
4 the system by the Commonwealth and other employers before July
5 1, 2015) and 5507.1 (relating to contributions to the system by
6 the Commonwealth and other employers starting July 1, 2015)
7 which are creditable to the State Police benefit account. The
8 State Police benefit account shall be credited with the required
9 interest. In addition, upon the filing of an application for an
10 annuity by a member who is an officer of the Pennsylvania State
11 Police, the total accumulated deductions standing to the credit
12 of the member in the members' savings account and the necessary
13 reserves from the State accumulation account shall be
14 transferred to the State Police benefit account. Thereafter, the
15 total annuity of such annuitant shall be charged to the State
16 Police benefit account and paid from the fund.

17 (b) Transfers from account.--Should the said annuitant be
18 subsequently restored to active service as a member of the
19 system or as a participant in the plan, the present value of the
20 member's annuity at the time of reentry into State service shall
21 be transferred from the State Police benefit account and placed
22 to his individual credit in the members' savings account. In
23 addition, the actuarial reserve for his annuity calculated as if
24 he had been a member of Class A if he has Class A or Class C
25 service credited; as if he had been a member of Class A-3 if the
26 annuitant has Class A-3 State service credited; or as if he had
27 been a member of Class A-4 if the annuitant has Class A-4
28 service credited, less the amount transferred to the members'
29 savings account shall be transferred from the State Police
30 benefit account to the State accumulation account. Upon

1 subsequent retirement other than as an officer of the
2 Pennsylvania State Police the actuarial reserve remaining in the
3 State Police benefit account shall be transferred to the
4 appropriate reserve account.

5 § 5937. Enforcement officers' benefit account.

6 (a) Credits and charges to account.--The enforcement
7 officers' benefit account shall be the ledger account to which
8 shall be credited moneys transferred from the enforcement
9 officers' retirement account in the State Stores Fund according
10 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
11 known as the Liquor Code, and any additional Commonwealth or
12 other employer contributions provided for in [section 5507
13 (relating to contributions by the Commonwealth and other
14 employers)] sections 5507 (relating to contributions to the
15 system by the Commonwealth and other employers before July 1,
16 2015) and 5507.1 (relating to contributions to the system by the
17 Commonwealth and other employers starting July 1, 2015) which
18 are creditable to the enforcement officers' benefit account. The
19 enforcement officers' benefit account shall be credited with the
20 required interest. In addition, upon the filing of an
21 application for an annuity by a member who is an enforcement
22 officer of the Pennsylvania Liquor Control Board, the total
23 accumulated deductions standing to the credit of the member in
24 the members' savings account and the necessary reserves from the
25 State accumulation account shall be transferred to the
26 enforcement officers' benefit account. Thereafter, the total
27 annuity of such annuitant shall be charged to the enforcement
28 officers' benefit account and paid from the fund.

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

1 system or as a participant in the plan, the present value of the
2 member's annuity at the time of reentry into State service shall
3 be transferred from the enforcement officers' benefit account
4 and placed to his individual credit in the members' savings
5 account. In addition, the actuarial reserve for his annuity
6 calculated as if he had been a member of Class A if the
7 annuitant does not have any Class AA, Class A-3 or Class A-4
8 service credited; as if he had been a member of Class AA if the
9 annuitant does have Class AA service credited; as if he had been
10 a member of Class A-3 if the annuitant has Class A-3 State
11 service credited; or as if he had been a member of Class A-4 if
12 the annuitant has Class A-4 service credited, less the amount
13 transferred to the members' savings account shall be transferred
14 from the enforcement officers' benefit account to the State
15 accumulation account. Upon subsequent retirement other than as
16 an enforcement officer the actuarial reserve remaining in the
17 enforcement officers' benefit account shall be transferred to
18 the appropriate reserve account.

19 § 5938. Supplemental annuity account.

20 The supplemental annuity account shall be the ledger account
21 to which shall be credited all contributions from the
22 Commonwealth and other employers in accordance with section
23 5507(b) [(relating to contributions by the Commonwealth and
24 other employers)] (relating to contributions to the system by
25 the Commonwealth and other employers before July 1, 2015) for
26 the payment of the supplemental annuities provided in sections
27 5708 (relating to supplemental annuities), 5708.1 (relating to
28 additional supplemental annuities), 5708.2 (relating to further
29 additional supplemental annuities), 5708.3 (relating to
30 supplemental annuities commencing 1994), 5708.4 (relating to

1 special supplemental postretirement adjustment), 5708.5
2 (relating to supplemental annuities commencing 1998), 5708.6
3 (relating to supplemental annuities commencing 2002), 5708.7
4 (relating to supplemental annuities commencing 2003) and 5708.8
5 (relating to special supplemental postretirement adjustment of
6 2002) made before July 1, 2010, the amount transferred from the
7 State accumulation account to provide all additional reserves
8 necessary as of June 30, 2010, to pay such supplemental
9 annuities and adjustments, and the amounts transferred from the
10 State accumulation account to provide all additional reserves
11 necessary as a result of supplemental annuities enacted after
12 December 31, 2009. The supplemental annuity account shall be
13 credited with valuation interest. The reserves necessary for the
14 payment of such supplemental annuities shall be transferred from
15 the supplemental annuity account to the annuity reserve account
16 as provided in section 5935 (relating to annuity reserve
17 account).

