

AMENDMENTS TO HOUSE BILL NO. 1353

Sponsor: REPRESENTATIVE TOBASH

Printer's No. 2152

1 Amend Bill, page 1, lines 1 through 11, by striking out all
2 of said lines and inserting
3 Amending Titles 24 (Education), 51 (Military Affairs) and 71
4 (State Government) of the Pennsylvania Consolidated Statutes,
5 extensively revising pension provisions: for the Public
6 School Employees' Retirement System, in the areas of
7 preliminary provisions, of membership, contributions and
8 benefits, of School Employees' Defined Contribution Plan, of
9 administration and miscellaneous provisions and of health
10 insurance for retired school employees; for military
11 pensions, in the area of military leave of absence; for the
12 State Employees' Retirement System, in the areas of
13 preliminary provisions, of membership, credited service,
14 classes of service and eligibility for benefits, of
15 contributions, of benefits, of State Employees' Defined
16 Contribution Plan, of administration, funds, accounts,
17 general provisions; providing, as to the revisions, for
18 reservation of legislative authority, for construction, for
19 accrued liability, for construction related to Federal law,
20 for immunity from personal liability, for restoration of
21 service credit or a retirement benefit, for recertification
22 of contribution rates, for transfer of assets and for
23 severability; and making editorial changes.

24 Amend Bill, page 1, lines 14 through 20; pages 2 through 169,
25 lines 1 through 30; page 170, lines 1 through 27, by striking
26 out all of said lines on said pages and inserting

ARTICLE I

27
28 Section 101. The definitions of "active member," "alternate
29 payee," "basic contribution rate," "beneficiary," "class of
30 service multiplier," "compensation," "creditable nonschool
31 service," "credited service," "date of termination of service,"
32 "distribution," "domestic relations order," "eligible
33 annuitants," "final average salary," "inactive member,"
34 "intervening military service," "irrevocable beneficiary,"
35 "leave for service with a collective bargaining organization,"

1 "member's annuity," "multiple service," "reemployed from USERRA
2 leave," "salary deductions," "shared risk contribution rate,"
3 "standard single life annuity," "superannuation or normal
4 retirement age," "valuation interest" and "vestee" in section
5 8102 of Title 24 of the Pennsylvania Consolidated Statutes are
6 amended and the section is amended by adding definitions to
7 read:

8 § 8102. Definitions.

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

12 * * *

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

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

23 "Accumulated total defined contributions." The total of the
24 accumulated mandatory participant contributions, accumulated
25 employer defined contributions and accumulated voluntary
26 contributions, reduced by any distributions, standing to the
27 credit of a participant in an individual investment account in
28 the trust.

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

34 * * *

35 "Active member." A school employee for whom pickup
36 contributions are being made to the fund or for whom such
37 contributions otherwise required for current school service are
38 not being made solely by reason of any provision of this part
39 relating to the limitations under section 401(a)(17) or 415(b)
40 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
41 U.S.C. § 401(a)(17) or 415(b)) [.] , or limitations on
42 contributions to the system applicable to Class T-G members when
43 the Class T-G member is making mandatory pickup participant
44 contributions to the trust.

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

1 or 415).

2 * * *

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

8 * * *

9 "Basic contribution rate." For Class T-A, T-B and T-C
10 service, the rate of 6 1/4%. For Class T-D service, the rate of
11 7 1/2%. For all active members on the effective date of this
12 provision who are currently paying 5 1/4% and elect Class T-D
13 service, the rate of 6 1/2%. For Class T-E service, the rate of
14 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
15 service for members with less than 25 eligibility points accrued
16 as a Class T-G member, the rate of 6%, up to the defined benefit
17 compensation limit. For Class T-G service for members with more
18 than 25 eligibility points accrued as a Class T-G member, the
19 rate of zero.

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

28 * * *

29 "Class of service multiplier."

30	Class of service	Multiplier
31	T-A	.714
32	T-B	.625
33	T-C	1.000
34	T-D	1.000
35	T-E	1.000
36	T-F	1.000
37	<u>T-G</u>	<u>1.000</u>

38 * * *

39 "Compensation." Pickup contributions and mandatory pickup
40 participant contributions plus any remuneration received as a
41 school employee excluding reimbursements for expenses incidental
42 to employment and excluding any bonus, severance payments, any
43 other remuneration or other emolument received by a school
44 employee during his school service which is not based on the
45 standard salary schedule under which he is rendering service,
46 payments for unused sick leave or vacation leave, bonuses or
47 other compensation for attending school seminars and
48 conventions, payments under health and welfare plans based on
49 hours of employment or any other payment or emolument which may
50 be provided for in a collective bargaining agreement which may
51 be determined by the Public School Employees' Retirement Board

1 to be for the purpose of enhancing compensation as a factor in
2 the determination of final average salary, and excluding
3 payments for military leave and any other payments made by an
4 employer while on USERRA leave, leave of absence granted under
5 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
6 government employees), military leave of absence granted under
7 51 Pa.C.S. § 7302 (relating to granting military leaves of
8 absence), leave granted under section 1178 of the act of March
9 10, 1949 (P.L.30, No.14), known as the Public School Code of
10 1949, or other types of military leave, including other types of
11 leave payments, stipends, differential wage payments as defined
12 in IRC § 414(u)(12) and any other payments, provided, however,
13 that the limitation under section 401(a)(17) of the Internal
14 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
15 taken into account for the purpose of member contributions,
16 including regular or joint coverage member contributions,
17 regardless of class of service, shall apply to each member who
18 first became a member of the Public School Employees' Retirement
19 System on or after July 1, 1996, and who by reason of such fact
20 is a noneligible member subject to the application of the
21 provisions of section 8325.1 (relating to annual compensation
22 limit under IRC § 401(a)(17)), and shall apply to each
23 participant pertaining to his participation in the plan.

24 * * *

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

28 "Credited service." School or creditable nonschool service
29 for which the required contributions have been made to the fund,
30 or for which the contributions otherwise required for such
31 service were not made solely by reason of any provision of this
32 part relating to the limitations under section 401(a)(17) or
33 [415(b)] 415 of the Internal Revenue Code of 1986 (Public Law
34 99-514, 26 U.S.C. § 401(a)(17) or [415(b)] 415), or limitations
35 on contributions to the system applicable to Class T-G members
36 when the Class T-G member is making mandatory pickup participant
37 contributions to the trust or for which salary deductions or
38 lump sum payments to the system have been agreed upon in
39 writing.

40 "Date of termination of service." The latest of the
41 following dates:

42 (1) the last [date] day of service for which pickup
43 contributions are made for an active member or[,] for which
44 the contributions otherwise required for such service were
45 not made solely by reason of any provision of this part
46 relating to the limitations under section 401(a)(17) or 415
47 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
48 U.S.C. § 401(a)(17) or 415), or limitations on contributions
49 applicable to a Class T-G member;

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

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

4 (3) the last day of service for which mandatory pickup
5 participant contributions are made for an active participant.
6 "Defined benefit compensation limit." For fiscal year 2015-
7 2016, the amount of \$50,000. For each subsequent fiscal year,
8 this amount shall be increased by 1% per year, compounded
9 annually, rounded to the nearest \$100.

10 * * *

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

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

28 * * *

29 "Eligible annuitants." All current and prospective
30 annuitants with 24 1/2 or more eligibility points earned in a
31 class other than Class T-G and all current and prospective
32 disability annuitants who become eligible for disability
33 annuities while in a class of service other than Class T-G.
34 Beginning January 1, 1995, "eligible annuitants" shall include
35 members with 15 or more eligibility points earned in a class
36 other than Class T-G who terminated or who terminate school
37 service on or after attaining superannuation retirement age and
38 who are annuitants with an effective date of retirement after
39 superannuation age.

40 * * *

41 "Employer defined contributions." Contributions made to an
42 active participant's account by an employer to the trust to be
43 credited in the active participant's individual investment
44 account as follows:

45 (1) For participants who have less than 25 eligibility
46 points credited as a member of Class T-G, or if a multiple
47 service member in Class A-5 of the State Employees'
48 Retirement System, contributions shall equal to 0.5% of
49 compensation up to the defined benefit compensation limit and
50 4% of compensation above such limit.

51 (2) For participants who have more than 25 eligibility

1 points credited as a member of Class T-G, or if a multiple
2 service member in Class A-5 of the State Employees'
3 Retirement System, contributions shall equal to 4% of
4 compensation.

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

6 (1) For purposes of calculating all annuities and
7 benefits from the system attributable to a class of service
8 other than Class T-G, the highest average compensation
9 received as an active member during any three nonoverlapping
10 periods of 12 consecutive months months, excluding
11 compensation received from school service credited as a
12 member of Class T-G, with the compensation for part-time
13 service being annualized on the basis of the fractional
14 portion of the school year for which credit is received;
15 except, if the employee was not a member in a class of
16 service other than Class T-G for three such periods, the
17 total compensation received as an active member in a class of
18 service other than Class T-G annualized in the case of part-
19 time service divided by the number of such periods of
20 membership in a class of service other than Class T-G; in the
21 case of a member with multiple service credit, the final
22 average salary, for purposes of calculating all annuities and
23 benefits from the system attributable to a class of service
24 other than Class T-G, shall be determined by reference to
25 compensation received by him as a school employee or a State
26 employee or both, excluding compensation received for service
27 performed as a member of Class T-G or Class A-5 in the State
28 Employees' Retirement System; and, in the case of a
29 noneligible member, subject to the application of the
30 provisions of section 8325.1 (relating to annual compensation
31 limit under IRC § 401(a)(17)). [Final]

32 (2) For purposes of calculating all annuities and
33 benefits from the system attributable to service as a member
34 of Class T-G, the highest average compensation received as an
35 active member of Class T-G during any five fiscal years, as
36 limited each fiscal year by the defined benefit compensation
37 limit, with the limited compensation for part-time service
38 being annualized on the basis of the fractional portion of
39 the school year for which credit is received; except, if the
40 employee was not a member of Class T-G for five such periods,
41 the total compensation received as an active member of Class
42 T-G annualized in the case of part-time service divided by
43 the number of such periods of membership in Class T-G; in the
44 case of a member with multiple service credit, the final
45 average salary, for purposes of calculating all annuities and
46 benefits from the system attributable to Class T-G service,
47 shall be determined by reference to compensation received by
48 him as a school employee for service credited as Class T-G or
49 as a State employee for service credited as Class A-5, or
50 both; and, in the case of a noneligible member, subject to
51 the application of the provisions of section 8325.1.

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

9 * * *

10 "Holding vehicle trust." The School Employees' Defined
11 Contribution Holding Vehicle Trust.

12 "Inactive member." A member for whom no pickup contributions
13 are being made to the fund, except in the case of an active
14 member for whom such contributions otherwise required for
15 current school service are not being made solely by reason of
16 any provision of this part relating to the limitations under
17 section 401(a)(17) or 415(b) of the Internal Revenue Code of
18 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415(b)) or
19 because the member is on USERRA leave, or limitations on
20 contributions to the system applicable to a Class T-G member who
21 is making mandatory pickup participant contributions to the
22 trust, but who has accumulated deductions standing to his credit
23 in the fund and for whom contributions have been made within the
24 last two school years or a multiple service member who is active
25 in the State Employees' Retirement System.

26 "Inactive participant." A participant for whom no mandatory
27 pickup participant contributions are being made to the trust,
28 except in the case of an active participant for whom such
29 contributions otherwise required for current school service are
30 not being made solely by reason of any provision of this part
31 relating to limitations under section 401(a)(17) or 415 of the
32 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
33 401(a)(17) or 415), but who has vested accumulated total defined
34 contributions standing to his credit in the trust and who has
35 not filed an application for an annuity.

36 "Individual investment account." The account in the trust to
37 which are credited the amounts of the contributions made by a
38 participant and the participant's employer in accordance with
39 the provisions of this part, together with all investment
40 earnings after deduction for fees, costs and expenses,
41 investment losses and charges for distributions.

42 "Intervening military service." Active military service of a
43 member who was a school employee and an active member of the
44 system immediately preceding his induction into the armed
45 services or forces of the United States in order to meet a draft
46 obligation excluding any voluntary extension of such
47 obligational service and who becomes a school employee and an
48 active member of the system within 90 days of the expiration of
49 such service.

50 * * *

51 "Irrevocable beneficiary." The person or persons permanently

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

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

11 * * *

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

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

31 (1) For participants who have accrued less than 25
32 eligibility points credited as a member of Class T-G or, if a
33 multiple service member, of Class A-5 in the State Employees'
34 Retirement System, contributions shall equal 1% of
35 compensation required to be credited in the plan up to the
36 defined benefit compensation limit and 7% of compensation
37 above such limit.

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

43 * * *

44 "Member's annuity." The single life annuity which is
45 actuarially equivalent on the effective date of retirement and
46 taking into account any delay in the receipt of the portion of
47 the annuity based on Class T-G service, if the effective date of
48 retirement is under superannuation age applicable to Class T-G
49 service, to the sum of the accumulated deductions and the
50 shared-risk member contributions and statutory interest credited
51 on the deductions and contributions standing to the member's

1 credit in the members' savings account.

2 * * *

3 "Multiple service." Credited service of a member who has
4 elected to combine his credited service in both the Public
5 School Employees' Retirement System and the State Employees'
6 Retirement System. A Class T-G member is eligible to elect
7 multiple service membership only for service credited as Class
8 A-5 service in the State Employees' Retirement System.

9 * * *

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

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

17 * * *

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

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

25 * * *

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

34 * * *

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

39 * * *

40 "Salary deductions." The amounts certified by the board,
41 deducted from the compensation of an active member or active
42 participant or the State service compensation of a multiple
43 service member who is an active member of the State Employees'
44 Retirement System and paid into the fund or trust.

45 * * *

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

50 "Standard single life annuity." For Class T-A, T-B and T-C
51 credited service of a member, an annuity equal to 2% of the

1 final average salary, multiplied by the total number of years
 2 and fractional part of a year of credited service of a member.
 3 For Class T-D credited service of a member, an annuity equal to
 4 2.5% of the final average salary, multiplied by the total number
 5 of years and fractional part of a year of credited service. For
 6 Class T-E credited service of a member, an annuity equal to 2%
 7 of the final average salary, multiplied by the total number of
 8 years and fractional part of a year of credited service of a
 9 member. For Class T-F credited service of a member, an annuity
 10 equal to 2.5% of the final average salary, multiplied by the
 11 total number of years and fractional part of a year of credited
 12 service of a member. For Class T-G credited service of a member,
 13 an annuity equal to 2% of the final average salary, multiplied
 14 by the total number of years and fractional part of a year of
 15 credited service of a member, except that such total number of
 16 years shall not exceed 25.

17 "State Employees' Defined Contribution Plan." The defined
 18 contribution plan for State employees established by 71 Pa.C.S.
 19 Pt. XXV (relating to retirement for State employees and
 20 officers).

21 * * *

22 "Successor payee." The person or persons last designated in
 23 writing by a participant receiving distributions to the board to
 24 receive one or more distributions upon the death of the
 25 participant.

26 * * *

27 "Superannuation or normal retirement age."

Class of service	Age
T-A	62 or any age upon accrual of 35 eligibility points
T-B	62
T-C and T-D	62 or age 60 provided the member has at least 30 eligibility points or any age upon accrual of 35 eligibility points, <u>excluding any eligibility</u> <u>points accrued as a</u> <u>member of Class T-G, and</u> <u>if a multiple service</u> <u>member, Class A-5</u>
T-E and T-F	65 with accrual of at least three eligibility points or a combination of age and eligibility points totaling 92, provided the member has accrued at least 35 eligibility points, <u>excluding any</u> <u>eligibility points</u> <u>accrued as a member of</u>

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

11 * * *

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

15 * * *

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

19 "Vestee." A member with five or more eligibility points in a
20 class of service other than Class T-E, Class T-F, Class T-G or
21 Class A-5 in the State Employees' Retirement System who has
22 terminated school service, has left his accumulated deductions
23 in the fund and is deferring filing of an application for
24 receipt of an annuity. For Class T-E and Class T-F members, a
25 member with ten or more eligibility points in a class of service
26 other than Class T-G or, if a multiple service member, Class A-5
27 in the State Employees' Retirement System who has terminated
28 school service, has left his accumulated deductions in the fund
29 and is deferring filing of an application for receipt of an
30 annuity. For Class T-G members, a member with ten or more
31 eligibility points credited as a member of Class T-G or, if a
32 multiple service member, of Class A-5 in the State Employees
33 Retirement System, who has terminated school service, and either
34 is not eligible to begin receiving an immediate annuity or, if
35 eligible, has elected to defer filing of an application for
36 receipt of an annuity.

37 "Voluntary contributions." Contributions made by a
38 participant to the trust and credited to his individual
39 investment account in excess of his mandatory pickup participant
40 contributions by an eligible rollover or direct trustee-to-
41 trustee transfer.

42 Section 102. Section 8103 of Title 24 is amended by adding
43 subsections to read:

44 § 8103. Construction of part.

45 * * *

46 (c) Exclusive source of rights and benefits.--Regardless of
47 any other provision of law, pension and benefit rights of school
48 employees shall be determined solely by this part, or the plan
49 document established by the board, and no collective bargaining
50 agreement nor any arbitration award between the employer and its
51 employees or their collective bargaining representatives shall

1 be construed to change any of the provisions in this part, to
2 require the board to administer pension or retirement benefits
3 not set forth in this part or not established by the board in
4 the plan document, to require the board to modify, amend or
5 change any of the terms and provisions of the plan document or
6 otherwise require action by any other government body pertaining
7 to pension or retirement benefits or rights of school employees.

8 (d) References to certain Federal statutes.--References in
9 this part to the IRC or the Uniformed Services Employment and
10 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
11 3149), including administrative regulations promulgated under
12 the IRC or the Uniformed Services Employment and Reemployment
13 Rights Act of 1994, are intended to include laws and regulations
14 in effect on or after the effective date of this subsection.

15 (e) Construction.--

16 (1) This part may not be construed to mean that the
17 limitations on benefits or other requirements under IRC §
18 401(a) or other applicable provisions of the IRC that are
19 applicable to participants in the plan do not apply to the
20 participants or to the members of the system and the benefits
21 payable under this part.

22 (2) This part may not be construed to mean that an
23 interpretation or application of a provision of this part or
24 benefits available to members of the Public School Employees'
25 Retirement System was not in accordance with the provisions
26 of Part IV or other applicable law, including the IRC and the
27 Uniformed Services Employment and Reemployment Rights Act of
28 1994 before the effective date of this subsection.

29 (3) This part may not be construed to mean that the
30 release or publicizing of a record, material or data that
31 would not constitute a public record under section 8502(e)(2)
32 (relating to administrative duties of board) is a violation
33 of the fiduciary duties of the board.

34 (f) Applicability.--The following shall apply:

35 (1) The provisions of this part regarding the
36 establishment of and participation in the plan shall apply to
37 current and former members of the system who return to school
38 service on or after July 1, 2015, after a termination of
39 school service, notwithstanding the following:

40 (i) Whether the termination occurred before, on or
41 after July 1, 2015.

42 (ii) Whether the school employee was an annuitant,
43 inactive member or vestee or withdrew accumulated
44 deductions during the period of termination.

45 (2) A terminated school employee who returns to school
46 service on or after July 1, 2015, is subject to the
47 provisions of this part regarding participation in the plan
48 or membership in the system that are in effect on the
49 effective date of reemployment, including, but not limited
50 to, benefit formulas and accrual rates, eligibility for
51 annuities and distributions, contribution rates, definitions,

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

4 Section 103. Title 24 is amended by adding sections to read:

5 § 8103.1. Reference to Public School Employees' Retirement
6 System.

7 (a) General rule.--Unless the context clearly indicates
8 otherwise, a reference to the Public School Employees'
9 Retirement System in a statutory provision, other than this part
10 and 71 Pa.C.S. Pt. XXV (relating to retirement for State
11 employees and officers), shall include a reference to the plan,
12 and a reference to the Public School Employees' Retirement Fund
13 shall include a reference to the trust.

14 (b) Certain agreements.--The agreement of an employer to
15 make contributions to the fund or to enroll its employees as
16 members in the system shall be deemed to be an agreement to make
17 contributions to the trust or to enroll its employees in the
18 plan.

19 § 8103.2. Notice to members and participants.

20 Notice by publication, including, but not limited to,
21 newsletters, newspapers, forms, first class mail, letters,
22 manuals and, to the extent authorized by a policy adopted by the
23 board, electronic notice, including, but not limited to, e-mail
24 or Internet websites distributed or made available to members
25 and participants in a manner reasonably calculated to give
26 actual notice of the provisions of this part that require notice
27 to members and participants shall be deemed sufficient notice
28 for all purposes.

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

30 § 8301. Mandatory and optional membership in the system and
31 participation in the plan.

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

35 (1) Any officer or employee of the [Department of
36 Education] department, State-owned educational
37 institutions, community colleges, area vocational-
38 technical schools, technical institutes, or [the] The
39 Pennsylvania State University and who is a member of the
40 State Employees' Retirement System or a member of another
41 retirement program approved by the employer.

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

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

1 in such service.

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

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

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

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

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

25 Section 105. Sections 8302(a), (b)(1) and (2), (c) and (d)
26 and 8303(c) and (d) of Title 24 are amended and the sections are
27 amended by adding subsections to read:
28 § 8302. Credited school service.