18 § 5939. Interest reserve account.

19 The interest reserve account shall be the ledger account to
20 which shall be credited all income earned by the fund and to
21 which shall be charged all administrative and investment
22 expenses incurred by the fund. At the end of each year the
23 required interest shall be transferred from the interest reserve
24 account to the credit of each of the accounts of the fund in
25 accordance with the provisions of this subchapter. In addition,
26 at the end of each accounting period, the interest reserve
27 account shall be credited or charged with all recognized changes
28 in the market valuation of the investments of the fund. The
29 administrative and investment expenses of the board relating to
30 the administration of the system and investments of the fund

1 shall be paid from the fund out of earnings. Any surplus or
2 deficit in the interest reserve account at the end of each year
3 shall be transferred to the State accumulation account.

4 § 5951. State guarantee regarding the State Employees'
5 Retirement System.

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

16 § 5953. Taxation, attachment and assignment of funds.

17 (a) General rule.--

18 (1) Except as provided in paragraphs (2), (3) [and], (4)
19 and (5), the right of a person to any benefit or right
20 accrued or accruing under the provisions of this part and the
21 moneys in the fund and the trust are hereby exempt from any
22 State or municipal tax, levy and sale, garnishment,
23 attachment, spouse's election, the provisions of Article
24 XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known
25 as The Fiscal Code, or any other process whatsoever, and no
26 participant or beneficiary, successor payee or alternate
27 payee of a participant shall have the ability to commute,
28 sell, assign, alienate, anticipate, mortgage, pledge,
29 hypothecate, commutate or otherwise transfer or convey any
30 benefit or interest in an individual investment account or

1 rights to receive or direct distributions under this part or
2 under agreements entered into under this part except as
3 otherwise provided in this part and in the case of either a
4 member or a participant except for a set-off by the
5 Commonwealth in the case provided in subparagraph (i), and
6 shall be unassignable except:

7 (i) To the Commonwealth in the case of a member or
8 participant who is terminating State service and has been
9 determined to be obligated to the Commonwealth for the
10 repayment of money owed on account of his employment or
11 to the fund on account of a loan from a credit union to a
12 member which has been satisfied by the board from the
13 fund.

14 (ii) To a credit union as security for a loan to a
15 member not to exceed \$750 and interest not to exceed 6%
16 per annum discounted and/or fines thereon if the credit
17 union is now or hereafter organized and incorporated
18 under the laws of this Commonwealth and the membership of
19 such credit union is limited solely to officials and
20 employees of the Commonwealth and if such credit union
21 has paid to the fund \$3 for each such assignment.

22 (2) Rights under this part shall be subject to
23 forfeiture as provided by the act of July 8, 1978 (P.L.752,
24 No.140), known as the Public Employee Pension Forfeiture Act,
25 and by or pursuant to section 16(b) of Article V of the
26 Constitution of Pennsylvania. Forfeitures under this
27 subsection or under any other provision of law may not be
28 applied to increase the benefits that any member would
29 otherwise receive under this part. Notwithstanding this
30 paragraph, 42 Pa.C.S. § 3352 (relating to pension rights),

1 the Public Employee Pension Forfeiture Act or section 16(b)
2 of Article V of the Constitution of Pennsylvania, the
3 accumulated mandatory participant contributions and
4 accumulated voluntary contributions standing to the credit of
5 a participant shall not be forfeited but shall be available
6 for payment of fines and restitution as provided by law.
7 Furthermore, amounts in the trust that have been ordered to
8 be distributed to an alternate payee as the result of an
9 equitable distribution of marital property as part of an
10 approved domestic relations order entered before the date of
11 the order or action in a court or other tribunal resulting in
12 a forfeiture of a participant's interest in the trust shall
13 not be subject to 42 Pa.C.S. § 3352, the Public Employee
14 Pension Forfeiture Act or section 16(b) of Article V of the
15 Constitution of Pennsylvania. Any accumulated employer
16 defined contributions forfeited as a result of this paragraph
17 or other law shall be retained by the board and used for the
18 payment of expenses of the plan.

19 (3) Rights under this part shall be subject to
20 attachment in favor of an alternate payee as set forth in an
21 approved domestic relations order.

22 (4) Effective with distributions made on or after
23 January 1, 1993, and notwithstanding any other provision of
24 this part to the contrary, a distributee may elect, at the
25 time and in the manner prescribed by the board, to have any
26 portion of an eligible rollover distribution paid directly to
27 an eligible retirement plan by way of a direct rollover. For
28 purposes of this paragraph, a "distributee" includes a member
29 [and], a participant, a member's surviving spouse [and], a
30 participant's surviving spouse, a member's former spouse who

1 is an alternate payee under an approved domestic relations
2 order, a participant's former spouse who is an alternate
3 payee under an approved domestic relations order and anyone
4 else authorized under the IRC and the plan terms approved by
5 the board to have an eligible rollover distribution paid
6 directly to an eligible retirement plan by way of a direct
7 rollover. For purposes of this paragraph, the term "eligible
8 rollover distribution" has the meaning given such term by IRC
9 § 402(f) (2) (A), and "eligible retirement plan" has the
10 meaning given such term by IRC § 402(c) (8) (B), except that a
11 qualified trust shall be considered an eligible retirement
12 plan only if it accepts the distributee's eligible rollover
13 distribution; however, in the case of an eligible rollover
14 distribution to a surviving spouse, an eligible retirement
15 plan is an "individual retirement account" or an "individual
16 retirement annuity" as those terms are defined in IRC §
17 408(a) and (b).

18 (b) Authorized payments from fund.--The board shall be
19 authorized to pay from the fund:

20 (1) In the case of a member or participant who is
21 terminating service, the amount determined after
22 certification by the head of the department that the member
23 or participant is so obligated, and after review and approval
24 by the department or agency's legal representative or upon
25 receipt of an assignment from the member or participant in
26 the amount so certified[.], except that no payment shall be
27 made from the individual investment account of a participant
28 until the participant otherwise applies for and receives a
29 distribution and shall not exceed the amount of the
30 distribution.

1 (2) In the case of a loan to a member the amount of the
2 loan and any fine or interest due thereon to the credit union
3 except 5% of the total amount due which is to be retained in
4 the fund as a collection fee:

5 (i) if the member obtaining the loan shall have been
6 in default in required payments for a period of not less
7 than two years; or

8 (ii) at such time as the Department of Banking shall
9 require the credit union to charge the amount of the loan
10 against the reserve fund of such credit union.

11 Any member who shall have pledged such rights as security for
12 a loan from a credit union and, on whose behalf the board
13 shall have made any payment by reason of that member's
14 default, may not thereafter pledge or assign such rights to a
15 credit union.

16 (3) In the case of a participant whose former spouse is
17 an alternate payee of an equitable distribution of marital
18 assets under an approved domestic relations order, a lump sum
19 of the alternate payee's interest in the participant's
20 accumulated total defined contributions. This paragraph
21 applies without regard to whether the participant has not
22 terminated, is terminating or has terminated State service.

23 Section 36. Section 5953.1(a) introductory paragraph and
24 (1), (b), (c) and (d) of Title 71 are amended and the section is
25 amended by adding a subsection to read:

26 § 5953.1. Approval of domestic relations orders.

27 (a) Certification regarding members.--A domestic relations
28 order pertaining to a member of the system shall be certified as
29 an approved domestic relations order by the secretary of the
30 board, or his designated representative, only if that order

1 meets all of the following:

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

5 * * *

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

11 (1) Does not require the plan to provide any type or
12 form of benefit or any option applicable to members of the
13 system or participants in the plan.

14 (2) Does not require the segregation of the alternate
15 payee's share of the participant's individual investment
16 account into a subaccount or newly established individual
17 account titled in the name of the alternate payee.

18 (3) Does not require the plan to recover or distribute
19 any funds which were distributed to the participant or at the
20 participant's direction prior to the approval of the domestic
21 relations order by the secretary of the board or his
22 designated representative.

23 (4) Requires the plan to pay to the alternate payee no
24 more than the lesser of the amount of the participant's
25 individual investment account specified by the domestic
26 relations order or the amount of the participant's individual
27 investment account as of the date of the transfer of the
28 alternate payee's share to the alternate payee.

29 (5) States that the plan shall not be required to recoup
30 or make good for losses in value to the participant's

1 individual investment account incurred between the date of
2 the valuation of the account used for equitable distribution
3 purposes and the date of distribution to the alternate payee.