29 (a) Computation of credited service.--In computing credited
30 school service of a member for the determination of benefits, a
31 full-time salaried school employee shall receive one year of
32 credit for each school year or the corresponding fraction
33 thereof, in accordance with the proportion of the full school
34 year for which the required regular member contributions have
35 been made to the fund, or for which such contributions otherwise
36 required for such service were not made to the fund solely by
37 reason of any provision of this part relating to the limitations
38 under IRC § 401(a)(17) or 415(b) or limitations on contributions
39 applicable to a Class T-G member. A per diem or hourly school
40 employee shall receive one year of credited service for each
41 nonoverlapping period of 12 consecutive months in which he is
42 employed and for which contributions are made to the fund, or
43 would have been made to the fund but for such limitations under
44 the IRC, or limitations on contributions applicable to a Class
45 T-G member for at least 180 full-day sessions or 1,100 hours of
46 employment. If such member was employed and contributions were
47 made to the fund for less than 180 full-day sessions or 1,100
48 hours, he shall be credited with a fractional portion of a year
49 determined by the ratio of the number of full-day sessions or
50 hours of service actually rendered to 180 full-day sessions or
51 1,100 hours, as the case may be. A part-time salaried employee

1 shall be credited with the fractional portion of the year which
2 corresponds to the service actually rendered and for which
3 contributions are or would have been made to the fund except for
4 the limitations under the IRC or limitations applicable to a
5 Class T-G member in relation to the service required as a
6 comparable full-time salaried employee. In no case shall a
7 member receive more than one year of credited service for any 12
8 consecutive months or a member who has elected multiple service
9 receive an aggregate in the two systems of more than one year of
10 credited service for any 12 consecutive months.

11 (b) Approved leaves of absence.--An active member shall
12 receive credit, and an active participant shall receive
13 eligibility points, for an approved leave of absence provided
14 that:

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

21 (2) the proper contributions are made by the member and
22 the employer and, for Class T-G members, by the active
23 participant and the employer.

24 * * *

25 (c) Cancellation of credited service.--

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

29 (i) a member with Class T-G service credit and one
30 or more other classes of service credit shall not have
31 his service credit in the classes of service other than
32 Class T-G canceled when the member receives a lump sum
33 payment of accumulated deductions relating to the Class
34 T-G service; and

35 (ii) a member with Class T-G service credit and one
36 or more other classes of service credit shall not have
37 his service credit as a member of Class T-G canceled when
38 the member receives a lump sum payment of accumulated
39 deductions resulting from the other classes of service.

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

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

46 (1) For purposes of determining whether a member is
47 eligible to receive credited service in the system for a
48 period of active military service, other than active duty
49 service to meet periodic training requirements, rendered
50 after August 5, 1991, and that began before the effective
51 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73

1 (relating to military leave of absence) shall apply to all
2 individuals who were active members of the system when the
3 period of military service began, notwithstanding if the
4 member is not defined as an employee under 51 Pa.C.S. § 7301
5 (relating to definitions).

6 (1.1) School employees may not receive service credit or
7 exercise the options under 51 Pa.C.S. § 7306(a), (b) and (c)
8 (relating to retirement rights) for military leaves that
9 begin on or after the effective date of this subsection,
10 except otherwise provided under this subsection.

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

13 (i) A school employee who is reemployed from USERRA
14 leave as an active member of the system shall be treated
15 as not having incurred a break in school service by
16 reason of the USERRA leave and shall be granted
17 eligibility points as if the school employee had not been
18 on the USERRA leave. If a school employee who is
19 reemployed from USERRA leave as an active member of the
20 system subsequently makes regular member contributions,
21 shared-risk member contributions and any other member
22 contributions in the amounts and in the time periods
23 required by 38 U.S.C. Ch. 43 (relating to employment and
24 reemployment rights of members of the uniformed services)
25 and IRC § 414(u) as if the school employee had continued
26 in his school office or employment and performed school
27 service and been compensated during the period of USERRA
28 leave, then the school employee shall be granted school
29 service credit for the period of USERRA leave. The
30 employee shall have his benefits, rights and obligations
31 determined under this part as if he was an active member
32 who performed creditable school service during the USERRA
33 leave in the job position that he would have held had he
34 not been on USERRA leave and received the compensation on
35 which the member contributions to receive school service
36 credit for the USERRA leave were determined.

37 (ii) For purposes of determining whether a school
38 employee has made the required employee contributions for
39 school service credit for USERRA leave, if an employee
40 who is reemployed from USERRA leave as an active member
41 of the system terminates school service or dies in school
42 service before the expiration of the allowed payment
43 period, school service credit for the USERRA leave shall
44 be granted as if the required member contributions were
45 paid the day before termination or death. The amount of
46 the required member contributions shall be treated as an
47 incomplete payment subject to the provisions of section
48 8325 (relating to incomplete payments). Upon a subsequent
49 return to school service or to State service as a
50 multiple service member, the required member
51 contributions treated as incomplete payments shall be

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

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

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

15 (B) Eligible to subsequently make contributions.

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

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

30 (4) [A school employee] An active or inactive member
31 who, on or after the effective date of this subsection, is
32 granted a leave of absence under section 1178 of the Public
33 School Code, a leave of absence under 51 Pa.C.S. § 4102
34 (relating to leaves of absence for certain government
35 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
36 is not USERRA leave shall be able to receive creditable
37 nonschool service as nonintervening military service should
38 the employee return to school service as an active member of
39 the system and is otherwise eligible to purchase the service
40 as nonintervening military service.

41 (5) If a member dies while performing USERRA leave, the
42 beneficiaries or survivor annuitants of the deceased member
43 shall be entitled to any additional benefits, including
44 eligibility points, other than benefit accruals relating to
45 the period of qualified military service, provided under this
46 part as if the member resumed and then terminated employment
47 on account of death.

48 (6) A school employee who is on a leave of absence from
49 his duties as a school employee and for which 51 Pa.C.S. §
50 4102 provides that he is not to suffer a loss of pay, time or
51 efficiency shall not be an active member, receive service

1 credit or make member contributions for the leave of absence
2 except as provided for in this part. Notwithstanding this
3 paragraph, any pay the member receives under section 1178 of
4 the Public School Code or 51 Pa.C.S. § 4102 shall be included
5 in the determination of final average salary and other
6 calculations in the system utilizing compensation as if the
7 payments were compensation under this part.

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

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

32 (2) A participant who is reemployed from USERRA leave
33 and does not make the mandatory pickup participant
34 contributions or makes only part of the mandatory pickup
35 participant contributions within the allowed payment period
36 shall not be eligible to make mandatory pickup participant
37 contributions and voluntary contributions at a later date for
38 the period of USERRA leave for which the mandatory pickup
39 participant contributions were not timely made.

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

48 (4) An active participant or inactive participant who,
49 on or after the effective date of this subsection, is granted
50 a leave of absence under 51 Pa.C.S. § 4102 or a military
51 leave under 51 Pa.C.S. Ch. 73 that is not USERRA leave shall

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

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

16 § 8303. Eligibility points for retention and reinstatement of
17 service credits.

18 * * *

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

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

28 (2) as a member of Class T-D for previous creditable
29 school service, provided the member elects to become a Class
30 T-D member pursuant to section 8305.1 (relating to election
31 to become a Class T-D member); or

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

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

38 (c.1) Ineligibility to purchase previous school service
39 credit.--An active member of Class T-G, or a multiple service
40 member who is an active member of Class A-5 in the State
41 Employees' Retirement System, shall not be eligible to purchase
42 service credit for previous school service, whether or not
43 previously credited in the system, except to reinstate
44 previously credited Class T-G service credit for which
45 accumulated deductions were withdrawn, and except to the extent
46 that any other provision of law requires or allows the crediting
47 of any period of leave to be purchased as school service after
48 the member returns from the leave to school service.

49 (d) Purchase of previous noncreditable service.--Class T-C
50 and Class T-D members who are active members on the effective
51 date of this subsection shall have three years from the

1 effective date of this subsection to file a written application
2 with the board to purchase any previous noncreditable school
3 service. Class T-C and Class T-D members who are not active
4 members on the effective date of this subsection but who become
5 active members after the effective date of this subsection and
6 Class T-E and class T-F members shall have 365 days from entry
7 into the system to file a written application with the board to
8 purchase any previous noncreditable school service. Class T-G
9 members shall not be eligible to purchase previous noncreditable
10 school service.

11 Section 106. Section 8304(a) of Title 24 is amended to read:
12 § 8304. Creditable nonschool service.

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

40 * * *

41 Section 107. Section 8305(a), (b), (c)(1) and (4), (d) and
42 (e) of Title 24 are amended and the section is amended by adding
43 a subsection to read:

44 § 8305. Classes of service.

45 (a) Class T-C membership.--A school employee who is a member
46 of Class T-C on the effective date of this part or who becomes a
47 member of the system subsequent to the effective date of this
48 part shall be classified as a Class T-C member, provided the
49 school employee does not become a member of Class T-D pursuant
50 to subsection (c) and does not become a member of Class T-G
51 pursuant to subsection (f).

1 (b) Other class membership.--A school employee who is a
2 member of a class of service other than Class T-C on the
3 effective date of this part may elect to become a member of
4 Class T-C or Class T-D or may retain his membership in such
5 other class until the service is discontinued or he elects to
6 become a full coverage member or elects to purchase credit for
7 previous school or creditable nonschool service. Any service
8 thereafter as a member of the system shall be credited as Class
9 T-C [or], T-D or T-G service as applicable.

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

11 (1) A person who becomes a school employee and an active
12 member, or a person who becomes a multiple service member who
13 is a State employee and a member of the State Employees'
14 Retirement System, on or after the effective date of this
15 subsection shall be classified as a Class T-D member upon
16 payment of regular member contributions. Any prior school
17 service credited as Class T-C service shall be credited as
18 Class T-D service, subject to the limitations contained in
19 paragraph (4) and section 8303(c.1) (relating to eligibility
20 points for retention and reinstatement of service credits).

21 * * *

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

27 (ii) A person who is not a school employee or a
28 State employee on June 30, 2001, and July 1, 2001, and
29 who has previous school service shall not receive Class
30 T-D service credit for school service performed before
31 July 1, 2001, until the person becomes an active member
32 or an active member of the State Employees' Retirement
33 System and a multiple service member and earns three
34 eligibility points by performing credited school service
35 in a class other than Class T-G or State service in a
36 class other than Class A-5 after June 30, 2001. This
37 subparagraph does not apply to a disability annuitant who
38 returns to school service after June 30, 2001, upon
39 termination of the disability annuity.

40 (d) Class T-E membership.--Notwithstanding any other
41 provision, a person who first becomes a school employee and an
42 active member, or a person who first becomes a multiple service
43 member who is a State employee and a member of the State
44 Employees' Retirement System, on or after the effective date of
45 this subsection shall be classified as a Class T-E member upon
46 payment of regular member contributions and the shared-risk
47 contributions, provided the member does not terminate service
48 and then return to service on or after July 1, 2015.

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

1 member who is a State employee and a member of the State
2 Employees' Retirement System, on or after the effective date of
3 this subsection and who is eligible to become a Class T-E member
4 shall have the right to elect into Class T-F membership,
5 provided the person elects to become a Class T-F member pursuant
6 to section 8305.2 (relating to election to become a Class T-F
7 member), upon written election filed with the board and payment
8 of regular member contributions and the shared-risk
9 contributions, provided the member does not terminate service
10 and then return to service on or after July 1, 2015.

11 (f) Class T-G membership.--A school employee who, on or
12 after July 1, 2015, begins school service, becomes a member or
13 returns to school service after a break in service shall perform
14 such service as a Class T-G member and shall be classified as a
15 Class T-G member for all school service performed on or after
16 July 1, 2015, upon payment of regular member contributions and
17 shared risk contributions.

18 Section 108. Sections 8305.1(c), 8305.2(c), 8306, 8307(b)
19 and (c), 8308, 8309, 8310, 8321, 8322.1, 8323(a), (c) and (d)
20 (1), 8324(a), (b), (c) and (d), 8325.1(a), 8326(a) and (c) and
21 8327 of Title 24 are amended to read:

22 § 8305.1. Election to become a Class T-D member.

23 * * *

24 (c) Effect of election.--An election to become a Class T-D
25 member shall remain in effect until the termination of
26 employment. Those members who, on the effective date of this
27 section, contribute at the rate of 5 1/4% shall be deemed to
28 have accepted the basic contribution rate of 6 1/2% for all
29 Class T-D service performed on or after January 1, 2002. Those
30 members who, on the effective date of this section, contribute
31 at the rate of 6 1/4% shall be deemed to have accepted the basic
32 contribution rate of 7 1/2% for all Class T-D service performed
33 on or after January 1, 2002. Upon termination and a subsequent
34 reemployment that occurs before July 1, 2015, the class of
35 service of the school employee shall be credited in the class of
36 service otherwise provided for in this part. If the reemployment
37 occurs on or after July 1, 2015, the school employee's
38 eligibility for membership and class of service in the system or
39 participation in the plan shall be as provided in this part.

40 * * *

41 § 8305.2. Election to become a Class T-F member.

42 * * *

43 (c) Effect of election.--An election to become a Class T-F
44 member shall be irrevocable and shall commence from the original
45 date of eligibility[. A member who elects Class T-F membership
46 shall receive Class T-F service credit on any and all future
47 service, regardless of whether the member terminates service or
48 has a break in service.] and shall remain in effect for all
49 future school service creditable in the system that otherwise
50 would not be credited as Class T-G service.

51 * * *

1 § 8306. Eligibility points.

2 (a) General rule.--An active member of the system shall
3 accrue one eligibility point for each year of credited service
4 as a member of the [school or State retirement] system or if a
5 multiple service member, as a member of the State Employees'
6 Retirement system. A member shall accrue an additional two-
7 thirds of an eligibility point for each year of Class D-3
8 credited service under the State Employees' Retirement System.
9 In the case of a fractional part of a year of credited service,
10 a member shall accrue the corresponding fractional portion of an
11 eligibility point.

12 (a.1) USERRA leave.--A member or participant who is
13 reemployed from USERRA leave or who dies while performing USERRA
14 leave shall be granted the eligibility points that he would have
15 accrued had he continued in his school office or employment
16 instead of performing USERRA leave. If a school employee who is
17 reemployed from USERRA leave makes the member or mandatory
18 pickup participant contributions to be granted school service
19 credit for the USERRA leave, no additional eligibility points
20 may be granted.

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

22 (1) In determining whether a member, other than a
23 disability annuitant who returns to school service after June
24 30, 2001, upon termination of the disability annuity, who is
25 not a school employee or a State employee on June 30, 2001,
26 and July 1, 2001, and who has previous school service, has
27 the five eligibility points required by the definition of
28 "vestee" in sections 8102 (relating to definitions), 8307
29 (relating to eligibility for annuities), 8308 (relating to
30 eligibility for vesting) and 8345 (relating to member's
31 options), only eligibility points earned by performing
32 credited school service, USERRA leave credited as an active
33 member of the system in a class of service other than Class
34 T-G or credited State service as an active member of the
35 State Employees' Retirement System in a class other than
36 Class A-5 after June 30, 2001, shall be counted until such
37 member earns one such eligibility point by performing
38 credited school service or credited State service after June
39 30, 2001, at which time all eligibility points, other than
40 eligibility points in classes of service other than Class T-G
41 or Class A-5, as determined under subsection (a) shall be
42 counted.

43 (2) A member subject to paragraph (1) shall be
44 considered to have satisfied any requirement for five
45 eligibility points contained in this part if the member has
46 at least ten eligibility points determined under subsection
47 (a).

48 (c) Transitional rule for members with Class T-G service
49 credit.--

50 (1) Any provision of this part pertaining to eligibility
51 points applicable to the eligibility for or calculation of

1 annuities or benefits attributable to classes of service
2 other than Class T-G shall not include any eligibility points
3 attributable to service credited in Class T-G or as a member
4 of Class A-5 in the State Employees' Retirement System.

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

12 (3) Only eligibility points earned as a member of Class
13 T-G, or if a multiple service member as a member of Class A-5
14 in the State Employees' Retirement System, shall be
15 applicable to any provision in this part requiring
16 eligibility points for the determination or payment of
17 benefits from the plan.

18 § 8307. Eligibility for annuities.

19 * * *

20 (b) Withdrawal annuity.--

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

29 (2) A vestee in Class T-E or Class T-F with ten or more
30 eligibility points or an active or inactive Class T-E or
31 Class T-F member who terminates school service having ten or
32 more eligibility points in classes of service other than
33 Class T-G, or if a multiple service member, Class A-5, shall,
34 upon filing a proper application, be entitled to receive an
35 early annuity based on the service credited as a Class T-E or
36 T-F member.

37 (3) A vestee with Class T-G service credit who
38 terminates school service with at least 25 eligibility points
39 credited as a Class T-G member, or if a multiple service
40 member, as Class A-5, shall, upon filing a proper
41 application, be entitled to receive an early annuity from the
42 system based on the eligibility points credited as a Class T-
43 G or Class A-5 member.

44 (4) A member who is vested with Class T-C, T-D, T-E or
45 T-F credited service and who also is vested with ten or more
46 but less than 25 eligibility points credited as a result of
47 Class T-G service, or if a multiple service member, as Class
48 A-5, shall, upon filing a proper application, be entitled to
49 receive:

50 (i) An early annuity based on the credited service
51 in classes other than T-G or, if a multiple service

1 member, Class A-5 service, to be paid upon the effective
2 date of retirement.

3 (ii) An annuity based on the Class T-G credited
4 service, or if a multiple service member, Class A-5
5 service, to be paid upon attainment of superannuation age
6 for such Class T-G service.

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

23 § 8308. Eligibility for vesting.

24 Eligibility for vesting shall be as follows:

25 (1) Any Class T-C or Class T-D member who terminates
26 school service with five or more eligibility points shall be
27 entitled to vest his retirement benefits until attainment of
28 superannuation age. Any Class T-E or Class T-F member who
29 terminates school service with ten or more eligibility points
30 shall be entitled to vest his retirement benefits until
31 attainment of superannuation age.

32 (2) Any member who has only Class T-G service, or if a
33 multiple service member only Class A-5 service, with ten or
34 more eligibility points but less than 25 eligibility points
35 who terminates school service must vest his retirement
36 benefit until attainment of superannuation age. Any such
37 member with 25 or more eligibility points who terminates
38 school service shall be entitled to vest his retirement
39 benefit until attainment of superannuation age.

40 (3) Any member who has Class T-G service credit and
41 service credited in one or more other classes of service and
42 terminates school service, or if a multiple service member
43 and an active member of the State Employees' Retirement
44 System terminates State service, shall be eligible to vest
45 his retirement benefits in each class in accordance with the
46 requirements for that class of service.

47 § 8309. Eligibility for death benefits.

48 Eligibility for death benefits shall be as follows:

49 (1) In the event of the death of a member who is
50 eligible for an annuity in accordance with section 8307(a) or
51 (b) (relating to eligibility for annuities) his beneficiary

1 shall be entitled to a death benefit as provided in section
2 8347 (relating to death benefits). In the event of the death
3 of a member not eligible for an annuity his beneficiary shall
4 receive the accumulated deductions standing to the member's
5 credit in the fund.

6 (2) A member with at least ten eligibility points
7 credited as a result of Class T-G service or, if a multiple
8 service member, in Class A-5 in the State Employees'
9 Retirement System who dies and is under superannuation age
10 shall be entitled to a death benefit based on such service as
11 provided in section 8347.

12 § 8310. Eligibility for refunds.

13 Upon termination of service any active member, regardless of
14 eligibility for benefits, may elect to receive his accumulated
15 deductions in lieu of any benefit from the system to which he is
16 entitled. A Class T-G member who terminates service and is not
17 eligible for an immediate annuity or eligible to become a vestee
18 as a result of such Class T-G service may elect to receive his
19 accumulated deductions in lieu of any benefit from the system
20 accrued as a Class T-G member.

21 § 8321. Regular member contributions for current service.

22 (a) General.--Regular member contributions shall be made to
23 the fund on behalf of each active member for current service
24 except for any period of current service in which the making of
25 such contributions has ceased solely by reason of any provision
26 of this part relating to the limitations under IRC § 401(a)(17)
27 or 415(b)[.] or limitations on contributions to the system
28 applicable to a Class T-G member when the Class T-G member is
29 making mandatory pickup participant contributions to the trust.

30 (b) Class T-E [and], Class T-F and Class T-G shared-risk
31 contributions.--Commencing with the annual actuarial valuation
32 performed under section 8502(j) (relating to administrative
33 duties of board), for the period ending June 30, 2014, for Class
34 T-E and Class T-F members, and for the period ending June 30,
35 2017, for Class T-G members, and every three years thereafter,
36 the board shall compare the actual investment rate of return,
37 net of fees, to the annual interest rate adopted by the board
38 for the calculation of the normal contribution rate, based on
39 the market value of assets, for the prior ten-year period. If
40 the actual investment rate of return, net of fees, is less than
41 the annual interest rate adopted by the board by an amount of 1%
42 or more, the shared-risk contribution rate of Class T-E [and],
43 Class T-F and Class T-G members will increase by .5%. If the
44 actual investment rate of return, net of fees, is equal to or
45 exceeds the annual interest rate adopted by the board, the
46 shared-risk contributions rate of Class T-E [and], Class T-F and
47 Class T-G members will decrease by .5%. Class T-E [and], Class
48 T-F and Class T-G members will contribute at the total member
49 contribution rate in effect when they are hired. The total
50 member contribution rate for Class T-E members shall not be less
51 than 7.5%, nor more than 9.5%. The total member contribution

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

15 (1) Until the system has a ten-year period of investment
16 rate of return experience following [the effective date of
17 this subsection] July 1, 2011, the look-back period shall
18 begin not earlier than:

19 (i) July 1, 2011, for Class T-E and T-F members; and
20 (ii) the effective date of this [subsection]
21 subparagraph for Class T-G members.

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

28 (3) There shall be no increase in the member
29 contribution rate if there has not been an equivalent
30 increase to the employer contribution rate over the previous
31 three-year period.

32 § 8322.1. Pickup contributions.

33 (a) Treatment for purposes of IRC § 414(h).--All
34 contributions to the fund required to be made under sections
35 8321 (relating to regular member contributions for current
36 service) and 8322 (relating to joint coverage member
37 contributions), with respect to current school service rendered
38 by an active member on or after January 1, 1983, shall be picked
39 up by the employer and shall be treated as the employer's
40 contribution for purposes of IRC § 414(h).

41 * * *

42 § 8323. Member contributions for creditable school service.

43 (a) Previous school service, sabbatical leave and full
44 coverage.--The contributions to be paid by an active member or
45 an eligible State employee for credit in the system for
46 reinstatement of [all] the portion of previously credited school
47 service, school service not previously credited, sabbatical
48 leave as if he had been in full-time daily attendance that a
49 member is eligible to have credited, or full-coverage membership
50 shall be sufficient to provide an amount equal to the
51 accumulated deductions which would have been standing to the

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

12 * * *

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

35 * * *

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

37 (1) In all cases other than for the purchase of credit
38 for sabbatical leave and activated military service leave
39 beginning before the effective date of paragraph (2), the
40 amount payable shall be certified by the board in accordance
41 with methods approved by the actuary and may be paid in a
42 lump sum within 90 days or in the case of an active member or
43 an eligible State employee who is an active member of the
44 State Employees' Retirement System it may be amortized with
45 statutory interest through salary deductions to the system in
46 amounts agreed upon by the member and the board. The salary
47 deduction amortization plans agreed to by members and the
48 board may include a deferral of payment amounts and statutory
49 interest until the termination of school service or State
50 service as the board in its sole discretion decides to allow.
51 The board may limit salary deduction amortization plans to

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

7 * * *

8 § 8324. Contributions for purchase of credit for creditable
9 nonschool service and noncreditable school service.

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

16 (b) Nonintervening military service.--

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

33 (2) The amount due for the purchase of credit for
34 military service other than intervening military service by a
35 member who is eligible to make the purchase under section
36 8304 (relating to creditable nonschool service) shall be
37 determined by applying the member's basic contribution rate,
38 plus the Commonwealth's normal contribution rate for active
39 members at the time of entry, subsequent to such military
40 service, of the member into Class T-G service to his average
41 annual rate of compensation received for Class T-G service
42 subject to any limit each year by the application of the
43 Class T-G defined benefit compensation limit, over the first
44 three years of such subsequent Class T-G service and
45 multiplying the result by the number of years and fractional
46 part of a year of creditable nonintervening military service
47 being purchased together with statutory interest during all
48 periods of subsequent school service as an active member or
49 inactive member and State service as an active member or
50 inactive member on leave without pay of the State Employees'
51 Retirement System to date of purchase.

1 (3) Upon certification of the amount due, payment may be
2 made in a lump sum within 90 days or in the case of an active
3 member or an eligible State employee who is an active member
4 of the State Employees' Retirement System it may be amortized
5 with statutory interest through salary deductions to the
6 system in amounts agreed upon by the member and the board.
7 The salary deduction amortization plans agreed to by members
8 and the board may include a deferral of payment amounts and
9 statutory interest until the termination of school service or
10 State service as the board in its sole discretion decides to
11 allow. The board may limit salary deduction amortization
12 plans to such terms as the board in its sole discretion
13 determines. In the case of an eligible State employee who is
14 an active member of the State Employees' Retirement System,
15 the agreed upon salary deductions shall be remitted to the
16 State Employees' Retirement Board, which shall certify and
17 transfer to the board the amounts paid. Application may be
18 filed for all such military service credit upon completion of
19 three years of subsequent credited school service and shall
20 be credited as Class T-C service. In the event that a Class
21 T-E member makes a purchase of credit for such military
22 service, then such service shall be credited as Class T-E
23 service. In the event that a Class T-F member makes a
24 purchase of credit for such military service, then such
25 service shall be credited as Class T-F service.

26 (c) Intervening military service.--Contributions on account
27 of credit for intervening military service shall be determined
28 by the member's basic contribution rate and compensation at the
29 time of entry of the member into active military service,
30 together with statutory interest during all periods of
31 subsequent school service as an active member or inactive member
32 and State service as an active member or inactive member on
33 leave without pay to date of purchase. Upon application for such
34 credit the amount due shall be certified in the case of each
35 member by the board, in accordance with methods approved by the
36 actuary, and contributions may be made by one of the following
37 methods:

38 (1) Regular monthly payments during active military
39 service.

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

42 (3) Salary deductions to the system in amounts agreed
43 upon by the member and the board. The salary deduction
44 amortization plans agreed to by the members and the board may
45 include a deferral of payment amounts and statutory interest
46 until the termination of school service or State service as
47 the board in its sole discretion decides to allow. The board
48 may limit salary deduction amortization plans to such terms
49 as the board in its sole discretion determines. In the case
50 of an eligible State employee who is an active member of the
51 State Employees' Retirement System, the agreed upon salary

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

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

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

41 (2) Contributions on account of Class T-E or Class T-F
42 credit for creditable nonschool service other than military
43 service shall be the present value of the full actuarial cost
44 of the increase in the projected superannuation annuity
45 caused by the additional service credited on account of the
46 purchase. Upon certification of the amount due, payment may
47 be made in a lump sum within 90 days or, in the case of an
48 active member or an eligible State employee who is an active
49 member of the State Employees' Retirement System, it may be
50 amortized with statutory interest through salary deductions
51 to the system in amounts agreed upon by the member and the

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

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

34 * * *

35 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

36 (a) General rule.--In addition to other applicable
37 limitations set forth in this part, and notwithstanding any
38 provision of this part to the contrary, the annual compensation
39 of each noneligible member and each participant taken into
40 account for benefit purposes under this subchapter shall not
41 exceed the limitation under IRC § 401(a)(17). On and after July
42 1, 1996, any reference in this part to the limitation under IRC
43 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
44 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
45 compensation limit set forth in this subsection. The OBRA '93
46 annual compensation limit is \$150,000, as adjusted by the
47 commissioner for increases in the cost of living in accordance
48 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
49 effect for a calendar year applies to any determination period
50 which is a period, not exceeding 12 months, over which
51 compensation is determined, beginning in such calendar year. If

1 a determination period consists of fewer than 12 months, the
2 OBRA '93 compensation limit will be multiplied by a fraction,
3 the numerator of which is the number of months in the
4 determination period and the denominator of which is 12.

5 * * *

6 § 8326. Contributions by the Commonwealth.

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

21 * * *

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

23 (1) The Commonwealth shall make contributions into the
24 fund on behalf of all active members and participants,
25 including members and participants on activated military
26 service leave, for service performed after June 30, 1995, in
27 the following manner:

28 (i) For members and participants who are employees
29 of employers that are school entities, no Commonwealth
30 contributions shall be made.

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

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

39 (i) For members and participants who are employees
40 of employers who are school entities, no Commonwealth
41 contributions shall be made.

42 (ii) For members and participants who are employees
43 of employers who are not school entities, the amount
44 computed under subsection (b).

45 * * *

46 § 8327. Payments by employers.

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

48 (1) For payments prior to June 30, 2015, each employer,
49 including the Commonwealth as employer of employees of the
50 [Department of Education] department, State-owned colleges
51 and universities, Thaddeus Stevens College of Technology,

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

18 (2) For payments after June 30, 2015, each employer,
19 including the Commonwealth as employer of employees of the
20 department, State-owned colleges and universities, Thaddeus
21 Stevens College of Technology, Western Pennsylvania School
22 for the Deaf and The Pennsylvania State University, shall
23 make payments to the fund each month in an amount equal to
24 one-half the sum of the percentages, as determined under
25 section 8328, applied to the total compensation during the
26 pay periods in the preceding month of all its employees who
27 were members of the system during such period, including
28 members on activated or USERRA military service leave, plus
29 the accrued liability contribution rate applied to the total
30 compensation of all active participants in the plan. In the
31 event a member on activated or USERRA military service leave
32 does not return to service for the necessary time or receives
33 an undesirable, bad conduct or dishonorable discharge or does
34 not elect to receive credit for activated or USERRA military
35 service under section 8302(b.1)(3), the contributions made by
36 the employer on behalf of such member shall be returned with
37 valuation interest upon application by the employer.

38 (b) Deduction from appropriations.--

39 (1) To facilitate the payment of amounts due from any
40 employer to the fund and the trust through the State
41 Treasurer and to permit the exchange of credits between the
42 State Treasurer and any employer, the Secretary of Education
43 and the State Treasurer shall cause to be deducted and paid
44 into the fund and the trust from the amount of any moneys due
45 to any employer on account of any appropriation for schools
46 or other purposes amounts equal to the employer and pickup
47 contributions which an employer is required to pay to the
48 fund and the trust, as certified by the board, and as remains
49 unpaid on the date such appropriations would otherwise be
50 paid to the employer. Such amount shall be credited to the
51 appropriate accounts in the fund and the trust.

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

22 (c) Payments by employers after June 30, 1995, and before
23 July 1, 2015.--After June 30, 1995, and before July 1, 2015,
24 each employer, including the Commonwealth as employer of
25 employees of the [Department of Education] department, State-
26 owned colleges and universities, Thaddeus Stevens College of
27 Technology, Western Pennsylvania School for the Deaf[, Scotland
28 School for Veterans' Children] and The Pennsylvania State
29 University, shall make payments to the fund and the trust each
30 quarter in an amount computed in the following manner:

31 (1) For an employer that is a school entity, the amount
32 shall be the sum of the percentages as determined under
33 section 8328 applied to the total compensation during the pay
34 periods in the preceding quarter of all employees who were
35 active members of the system or active participants of the
36 plan during such period, including members or active
37 participants on activated military service leave. In the
38 event a member on activated military service leave does not
39 return to service for the necessary time or receives an
40 undesirable, bad conduct or dishonorable discharge or does
41 not elect to receive credit for activated military service
42 under section 8302(b.1)(3), the contribution made by the
43 employer on behalf of such member shall be returned with
44 valuation interest upon application by the employer.

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

47 (3) For any employer, whether or not a school entity, in
48 computing the amount of payment due each quarter, there shall
49 be excluded from the total compensation referred to in this
50 subsection and subsection (a) any amount of compensation of a
51 noneligible member on the basis of which member

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

10 (d) Payments by employers after June 30, 2015.--After June
11 30, 2015, each employer, including the Commonwealth as employer
12 of employees of the department, State-owned colleges and
13 universities, Thaddeus Stevens College of Technology, Western
14 Pennsylvania School for the Deaf and The Pennsylvania State
15 University, shall make payments to the fund and the trust each
16 month in an amount computed in the following manner:

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

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

34 (3) For any employer, whether or not a school entity, in
35 computing the amount of payment due each month, there shall
36 be excluded from the total compensation referred to in this
37 subsection and subsection (a), any amount of compensation of
38 a noneligible member or participant on the basis of which
39 member or participant contributions have not been made by
40 reason of the limitation under IRC § 401(a)(17). Any amount
41 of contribution to the fund paid by the employer on behalf of
42 a noneligible member or participant on the basis of
43 compensation which was subject to exclusion from total
44 compensation in accordance with the provisions of this
45 paragraph shall, upon the board's determination or upon
46 application by the employer, be returned to the employer with
47 valuation interest.

48 (e) Deemed agreed to.--The agreement of an employer listed
49 in the definition of school employee under section 8102
50 (relating to definitions) or any other law to make contributions
51 to the fund or to enroll its employees as members in the system

1 shall be deemed to be an agreement to make contributions to the
2 trust or enroll its employees in the plan.

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

6 (g) Contributions resulting from members reemployed from
7 USERRA leave.--When a school employee reemployed from USERRA
8 leave makes the member contributions required to be granted
9 school service credit for the USERRA leave after June 30, 2015,
10 either by actual payment or by actuarial debt under section 8325
11 (relating to incomplete payments), the employer that employed
12 the school employee when the member contributions were made or
13 the last employer before termination in the case of payment
14 under section 8325 shall make the employer contributions that
15 would have been made under this section if the employee making
16 the member contributions after he is reemployed from USERRA
17 leave continued to be employed in his school office or position
18 instead of performing USERRA leave.

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

22 § 8328. Actuarial cost method.

23 (a) Employer contribution rate.--The amount of the total
24 employer contributions shall be computed by the actuary as a
25 percentage of the total compensation of all active members and
26 active participants, as applicable, during the period for which
27 the amount is determined and shall be so certified by the board.
28 The total employer contribution rate shall be the sum of the
29 final contribution rate as computed in subsection (h) plus the
30 premium assistance contribution rate as computed in subsection
31 (f). The actuarially required contribution rate shall consist of
32 the normal contribution rate as defined in subsection (b), the
33 accrued liability contribution rate as defined in subsection (c)
34 and the supplemental annuity contribution rate as defined in
35 subsection (d). Beginning July 1, 2004, the actuarially required
36 contribution rate shall be modified by the experience adjustment
37 factors as calculated in subsection (e).

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

39 (1) For fiscal years ending before July 1, 2014, the
40 normal contribution rate shall be determined after each
41 actuarial valuation. Until all accrued liability
42 contributions have been completed, the normal contribution
43 rate shall be determined, on the basis of an annual interest
44 rate and such mortality and other tables as shall be adopted
45 by the board in accordance with generally accepted actuarial
46 principles, as a level percentage of the compensation of the
47 average new active member, which percentage, if contributed
48 on the basis of his prospective compensation through the
49 entire period of active school service, would be sufficient
50 to fund the liability for any prospective benefit payable to
51 him, in excess of that portion funded by his prospective

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

3 (2) For fiscal years beginning on or after July 1, 2014,
4 the normal contribution rate shall be determined after each
5 actuarial valuation. Until all accrued liability
6 contributions have been completed, the normal contribution
7 rate shall be determined, on the basis of an annual interest
8 rate and such mortality and other tables as shall be adopted
9 by the board in accordance with generally accepted actuarial
10 principles, as a level percentage of the compensation of all
11 active members in classes of service other than Class T-G,
12 and for Class T-G members, as limited:

13 (i) By the defined benefit compensation limit.

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

25 (c) Accrued liability contribution rate.--

26 * * *

27 (4) For the fiscal year beginning July 1, 2011, the
28 accrued liability contribution rate shall be computed as the
29 rate of total compensation of all active members which shall
30 be certified by the actuary as sufficient to fund as a level
31 percentage of compensation over a period of 24 years from
32 July 1, 2011, the present value of the liabilities for all
33 prospective benefits calculated as of June 30, 2010,
34 including the supplemental benefits as provided in sections
35 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
36 8348.7, in excess of the actuarially calculated assets in the
37 fund (calculated recognizing all realized and unrealized
38 investment gains and losses each year in level annual
39 installments over a ten-year period). In the event that the
40 accrued liability is increased by legislation enacted
41 subsequent to June 30, 2010, but before July 1, 2013, such
42 additional liability shall be funded as a level percentage of
43 compensation over a period of ten years from the July 1
44 second succeeding the date such legislation is enacted.

45 (5) For fiscal years beginning on or after July 1, 2015,
46 the actuarially calculated assets in the fund determined in
47 accordance with paragraph (4) shall be no less than 70% and
48 no more than 130% of market value. In the event that the
49 accrued liability is changed by legislation enacted
50 subsequent to June 30, 2013, such change in liability shall
51 be funded as a level percentage of compensation of all active

1 members and active participants, as applicable, over a period
2 of ten years from the July 1 second succeeding the date such
3 legislation is enacted.

4 (d) Supplemental annuity contribution rate.--

5 * * *

6 (2) For fiscal years beginning July 1, 2011, and ending
7 June 30, 2015, contributions from the Commonwealth and other
8 employers whose employees are members of the system required
9 to provide for the payment of supplemental annuities as
10 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,
11 8348.5, 8348.6 and 8348.7 shall be paid as part of the
12 accrued liability contribution rate as provided for in
13 subsection (c)(4), and there shall not be a separate
14 supplemental annuity contribution rate attributable to those
15 supplemental annuities. In the event that supplemental
16 annuities are increased by legislation enacted subsequent to
17 June 30, 2010, [the] but before July 1, 2013, such additional
18 liability for the increase in benefits shall be funded as a
19 level percentage of compensation over a period of ten years
20 from the July 1 second succeeding the date such legislation
21 is enacted.

22 (3) For fiscal years beginning on or after July 1, 2015,
23 contributions from employers whose employees are members of
24 the system required to provide for the payment of
25 supplemental annuities as provided in sections 8348, 8348.1,
26 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be
27 paid as part of the accrued liability contribution rate as
28 provided for in subsection (c)(4), and there shall not be a
29 separate supplemental annuity contribution rate attributable
30 to those supplemental annuities. In the event that
31 supplemental annuities are increased by legislation enacted
32 subsequent to June 30, 2013, the additional liability for the
33 increase in benefits shall be funded as a level percentage of
34 compensation of all active members and active participants
35 over a period of ten years from the July 1 second succeeding
36 the date such legislation is enacted.

37 (e) Experience adjustment factor.--

38 (1) For each year after the establishment of the accrued
39 liability contribution rate for the fiscal year beginning
40 July 1, 2011, and ending June 30, 2015, any increase or
41 decrease in the unfunded accrued liability, excluding the
42 gains or losses on the assets of the health insurance
43 account, due to actual experience differing from assumed
44 experience, changes in actuarial assumptions, changes in
45 contributions caused by the final contribution rate being
46 different from the actuarially required contribution rate,
47 active members making shared-risk contributions or changes in
48 the terms and conditions of the benefits provided by the
49 system by judicial, administrative or other processes other
50 than legislation, including, but not limited to,
51 reinterpretation of the provisions of this part, shall be

1 amortized as a level percentage of compensation over a period
2 of 24 years beginning with the July 1 second succeeding the
3 actuarial valuation determining said increases or decreases.

4 (2) [(Reserved).] For fiscal years beginning on or after
5 July 1, 2015, any increase or decrease in the unfunded
6 accrued liability, excluding the gains or losses on the
7 assets of the health insurance account, due to actual
8 experience differing from assumed experience, changes in
9 actuarial assumptions, changes in contributions caused by the
10 final contribution rate being different from the actuarially
11 required contribution rate, active members making shared-risk
12 contributions or changes in the terms and conditions of the
13 benefits provided by the system by judicial, administrative
14 or other processes other than legislation, including, but not
15 limited to, reinterpretation of the provisions of this part,
16 shall be amortized as a level percentage of the compensation
17 of all active members and active participants over a period
18 of 24 years beginning with the July 1 second succeeding the
19 actuarial valuation determining such increases or decreases.

20 (f) Premium assistance contribution rate.--For each fiscal
21 year beginning with July 1, 1991, the total contribution rate as
22 calculated according to this section shall be increased annually
23 in the full amount certified by the board as necessary to fund
24 the premium assistance program in accordance with section 8509
25 (relating to health insurance premium assistance program),
26 notwithstanding any other provisions of this section. The total
27 contribution rate under this subsection shall be a percentage of
28 the compensation of all active members in classes of service
29 other than Class T-G and the compensation of active members of
30 Class T-G who have 25 or fewer eligibility points resulting from
31 Class T-G service, or if a multiple service member, as Class A-5
32 service, up to the defined benefit compensation limit.

33 (g) Temporary application of collared contribution rate.--
34 * * *

35 (3) For purposes of applying the collared contribution
36 rate, compensation for determining the normal contribution
37 rate shall be defined as the total compensation of all active
38 members and active participants, as applicable.

39 * * *

40 Section 110. Sections 8330 and 8341 of Title 24 are amended
41 to read:

42 § 8330. Appropriations by the Commonwealth.

43 (a) Annual submission of budget.--The board shall prepare
44 and through the Governor submit annually to the General Assembly
45 an itemized budget consisting of the amounts necessary to be
46 appropriated by the Commonwealth out of the General Fund
47 required to meet the separate obligations to the fund and the
48 trust accruing during the fiscal period beginning July 1 of the
49 following year.

50 (b) Appropriation and payment.--The General Assembly shall
51 make an appropriation sufficient to provide for the separate

1 obligations of the Commonwealth to the fund and the trust. Such
2 amount shall be paid by the State Treasurer through the
3 Department of Revenue into the fund or the trust, as the case
4 may be, within 30 days of receipt of the requisition presented
5 each quarter by the board.

6 § 8341. Return of accumulated deductions.

7 Accumulated deductions may be returned as follows:

8 (1) Any member upon termination of service may, in lieu
9 of all benefits payable from the system and attributable to
10 service in classes other than Class T-G under this chapter to
11 which he may be entitled, elect to receive his accumulated
12 deductions.

13 (2) A Class T-G member who terminates service and is not
14 eligible for an immediate annuity or eligible to become a
15 vestee as a result of such Class T-G service may elect to
16 receive his accumulated deductions in lieu of any benefit
17 from the system accrued as a Class T-G member.

18 (3) A member with vested Class T-G service credit may
19 not, in lieu of all benefits payable from the system under
20 this part to which he may be entitled, elect to receive his
21 accumulated deductions on the portion of the benefit relating
22 to his Class T-G service.

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

26 § 8342. Maximum single life annuity.