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

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

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

16 (9) Requires the participant to execute an authorization
17 allowing each alternate payee to monitor the participant's
18 compliance with the terms of the domestic relations order
19 through access to information concerning the participant
20 maintained by the plan. Any authorization granted pursuant to
21 this section shall be construed only as an authorization for
22 the alternate payee to receive information concerning the
23 participant which relates to the administration, calculation
24 and payment of the alternate payee's share of the
25 participant's account and not as an authorization to exercise
26 the rights afforded to participants or obtain information
27 which is not related to the administration, calculation and
28 payment of alternate payee's share of the participant's
29 individual investment account.

30 (10) In the case of a participant who has not yet begun

1 to receive distributions as of the date the domestic
2 relations order is approved by the secretary of the board or
3 his designated representative, requires the immediate
4 distribution of the alternate payee's share of the
5 participant's individual investment account, which may be by
6 direct payment, eligible rollover or trustee-to-trustee
7 transfer to another eligible plan or qualified account owned
8 by the alternate payee.

9 (11) In the case of a participant who is currently
10 receiving distributions from the trust as of the date the
11 domestic relations order is approved by the secretary of the
12 board or his designated representative, the domestic
13 relations order may not order the board to pay the alternate
14 payee more than the balance available in the participant's
15 individual investment account as of the date the order is
16 approved or require that distributions continue to the
17 alternate payee after the death of the participant and final
18 settlement of the participant's individual investment
19 account.

20 (b) Determination by secretary.--Within a reasonable period
21 after receipt of a domestic relations order, the secretary of
22 the board, or his designated representative, shall determine
23 whether this order is an approved domestic relations order and
24 notify the member or participant and each alternate payee of
25 this determination. Notwithstanding any other provision of law,
26 the exclusive remedy of any member, participant or alternate
27 payee aggrieved by a decision of the secretary of the board, or
28 his designated representative, shall be the right to an
29 adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A
30 (relating to practice and procedure) with appeal therefrom to

1 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
2 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct
3 appeals from government agencies).

4 (c) Other orders.--The requirements for approval identified
5 in [subsection (a)] subsections (a) and (a.1) shall not apply to
6 any domestic relations order which is an order [for] of support
7 as the term is defined at 23 Pa.C.S. § 4302 (relating to
8 definitions) or an order for the enforcement of arrearages as
9 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
10 arrearages). These orders shall be approved to the extent that
11 they do not attach moneys in excess of the limits on attachments
12 as established by the laws of the United States and this
13 Commonwealth[.], require distributions of benefits in a manner
14 which would violate the laws of the United States, any other
15 state or this Commonwealth or require the distribution of funds
16 for support or enforcement of arrearages against any participant
17 who is not receiving distributions from the plan at the time
18 such order is entered.

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

28 Section 37. Sections 5953.2, 5953.3 and 5953.4(a) of Title
29 71 are amended to read:

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 38. Title 71 is amended by adding a section to read:

10 § 5953.6. Irrevocable successor payee.

11 Notwithstanding any other provisions of this part, a domestic
12 relations order pertaining to a participant may provide for an
13 irrevocable successor payee only if the participant is receiving
14 a payment pursuant to a payment option provided by the board
15 that allows for a successor payee. A domestic relations order
16 requiring the designation of an irrevocable successor payee
17 shall be deemed to be one that requires a participant who is
18 receiving payments from an annuity or other distribution option
19 to designate an alternate payee as a successor payee and that
20 prohibits the removal or change of that successor payee without
21 approval of a court of competent jurisdiction, except by
22 operation of law. Such a domestic relations order may be
23 certified as an approved domestic relations order by the
24 secretary of the board or his designated representative, in
25 which case the irrevocable successor payee so ordered by the
26 court shall not be changed by the participant without approval
27 by the court. A person ineligible to be designated as a
28 successor payee shall not be designated as an irrevocable
29 successor payee. A court shall not name an irrevocable successor
30 payee if the alternate payee is eligible to receive a lump sum

1 distribution of the alternate payee's portion of the marital
2 portion of the pension benefit.

3 Section 39. Sections 5954 and 5955 of Title 71 are amended
4 to read:

5 § 5954. Fraud and adjustment of errors.

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

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

25 § 5955. Construction of part.