27 (a) General rule.--Upon termination of service, any full
28 coverage member who is eligible to receive an annuity pursuant
29 to the provisions of section 8307(a) or (b) (relating to
30 eligibility for annuities) and has made an application in
31 accordance with the provisions of section 8507(f) (relating to
32 rights and duties of school employees [and members], members and
33 participants) shall be entitled to receive a maximum single life
34 annuity attributable to his credited service and equal to the
35 sum of the following single life annuities beginning at the
36 effective date of retirement and, in case the member on the
37 effective date of retirement is under superannuation age,
38 multiplied by a reduction factor calculated to provide benefits
39 actuarially equivalent to an annuity starting at superannuation
40 age: Provided however, That on or after July 1, 1976, in the
41 case of any member except a Class T-G member who has attained
42 age 55 and has 25 or more eligibility points such sum of single
43 life annuities shall be reduced by a percentage determined by
44 multiplying the number of months, including a fraction of a
45 month as a full month, by which the effective date of retirement
46 precedes superannuation age by 1/4%: Further provided, In no
47 event shall a Class T-E or Class T-F member receive an annual
48 benefit, calculated as of the effective date of retirement,
49 greater than the member's final average salary attributable to
50 Class T-E or T-F service:

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

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

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

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

15 * * *

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

21 § 8344. Disability annuities.

22 (a) Amount of annuity.--A member who has made application
23 for a disability annuity as provided in section 8507(k)
24 (relating to rights and duties of school employees [and
25 members], members and participants) and has been found to be
26 eligible in accordance with the provisions of sections 8307(c)
27 (relating to eligibility for annuities) and 8505(c)(1) (relating
28 to duties of board regarding applications and elections of
29 members) shall receive a disability annuity payable from the
30 effective date of disability and continued until a subsequent
31 determination by the board that the annuitant is no longer
32 entitled to a disability annuity. The disability annuity shall
33 be a single life annuity that is equal to a sum of the standard
34 single life [annuity] annuities determined separately for each
35 class of service if the total number of years of credited
36 service is greater than 16.667, otherwise [the] each standard
37 single life annuity shall be multiplied by the lesser of the
38 following ratios:

$$39 \quad Y^*/Y \text{ or } 16.667/Y$$

40 where Y = total number of years of credited service and Y* =
41 total years of credited service if the member were to continue
42 as a school employee until attaining superannuation age, or if
43 the member has attained superannuation age then the number of
44 years of credited service. In no event shall the disability
45 annuity plus any cost-of-living increases be less than \$100 for
46 each full year of credited service. The member shall be entitled
47 to the election of a joint and survivor annuity on that portion
48 of the disability annuity to which he is entitled under section
49 8342 (relating to maximum single life annuity).

50 (b) Reduction on account of earned income.--Payments on
51 account of disability shall be reduced by that amount by which

1 the earned income of the annuitant, as reported in accordance
2 with section 8508(b) (relating to rights and duties of
3 annuitants) for the preceding year together with the disability
4 annuity payments for the year, exceeds the greater of \$5,000 or
5 the last year's salary of the annuitant as a [school employee]
6 member of the system, provided that the annuitant shall not
7 receive less than his member's annuity or the amount to which he
8 may be entitled under section 8342, whichever is greater.

9 * * *

10 (d) Withdrawal of accumulated deductions.--Upon termination
11 of disability annuity payments in excess of an annuity
12 calculated in accordance with section 8342, a disability
13 annuitant who:

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

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

22 * * *

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

28 Section 112. Sections 8345(a) and 8346(a), (a.1), (b), (b.1)
29 (1), (c) and (d)(1) of Title 24 are amended to read:

30 § 8345. Member's options.

31 (a) General rule.--Any Class T-C or Class T-D member who is
32 a vestee with five or more eligibility points, any Class T-E or
33 Class T-F member who is a vestee with ten or more eligibility
34 points, [or] any [other] eligible member upon termination of
35 school service [who has not withdrawn his accumulated deductions
36 as provided in section 8341 (relating to return of accumulated
37 deductions)] who is eligible to receive an annuity, or a Class
38 T-G member who is a vestee with at least 25 eligibility points
39 resulting from service credited as a member of Class T-G, may
40 apply for and elect to receive either a maximum single life
41 annuity, as calculated in accordance with the provisions of
42 section 8342 (relating to maximum single life annuity), or a
43 reduced annuity certified by the actuary to be actuarially
44 equivalent to the maximum single life annuity and in accordance
45 with one of the following options, except that no member shall
46 elect an annuity payable to one or more survivor annuitants
47 other than his spouse or alternate payee of such a magnitude
48 that the present value of the annuity payable to him for life
49 plus any lump sum payment he may have elected to receive is less
50 than 50% of the present value of his maximum single life
51 annuity. In no event shall a Class T-E or Class T-F member

1 receive an annual benefit, calculated as of the effective date
2 of retirement, greater than the member's final average salary.

3 (1) Option 1.--A life annuity to the member with:

4 (i) a guaranteed total payment attributable to
5 classes of service other than Class T-G equal to the
6 present value of the maximum single life annuity
7 attributable to classes of service other than Class T-G
8 on the effective date of retirement with the provision
9 that, if, at his death, he has received less than such
10 present value, the unpaid balance shall be payable to his
11 beneficiary[.]; and

12 (ii) a guaranteed total payment attributable to
13 Class T-G service equal to the present value of the
14 maximum single life annuity attributable to Class T-G
15 service on the effective date of retirement with the
16 provision that, if, at his death, he has received less
17 than such present value, the unpaid balance shall be
18 payable to his beneficiary.

19 (2) Option 2.--A joint and survivor annuity payable
20 during the lifetime of the member with the full amount of
21 such annuity payable thereafter to his survivor annuitant, if
22 living at his death.

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

27 (4) Option 4.--Some other benefit which shall be
28 certified by the actuary to be actuarially equivalent to the
29 maximum single life annuity, subject to the following
30 restrictions:

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

33 (ii) The sum of all annuities payable to the
34 designated survivor annuitants shall not be greater than
35 one and one-half times the annuity payable to the member.

36 (iii) A portion of the benefit may be payable as a
37 lump sum, except that such lump sum payment shall not
38 exceed an amount equal to the accumulated deductions
39 standing to the credit of the member. The balance of the
40 present value of the maximum single life annuity adjusted
41 in accordance with section 8342(b) shall be paid in the
42 form of an annuity with a guaranteed total payment, a
43 single life annuity, or a joint and survivor annuity or
44 any combination thereof but subject to the restrictions
45 of subparagraphs (i) and (ii) of this paragraph. This
46 subparagraph shall not apply to a Class T-E [or], Class
47 T-F or Class T-G member.

48 * * *

49 § 8346. Termination of annuities.

50 (a) General rule.--If an annuitant returns to school service
51 or enters or has entered State service and elects multiple

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

24 (a.1) Return of benefits.--In the event an annuitant whose
25 annuity from the system ceases pursuant to this section receives
26 any annuity payment, including a lump sum payment pursuant to
27 section 8345 (relating to member's options) on or after the date
28 of his return to school service or entering State service, the
29 annuitant shall return to the board the amount so received from
30 the system plus statutory interest. The amount payable shall be
31 certified in each case by the board in accordance with methods
32 approved by the actuary and shall be paid in a lump sum within
33 90 days or in the case of an active member or a State employee
34 who is an active member of the State Employees' Retirement
35 System may be amortized with statutory interest through salary
36 deductions to the system in amounts agreed upon by the member
37 and the board. The salary deduction amortization plans agreed to
38 by the member and the board may include a deferral of payment
39 amounts and statutory interest until the termination of school
40 service or State service as the board in its sole discretion
41 decides to allow. The board may limit salary deduction
42 amortization plans to such terms as the board in its sole
43 discretion determines. In the case of a State employee who is an
44 active member of the State Employees' Retirement System, the
45 agreed upon salary deductions shall be remitted to the State
46 Employees' Retirement Board, which shall certify and transfer to
47 the board the amounts paid.

48 * * *

49 (b) Return to school service during emergency.--When, in the
50 judgment of the employer, an emergency creates an increase in
51 the work load such that there is serious impairment of service

1 to the public or in the event of a shortage of appropriate
2 subject certified teachers or other personnel, an annuitant or
3 participant receiving distributions may be returned to school
4 service for a period not to extend beyond the school year during
5 which the emergency or shortage occurs, without loss of his
6 annuity or distributions. The annuitant shall not be entitled to
7 earn any credited service, and no contributions may be made by
8 the annuitant, the employer or the Commonwealth on account of
9 such employment. Such service shall not be subject to member
10 contributions or be eligible for qualification as creditable
11 school service or for participation in the plan, mandatory
12 pickup participant contributions or employer defined
13 contributions.

14 (b.1) Return to school service in an extracurricular
15 position.--

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

34 * * *

35 (c) Subsequent discontinuance of service.--Upon subsequent
36 discontinuance of service, such [member] terminating school
37 employee other than a former annuitant who had the effect of his
38 frozen present value eliminated in accordance with subsection
39 (d) or a former disability annuitant shall be entitled to an
40 annuity which is actuarially equivalent to [the sum of] the
41 present value as determined under subsection (a) [and the] to
42 which shall be added, if the service after reemployment was as a
43 member of the system:

44 (1) The present value of a maximum single life annuity
45 based on years of service credited in classes of service
46 other than Class T-G subsequent to reentry in the system and
47 his final average salary computed by reference to his
48 compensation for service credited in classes of service other
49 than Class T-G as a member of the system or as Class A-5 as a
50 member of the State Employees' Retirement System during his
51 entire period of school and State service.

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

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

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

15 (i) is a multiple service member; or

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

31 * * *

32 Section 113. Sections 8347(a) and (d) and 8349(a) and (b) of
33 Title 24 are amended and the sections are amended by adding
34 subsections to read:

35 § 8347. Death benefits.

36 (a) Members eligible for annuities.--

37 (1) Any member or former member on USERRA leave, other
38 than an annuitant, who dies and was eligible for an annuity
39 in accordance with section 8307(a) or (b) (relating to
40 eligibility for annuities) shall be considered as having
41 applied for an annuity to become effective the day before his
42 death; and, in the event he has not elected an option, it
43 shall be assumed that he elected Option 1 and assigned as
44 beneficiary that person last designated in writing to the
45 board.

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

50 * * *

51 (b.1) Members eligible for annuities in some classes of

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

10 * * *

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

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

27 (2) Who has elected to receive a maximum disability
28 annuity before he has received in annuity payments an amount
29 equal to the present value, on the effective date of
30 disability, of the benefits attributable to Class T-G service
31 to which he would have been entitled under subsection (a) had
32 he died while in school service, the balance of such amount
33 shall be paid to his designated beneficiary, except that, in
34 the event of the death of a disability annuitant who was not
35 entitled to receive benefits attributable to Class T-G
36 service under subsection (a), his beneficiary shall be paid
37 the accumulated deductions standing to his credit on the
38 effective date of disability less the total payments received
39 on account of his member's annuity.

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

42 (1) Who has elected to receive the maximum single life
43 annuity before he has received in total annuity payments an
44 amount equal to the full amount of the accumulated deductions
45 on other than Class T-G service standing to his credit on the
46 effective date of retirement, the difference between the
47 total payments made to the date of death and the accumulated
48 deductions shall be paid to his designated beneficiary[.] on
49 other than Class T-G service.

50 (2) Who has elected to receive the maximum single life
51 annuity before he has received in annuity payments the full

1 amount of the accumulated deductions attributable to Class T-
2 G service standing to his credit on the effective date of
3 retirement, the balance shall be paid to his designated
4 beneficiary.

5 § 8349. Payment of benefits from the system.

6 (a) Annuities.--[Any] Except as provided in subsection (d),
7 any annuity granted under the provisions of this part and paid
8 from the fund shall be paid in equal monthly installments.

9 (b) Death benefits.--If the amount of a death benefit
10 payable from the fund to a beneficiary of a member under section
11 8347 (relating to death benefits) or under the provisions of
12 Option 1 of section 8345(a)(1) (relating to member's options) is
13 \$10,000 or more, such beneficiary may elect to receive payment
14 according to one of the following options:

15 (1) A lump sum payment.

16 (2) An annuity actuarially equivalent to the amount
17 payable.

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

21 * * *

22 (d) Members with Class T-G service and service in one or
23 more other classes of service.--An annuitant whose receipt of
24 the portion of his annuity attributable to Class T-G service has
25 been delayed to the attainment of the superannuation age shall
26 have his annuity increased upon attainment of the applicable
27 superannuation age under the terms and conditions of the annuity
28 payment option selected at the time of retirement, or if
29 applicable, under section 8507(j) (relating to rights and duties
30 of school employees, members and participants). In the event
31 such a member selected a joint and survivor annuity and died
32 prior to attaining the applicable superannuation age, the
33 annuity of his survivor annuitant, if surviving, will be
34 increased at the time the member would have attained
35 superannuation age.

36 Section 114. Title 24 is amended by adding a chapter to
37 read:

38 CHAPTER 84

39 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

40 Sec.

41 8401. Establishment.

42 8402. Plan document.

43 8403. Individual investment accounts.

44 8404. Participant contributions.

45 8405. Mandatory pickup participant contributions.

46 8406. Employer defined contributions.

47 8407. Eligibility for benefits.

48 8408. Death benefits.

49 8409. Vesting.

50 8410. Termination of distributions.

51 8411. Agreements with financial institutions and other

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

10 § 8401. Establishment.

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

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

32 (c) Assets held in trust.--All assets and income in the plan
33 that have been or shall be withheld or contributed by the
34 participants, the Commonwealth and employers in accordance with
35 this part shall be held in trust in any funding vehicle
36 permitted by the applicable provisions of IRC for the exclusive
37 benefit of the plan's participants and their beneficiaries until
38 such time as the funds are distributed to the participants or
39 their beneficiaries in accordance with the terms of the plan
40 document. The assets of the plan held in trust for the exclusive
41 benefit of the participants and their beneficiaries may be used
42 for the payment of the fees, costs and expenses related to the
43 administration and investment of the plan and the trust.

44 (d) Name for transacting business.--By the name of "The
45 School Employees' Defined Contribution Plan," all of the
46 business of the plan shall be transacted, the trust invested,
47 all requisitions for money drawn and payments made and all of
48 its cash and securities and other property shall be held, except
49 that, any other law to the contrary notwithstanding, the board
50 may establish a nominee registration procedure for the purpose
51 of registering securities in order to facilitate the purchase,

1 sale or other disposition of securities pursuant to the
2 provisions of this part.

3 § 8402. Plan document.

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

16 § 8403. Individual investment accounts.

17 The board:

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

26 (2) Shall separately track participant contributions,
27 including investment gains and losses, and employer
28 contributions, including investment gains and losses, but all
29 interest, investment gains and losses and administrative
30 fees, costs and expenses shall be allocated proportionately.

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

36 § 8404. Participant contributions.

37 (a) Mandatory contributions.--A participant shall make
38 mandatory pickup participant contributions through payroll
39 deductions to the participant's individual investment account
40 for required school service. The employer shall cause the pickup
41 contributions for required service to be made and deducted from
42 each payroll or on a schedule established by the board.

43 (b) Voluntary contributions.--A participant may make
44 voluntary contributions through direct trustee-to-trustee
45 transfers or through transfers of money received in an eligible
46 rollover into the trust to the extent allowed by IRC § 402.
47 Rollovers shall be made in a form and manner as determined by
48 the board, shall be credited to the participant's individual
49 investment account and shall be separately accounted for by the
50 board.

51 (c) Prohibition on contributions.--No contributions shall be

1 allowed that would cause a violation of the limitations related
2 to contributions applicable to governmental plans contained in
3 IRC § 415 or in other provisions of law. In the event that any
4 disallowed contributions are made, any participant contributions
5 in excess of the limitations and investment earnings on those
6 contributions shall be refunded to the participant by the board.
7 § 8405. Mandatory pickup participant contributions.

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

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

24 § 8406. Employer defined contributions.

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

31 (b) Contributions resulting from participants reemployed
32 from USERRA leave.--When a school employee reemployed from
33 USERRA leave makes the mandatory pickup participant
34 contributions permitted to be made for the USERRA leave, the
35 employer by whom the school employee is employed at the time the
36 participant contributions are made shall make whatever employer
37 defined contributions would have been made under this section
38 had the employee making the participant contributions after
39 being reemployed from USERRA leave continued to be employed in
40 the employee's school position instead of performing USERRA
41 leave. The employer defined contributions shall be placed in the
42 participant's individual investment account as otherwise
43 provided by this part.

44 (c) Limitations on contributions.--No contributions shall be
45 allowed that would cause a violation of the limitations related
46 to contributions applicable to governmental plans contained in
47 IRC § 415 or in other provisions of law. In the event that any
48 disallowed contributions are made, any employer defined
49 contributions in excess of the limitations and investment
50 earnings thereon shall be refunded to the employer by the board.
51 § 8407. Eligibility for benefits.

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

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

20 (c) Prohibited distributions.--A school employee must be
21 terminated from all positions that result in either membership
22 in the system or participation in the plan to be eligible to
23 receive a distribution.

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

28 (f) Small individual investment accounts.--A participant who
29 terminates school service and whose vested accumulated total
30 defined contributions are below the threshold established by law
31 as of the date of termination of service may be paid the vested
32 accumulated total defined contributions in a lump sum as
33 provided in IRC § 401(a)(31).
34 § 8408. Death benefits.

35 (a) General rule.--In the event of the death of an active
36 participant or inactive participant, the board shall pay to the
37 participant's beneficiary the vested balance in the
38 participant's individual investment account in a lump sum or in
39 such other manner as the board may establish in the plan
40 document.

41 (b) Death of participant receiving distributions.--In the
42 event of the death of a participant receiving distributions, the
43 board shall pay to the participant's beneficiary the vested
44 balance in the participant's individual investment account in a
45 lump sum or in such other manner as the board may establish in
46 the plan document or, if the board has established alternative
47 methods of distribution in the plan document under which the
48 participant was receiving distributions, to the participant's
49 beneficiary or successor payee as provided in the plan document.

50 (c) Contracts.--The board may contract with financial
51 institutions, insurance companies or other types of third-party

1 providers to allow participants who receive a lump sum
2 distribution to receive payments and death benefits in a form
3 and manner as provided by the contract.

4 § 8409. Vesting.

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

14 (b) Employer defined contributions.--

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

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

25 (c) USERRA leave and eligibility points.--A participant in
26 the plan who is reemployed from USERRA leave or who dies while
27 performing USERRA leave shall receive eligibility points under
28 this section for the school service that would have been
29 performed had the member not performed USERRA leave.

30 § 8410. Termination of distributions.

31 (a) Return to school service.--

32 (1) A participant receiving distributions or an inactive
33 participant who returns to school service shall cease
34 receiving distributions and shall not be eligible to receive
35 distributions until the participant subsequently terminates
36 school service, without regard to whether the participant is
37 a mandatory, optional or prohibited member of the system or
38 participant in the plan.

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

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

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

49 (2) The amount payable shall be certified in each case
50 by the board in accordance with methods approved by the
51 actuary and shall be paid in a lump sum within 30 days or, in

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

9 § 8411. Agreements with financial institutions and other
10 organizations.

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

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

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

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

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

27 § 8412. Powers and duties of board.

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

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

33 (2) The board shall pay all administrative fees, costs
34 and expenses of managing, investing and administering the
35 plan, the trust and the individual investment accounts from
36 the balance of the individual investment accounts, except as
37 the General Assembly otherwise provides through
38 appropriations from the General Fund.

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

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

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

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

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

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

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

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

13 (11) The board shall determine what constitutes a
14 termination of school service.

15 (12) The board may establish procedures for
16 distributions of small accounts as required or permitted by
17 IRC.

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

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

26 (ii) Procedures for deducting mandatory pickup
27 participant contributions from a participant's
28 compensation.

29 (iii) Procedures for rollovers and trustee-to-
30 trustee transfers allowed under the IRC and permitted by
31 the board as part of the plan.

32 (iv) Standards and criteria for providing not less
33 than ten options in accordance with three or more
34 providers of investment options to eligible individuals
35 regarding investment of amounts deferred under the plan.
36 The standards and criteria must provide for a variety of
37 investment options and shall be reviewed in accordance
38 with criteria established by the board. One of the
39 available options must serve as the default option for
40 participants who do not make a timely election and, to
41 the extent commercially available, one option must have
42 an annuity.

43 (v) Standards and criteria for disclosing to the
44 participants the anticipated and actual income
45 attributable to amounts invested, property rights and all
46 fees, costs and expenses to be made against amounts
47 deferred to cover the costs and expenses of administering
48 and managing the plan or trust.

49 (vi) Procedures, standards and criteria for the
50 making of distributions from the plan upon termination
51 from employment or death or in other circumstances

1 consistent with the purpose of the plan.

2 (14) The board may waive any reporting or information
3 requirement contained in this part if the board determines
4 that the information is not needed for the administration of
5 the plan.

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

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

14 (17) The provisions and restrictions of the act of July
15 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's
16 Investments Act, shall not apply to the plan or trust or the
17 investments thereof, but the board may offer to the plan
18 participants investment vehicles that would be allowed under
19 the Protecting Pennsylvania's Investments Act.

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

23 § 8413. Responsibility for investment loss.

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

30 § 8414. Investments based on participants' investment
31 allocation choices.

32 (a) Investment by participant.--All contributions, interest
33 and investment earnings shall be invested based on a
34 participant's investment allocation choices. All investment
35 allocation choices shall be credited proportionally between
36 contributions from the participant and employer defined
37 contributions. Each participant shall be credited individually
38 with the amount of contributions, interest and investment
39 earnings.

40 (b) Investment of contributions made by entities other than
41 the Commonwealth.--Investment of contributions by any
42 corporation, institution, insurance company or custodial bank or
43 other entity that the board has approved shall not be
44 unreasonably delayed, and in no case shall the investment of
45 contributions be delayed more than 30 days from the date each
46 payroll deduction is made to the date that the funds are
47 invested. Any interest earned on the funds pending investment
48 shall be allocated to the employers and credited to the
49 individual investment accounts of participants who are then
50 participating in the plan, unless the interest is used to defray
51 administrative costs and fees that would otherwise be required

1 to be borne by participants who are then participating in the
2 plan.

3 § 8415. Expenses.

4 All expenses, fees and costs of administering the plan and
5 the trust and investing the assets of the trust shall be borne
6 by the participants and paid from assessments against the
7 balances of the individual investment accounts as established by
8 the board, except that, for fiscal years ending before July 1,
9 2016, the expenses, fees and costs of establishing and
10 administering the plan and trust shall be paid by the
11 Commonwealth through annual appropriations from the General
12 Fund, made on the basis of estimates from the board.

13 § 8416. Tax qualification.

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

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

19 (1) (i) Except as provided under subparagraph (ii) and
20 notwithstanding a provision of this part, a contribution
21 or benefit related to the plan may not exceed a
22 limitation under IRC § 415 with respect to governmental
23 plans that is in effect on the date the contribution or
24 benefit payment takes effect.

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

28 (iii) For the purposes of this paragraph, the term
29 "government plans" shall have the same meaning as in IRC
30 § 414(d).

31 (2) (i) Except as provided under subparagraph (ii), an
32 amendment of this part on or after the effective date of
33 this section that increases contributions or benefits for
34 active participants, inactive participants or
35 participants receiving distributions may not be deemed to
36 provide for a contribution or benefit in excess of a
37 limitation, adjusted on or after the effective date of
38 this section under IRC § 415 unless specifically provided
39 by legislation.

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

44 § 8417. Establishment of School Employees' Defined Contribution
45 Holding Vehicle Trust.

46 (a) School Employees' Defined Contribution Holding Vehicle
47 Trust.--The School Employees' Defined Contribution Holding
48 Vehicle Trust is established as part of the plan. The holding
49 vehicle trust shall be comprised of the individual investment
50 accounts and all assets and moneys in those accounts from July
51 1, 2015, until the earlier of the date the board certifies that

1 the School Employees' Defined Contribution Trust is operational
2 and able to accept participant and employer contributions or
3 December 31, 2015. The members of the board shall be the
4 trustees of the holding vehicle trust, which shall be held in a
5 separate account, established by the Treasury Department and
6 shall not be inconsistent with this part, the IRC or other
7 applicable law. The holding vehicle trust shall be administered
8 exclusively for the benefit of those school employees who
9 participate in the plan and their beneficiaries within the
10 meaning of and in conformity with IRC § 401(a) subject to the
11 requirements of Chapter 85 (relating to administration and
12 miscellaneous provisions).

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

26 (c) Mandatory pickup participant contributions.--All
27 mandatory pickup participant contributions and employer defined
28 contributions that will be required under sections 8404
29 (relating to participant contributions), 8405 (relating to
30 mandatory pickup participant contributions) and 8406 (relating
31 to employer defined contributions) to be made to the School
32 Employees' Defined Contribution Trust upon certification of such
33 trust shall be made to the holding vehicle trust prior to the
34 date the board certifies the School Employees' Defined
35 Contribution Trust. The employer shall cause those contributions
36 for service required to be credited in the plan to be made and
37 deducted from each payroll or on a schedule as established by
38 the board, and participant contributions shall be picked up by
39 the Commonwealth or other employer and shall be treated as the
40 employer's contribution for purposes of IRC § 414(h). After the
41 effective date of this section, an employer employing a
42 participant in the plan shall pick up the required mandatory
43 participant contributions by a reduction in the compensation of
44 the participant. No participant is permitted to make voluntary
45 contributions to the holding vehicle trust.

46 (d) Treatment for other purposes.--For all purposes other
47 than the IRC, the mandatory pickup participant contributions
48 shall be treated as contributions made by a participant in the
49 same manner and to the same extent as if the contributions were
50 made directly by the participant and not picked up.

51 (e) Limitations on contributions.--No contributions may be

1 allowed that would cause a violation of the limitations related
2 to contributions applicable to governmental plans contained in
3 IRC § 415 or in other provisions of law. In the event that any
4 disallowed contributions are made, any employer defined
5 contributions in excess of the limitations and investment
6 earnings on the contributions shall be refunded to the employer
7 by the board.

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

12 (g) Interest.--Upon the disbursement of a return of
13 accumulated deductions to a participant who has terminated
14 school service or of a death benefit to a participant's
15 designated beneficiaries or upon the transfer of all assets in
16 the holding vehicle trust to the School Employees' Defined
17 Contribution Trust or December 31, 2015, whichever occurs first,
18 the Commonwealth shall make an interest payment to the holding
19 vehicle trust. The interest payment shall be equal to 4% annual
20 rate of return on the mandatory pickup participant contributions
21 and employer defined contributions made for the participant,
22 increased or decreased for any investment losses or earnings
23 while in the holding vehicle trust, but in no case shall the
24 interest payment be less than zero.

25 (h) Responsibility for loss of investment opportunity.--The
26 board, the Commonwealth, an employer or other political
27 subdivision shall not be responsible for the failure of any
28 investment in the holding vehicle trust to earn any specific or
29 expected return greater than the 4% interest rate paid under
30 subsection (g) or to earn as much as any other investment
31 opportunity, whether or not the other opportunity was offered to
32 participants in the holding vehicle trust.

33 (i) Termination of holding vehicle trust.--After the
34 disbursement or transfer of all assets in the holding vehicle
35 trust and the certification by the board that no further
36 liabilities from the holding vehicle trust exist, the holding
37 vehicle trust shall be closed.

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

42 Section 115. Section 8501(a), (c) and (d) of Title 24 are
43 amended to read:

44 § 8501. Public School Employees' Retirement Board.

45 (a) Status and membership.--The board shall be an
46 independent administrative board and shall consist of 15
47 members: the Secretary of Education, ex officio; the State
48 Treasurer, ex officio; two Senators; two members of the House of
49 Representatives; the executive secretary of the Pennsylvania
50 School Boards Association, ex officio; two to be appointed by
51 the Governor, at least one of whom shall not be a school

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

35 * * *

36 (c) Oath of office.--Each member of the board shall take an
37 oath of office that he will, so far as it devolves upon him,
38 diligently and honestly administer the affairs of said board,
39 the system and the plan and that he will not knowingly violate
40 or willfully permit to be violated any of the provisions of law
41 applicable to this part. Such oath shall be subscribed by the
42 member making it and certified by the officer before whom it is
43 taken and shall be immediately filed in the office of the
44 Secretary of the Commonwealth.

45 (d) Compensation and expenses.--The members of the board who
46 are members of the system or participants in the plan shall
47 serve without compensation. Members of the board who are members
48 of the system or participants in the plan and who are employed
49 by a governmental entity shall not suffer loss of salary or
50 wages through serving on the board. The board, on request of the
51 employer of any member of the board who is an active

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

15 * * *

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

19 § 8502. Administrative duties of board.

20 * * *

21 (b) Professional personnel.--

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

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

31 (c) Expenses.--

32 (1) The board shall, through the Governor, submit to the
33 General Assembly annually a budget covering the
34 administrative expenses of [this part.] the system and a
35 separate budget covering the administrative expenses of the
36 plan. The separate budget shall include those expenses
37 necessary to establish the plan and trust.

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

41 (3) For fiscal years ending on or before June 30, 2016,
42 such expenses of the plan as approved by the General Assembly
43 through an appropriation shall be paid from the General Fund.
44 For fiscal years beginning on or after July 1, 2016, such
45 expenses of the plan as approved by the General Assembly
46 shall be paid from interest, pursuant to section 8414(b)
47 (relating to investments based on participant investment
48 allocation choices) or assessments on the balances of the
49 participants' individual investment accounts.

50 (4) Concurrently with its administrative budget, the
51 board shall also submit to the General Assembly annually a

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

9 * * *

10 (e) Records.--

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

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

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

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

32 (iii) have a substantial detrimental impact on the
33 value of an investment to be acquired, held or disposed
34 of by the fund or trust, or would cause a breach of the
35 standard of care or fiduciary duty set forth in this
36 part.

37 (3) (i) The sensitive investment or financial
38 information excluded from [inspection] access under
39 paragraph (2)(i), to the extent not otherwise excluded
40 from [inspection] access, shall constitute a public
41 record subject to public [inspection] access under the
42 Right-to-Know Law once the board is no longer required by
43 its agreement to maintain confidentiality.

44 (ii) The sensitive investment or financial
45 information excluded from [inspection] access under
46 paragraph (2)(ii), to the extent not otherwise excluded
47 from [inspection] access, shall constitute a public
48 record subject to public [inspection] access under the
49 Right-to-Know Law once:

50 (A) the [inspection] access no longer causes
51 substantial competitive harm to the person from whom

1 the information was received; or
2 (B) the entity in which the investment was made
3 is liquidated;
4 whichever is later.

5 (iii) The sensitive investment or financial
6 information excluded from [inspection] access under
7 paragraph (2)(iii), 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:

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

16 (B) the entity in which the investment was made
17 is liquidated;
18 whichever is later.

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

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

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

31 (ii) The identity of the manager of the alternative
32 investment vehicle.

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

35 (iv) The dollar amount of cash contributions made by
36 the system or plan to the alternative investment vehicle
37 since inception.

38 (v) The dollar amount of cash distributions received
39 by the system or plan from the alternative investment
40 vehicle since inception.

41 (vi) The net internal rate of return of the
42 alternative investment vehicle since inception, provided
43 that the system or plan shall not be required to disclose
44 the net internal rate of return under circumstances in
45 which, because of the limited number of portfolio assets
46 remaining in the alternative investment vehicle, the
47 disclosure could reveal the values of specifically
48 identifiable remaining portfolio assets to the detriment
49 of the alternative investment.

50 (vii) The aggregate value of the remaining portfolio
51 assets attributable to the system's or plan's investment

1 in the alternative investment vehicle, provided that the
2 system or plan shall not be required to disclose the
3 value under circumstances in which, because of the
4 limited number of portfolio assets remaining in the
5 alternative investment vehicle, the disclosure could
6 reveal the values of specifically identifiable remaining
7 portfolio assets to the detriment of the alternative
8 investment.

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

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

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

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

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

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

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

31 (7) (i) Nothing in this part shall be construed to
32 designate any record, material or data received,
33 prepared, used or retained by the board or its employees
34 or agents relating to the contributions, investments,
35 account value or benefits payable to or on account of a
36 participant as a public record subject to public access
37 under the Right-to-Know Law.

38 (ii) This paragraph shall apply to a record,
39 material or data under this subsection notwithstanding
40 whether:

41 (A) the record, material or data was created,
42 generated or stored before the effective date of this
43 paragraph;

44 (B) the record, material or data was previously
45 released or made public; or

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

1 * * *

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

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

27 (j) Actuarial investigation and valuation.--The board shall
28 have the actuary make an annual valuation of the various
29 accounts of the fund within six months of the close of each
30 fiscal year. In the fiscal year 1975 and in every fifth year
31 thereafter, the board shall have the actuary conduct an
32 actuarial investigation and evaluation of the system based on
33 data including the mortality, service, and compensation
34 experience provided by the board annually during the preceding
35 five years concerning the members and beneficiaries of the
36 system. The board shall by resolution adopt such tables as are
37 necessary for the actuarial valuation of the fund and
38 calculation of contributions, annuities, and other benefits
39 based on the reports and recommendations of the actuary. Within
40 30 days of their adoption, the secretary of the board shall
41 cause those tables which relate to the calculation of annuities
42 and other benefits to be published in the Pennsylvania Bulletin
43 in accordance with the provisions of 45 Pa.C.S. § 725(a)
44 (relating to additional contents of Pennsylvania Bulletin) and,
45 unless the board specifies therein a later effective date, such
46 tables shall become effective on such publication. The board
47 shall include a report on the significant facts, recommendations
48 and data developed in each five-year actuarial investigation and
49 evaluation of the system in the annual financial statement
50 published pursuant to the requirements of subsection (n) for the
51 fiscal year in which such investigation and evaluation were

1 concluded.

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

27 * * *

28 (n) Annual financial statement.--The board shall prepare and
29 have published, on or before January 1 of each year, [a
30 financial statement] financial statements as of the fiscal year
31 ending June 30 of the previous year showing the condition of the
32 fund, the trust and the various accounts, including, but not
33 limited to, the board's accrual and expenditure of directed
34 commissions, and setting forth such other facts, recommendations
35 and data as may be of use in the advancement of knowledge
36 concerning annuities and other benefits provided by this part.
37 The board shall submit said financial [statement] statements to
38 the Governor and shall make copies available to the employers
39 for the use of the school employees and the public.

40 (o) Independent [audit] audits.--The board shall provide for
41 [an annual audit] annual audits of the system and the plan by an
42 independent certified public accounting firm, which [audit]
43 audits shall include the board's accrual and expenditure of
44 directed commissions. The board may use the same independent
45 certified public accounting firm for the audits of both the
46 system and the plan.

47 * * *

48 (g) Participant and employer contributions to trust.--The
49 board shall, each year in addition to any fees and itemized
50 budget required under section 8330, certify, as a percentage of
51 each participant's compensation, the employer defined

1 contributions, which shall be paid to the trust and credited to
2 each participant's individual investment account. These
3 certifications shall be regarded as final and not subject to
4 modification by the Secretary of the Budget. The board shall
5 cause all mandatory pickup participant contributions made on
6 behalf of a participant and all voluntary contributions made by
7 a participant to be credited to the participant's individual
8 investment account.

9 Section 117. Section 8502.2(a) of Title 24 is amended to
10 read:

11 § 8502.2. Health insurance.

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

19 (1) Establishment of an annual budget and disbursements
20 in accordance with the budget.

21 (2) Determination of the benefits structure.

22 (3) Determination of enrollment procedures.

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

25 (5) Contracting for goods, equipment, services,
26 consultants and other professional personnel as needed to
27 operate the program.

28 * * *

29 Section 118. Sections 8503(a), 8505(h) and (i), 8506(a),
30 (d), (e), (g), (h), (i) and (k) and 8507(a), (c), (e) and (f) of
31 Title 24 are amended and the sections are amended by adding
32 subsections to read:

33 § 8503. Duties of board to advise and report to employers [and
34 members], members and participants.

35 (a) Manual of regulations.--The board shall, with the advice
36 of the Attorney General and the actuary, prepare, within 90 days
37 of the effective date of this part, a manual incorporating rules
38 and regulations consistent with the provisions of this part for
39 the employers who shall make information contained therein
40 available to the general membership. The board shall thereafter
41 advise the employers within 90 days of any changes in such rules
42 and regulations due to changes in the law or due to changes in
43 administrative policies. As soon as practicable after the
44 commissioner's publication with respect thereto, the board shall
45 also advise the employers as to any cost-of-living adjustment
46 for the succeeding calendar year in the amount of the limitation
47 under IRC § 401(a)(17) and the dollar amounts of the limitations
48 under IRC § [415(b)] 415.

49 * * *

50 (b.1) Participant status statements.--The board shall
51 furnish annually to each participant on or before December 31,

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

9 * * *

10 § 8505. Duties of board regarding applications and elections of
11 members and participants.

12 * * *

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

25 * * *

26 (f.1) Notification to inactive participants approaching
27 required beginning date.--The board shall notify each inactive
28 participant who has terminated school service and for whom
29 distribution has not commenced by 90 days before the
30 participant's required beginning date, in writing, that the
31 inactive participant has an obligation to commence distributions
32 by the required beginning date in a form and manner required by
33 IRC § 401(a)(9) and other applicable provisions of IRC.

34 * * *

35 (g.1) Initial payment to participants.--The board shall make
36 the initial payment to a participant who has applied for a
37 distribution within 60 days of the filing of the application and
38 receipt of the required data from the employer of the
39 participant and other necessary data.

40 (h) Death benefits.--Upon receipt of notification of the
41 death of a member or former member on USERRA leave, an active
42 participant, an inactive participant or a former participant on
43 USERRA leave, the board shall notify the designated beneficiary
44 or survivor annuitant of the benefits to which he is entitled
45 and shall make the first payment to the beneficiary under the
46 plan elected by the beneficiary within 60 days of receipt of
47 certification of death and other necessary data. If no
48 beneficiary designation is in effect at the date of the member's
49 or participant's death or no notice has been filed with the
50 board to pay the amount of such benefits to the member's or
51 participant's estate, the board is authorized to pay such

1 benefits to the executor, administrator, surviving spouse or
2 next-of-kin of the deceased member or participant, and payment
3 pursuant hereto shall fully discharge the fund or plan from any
4 further liability to make payment of such benefits to any other
5 person. If the surviving spouse or next-of-kin of the deceased
6 member or participant cannot be found for the purpose of paying
7 such benefits for a period of seven years from the date of death
8 of the member or participant, then such benefits shall be
9 escheated to the Commonwealth for the benefit of the fund or
10 plan.

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

25 * * *

26 § 8506. Duties of employers.

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

33 (1) if the removal is due to leave without pay, the
34 employer shall furnish the board with the date of beginning
35 leave, the date of return to service, and the reason for
36 leave;

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

41 (3) if the removal is due to termination of school
42 service, the employer shall furnish the board with a complete
43 school service record including credited or creditable
44 nonschool service and in the case of death of the member or
45 participant the employer shall so notify the board.

46 * * *

47 (c.1) Participant and employer defined contributions.--The
48 employer shall cause the mandatory pickup participant
49 contributions on behalf of a participant to be made. The
50 employer shall also cause the employer defined contributions on
51 behalf of a participant to be made. The employer shall notify

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

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

25 (e) New employees subject to optional membership or
26 participation.--The employer shall inform any eligible school
27 employee whose membership in the system or participation in the
28 plan is not mandatory of his opportunity to become a member of
29 the system or a participant in the plan provided that he elects
30 to purchase credit for all such continuous creditable service.
31 If such employee so elects, the employer shall no later than 30
32 days thereafter cause an application for membership or
33 participation which application shall include the employee's
34 home address, birthdate certified by the employer, previous
35 school or State service and any other information requested by
36 the board, and a nomination of beneficiary to be made by him and
37 filed with the board and shall cause proper contributions to be
38 made from the date of election of membership or participation.

39 * * *

40 (g) Former State employee contributors.--The employer shall,
41 upon the employment of a former member of the State Employees'
42 Retirement System who is not an annuitant of the State
43 Employees' Retirement System, advise such employee [of his] if
44 he has a right to elect multiple service membership within 365
45 days of entry into the system or, for a member of Class T-G, if
46 he has a right to elect within 45 days of entry into the system
47 and, in the case any such employee who so elects has withdrawn
48 his accumulated deductions, require him to restore his
49 accumulated deductions as they would have been at the time of
50 his separation had he been a full coverage member, together with
51 statutory interest for all periods of subsequent State and

1 school service to date of repayment. The employer shall advise
2 the board of such election.

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

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

23 (1) An application for the return of accumulated
24 deductions, if eligible.

25 (2) An election to vest his retirement rights, if
26 eligible, and, if he is a joint coverage member and so
27 desires, an election to become a full coverage member and an
28 agreement to pay within 30 days of the date of termination of
29 service the lump sum required.

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

35 * * *

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

39 (1) Any school employee who:

40 (i) ceases to be an active member or active
41 participant to perform USERRA service; or

42 (ii) is granted a leave of absence under 51 Pa.C.S.
43 § 4102 (relating to leaves of absence for certain
44 government employees) or a military leave of absence
45 under 51 Pa.C.S. § 7302 (relating to granting military
46 leaves of absence).

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

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

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

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

11 § 8507. Rights and duties of school employees [and members],
12 members and participants.

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

33 * * *

34 (b.1) Application for participation.--On or after July 1,
35 2015, in the case of a new employee who is not currently a
36 participant in the plan and whose participation is mandatory,
37 the new employee shall execute an application for participation
38 and a nomination of a beneficiary.

39 (c) Multiple service membership.--

40 (1) Any [active member] school employee who is an active
41 member in a class of service other than Class T-G and who was
42 formerly an active member in the State Employees' Retirement
43 System in a class of service other than Class A-5 may elect
44 to become a multiple service member. Such election for a
45 member in other than Class T-G shall occur no later than 365
46 days after becoming an active member in a class of service
47 other than Class T-G in this system.

48 (2) Any school employee who is an active member of Class
49 T-G and who was formerly an active member in the State
50 Employees' Retirement System in Class A-5 may elect to become
51 a multiple service member. Such election shall occur no later

1 than 45 days after becoming an active member of Class T-G.

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

8 * * *

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

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

27 (e) Beneficiary for death benefits from system.--Every
28 member shall nominate a beneficiary by written designation filed
29 with the board to receive the death benefit or the benefit
30 payable from the system under the provisions of Option 1. Such
31 nomination may be changed at any time by the member by written
32 designation filed with the board. A member may also nominate a
33 contingent beneficiary or beneficiaries to receive the death
34 benefit or the benefit payable under the provisions of Option 1.

35 (e.1) Beneficiary for death benefits from plan.--Every
36 participant shall nominate a beneficiary by written designation
37 filed with the board as provided in section 8506 (relating to
38 duties of employers) to receive the death benefit payable under
39 section 8347 (relating to death benefits). A participant may
40 also nominate a contingent beneficiary or beneficiaries to
41 receive the death benefit provided under section 8408 (relating
42 to death benefits). Such nomination may be changed at any time
43 by the participant by written designation filed with the board.

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

48 (f) Termination of service by members.--Each member who
49 terminates school service and who is not then a disability
50 annuitant shall execute on or before the date of termination of
51 service a written application, duly attested by the member or

1 his legally constituted representative, electing to do one or
2 more of the following:

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

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

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

12 * * *

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

21 * * *

22 Section 119. Sections 8521(b), 8522, 8524, 8525 and 8531 of
23 Title 24 are amended to read:

24 § 8521. Management of fund and accounts.