26 (a) Exclusive source of rights and benefits.--Regardless of
27 any other provision of law, pension and benefit rights of State
28 employees shall be determined solely by this part or any
29 amendment thereto, and no collective bargaining agreement nor
30 any arbitration award between the Commonwealth and [its] other

1 employers and their employees or their collective bargaining
2 representatives shall be construed to change any of the
3 provisions herein, to require the board to administer pension or
4 retirement benefits not set forth in this part or not
5 established by the board in the plan document, to require the
6 board to modify, amend or change any of the terms and provisions
7 of the plan document, or otherwise require action by any other
8 government body pertaining to pension or retirement benefits or
9 rights of State employees. Notwithstanding the foregoing, any
10 pension or retirement benefits or rights previously so
11 established by or as a result of an arbitration award shall
12 remain in effect after the expiration of the current collective
13 bargaining agreement between the State employees so affected and
14 the Commonwealth until the expiration of each of the collective
15 bargaining agreements in effect on January 1, 2011, at which
16 time the classes of membership and resulting member contribution
17 rates and contributions for creditable nonstate service,
18 eligibility for vesting, withdrawal and superannuation
19 annuities, optional modification of annuities and other terms
20 and conditions related to class of membership shall be as
21 determined by this part for employees covered by those and
22 successor collective bargaining agreements. For purposes of
23 administering this part, for those State employees who are
24 members of each such collective bargaining unit, the date
25 January 1, 2011, contained in this part, except in this section,
26 shall be replaced with the date of the day immediately following
27 the expiration of each such collective bargaining agreement. The
28 provisions of this part insofar as they are the same as those of
29 existing law are intended as a continuation of such laws and not
30 as new enactments. The provisions of this part shall not affect

1 any act done, liability incurred, right accrued or vested, or
2 any suit or prosecution pending or to be instituted to enforce
3 any right or penalty or to punish any offense under the
4 authority of any repealed laws.

5 (b) State employee on leave without pay.--As used within
6 this part, the term "inactive member on leave without pay" does
7 not include a combined service employee who is an inactive
8 participant on leave without pay.

9 (c) Officer or member of the Pennsylvania State Police.--The
10 following shall apply:

11 (1) Notwithstanding a provision of subsection (a) or
12 section 12.1 of the act of November 23, 2010 (P.L.1269,
13 No.120) regarding the continued effectiveness of pension or
14 retirement benefits or rights previously established by or as
15 a result of a binding arbitration award issued before July 1,
16 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
17 referred to as the Policemen and Firemen Collective
18 Bargaining Act, and implemented by the board, the pension or
19 retirement benefits or rights of a State employee who on
20 January 1, 2015, is a current or former State police officer,
21 shall be a AS provided in this part as if the binding <--
22 arbitration award was not issued, except as provided under
23 this subsection.

24 ~~(2) A State employee who on January 1, 2015, is a~~ <--
25 ~~current or former State police officer shall be eligible to~~
26 ~~accrue benefits pursuant to the binding arbitration as~~
27 ~~implemented by the board until the termination of State~~
28 ~~service or election to be a participant in the plan. Any~~
29 ~~State service performed after a termination of State service~~
30 ~~or election to participate in the plan shall not accrue~~

~~benefits under the binding arbitration award or in the system, but may, if eligible, result in participation in the plan.~~

~~(3) A State employee who on January 1, 2015, is not a current or former State police officer who subsequently becomes a State police officer shall be eligible to accrue benefits pursuant to the binding arbitration award until the termination of State service or election to be a participant in the plan, provided that the State employee has not terminated State service or elected to be a participant in the plan prior to becoming a State police officer.~~

(2) A STATE EMPLOYEE WHO MEETS THE FOLLOWING SHALL BE ELIGIBLE TO RECEIVE THE MAXIMUM SINGLE LIFE ANNUITY, BEFORE OPTIONAL MODIFICATION UNDER SECTION 5705 (RELATING TO MEMBER'S OPTIONS), THAT THE STATE EMPLOYEE WOULD HAVE BEEN ELIGIBLE TO RECEIVE IF THIS SUBSECTION NOT BEEN ENACTED:

<--

(I) IS A CURRENT OR FORMER STATE POLICE OFFICER.

(II) HAS 20 OR MORE QUALIFYING ELIGIBILITY POINTS ON OR BEFORE DECEMBER 31, 2014.

(III) TERMINATES STATE SERVICE.

(3) (I) A STATE EMPLOYEE WHO ON DECEMBER 31, 2014, IS A CURRENT OR FORMER STATE POLICE OFFICER WHO HAS LESS THAN 20 QUALIFYING ELIGIBILITY POINTS AND WHO TERMINATES STATE SERVICE WITH 20 OR MORE QUALIFYING ELIGIBILITY POINTS SHALL BE ELIGIBLE TO RECEIVE A MAXIMUM SINGLE LIFE ANNUITY, BEFORE OPTIONAL MODIFICATION UNDER SECTION 5705.