25 * * *

26 (b) Crediting of interest.--The board annually shall allow
27 statutory interest, excluding the individual investment
28 accounts, to the credit of the members' savings account on the
29 mean amount of the accumulated deductions of all members for
30 whom interest is payable for the preceding year and valuation
31 interest on the mean amount of the annuity reserve account for
32 the preceding year to the credit of that account. The board
33 annually shall allow valuation interest calculated on the mean
34 amount for the preceding year of the balance in the State
35 accumulation account excluding any earnings of the fund credited
36 to the account during that year. In the event the total earnings
37 for the year do not exceed 5 1/2% of the mean amount for the
38 preceding year of the total assets of the fund less earnings
39 credited to the fund during that year plus the administrative
40 expenses of the board, the difference required to be
41 appropriated from the General Fund shall be credited to the
42 State accumulation account.

43 * * *

44 § 8522. Public School Employees' Retirement Fund.

45 (a) General rule.--The fund shall consist of all moneys in
46 the several separate funds in the State Treasury set apart to be
47 used under the direction of the board for the benefit of members
48 of the system; and the Treasury Department shall credit to the
49 fund all moneys received from the Department of Revenue arising
50 from the contributions relating to or on behalf of the members
51 of the system required under the provisions of Chapter 83

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

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

16 § 8524. State accumulation account.

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

38 § 8525. Annuity reserve account.

39 (a) Credits and charges to account.--The annuity reserve
40 account shall be the ledger account to which shall be credited
41 the reserves held for the payment of annuities and death
42 benefits resulting from membership in the system on account of
43 all annuitants and the contributions from the Commonwealth and
44 other employers as determined in accordance with section 8328
45 (relating to actuarial cost method) for the payment of the
46 supplemental annuities provided in sections 8348 (relating to
47 supplemental annuities), 8348.1 (relating to additional
48 supplemental annuities), 8348.2 (relating to further additional
49 supplemental annuities), 8348.3 (relating to supplemental
50 annuities commencing 1994), 8348.4 (relating to special
51 supplemental postretirement adjustment), 8348.5 (relating to

1 supplemental annuities commencing 1998), 8348.6 (relating to
2 supplemental annuities commencing 2002) and 8348.7 (relating to
3 supplemental annuities commencing 2003). The annuity reserve
4 account shall be credited with valuation interest. After the
5 transfers provided in sections 8523 (relating to members'
6 savings account) and 8524 (relating to State accumulation
7 account), all annuity and death benefit payments shall be
8 charged to the annuity reserve account and paid from the fund.

9 (b) Transfers from account.--Should an annuitant be
10 subsequently restored to active service either as a member of
11 the system or participant in the plan, the present value of his
12 member's annuity at the time of reentry into school service
13 shall be transferred from the annuity reserve account and placed
14 to his individual credit in the members' savings account. In
15 addition, the actuarial reserve for his annuity less the amount
16 transferred to the members' savings account shall be transferred
17 from the annuity reserve account to the State accumulation
18 account.

19 § 8531. State guarantee regarding the system.

20 Statutory interest charges payable, the maintenance of
21 reserves in the fund, and the payment of all annuities and other
22 benefits granted by the board from the system under the
23 provisions of this part relating to the establishment and
24 administration of the system are hereby made obligations of the
25 Commonwealth. All income, interest, and dividends derived from
26 deposits and investments of the system authorized by this part
27 shall be used for the payment of the said obligations of the
28 Commonwealth and shall not be used for any obligations of the
29 plan or trust.

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

33 § 8533. Taxation, attachment and assignment of funds.

34 (a) General rule.--Except as provided in subsections (b),
35 (c) and (d), the right of a person to a member's annuity, a
36 State annuity, or retirement allowance, to the return of
37 contributions, any benefit or right accrued or accruing to any
38 person under the provisions of this part, and the moneys in the
39 fund and the trust are hereby exempt from any State or municipal
40 tax, [and exempt from] levy and sale, garnishment, attachment,
41 or any other process whatsoever, and the provisions of Article
42 XIII.1 of the the act of April 9, 1929 (P.L.343, No.176), known
43 as The Fiscal Code, and shall be unassignable.

44 (a.1) Individual investment accounts and distributions.--No
45 participant or beneficiary, successor payee or alternate payee
46 of a participant shall have the ability to commute, sell,
47 assign, alienate, anticipate, mortgage, pledge, hypothecate,
48 commutate or otherwise transfer or convey any benefit or
49 interest in an individual investment account or rights to
50 receive or direct distributions under this part or under
51 agreements entered into under this part except as otherwise

1 provided in this part and in the case of either a member or a
2 participant.

3 (b) Forfeiture.--

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

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

31 * * *

32 (d) Direct rollover.--Effective with distributions made on
33 or after January 1, 1993, and notwithstanding any other
34 provision of this part to the contrary, a distributee may elect,
35 at the time and in the manner prescribed by the board, to have
36 any portion of an eligible rollover distribution paid directly
37 to an eligible retirement plan by way of a direct rollover. For
38 purposes of this subsection, a "distributee" includes a member
39 [and], a participant, a member's surviving spouse [and], a
40 participant's surviving spouse, a member's former spouse who is
41 an alternate payee under an approved domestic relations order[.]
42 and a participant's former spouse who is an alternate payee
43 under an approved domestic relations order and anyone else
44 authorized under IRC and the plan terms approved by the board to
45 have an eligible rollover distribution paid directly to an
46 eligible retirement plan by way of a direct rollover. For
47 purposes of this subsection, the term "eligible rollover
48 distribution" has the meaning given such term by IRC § 402(f)(2)
49 (A) and "eligible retirement plan" has the meaning given such
50 term by IRC § 402(c)(8)(B), except that a qualified trust shall
51 be considered an eligible retirement plan only if it accepts the

1 distributee's eligible rollover distribution; however, in the
2 case of an eligible rollover distribution to a surviving spouse,
3 an eligible retirement plan is an "individual retirement
4 account" or an "individual retirement annuity" as those terms
5 are defined in IRC § 408(a) and (b).

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

8 § 8533.1. Approval of domestic relations orders.

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

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

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

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

27 (4) Specifies the retirement option to be selected by
28 the member upon retirement or states that the member may
29 select any retirement option offered by this part upon
30 retirement.

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

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

38 (7) Requires the member to execute an authorization
39 allowing each alternate payee to monitor the member's
40 compliance with the terms of the domestic relations order
41 through access to information concerning the member
42 maintained by the system.

43 (a.1) Certification regarding participants.--A domestic
44 relations order pertaining to a participant shall be certified
45 as an approved domestic relations order by the secretary of the
46 board, or his designated representative, only if the order meets
47 all of the following:

48 (1) Does not require the segregation of the alternate
49 payee's share of the participant's individual investment
50 account into a subaccount or newly established individual
51 account titled in the name of the alternate payee.

1 (2) Does not require the plan to recover or distribute
2 any funds which were distributed to the participant or at the
3 participant's direction prior to the approval of the domestic
4 relations order by the secretary of the board or his
5 designated representative.

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

13 (4) States that the plan shall not be required to recoup
14 or make good for losses in value to the participant's
15 individual investment account incurred between the date of
16 the valuation of the account used for equitable distribution
17 purposes and the date of distribution to the alternate payee.

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

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

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

30 (8) In the case of a participant who has not yet begun
31 to receive distributions as of the date the domestic
32 relations order is approved by the secretary of the board or
33 his designated representative, requires the immediate
34 distribution of the alternate payee's share of the
35 participant's individual investment account, which may be
36 made by direct payment, eligible rollover or trustee-to-
37 trustee transfer to another eligible plan or qualified
38 account owned by the alternate payee.

39 (9) In the case of a participant who is currently
40 receiving distributions from the plan as of the date the
41 domestic relations order is approved by the secretary of the
42 board or his designated representative, may not order the
43 board to pay the alternate payee more than the balance
44 available in the participant's individual investment account
45 as of the date the order is approved or require that
46 distributions continue to the alternate payee after the death
47 of the participant and final settlement of the participant's
48 individual investment account.

49 (b) Determination by secretary.--Within a reasonable period
50 of time after receipt of a domestic relations order, the
51 secretary of the board, or his designated representative, shall

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

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

31 (d) Obligation discharged.--Only the requirements of this
32 part and any regulations promulgated hereunder shall be used to
33 govern the approval or disapproval of a domestic relations
34 order. Therefore, if the secretary of the board, or his
35 designated representative, acts in accordance with the
36 provisions of this part and any promulgated regulations in
37 approving or disapproving a domestic relations order, then the
38 obligations of the system or plan with respect to such approval
39 or disapproval shall be discharged.

40 § 8533.2. Irrevocable beneficiary.

41 Notwithstanding any other provision of this part, a domestic
42 relations order may provide for an irrevocable beneficiary. A
43 domestic relations order requiring the nomination of an
44 irrevocable beneficiary shall be deemed to be one that requires
45 a member or participant to nominate an alternate payee as a
46 beneficiary and that prohibits the removal or change of that
47 beneficiary without approval of a court of competent
48 jurisdiction, except by operation of law. Such a domestic
49 relations order may be certified as an approved domestic
50 relations order by the secretary of the board, or his designated
51 representative, after the member or participant makes such

1 nomination, in which case the irrevocable beneficiary so ordered
2 by the court cannot be changed by the member or participant
3 without approval by the court.

4 § 8533.3. Irrevocable survivor annuitant.

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

20 § 8533.4. Amendment of approved domestic relations orders.

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

27 * * *

28 Section 122. Title 24 is amended by adding a section to
29 read:

30 § 8533.5. Irrevocable successor payee.

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

36 (b) Determination.--A domestic relations order requiring the
37 designation of an irrevocable successor payee shall be deemed to
38 be one that requires a participant who is receiving payments
39 from an annuity or other distribution option to designate an
40 alternate payee as a successor payee and that prohibits the
41 removal or change of that successor payee without approval of a
42 court of competent jurisdiction, except by operation of law.

43 (c) Certification.--A domestic relations order under
44 subsection (b) may be certified as an approved domestic
45 relations order by the secretary of the board, or his designated
46 representative, in which case the irrevocable successor payee
47 ordered by the court cannot be changed by the participant
48 without approval by the court.

49 (d) Ineligibility.--A person ineligible to be designated as
50 a successor payee may not be designated as an irrevocable
51 successor payee. A court may not name an irrevocable successor

1 payee if the alternate payee is eligible to receive a lump sum
2 distribution of the alternate payee's portion of the marital
3 portion of the pension benefit.

4 Section 123. Sections 8534 and 8535 of Title 24 are amended
5 to read:

6 § 8534. Fraud and adjustment of errors.

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

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

26 § 8535. Payments to school entities by Commonwealth.

27 For each school year beginning with the 1995-1996 school year
28 and ending with the 2014-2015 school year, each school entity
29 shall be paid by the Commonwealth for contributions based upon
30 school service of active members of the system after June 30,
31 1995, as follows:

32 (1) The Commonwealth shall pay each school entity for
33 contributions made to the Public School Employees' Retirement
34 Fund based upon school service of all active members,
35 including members on activated military service leave, whose
36 effective dates of employment with their school entities are
37 after June 30, 1994, and who also had not previously been
38 employed by any school entity within this Commonwealth an
39 amount equal to the amount certified by the Public School
40 Employees' Retirement Board as necessary to provide, together
41 with the members' contributions, reserves on account of
42 prospective annuities, supplemental annuities and the premium
43 assistance program as provided in this part in accordance
44 with section 8328 (relating to actuarial cost method),
45 multiplied by the market value/income aid ratio of the school
46 entity. For no school year shall any school entity receive
47 less than the amount that would result if the market
48 value/income aid ratio as defined in section 2501(14.1) of
49 the Public School Code [of 1949] was 0.50.

50 (2) The Commonwealth shall pay each school entity for
51 contributions made to the Public School Employees' Retirement

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

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

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

20 § 8535.1. Payments to school entities by Commonwealth
21 commencing with the 2015-2016 school year.

22 For each school year, beginning with the 2015-2016 school
23 year, each school entity shall be paid by the Commonwealth for
24 contributions based upon school service of active members of the
25 system and active participants of the plan after June 30, 2015,
26 as follows:

27 (1) The Commonwealth shall pay each school entity for
28 contributions made to the fund or the trust based upon school
29 service of all active members or active participants,
30 including members or participants on activated or USERRA
31 military service leave, whose effective dates of employment
32 with their school entities are after June 30, 1994, and who
33 also had not previously been employed by any school entity
34 within this Commonwealth, an amount equal to the amount
35 certified by the board as necessary to provide, together with
36 the members' and participants' contributions, reserves on
37 account of prospective annuities, supplemental annuities and
38 the premium assistance program as provided in this part in
39 accordance with section 8328 (relating to actuarial cost
40 method), multiplied by the market value/income aid ratio of
41 the school entity. For no school year shall any school entity
42 receive less than the amount that would result if the market
43 value/income aid ratio as defined in section 2501(14.1) of
44 the Public School Code was 0.50.

45 (2) The Commonwealth shall pay each school entity for
46 contributions made to the fund or the trust based upon school
47 service of all active members or active participants,
48 including members or participants on activated military
49 service leave, and active participants of the plan who are
50 not described in paragraph (1) one-half of the amount
51 certified by the board as necessary to provide, together with

1 the members' and participants' contributions, reserves on
2 account of prospective annuities, supplemental annuities and
3 the premium assistance program as provided in this part in
4 accordance with section 8328.

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

14 § 8537. Internal Revenue Code limitations.

15 Notwithstanding any provisions of this part to the contrary,
16 no contribution or benefit related to the School Employees'
17 Defined Contribution Plan shall be made or payable to the extent
18 that the contribution or benefit exceeds a limitation under IRC
19 § 415 in effect with respect to a "governmental plan," as
20 defined in IRC § 414(d) on the date the contribution or benefit
21 payment becomes effective. An increase in a limitation under IRC
22 § 415 shall be applicable to all current and future
23 participants.

24 Section 125. Section 8702(a) of Title 24 is amended to read:
25 § 8702. Definitions.

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

32 "Eligible person." An individual who is:

33 (1) an annuitant or survivor annuitant or the spouse or
34 dependent of an annuitant or survivor annuitant[.]; or

35 (2) a participant receiving distributions or a successor
36 payee, or the spouse or dependent of a participant receiving
37 distributions or successor payee.

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

39 "Plan year." The period July 1, 2001, through December 31,
40 2001, shall be the first plan year. After December 31, 2001, the
41 plan year shall be the calendar year.

42 "Program." The group health insurance program that may be
43 sponsored by the Public School Employees' Retirement Board under
44 this part.

45 "Reserve account." The restricted receipt account
46 established in section 8902(b) (relating to Public School
47 Retirees' Health Insurance Fund).

48 * * *

49 ARTICLE II

50 Section 201. Section 7306(a) introductory paragraph of Title
51 51 is amended and the section is amended by adding a subsection

1 to read:

2 § 7306. Retirement rights.

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

14 * * *

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

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

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

30 ARTICLE III

31 Section 301. Section 4104(a) (7) of Title 71 is amended to
32 read:

33 § 4104. Duties of office.

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

35 * * *

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

41 * * *

42 Section 302. The definitions of "active member," "alternate
43 payee," "average noncovered salary," "beneficiary," "class of
44 service multiplier," "compensation," "creditable nonstate
45 service," "credited service," "date of termination of service,"
46 "distribution," "domestic relations order," "final average
47 salary," "inactive member," "intervening military service,"
48 "irrevocable beneficiary," "member's annuity," "reemployed from
49 USERRA leave," "regular membership contributions," "retirement
50 counselor," "salary deductions," "shared-risk member
51 contributions," "special vestee," "standard single life

1 annuity," "State employee," "superannuation age,"
2 "superannuation score," "total accumulated deductions,"
3 "valuation interest" and "vestee" in section 5102 of Title 71
4 are amended and the section is amended by adding definitions to
5 read:

6 § 5102. Definitions.

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

10 * * *

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

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

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

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

32 "Active member." A State employee, or a member on leave
33 without pay, for whom pickup contributions are being made to the
34 fund or for whom such contributions otherwise required for
35 current State service are not being made solely by reason of
36 section 5502.1 (relating to waiver of regular member
37 contributions and Social Security integration member
38 contributions) or any provision of this part relating to the
39 limitations under section 401(a)(17) or section [415(b)] 415 of
40 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
41 § 401(a)(17) or [415(b)].] 415) or limitations on contributions
42 to the system applicable to a Class A-5 member who is making
43 mandatory pickup participant contributions to the trust.

44 "Active participant." A State employee for whom mandatory
45 pickup participant contributions are being made to the trust or
46 for whom such contributions otherwise required for State service
47 required to be credited in the plan are not being made solely by
48 reason of any provision of this part relating to the limitations
49 under section 401(a)(17) or 415 of the Internal Revenue Code of
50 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415).

51 * * *

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

6 * * *

7 "Average noncovered salary." The average of the amounts of
8 compensation received by an active member, other than
9 compensation attributable to service as a Class A-5 member, each
10 calendar year since January 1, 1956, exclusive of the amount
11 which was or could have been covered by the Federal Social
12 Security Act[, 42 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et
13 seq.), during that portion of the member's service since January
14 1, 1956, for which he has received social security integration
15 credit.

16 * * *

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

25 * * *

26 "Class A-5 accumulated deductions." The sum of the regular
27 accumulated deductions, shared-risk member contributions and all
28 other contributions paid into the fund for the purchase,
29 transfer or conversion of credit for service or other coverage
30 in Class A-5 together with all statutory interest credited
31 thereon until the date of termination of service. In the case of
32 a vestee, statutory interest shall be credited until the
33 effective date of retirement. A member's account shall not be
34 credited with statutory interest for more than two years during
35 a leave without pay.

36 "Class A-5 annual compensation limit." For calendar year
37 2015, the amount of \$50,000. For each subsequent calendar year,
38 the limit shall be 1% greater than the previous year's amount,
39 rounded to the nearest hundred dollars.

40 "Class of service multiplier."

41 Class of Service		Multiplier
42 A		1
43 AA	for all purposes	
44	except	
45	calculating	
46	regular member	
47	contributions on	
48	compensation	
49	paid prior to	
50	January 1, 2002	1.25
51 AA	for purposes of	

1		calculating	
2		regular member	
3		contributions	
4		on compensation	
5		paid prior to	
6		January 1, 2002	1
7	A-3	for all purposes	
8		except the	
9		calculation of	
10		regular member	
11		contributions	
12		and	
13		contributions	
14		for creditable	
15		nonstate service	1
16	A-3	for purposes of	
17		calculating	
18		regular member	
19		contributions	
20		and	
21		contributions	
22		for creditable	
23		nonstate service	1.25
24	A-4	for all purposes	
25		except the	
26		calculation of	
27		regular member	
28		contributions	1.25
29	A-4	for purposes of	
30		calculating	
31		regular member	
32		contributions	1.86
33	<u>A-5</u>	<u>for all purposes</u>	
34		<u>except the</u>	
35		<u>calculation of</u>	
36		<u>regular member</u>	
37		<u>contributions</u>	<u>1</u>
38	<u>A-5</u>	<u>for purposes of</u>	
39		<u>calculating</u>	
40		<u>regular member</u>	
41		<u>contributions on</u>	
42		<u>compensation up</u>	
43		<u>to the Class A-5</u>	
44		<u>annual</u>	
45		<u>compensation</u>	
46		<u>limit for</u>	
47		<u>members who have</u>	
48		<u>less than 25</u>	
49		<u>eligibility</u>	
50		<u>points credited</u>	
51		<u>as a member of</u>	

1		<u>Class A-5 or, if</u>		
2		<u>a multiple</u>		
3		<u>service member,</u>		
4		<u>as a member of</u>		
5		<u>Class T-G in the</u>		
6		<u>Public School</u>		
7		<u>Employees'</u>		
8		<u>Retirement</u>		
9		<u>System</u>		<u>1.2</u>
10	<u>A-5</u>	<u>for purposes of</u>		
11		<u>calculating</u>		
12		<u>regular member</u>		
13		<u>contributions on</u>		
14		<u>compensation</u>		
15		<u>over the Class</u>		
16		<u>A-5 annual</u>		
17		<u>compensation</u>		
18		<u>limit or for</u>		
19		<u>members who have</u>		
20		<u>25 or more</u>		
21		<u>eligibility</u>		
22		<u>points credited</u>		
23		<u>as a member of</u>		
24		<u>Class A-5 or, if</u>		
25		<u>a multiple</u>		
26		<u>service member,</u>		
27		<u>as a member of</u>		
28		<u>Class T-G in the</u>		
29		<u>Public School</u>		
30		<u>Employees'</u>		
31		<u>Retirement</u>		
32		<u>System</u>		<u>0</u>
33	B			.625
34	C			1
35	D			1.25
36	D-1	prior to January		
37		1, 1973		1.875
38	D-1	on and		
39		subsequent to		
40		January 1, 1973		1.731
41	D-2	prior to January		
42		1, 1973		2.5
43	D-2	on and		
44		subsequent to		
45		January 1, 1973		1.731
46	D-3	prior to January		
47		1, 1973		3.75
48	D-3	on and		
49		subsequent to		
50		January 1, 1973		1.731
51				except prior to December 1, 1974

1				as applied to
2				any additional
3				legislative
4				compensation as
5				an officer of
6				the General
7				Assembly
8			3.75	
9	D-4	for all purposes		
10		except		
11		calculating		
12		regular member		
13		contributions		
14		on compensation		
15		paid prior to		
16		July 1, 2001	1.5	
17	D-4	for purposes of		
18		calculating		
19		regular member		
20		contributions on		
21		compensation		
22		paid prior to		
23		July 1, 2001	1	
24	E, E-1	prior to January		
25		1, 1973	2	for each of the
26				first ten years
27				of judicial
28				service, and
29			1.5	for each
30				subsequent year
31				of judicial
32				service
33	E, E-1	on and		
34		subsequent to		
35		January 1, 1973	1.50	for each of the
36				first ten years
37				of judicial
38				service and
39			1.125	for each
40				subsequent year
41				of judicial
42				service
43	E-2	prior to		
44		September 1,		
45		1973	1.5	
46	E-2	on and		
47		subsequent to		
48		September 1,		
49		1973	1.125	
50	G		0.417	
51	H		0.500	

1	I	0.625
2	J	0.714
3	K	0.834
4	L	1.000
5	M	1.100
6	N	1.250
7	T-C (Public School	1
8	Employees'	
9	Retirement Code)	
10	T-E (Public School	1
11	Employees'	
12	Retirement Code)	
13	T-F (Public School	1
14	Employees'	
15	Retirement Code)	
16	<u>T-G (Public School</u>	<u>1</u>
17	<u>Employees' Retirement</u>	
18	<u>Code)</u>	

19 * * *

20 "Compensation." Pickup contributions and mandatory pickup
21 participant contributions plus remuneration actually received as
22 a State employee excluding refunds for expenses, contingency and
23 accountable expense allowances; excluding any severance payments
24 or payments for unused vacation or sick leave; and excluding
25 payments for military leave and any other payments made by an
26 employer while on USERRA leave, leave of absence granted under
27 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
28 government employees), military leave of absence granted under
29 51 Pa.C.S. § 7302 (relating to granting military leaves of
30 absence) or other types of military leave, including other types
31 of leave payments, stipends, differential wage payments as
32 defined in IRC § 414(u) (12) and any other payments: Provided,
33 however, That compensation received prior to January 1, 1973,
34 shall be subject to the limitations for retirement purposes in
35 effect December 31, 1972, if any: Provided further, That the
36 limitation under section 401(a) (17) of the Internal Revenue Code
37 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17)) taken into
38 account for the purpose of member contributions, including any
39 additional member contributions in addition to regular or joint
40 coverage member contributions and Social Security integration
41 contributions, regardless of class of service, shall apply to
42 each member who first became a member of the State Employees'
43 Retirement System on or after January 1, 1996, and who by reason
44 of such fact is a noneligible member subject to the application
45 of the provisions of section 5506.1(a) (relating to annual
46 compensation limit under IRC § 401(a) (17)) and shall apply to
47 each participant pertaining to his participation in the plan.