(II) THE MAXIMUM SINGLE LIFE ANNUITY UNDER SUBPARAGRAPH (I) SHALL BE CALCULATED WITH THE BENEFIT PROVIDED UNDER SECTION 5702(A) (1) REPLACED BY AN ANNUITY CALCULATED ACCORDING TO THE FORMULA SPECIFIED IN THIS

1 SUBPARAGRAPH AND EXPLAINED BY SUBPARAGRAPH (III):

2 (A) DIVIDE:

3 (I) Y^W ; BY

4 (II) Y^T .

5 (B) MULTIPLY:

6 (I) THE QUOTIENT UNDER CLAUSE (A); BY

7 (II) S^H .

8 (C) MULTIPLY:

9 (I) THE PRODUCT UNDER CLAUSE (B); BY

10 (II) P.

11 (D) SUBTRACT:

12 (I) Y^W ; FROM

13 (II) Y^T .

14 (E) DIVIDE:

15 (I) THE DIFFERENCE UNDER CLAUSE (D); BY

16 (II) Y^T .

17 (F) MULTIPLY:

18 (I) THE QUOTIENT UNDER CLAUSE (E); BY

19 (II) P.

20 (G) MULTIPLY:

21 (I) THE PRODUCT UNDER CLAUSE (F); BY

22 (II) FAS.

23 (H) ADD:

24 (I) THE PRODUCT UNDER CLAUSE (C); TO

25 (II) THE PRODUCT UNDER CLAUSE (G).

26 (III) FOR THE PURPOSES OF SUBPARAGRAPH (II), THE
27 FOLLOWING SHALL APPLY:

28 (A) P SHALL EQUAL:

29 (I) .5 IF THE MEMBER HAS 20 BUT LESS THAN 25
30 QUALIFYING ELIGIBILITY POINTS; OR

1 (II) .75 IF THE MEMBER HAS 25 OR MORE
2 QUALIFYING ELIGIBILITY POINTS.

3 (B) Y^T SHALL EQUAL:

4 (I) 20 IF THE MEMBER HAS 20 BUT LESS THAN 25
5 QUALIFYING ELIGIBILITY POINTS; OR

6 (II) 25 IF THE MEMBER HAS 25 OR MORE
7 QUALIFYING ELIGIBILITY POINTS.

8 (C) Y^W SHALL EQUAL YEARS OF CREDITED SERVICE
9 THAT ARE NOT POST-JANUARY 2015 SERVICE.

10 (D) S^H SHALL EQUAL THE MEMBER'S HIGHEST YEAR
11 COMPENSATION EXCLUDING THE YEAR IN WHICH THE MEMBER
12 TERMINATES.

13 (E) FAS SHALL EQUAL FINAL AVERAGE SALARY
14 CALCULATED FOR SERVICE CREDITED AS POST-JANUARY 2015
15 SERVICE.

16 (4) An individual who is not a State employee on January
17 1, 2015, or who is a State employee but not a member of the
18 system on January 1, 2015, who subsequently becomes a State
19 police officer shall not be eligible to accrue benefits
20 pursuant to the binding arbitration award, but instead shall
21 be eligible to be a participant in the plan. This paragraph
22 shall apply without regard to prior service as a State police
23 officer or whether service was performed or benefits accrued
24 under this binding arbitration award.

25 (5) To the extent that any officer or member of the
26 Pennsylvania State Police who is eligible to retire after
27 June 30, 1989, WITH BENEFITS IN WHOLE OR IN PART as provided <--
28 in a binding arbitration award issued before July 1, 1989,
29 pursuant to the act of June 24, 1968 (P.L.237, No.111),
30 referred to as the Policemen and Firemen Collective

1 Bargaining Act, as implemented by the board with a benefit
2 based on 50% of highest year salary upon accruing 20 or more
3 years of credited State service or nonstate service in the
4 system, or based on 75% of highest year salary upon accruing
5 25 or more years of credited State or nonstate service in the
6 system, such eligibility shall be determined solely on
7 service credited, compensation paid and contributions made as
8 a member of the system. Service as a State police officer
9 credited in the system shall not operate to prevent any State
10 employee from being a participant in the plan for any State
11 service that would otherwise result in participation in the
12 plan. Any State service performed, compensation paid and
13 contributions made as a participant in the plan shall not be
14 included in determining eligibility for and the amount of
15 benefits provided from the system, provided however, that
16 entitlement to actual receipt of benefits are subject to the
17 provisions of this part regarding employment and termination
18 as a State employee. Any benefit resulting from participation
19 in the plan shall be in addition to any benefit a State
20 police officer may be eligible to receive as a member of the
21 system.

22 (6) FOR THE PURPOSES OF THIS SUBSECTION, THE TERM <--
23 "QUALIFYING ELIGIBILITY POINTS" SHALL MEAN ELIGIBILITY POINTS
24 AS A RESULT OF STATE SERVICE, NONSTATE SERVICE OR BEING
25 REEMPLOYED FROM USERRA LEAVE.