48 * * *

49 "Creditable nonstate service." Service for which an active
50 member may obtain credit in the system, other than:
51 (1) service as a State employee;

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

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

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

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

23 (1) the last day of service for which pickup
24 contributions are made for an active member or for which the
25 contributions otherwise required for such service were not
26 made solely by reason of section 5502.1 (relating to waiver
27 of regular member contributions and social security
28 integration member contributions) or any provision of this
29 part relating to the limitations under section 401(a)(17) or
30 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
31 26 U.S.C. § 401(a)(17) or 415) or limitations on
32 contributions to the system applicable to a Class A-5 member;

33 (2) the last day of service for which mandatory pickup
34 participant contributions are made for an active participant;
35 or

36 (3) in the case of an inactive member on leave without
37 pay or an inactive participant on leave without pay, the date
38 of his resignation or the date his employment is formally
39 discontinued by his employer.

40 * * *

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

45 "Domestic relations order." Any judgment, decree or order,
46 including approval of a property settlement agreement, entered
47 on or after the effective date of this definition by a court of
48 competent jurisdiction pursuant to a domestic relations law
49 which relates to the marital property rights of the spouse or
50 former spouse of a member or participant, including the right to
51 receive all or a portion of the moneys payable to that member or

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

7 * * *

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

12 (1) Except as provided under paragraph (2), (3) or (4),
13 contributions equal to 4% of an active participant's
14 compensation.

15 (2) Except as provided under paragraph (3) or (4), for
16 participants who have less than 25 eligibility points
17 credited as a member of Class A-5 or, if a multiple service
18 member, in Class T-G in the Public School Employees'
19 Retirement System, contributions equal to 0.5% of an active
20 participant's compensation up to the Class A-5 annual
21 compensation limit and for other compensation contributions
22 as set forth in paragraph (1).

23 (3) Except as provided under paragraph (4), for
24 participants who are not eligible to contribute to receive
25 Social Security benefits under the Social Security Act (49
26 Stat. 620, 42 U.S.C. §301 et seq.), contributions equal to
27 10% of an active participant's compensation.

28 (4) For participants who are not eligible to contribute
29 to receive Social Security benefits under the Social Security
30 Act (49 Stat. 620, 42 U.S.C. §301 et seq.) who have less than
31 25 eligibility points credited as a member of Class A-5 or,
32 if a multiple service member, in Class T-G in the Public
33 School Employees' Retirement System, contributions equal to
34 6.5% of an active participant's compensation up to the Class
35 A-5 annual compensation limit and for other compensation
36 contributions provided under paragraph (3).

37 * * *

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

39 (1) For purposes of calculating all annuities and
40 benefits from the system attributable to a class of service
41 other than Class A-5, the highest average compensation
42 received as a member during any three nonoverlapping periods
43 of four consecutive calendar quarters during which the member
44 was a State employee, excluding compensation received from
45 State service credited as a member of Class A-5, with the
46 compensation for part-time service being annualized on the
47 basis of the fractional portion of the year for which credit
48 is received; except if the employee was not a member in
49 classes of service other than Class A-5 for three
50 nonoverlapping periods of four consecutive calendar quarters,
51 the total compensation received as a member for State service

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

19 (2) For purposes of calculating all annuities and
20 benefits from the system attributable to service as a member
21 of Class A-5, the highest average compensation received for
22 service as a member of Class A-5 during any five calendar
23 years; except, if the employee was not a member of Class A-5
24 during five calendar years, the total compensation received
25 as a member of Class A-5, divided by the number of calendar
26 years of membership in Class A-5; in the case of a member
27 with multiple service, the final average salary for purposes
28 of calculating all annuities and benefits from the system
29 attributable to Class A-5 service shall be determined on the
30 basis of the compensation received by him as a State employee
31 for service credited Class A-5 or as a school employee for
32 service credited in Class T-G in the Public School Employees'
33 Retirement System, or both. For the purpose of calculating
34 final average salary under the paragraph, compensation for
35 service as a member of Class A-5 shall be adjusted as set
36 forth in section 5506.2 (relating to application of Class A-5
37 annual compensation limit).

38 (3) For all members, in the case of a member who first
39 became a member on or after January 1, 1996, the final
40 average salary shall be determined as hereinabove provided
41 but subject to the application of the provisions of section
42 5506.1(a) (relating to annual compensation limit under IRC §
43 401(a)(17)). Final average salary shall be determined by
44 including in compensation payments deemed to have been made
45 to a member reemployed from USERRA leave to the extent member
46 contributions have been made as provided in section 5302(f)
47 (2) (relating to credited State service) and payments made to
48 a member on leave of absence under 51 Pa.C.S. § 4102
49 (relating to leaves of absence for certain government
50 employees) as provided in section 5302(f)(6).

51 * * *

1 "Holding vehicle trust." The State Employees' Defined
2 Contribution Holding Vehicle Trust.

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

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

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

34 "Intervening military service." Active military service of a
35 member who was a State employee and active member of the system
36 immediately preceding his induction into the armed services or
37 forces of the United States in order to meet a military
38 obligation excluding any voluntary extension of such service and
39 who becomes a State employee within 90 days of the expiration of
40 such service.

41 * * *

42 "Irrevocable beneficiary." The person or persons permanently
43 designated by a member or participant in writing to the State
44 Employees' Retirement Board pursuant to an approved domestic
45 relations order to receive all or a portion of the accumulated
46 deductions, vested accumulated total defined contributions or
47 lump sum benefit payable upon the death of such member or
48 participant.

49 "Irrevocable successor payee." The person permanently
50 designated by a participant receiving distributions in writing
51 to the board pursuant to an approved domestic relations order to

1 receive one or more distributions from the plan upon the death
2 of such participant.

3 * * *

4 "Mandatory pickup participant contributions." Contributions
5 that are made by the Commonwealth or other employer for active
6 participants for State service required to be credited in the
7 plan as follows:

8 (1) Except as provided under paragraph (2),
9 contributions equal to 7% of compensation.

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

18 * * *

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

29 * * *

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

32 "Participant receiving distributions." A participant in the
33 plan who has commenced receiving distributions from his
34 individual investment account but who has not received a total
35 distribution of his vested interest in the individual investment
36 account.

37 * * *

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

40 "Plan document." The documents created by the board under
41 section 5802 (relating to plan document) that contain the terms
42 and provisions of the plan and trust as established by the board
43 regarding the establishment, administration and investment of
44 the plan and trust.

45 * * *

46 "Reemployed from USERRA leave." Resumption of active
47 membership or active participation as a State employee after a
48 period of USERRA leave, provided, however, that the resumption
49 of active membership or active participation was within the time
50 period and under conditions and circumstances such that the
51 State employee was entitled to reemployment rights under 38

1 U.S.C. Ch. 43 (relating to employment and reemployment rights of
2 members of the uniformed services).

3 * * *

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

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

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

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

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

25 * * *

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

31 * * *

32 "Special vestee." An employee of The Pennsylvania State
33 University who is a member of the State Employees' Retirement
34 System with five or more but less than ten eligibility points
35 and who has a date of termination of service from The
36 Pennsylvania State University of June 30, 1997, because of the
37 transfer of his job position or duties to a controlled
38 organization of the Penn State Geisinger Health System or
39 because of the elimination of his job position or duties due to
40 the transfer of other job positions or duties to a controlled
41 organization of the Penn State Geisinger Health System, provided
42 that:

43 (1) subsequent to termination of State service as an
44 employee of The Pennsylvania State University, the member has
45 not returned to State service in any other capacity or
46 position as a State employee;

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

49 (3) the member files an application to vest the member's
50 retirement rights pursuant to section 5907(f) (relating to
51 rights and duties of State employees [and], members and

1 participants) on or before September 30, 1997; and

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

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

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

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

19 (ii) State-owned educational institutions.

20 (iii) Community colleges.

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

29 (2) The Pennsylvania Turnpike Commission, the Delaware
30 River Port Authority, the Port Authority Transit Corporation,
31 the Philadelphia Regional Port Authority, the Delaware River
32 Joint Toll Bridge Commission, the State Public School
33 Building Authority, The General State Authority, the State
34 Highway and Bridge Authority, the Delaware Valley Regional
35 Planning Commission, the Interstate Commission of the
36 Delaware River Basin, and the Susquehanna River Basin
37 Commission any time subsequent to its creation, provided the
38 commission or authority agrees to contribute and does
39 contribute to the fund or trust, from time to time, the
40 moneys required to build up the reserves necessary for the
41 payment of the annuities or other benefits of such officers
42 and employees without any liability on the part of the
43 Commonwealth to make appropriations for such purposes, and
44 provided in the case of employees of the Interstate
45 Commission of the Delaware River Basin, that the employee
46 shall have been a member of the system for at least ten years
47 prior to January 1, 1963.

48 (3) Any separate independent public corporation created
49 by statute, not including any municipal or quasi-municipal
50 corporation, so long as he remains an officer or employee of
51 such public corporation, and provided that such officer or

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

10 * * *

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

15 "Superannuation age." For classes of service in the system
16 other than Class A-3 [and], Class A-4 and Class A-5, any age
17 upon accrual of 35 eligibility points other than eligibility
18 points attributable to service in Class A-5 or, if a multiple
19 service member, in Class T-G or age 60, except for a member of
20 the General Assembly, an enforcement officer, a correction
21 officer, a psychiatric security aide, a Delaware River Port
22 Authority policeman or an officer of the Pennsylvania State
23 Police, age 50, and, except for a member with Class G, Class H,
24 Class I, Class J, Class K, Class L, Class M or Class N service,
25 age 55 upon accrual of 20 eligibility points other than
26 eligibility points attributable to service in Class A-5 or, if a
27 multiple service member, in Class T-G. For Class A-3 and Class
28 A-4 service, any age upon attainment of a superannuation score
29 of 92 , provided the member has accrued 35 eligibility points
30 other than eligibility points attributable to service in Class
31 A-5 or, if a multiple service member, in Class T-G, or age 65,
32 or for park rangers or capitol police officers, age 55 with 20
33 years of service as a park ranger or capitol police officer in
34 classes of service other than Class A-5, except for a member of
35 the General Assembly, an enforcement officer, a correction
36 officer, a psychiatric security aide, a Delaware River Port
37 Authority policeman or an officer of the Pennsylvania State
38 Police, age 55. For Class A-5, age 65, except for service for
39 which the member is not eligible to contribute to receive Social
40 Security benefits under the Social Security Act (49 Stat. 620,
41 42 U.S.C. §301 et seq.), then age 60. A vestee with Class A-3 or
42 Class A-4 service credit attains superannuation age on the
43 birthday the vestee attains the age resulting in a
44 superannuation score of 92, provided that the vestee has at
45 least 35 eligibility points other than eligibility points
46 attributable to service in Class A-5 or, if a multiple service
47 member, in Class T-G, or attains another applicable
48 superannuation age, whichever occurs first.

49 * * *

50 "Superannuation score." The sum of the member's age in whole
51 years on his last birthday and the amount of the member's total

1 eligibility points, other than eligibility points resulting from
2 Class A-5 service credit or, if a multiple service member, in
3 Class T-G on the member's effective date of retirement,
4 expressed in whole years and whole eligibility points and
5 disregarding fractions of a year and fractions of total
6 eligibility points.

7 * * *

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

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

24 * * *

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

28 "Vestee." Any of the following:

29 (1) A member with:

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

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

39 (iii) Class A-3 or Class A-4 service with ten or
40 more eligibility points in classes of service other than
41 Class A-5 or Class T-G in the Public School Employees'
42 Retirement System and

43 who has terminated State service and has elected to leave his
44 total accumulated deductions in the fund and to defer receipt
45 of an annuity.

46 (2) A member with Class A-5 service with ten or more
47 eligibility points for service in Class A-5 or, if a multiple
48 service member, in Class T-G in the Public School Employees'
49 Retirement System and either is not eligible to begin
50 receiving an immediate annuity or, if eligible, has elected
51 to defer receipt of an annuity.

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

6 Section 303. Section 5103 of Title 71 is amended to read:
7 § 5103. Notice to members and participants.

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

18 Section 304. Title 71 is amended by adding a section to
19 read:

20 § 5104. Reference to State Employees' Retirement System.

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

29 (b) Agreement.--The agreement of an employer listed in the
30 definition of "State employee" or any other law to make
31 contributions to the fund or to enroll its employees as members
32 in the system shall be deemed to be an agreement to make
33 contributions to the trust or to enroll its employees in the
34 plan.

35 Section 305. Section 5301(a), (b), (c) and (d) of Title 71
36 are amended and the section is amended by adding subsections to
37 read:

38 § 5301. Mandatory and optional membership in the system and
39 participation in the plan.

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

- 43 (1) Governor.
- 44 (2) Lieutenant Governor.
- 45 (3) Members of the General Assembly.
- 46 (4) Heads or deputy heads of administrative departments.
- 47 (5) Members of any independent administrative board or
48 commission.
- 49 (6) Members of any departmental board or commission.
- 50 (7) Members of any advisory board or commission.
- 51 (8) Secretary to the Governor.

1 (9) Budget Secretary.

2 (10) Legislative employees.

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

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

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

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

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

30 (16) Employees of the Juvenile Court Judges' Commission
31 who, before the effective date of this paragraph, were
32 transferred from the State System of Higher Education to the
33 Juvenile Court Judges' Commission as a result of an
34 interagency transfer of staff approved by the Office of
35 Administration and who, while employees of the State System
36 of Higher Education, had elected membership in an independent
37 retirement program approved by the employer.

38 (a.1) Mandatory participation in the plan.--A State employee
39 who is a mandatory member of the system as a member of Class A-5
40 shall be a mandatory participant in the plan as of the effective
41 date of membership in the system.

42 (b) Optional membership in the system.--

43 The State employees listed in subsection (a)(1) through
44 [(11)] (10) whose most recent period of State service begins
45 before January 1, 2015, shall have the right to elect
46 membership in the system[; once such election is] before
47 January 1, 2015, or the termination of State service,
48 whichever occurs first. The State employees listed in
49 subsection (a)(1) through (10) who become State employees on
50 or after January 1, 2015, shall be members of the system
51 effective as of the date of their employment unless they

1 elect not to be members within 45 days after beginning State
2 service. Once such elections are exercised, membership or
3 nonmembership, as the case may be, shall continue until the
4 termination of State service. The State employees listed
5 under subsection (a) (11) shall have the right to elect
6 membership in the system. Once the election is exercised,
7 membership shall continue until the termination of State
8 service.

9 (b.1) Optional participation in the plan.--The State
10 employees who are optional members of the system as a member of
11 Class A-5 also are optional participants in the plan. The State
12 employees who elect membership in the system as members of Class
13 A-5 also automatically elect participation in the plan as of the
14 effective date of membership in the system.

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

18 (c.1) Prohibited participation in the plan.--The State
19 employees listed in subsection (a) (11), (12), (13), (14) and
20 (15) shall not be eligible to participate in the plan.

21 (d) Return to service.--

22 (1) An annuitant who returns to service as a State
23 employee before January 1, 2015, shall resume active
24 membership in the system as of the effective date of
25 employment, except as otherwise provided in section 5706(a)
26 (relating to termination of annuities), regardless of the
27 optional membership category of the position.

28 (2) An annuitant, inactive participant or a participant
29 receiving distributions who returns to service as a State
30 employee on or after January 1, 2015, shall resume active
31 membership in the system and be an active participant in the
32 plan as of the effective date of employment, except as
33 otherwise provided in section 5706(a), regardless of the
34 optional membership or participation category of the
35 position.

36 * * *

37 Section 306. Section 5302(a), (b), (e) and (f) of Title 71
38 are amended to read:

39 § 5302. Credited State service.

40 (a) Computation of credited service.--In computing credited
41 State service of a member for the determination of benefits, a
42 full-time salaried State employee, including any member of the
43 General Assembly, shall receive credit for service in each
44 period for which contributions as required are made to the fund,
45 or for which contributions otherwise required for such service
46 were not made to the fund solely by reason of section 5502.1
47 (relating to waiver of regular member contributions and Social
48 Security integration member contributions) or any provision of
49 this part relating to the limitations under IRC § 401(a)(17) or
50 415(b) or limitations on contributions applicable to a Class A-5
51 member, but in no case shall he receive more than one year's

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

25 (b) Creditable leaves of absence.--

26 (1) A member on leave without pay who is studying under
27 a Federal grant approved by the head of his department or who
28 is engaged up to a maximum of two years of temporary service
29 with the United States Government, another state or a local
30 government under the Intergovernmental Personnel Act of 1970
31 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
32 be eligible for credit for such service: Provided, That
33 contributions are made in accordance with sections 5501
34 (relating to regular member contributions for current
35 service), 5501.1 (relating to shared-risk member
36 contributions for Class A-3 [and], Class A-4 and Class A-5
37 service), 5505.1 (relating to additional member
38 contributions) and 5507 (relating to contributions to the
39 system by the Commonwealth and other employers), the member
40 returns from leave without pay to active State service as a
41 member of the system for a period of at least one year, and
42 he is not entitled to retirement benefits for such service
43 under a retirement system administered by any other
44 governmental agency.

45 (2) An active member or active participant on paid leave
46 granted by an employer for purposes of serving as an elected
47 full-time officer for a Statewide employee organization which
48 is a collective bargaining representative under the act of
49 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
50 and Firemen Collective Bargaining Act, or the act of July 23,
51 1970 (P.L.563, No.195), known as the Public Employee Relations

1 Act, and up to 14 full-time business agents appointed by an
2 employee organization that represents correction officers
3 employed at State correctional institutions: Provided, That
4 for elected full-time officers such leave shall not be for
5 more than three consecutive terms of the same office and for
6 up to 14 full-time business agents appointed by an employee
7 organization that represents correction officers employed at
8 State correctional institutions no more than three
9 consecutive terms of the same office; that the employer shall
10 fully compensate the member or participant, including, but
11 not limited to, salary, wages, pension and retirement
12 contributions and benefits, other benefits and seniority, as
13 if he were in full-time active service; and that the
14 Statewide employee organization shall fully reimburse the
15 employer for all expenses and costs of such paid leave,
16 including, but not limited to, contributions and payment in
17 accordance with sections 5501, 5501.1, 5505.1 and 5507, 5804
18 (relating to participant contributions), 5805 (relating to
19 mandatory pickup participant contributions) and 5806
20 (relating to employer defined contributions), if the employee
21 organization either directly pays, or reimburses the
22 Commonwealth or other employer for, contributions made in
23 accordance with [section 5507] sections 5507, 5804, 5805 and
24 5806.

25 * * *

26 (e) Cancellation of credited service.--

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

30 (i) a member with Class A-3 or Class A-4 service
31 credit and one or more other classes of service credit
32 shall not have his service credit as a member of any
33 classes of service other than as a member of Class A-3 or
34 Class A-4 cancelled when the member receives a lump sum
35 payment of accumulated deductions resulting from Class A-
36 3 or Class A-4 service pursuant to section [5705.1]
37 5705.1(a) (relating to payment of accumulated deductions
38 resulting from [Class A-3 and Class A-4] more than one
39 class of service) [.];

40 (ii) a member with Class A-5 service credit and one
41 or more other classes of service credit shall not have
42 his service credit in the classes of service other than
43 Class A-5 cancelled when the member receives a lump sum
44 payment of Class A-5 accumulated deductions pursuant to
45 section 5705.1(b) (1); and

46 (iii) a member with Class A-5 service credit and one
47 or more other classes of service credit shall not have
48 his service credit as a member of Class A-5 cancelled
49 when the member receives a lump sum payment of total
50 accumulated deductions resulting from the other classes
51 of service pursuant to section 5705.1(b) (2).