26 Section 40. Nothing in this act shall be construed or deemed
27 to imply that the release or making public of any record,
28 material or data described in 71 Pa.C.S. § 5902(e)(2) as not
29 being a public record is a violation of the State Employees'
30 Retirement Board's fiduciary duties.

1 Section 41. Notwithstanding any regulation promulgated by
2 the State Employees' Retirement Board, application or
3 interpretation of 71 Pa.C.S. Pt. XXV, or administrative practice
4 to the contrary, a combined service employee's eligibility for a
5 superannuation annuity or other rights and benefits based on
6 attaining superannuation age or a superannuation score of 92
7 shall be determined by including only those eligibility points
8 actually accrued.

9 Section 42. (a) Nothing in this act which amends or
10 supplements provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt.
11 XXV in relation to requirements:

12 (1) for qualification of the State Employees' Defined
13 Contribution Plan as a qualified pension plan under the
14 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
15 1 et seq.) or compliance with 38 U.S.C. Ch. 43 (relating to
16 employment and reemployment rights of members of the
17 uniformed services);

18 (2) for contributions to, participation in or benefits
19 from the State Employees' Defined Contribution Plan or State
20 Employees' Defined Contribution Trust; or

21 (3) for domestic relations orders regarding alternate
22 payees of participants in the State Employees' Defined
23 Contribution Plan;

24 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as so
25 amended or supplemented, or any rules or regulations adopted
26 under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term or provision
27 of the State Employees' Defined Contribution Plan or State
28 Employees' Defined Contribution Trust, whether established by
29 statute or in the plan document or trust declaration, shall
30 create in any member of the State Employees' Retirement System

1 or participant in the State Employees' Defined Contribution Plan
2 or in any other person claiming an interest in the account of
3 any such member or participant a contractual right, either
4 express or implied, in such provisions nor in any construction
5 of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, as so amended or
6 supplemented, or any rules or regulations adopted under 51
7 Pa.C.S. or 71 Pa.C.S. Pt. XXV. The provisions of 71 Pa.C.S. Pt.
8 XXV shall remain subject to the Internal Revenue Code of 1986
9 and 38 U.S.C. Ch. 43 and regulations thereunder, and the General
10 Assembly reserves to itself such further exercise of its
11 legislative power to amend or supplement such provisions as may
12 from time to time be required in order to maintain the
13 qualification of such system as a qualified pension plan under
14 section 401(a) and other applicable provisions of the Internal
15 Revenue Code of 1986 and 38 U.S.C. Ch. 43.

16 (b) References in this act to the Internal Revenue Code of
17 1986 or 38 U.S.C. Ch. 43, or administrative regulations
18 promulgated thereunder, are intended to include such laws and
19 regulations in effect on the effective date of this act and as
20 they may hereafter be amended or supplemented or supplanted by
21 successor provisions.

22 Section 43. Nothing in this act shall be construed or deemed
23 to imply that, but for the expressed applications of the
24 limitations on benefits or other requirements under section
25 401(a) or other applicable provisions of the Internal Revenue
26 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.), those
27 limitations would not otherwise apply to such participants or to
28 members of the State Employees' Retirement System and the
29 benefits payable under 71 Pa.C.S. Pt. XXV.

30 Section 44. (a) Notwithstanding any provisions of this part

1 to the contrary, no contributions or benefit related to the
2 State Employees' Defined Contribution Plan shall be made or
3 payable to the extent that such contributions or benefits exceed
4 any limitation under section 415 of the Internal Revenue Code of
5 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect
6 with respect to governmental plans as such term is defined in
7 section 414(d) of the Internal Revenue Code of 1986 on the date
8 the contributions or benefit payment becomes effective. Any
9 increase in any limitation under section 415 of the Internal
10 Revenue Code of 1986 shall be applicable to all current and
11 future participants.

12 (b) No future amendment of this part that increases
13 contributions or benefits for active participants, inactive
14 participants or participants receiving distributions shall be
15 deemed by the rules of statutory construction or otherwise to
16 provide for contributions or benefits in excess of any
17 limitation, as adjusted or subsequently increased, provided for
18 under section 415 of the Internal Revenue Code of 1986 unless
19 specifically so provided by legislation. Notwithstanding this
20 section, any future increase in benefits for any participants in
21 the plan are intended to be applicable to the fullest extent
22 allowed by law and this section authorizes any such increases in
23 limitations or allowable benefits.

24 Section 45. The amendment of 71 Pa.C.S. Pt. XXV relating to
25 the establishment of and participation in the State Employees'
26 Defined Contribution Plan shall apply to all current and former
27 members of the State Employees' Retirement System who have
28 returned to State service on or after January 1, 2015, after a
29 termination of State service, without regard to whether the
30 termination occurred before or after January 1, 2015, and

1 without regard to whether the State employee was an annuitant,
2 inactive member, vestee or special vestee or withdrew
3 accumulated deductions during the period of termination. A
4 terminated State employee who returns to State service on or
5 after January 1, 2015, does so with the expressed and specific
6 understanding that he is subject to and accepts the terms and
7 provisions of 71 Pa.C.S. Pt. XXV as they exist regarding
8 participation in the plan or membership in the system on the
9 effective date of reemployment, including, but not limited to,
10 benefit formulas and accrual rates, eligibility for annuities
11 and distributions, contribution rates, definitions, purchase of
12 creditable school, nonschool, State and nonstate service
13 provisions and actuarial and funding assumptions.

14 Section 46. Nothing in this act shall be construed or deemed
15 to imply that any calculation or actuarial method used by the
16 State Employees' Retirement Board, its actuaries or the State
17 Employees' Retirement System was not in accordance with the
18 provisions of the State Employees' Retirement Code or other
19 applicable law prior to the effective date of this section.

20 Section 47. (a) Notwithstanding any other provision of law,
21 any change in accrued liability of the State Employees'
22 Retirement System created by this act as a result of changes in
23 benefits shall be funded in equal dollar installments over a
24 period of 20 years beginning July 1, 2014. Any change in accrued
25 liability as a result of the amendment of 71 Pa.C.S. §§ 5507 and
26 5508 or the addition of 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be
27 funded in equal dollar installments over a period of 30 years
28 beginning July 1, 2014. Payments required to fund any changes in
29 accrued liability resulting from this act shall be subject to
30 any limits imposed by this act on employer contributions to the

1 State Employees' Retirement System, and shall not be subject to
2 re-amortization for 30 years under 71 Pa.C.S. § 5508.1(c). For
3 purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508, any such
4 changes shall not be considered to be costs added by
5 legislation.

6 (b) For purposes of this section, the provisions of 71
7 Pa.C.S. §§ 5507.1(b)(3) and 5508.1(c)(2) and (d) shall apply.

8 Section 48. Nothing in this act shall be construed or deemed
9 to imply that any interpretation or application of the
10 provisions of 71 Pa.C.S. Pt. XXV or benefits available to
11 members of the State Employees' Retirement System was not in
12 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other
13 applicable law, including the Internal Revenue Code of 1986
14 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43
15 (relating to employment and reemployment rights of members of
16 the uniformed services), prior to the effective date of this
17 section.

18 Section 49. This act shall be construed and administered in
19 such a manner that the State Employees' Retirement System and
20 the State Employees' Defined Contribution Plan will satisfy the
21 requirements necessary to qualify as a qualified pension plan
22 under section 401(a) and other applicable provisions of the
23 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1
24 et seq.) and 38 U.S.C. Ch. 43 (relating to employment and
25 reemployment rights of members of the uniformed services). The
26 rules, regulations and procedures adopted and promulgated by the
27 State Employees' Retirement Board and the terms and conditions
28 of the plan document and trust declaration adopted by the State
29 Employees' Retirement Board may include those necessary to
30 accomplish the purpose of this section.

1 Section 50. If the application of any provision of this act
2 to any person is held invalid, the invalidity shall not affect
3 the application of this act to any other person, but the entire
4 act shall be invalid as to the person to whom part of it was
5 invalid. In the event that a State employee's participation in
6 the State Employees' Defined Contribution Plan is declared
7 invalid, the affected State employee shall return to the State
8 Employees' Defined Contribution Trust any distributions and
9 shall be granted the status and service credit in the State
10 Employees' Retirement System and shall be required to make all
11 contributions to the State Employees' Retirement Fund as if this
12 act had not been enacted. The affected State employee's
13 accumulated mandatory participant contributions and accumulated
14 voluntary contributions shall be transferred to the affected
15 employee's member savings account to the extent necessary to
16 fund that account with the member contributions and interest
17 that would have been standing to the member's account had this
18 act not been enacted. Any remaining balance shall be refunded to
19 the State employee, who shall be responsible for paying to the
20 fund in a manner and time determined by the State Employees'
21 Retirement Board any additional funds required if the
22 accumulated mandatory participant contributions and accumulated
23 voluntary contributions were not sufficient. The accumulated
24 employer defined contributions shall be transferred to the State
25 accumulation account and no further amount shall be due from the
26 employer or refund paid.

27 Section 51. This act shall take effect immediately.