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

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

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

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

23 (1.2) State employees may not participate in the plan or
24 exercise the options under 51 Pa.C.S. § 7306 for military
25 leaves that begin on or after the effective date of this
26 paragraph, except as otherwise provided by this subsection.

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

30 (i) A State employee who is reemployed from USERRA
31 leave as an active member of the system shall be treated
32 as not having incurred a break in State service by reason
33 of the USERRA leave and shall be granted eligibility
34 points as if the State employee had not been on the
35 USERRA leave. If a State employee who is reemployed from
36 USERRA leave as an active member of the system
37 subsequently makes regular member contributions,
38 additional member contributions, Social Security
39 integration member contributions, shared-risk member
40 contributions and any other member contributions in the
41 amounts and in the time periods required by 38 U.S.C. Ch.
42 43 (relating to employment and reemployment rights of
43 members of the uniformed services) and IRC § 414(u) as if
44 the State employee had continued in State office or
45 employment and performed State service and was
46 compensated during the period of USERRA leave, then the
47 State employee shall be granted State service credit for
48 the period of USERRA leave. The State employee shall have
49 the State employee's benefits, rights and obligations
50 determined under this part as if the State employee was
51 an active member who performed creditable State service

1 during the USERRA leave in the job position that the
2 State employee would have held had the State employee not
3 been on USERRA leave and received the compensation on
4 which the member contributions to receive State service
5 credit for the USERRA leave were determined.

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

25 (iii) A State employee who is reemployed from USERRA
26 leave as an active member of the system who does not make
27 the required member contributions or makes only part of
28 the required member contributions within the allowed
29 payment period shall not be granted credited service for
30 the period of USERRA leave for which the required member
31 contributions were not timely made, shall not be eligible
32 to subsequently make contributions and shall not be
33 granted either State service credit or nonstate service
34 credit for the period of USERRA leave for which the
35 required member contributions were not timely made.

36 (2.1) (i) A participant who is reemployed from USERRA
37 leave shall be treated as not having incurred a break in
38 State service by reason of the USERRA leave and shall be
39 granted eligibility points as if the participant had not
40 been on USERRA leave. If a participant who is reemployed
41 from USERRA leave subsequently makes mandatory pickup
42 participant contributions in the amounts and in the time
43 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
44 if the participant had continued in his State office or
45 employment and performed State service and been
46 compensated during the period of USERRA leave, the
47 participant's employer shall make the corresponding
48 employer defined contributions. The employee shall have
49 his contributions, benefits, rights and obligations
50 determined under this part as if he were an active
51 participant who performed State service during the USERRA

1 leave in the job position that he would have held had he
2 not been on USERRA leave and received the compensation on
3 which the mandatory pickup participant contributions to
4 receive State service credit for the USERRA leave were
5 determined.

6 (ii) A participant who is reemployed from USERRA
7 leave who does not make the mandatory pickup participant
8 contributions or makes only part of the mandatory pickup
9 participant contributions within the allowed payment
10 period shall not be eligible to make mandatory pickup
11 participant contributions at a later date for the period
12 of USERRA leave for which the mandatory pickup
13 participant contributions were not timely made.

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

24 (3.1) A State employee who is a participant in the plan
25 and performs USERRA leave from which the employee could have
26 been reemployed from USERRA leave had the employee returned
27 to State service in the time frames required by 38 U.S.C. Ch.
28 43 for reemployment rights, but did not do so, shall not be
29 eligible to make mandatory pickup participant contributions
30 for the period of USERRA leave should the employee later
31 return to State service and be a participant in the plan.

32 (4) [A State employee] An active member or inactive
33 member on leave without pay who on or after the effective
34 date of this subsection is granted a leave of absence under
35 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
36 government employees) or a military leave under 51 Pa.C.S.
37 Ch. 73, that is not USERRA leave shall be able to receive
38 creditable nonstate service as nonintervening military
39 service should the employee return to State service as an
40 active member of the system and is otherwise eligible to
41 purchase the service as nonintervening military service.

42 (4.1) An active participant or inactive participant on
43 leave without pay who on or after the effective date of this
44 paragraph is granted a leave of absence under 51 Pa.C.S. §
45 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
46 USERRA leave shall not be able to make mandatory pickup
47 participant contributions during or for the leave of absence
48 or military leave and shall not have employer defined
49 contributions made during such leave, without regard to
50 whether or not the State employee received salary, wages,
51 stipends, differential wage payments or other payments from

1 his employer during the leave, notwithstanding any provision
2 to the contrary under 51 Pa.C.S. § 4102 or 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 then terminated employment on account
16 of 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 307. Section 5303(b)(1) and (d)(1) of Title 71 are
29 amended and the section is amended by adding a subsection to
30 read:

31 § 5303. Retention and reinstatement of service credits.

32 * * *

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

34 (1) [Every] Subject to the limitations in subsection
35 (i), an active member of the system or a multiple service
36 member who is a school employee and a member of the Public
37 School Employees' Retirement System on or after the effective
38 date of this part shall receive eligibility points in
39 accordance with section 5307 for current State service,
40 previous State service, or creditable nonstate service upon
41 compliance with sections 5501 (relating to regular member
42 contributions for current service), 5501.1 (relating to
43 shared-risk contributions for Class A-3 [and], Class A-4 and
44 Class A-5 service), 5504 (relating to member contributions
45 for the purchase of credit for previous State service or to
46 become a full coverage member), 5505 (relating to
47 contributions for the purchase of credit for creditable
48 nonstate service), 5505.1 (relating to additional member
49 contributions) or 5506 (relating to incomplete payments).
50 Subject to the limitations in subsection (i) and sections
51 5306.1 (relating to election to become a Class AA member) and

1 5306.2 (relating to elections by members of the General
2 Assembly), the class or classes of service in which the
3 member may be credited for previous State service prior to
4 the effective date of this part shall be the class or classes
5 in which he was or could have at any time elected to be
6 credited for such service, except that a State employee who
7 first becomes a member of the system on or after January 1,
8 2011, or on or after December 1, 2010, as a member of the
9 General Assembly and:

10 (i) is credited with Class A-3 service for such
11 membership, shall be credited only with Class A-3 service
12 for previous State service performed before January 1,
13 2011, that was not previously credited in the system; or

14 (ii) is credited with Class A-4 service for such
15 membership, shall be credited only with Class A-4 service
16 for previous State service performed before January 1,
17 2011, that was not previously credited in the system.

18 The class of service in which a member shall be credited for
19 service subsequent to the effective date of this part shall
20 be determined in accordance with subsection (i) and section
21 5306 (relating to classes of service).

22 (1.1) Every active member of the system who elects to
23 convert county service to State service pursuant to section
24 5303.1 (relating to election to convert county service to
25 State service) shall receive eligibility points in accordance
26 with section 5307 for converted county service upon
27 compliance with section 5303.1(b). The class or classes of
28 service in which the member may be credited for converted
29 county service shall be determined in accordance with section
30 5306(c).

31 (1.2) Every member of the system who elects to convert
32 school service to State service pursuant to section 5303.2
33 (relating to election to convert school service to State
34 service) shall receive eligibility points in accordance with
35 section 5307 for converted school service. The class or
36 classes of service in which the member may be credited for
37 converted school service shall be determined in accordance
38 with section 5306(d).

39 (1.3) A member of the system who is reemployed from
40 USERRA leave or who dies while performing USERRA leave shall
41 receive eligibility points in accordance with section 5307
42 for the State service that would have been performed had the
43 member not performed USERRA leave.

44 (2) A special vestee or person otherwise eligible to be
45 a special vestee who returns to State service or withdraws
46 his accumulated deductions pursuant to section 5311 (relating
47 to eligibility for refunds) or 5701 (relating to return of
48 [total] accumulated deductions) shall receive or retain
49 eligibility points in accordance with paragraph (1) but upon
50 subsequent termination of State service shall only be
51 eligible to be an annuitant vestee or inactive member without

1 regard to previous status as a special vestee and without
2 regard to the provisions of this part providing for special
3 vestees.

4 (3) A special vestee or person otherwise eligible to be
5 a special vestee who becomes an active member of the Public
6 School Employees' Retirement System and elects multiple
7 service shall receive or retain eligibility points as
8 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
9 (relating to retirement for school employees) but upon
10 subsequent termination of school service shall only be
11 eligible to be an annuitant, vestee or inactive member as
12 otherwise eligible as a multiple service member without
13 regard to previous status as a special vestee and without
14 regard to the provisions of this part providing for special
15 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
31 the system and deemed to be State service for all purposes
32 under this part. However, for those employees who were in
33 continuous county employment which commenced prior to July
34 22, 1983, section 5505.1 shall not apply. The transfer of
35 prior service credit to the system shall occur upon the
36 transfer, by the member, county or other municipal pension
37 plan or retirement system, to the system of the amount of
38 accumulated member contributions, pick-up contributions and
39 credited interest standing in the employee's county or
40 municipal pension plan or retirement system account as of the
41 date that these funds are transferred to the system. In the
42 event that these funds have been refunded to the member, the
43 transfer of service credit shall occur when the member
44 transfers an amount equal to either the refund which the
45 member received from the county or municipal pension plan or
46 retirement system or the amount due under section 5504, if
47 less. In the case of a transfer by the member, the transfer
48 shall occur by December 31, 1987, in order for the member to
49 receive credit for the prior service. In the case of a
50 transfer by the county or other municipal pension plan or
51 retirement system, the transfer shall also occur by December

1 31, 1987. If the amount transferred to the system by the
2 member of a county or municipal pension plan or retirement
3 system is greater than the amount that would have accumulated
4 in the member's account if the employee had been a member of
5 the system, all excess funds shall be returned to the
6 employee within 90 days of the date on which such funds are
7 credited to the member's account in the system. Within 60
8 days of receipt of written notice that an employee has
9 elected to transfer credits under the provisions of this
10 subsection, the county or other municipal pension plans or
11 retirement systems shall be required to transfer to the
12 system an amount, excluding contributions due under section
13 5504(a), equal to the liability of the prior service in
14 accordance with county or other municipal pension plan or
15 retirement system benefit provisions, multiplied by the ratio
16 of system actuarial value of assets for active members to the
17 system actuarial accrued liability for active members. The
18 Public Employee Retirement Study Commission shall determine
19 the appropriate amount of employer contributions to be
20 transferred to the system by the county or other municipal
21 pension plans or retirement systems.

22 * * *

23 (i) Ineligibility to purchase previous State service
24 credit.--An active member of Class A-5 or a multiple service
25 member who is an active member of Class T-G in the Public School
26 Employees' Retirement System shall not be eligible to purchase
27 service credit for previous State service, whether or not
28 previously credited in the system, except to reinstate
29 previously credited Class A-5 service credit for which Class A-5
30 accumulated deductions were withdrawn under section 5311 or
31 5701, and except to the extent that any other provision of law
32 requires or allows any period of leave to be credited as State
33 service after the member returns from the leave to State
34 service.

35 Section 308. Sections 5303.2(a) and 5304(a) and (b) of Title
36 71 are amended to read:

37 § 5303.2. Election to convert school service to State service.

38 (a) Eligibility.--An active member or inactive member on
39 leave without pay who was an employee transferred from the
40 Department of Education to the Department of Corrections
41 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
42 No.175), known as The Administrative Code of 1929, and who on
43 the effective date of that transfer did not participate in an
44 independent retirement program approved by the Department of
45 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
46 and optional membership) or section 5301(a)(12) (relating to
47 mandatory and optional membership in the system and
48 participation in the plan), notwithstanding any other provision
49 of law or any collective bargaining agreement, arbitration
50 award, contract or term or conditions of any retirement system
51 or pension plan, may make a one-time election to convert all

1 service credited in the Public School Employees' Retirement
2 System as of June 30, 1999, and transfer to the system all
3 accumulated member contributions and statutory interest credited
4 in the members' savings account in the Public School Employees'
5 Retirement System as of June 30, 1999, plus statutory interest
6 on that amount credited by the Public School Employees'
7 Retirement System from July 1, 1999, to the date of transfer to
8 the system.

9 * * *

10 § 5304. Creditable nonstate service.

11 (a) Eligibility.--

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

31 (2) An active member who first becomes an active member
32 on or after January 1, 2011, or on or after December 1, 2010,
33 as a member of the General Assembly and is an active member
34 of a class of service other than Class A-5, or a multiple
35 service member who first becomes an active member on or after
36 January 1, 2011, or on or after December 1, 2010, as a member
37 of the General Assembly, [and who] is a school employee and
38 an active member of the Public School Employees' Retirement
39 System in a class of service other than Class T-G and is not
40 a member of Class A-5 shall be eligible for Class A-3 service
41 credit for creditable nonstate service as set forth in
42 subsections (b) and (c) except that intervening military
43 service shall be credited in the class of service for which
44 the member was eligible at the time of entering into military
45 service and for which he makes the required contributions to
46 the fund and except that a multiple service member who is a
47 school employee and an active member of the Public School
48 Employees' Retirement System shall not be eligible to
49 purchase service credit for creditable nonstate service set
50 forth in subsection (c)(5).

51 (3) An active member who is a member of Class A-5 or a

1 multiple service member who is a school employee and an
2 active member of the Public School Employees' Retirement
3 System as a member of Class T-G shall be eligible for Class
4 A-5 service credit for creditable nonstate service as set
5 forth in subsections (b) and (c) (2) for which the member
6 makes the required contributions to the fund.

7 * * *

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

26 * * *

27 Section 309. Section 5305(b) of Title 71 is amended and the
28 section is amended by adding a subsection to read:
29 § 5305. Social security integration credits.

30 * * *

31 (b) Accrual of subsequent credits.--Any active member who
32 has social security integration accumulated deductions to his
33 credit or is receiving a benefit on account of social security
34 integration credits may accrue one social security integration
35 credit for each year of service as a State employee on or
36 subsequent to March 1, 1974 and a fractional credit for a
37 corresponding fractional year of service provided that
38 contributions are made to the fund, or would have been made to
39 the fund but for section 5502.1 (relating to waiver of regular
40 member contributions and Social Security integration member
41 contributions) or the limitations under IRC § 401(a) (17) or
42 415(b), in accordance with section 5502 (relating to Social
43 Security integration member contributions), and he:

44 (1) continues subsequent to March 1, 1974 as an active
45 member in either the [State or school system;] system in a
46 class of service other than Class A-5 or, if a multiple
47 service member, as an active member in the Public School
48 Employees' Retirement System in a class of service other than
49 Class T-G;

50 (2) terminates such continuous service in the [State or
51 school] system or the Public School Employees' Retirement

1 System and returns to active membership in the [State] system
2 within six months in a class of service other than Class A-5;
3 or

4 (3) terminates his status as a vestee or an annuitant
5 and returns to State service as an active member of the
6 system in a class of service other than Class A-5.

7 * * *

8 (e) Class A-5 service ineligible for credit.--No social
9 security integration credits shall accrue for any service
10 performed or credited as Class A-5 service.

11 Section 310. Section 5305.1 of Title 71 is amended to read:
12 § 5305.1. Eligibility for actuarial increase factor.

13 A person who has credit for a class of service other than
14 Class A-5 and is:

15 (1) an active member;

16 (2) an inactive member on leave without pay; or

17 (3) a multiple service member who is a school employee
18 and an active member of the Public School Employees'
19 Retirement System;

20 who terminates State service or school service, as the case
21 may be, after attaining age 70 and who applies for a
22 superannuation annuity with an effective date of retirement the
23 day after the date of termination of State service or school
24 service shall have that person's maximum single life annuity
25 calculated pursuant to section 5702(a.1) (relating to maximum
26 single life annuity).

27 Section 311. Section 5306(a), (a.1), (a.2), (a.3) and (b) of
28 Title 71 are amended and the section is amended by adding a
29 subsection to read:

30 § 5306. Classes of service.

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

32 (1) A State employee who is a member of Class A on the
33 effective date of this part or who first becomes a member of
34 the system subsequent to the effective date of this part and
35 before January 1, 2011, or before December 1, 2010, as a
36 member of the General Assembly, shall be classified as a
37 Class A member and receive credit for Class A service upon
38 payment of regular and additional member contributions for
39 Class A service, provided that the State employee does not
40 become a member of Class AA pursuant to subsection (a.1) or a
41 member of Class D-4 pursuant to subsection (a.2) or a member
42 of Class A-5.

43 (2) A State employee who first becomes a member of the
44 system on or after January 1, 2011, or on or after December
45 1, 2010, as a member of the General Assembly, and before
46 January 1, 2015, shall be classified as a Class A-3 member
47 and receive credit for Class A-3 service upon payment of
48 regular member contributions and shared-risk member
49 contributions for Class A-3 service provided that the State
50 employee does not become a member of Class A-4 pursuant to
51 subsection (a.3) or a member of Class A-5, except that a

1 State employee who first becomes a member of the judiciary
2 before January 1, 2015, shall be classified as a member of
3 such other class of service for which the member of the
4 judiciary is eligible[,] and shall elect and make regular
5 member contributions unless the member of the judiciary
6 subsequently becomes a member of Class A-5.

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

8 (1) A person who becomes a State employee and an active
9 member of the system after June 30, 2001, and who first
10 became an active member before January 1, 2011, or before
11 December 1, 2010, as a member of the General Assembly, and
12 who is not a State police officer and not employed in a
13 position for which a class of service other than Class A is
14 credited or could be elected shall be classified as a Class
15 AA member and receive credit for Class AA State service upon
16 payment of regular member contributions for Class AA service
17 and, subject to the limitations contained in paragraph (7)
18 and section 5303(i) (relating to retention and reinstatement
19 of service credits), if previously a member of Class A or
20 previously employed in a position for which Class A service
21 could have been earned, shall have all Class A State service
22 (other than State service performed as a State police officer
23 or for which a class of service other than Class A was earned
24 or could have been elected) classified as Class AA service.

25 (2) A person who is a State employee on June 30, 2001,
26 and July 1, 2001, but is not an active member of the system
27 because membership in the system is optional or prohibited
28 pursuant to section 5301 (relating to mandatory and optional
29 membership in the system and participation in the plan) and
30 who first becomes an active member after June 30, 2001, and
31 before January 1, 2011, or before December 1, 2010, as a
32 member of the General Assembly, and who is not a State police
33 officer and not employed in a position for which a class of
34 service other than Class A is credited or could be elected
35 shall be classified as a Class AA member and receive credit
36 for Class AA State service upon payment of regular member
37 contributions for Class AA service and, subject to the
38 limitations contained in paragraph (7) and section 5303(i),
39 if previously a member of Class A or previously employed in a
40 position for which Class A service could have been earned,
41 shall have all Class A State service (other than State
42 service performed as a State Police officer or for which a
43 class of service other than Class A was earned or could have
44 been elected) classified as Class AA service.

45 (3) Provided that an election to become a Class AA
46 member is made pursuant to section 5306.1 (relating to
47 election to become a Class AA member), a State employee,
48 other than a State employee who is a State police officer on
49 or after July 1, 1989, who on June 30, 2001, and July 1,
50 2001, is:

51 (i) a member of Class A, other than a member of

1 Class A who could have elected membership in a Class C,
2 Class D-3, Class E-1 or Class E-2; or

3 (ii) an inactive member on a leave without pay from
4 a position in which the State employee would be a Class A
5 active member if the employee was not on leave without
6 pay, other than a position in which the State employee
7 could elect membership in Class C, Class D-3, Class E-1
8 or Class E-2;

9 shall be classified as a Class AA member and receive
10 credit for Class AA State service performed after June 30,
11 2001, upon payment of regular member contributions for Class
12 AA service and, subject to the limitations contained in
13 paragraph (7) and section 5303(i), shall receive Class AA
14 service credit for all Class A State service, other than
15 State service performed as a State police officer or as a
16 State employee in a position for which the member could have
17 elected membership in Class C, Class D-3, Class E-1 or Class
18 E-2, performed before July 1, 2001.

19 (4) Provided that an election to become a Class AA
20 member is made pursuant to section 5306.1, a former State
21 employee, other than a former State employee who was a State
22 police officer on or after July 1, 1989, who on June 30,
23 2001, and July 1, 2001, is a multiple service member and a
24 school employee and a member of the Public School Employees'
25 Retirement System, subject to the limitations contained in
26 paragraph (7) and section 5303(i), shall receive Class AA
27 service credit for all Class A State service, other than
28 State service performed as a State police officer or as a
29 State employee in a position in which the former State
30 employee could have elected a class of service other than
31 Class A, performed before July 1, 2001.

32 (5) A former State employee who first becomes a member
33 before January 1, 2011, or before December 1, 2010, as a
34 member of the General Assembly, other than a former State
35 employee who was a State police officer on or after July 1,
36 1989, who is a school employee and who on or after July 1,
37 2001, becomes a multiple service member, subject to the
38 limitations contained in paragraph (7) and section 5303(i),
39 shall receive Class AA service credit for all Class A State
40 service other than State service performed as a State
41 employee in a position in which the former State employee
42 could have elected a class of service other than Class A.

43 (6) A State employee who after June 30, 2001, becomes a
44 State police officer or who is employed in a position in
45 which the member could elect membership in the system in a
46 class of service other than Class AA or Class D-4 shall
47 retain any Class AA service credited prior to becoming a
48 State police officer or being so employed but shall be
49 ineligible to receive Class AA credit thereafter and instead
50 shall receive Class A credit for service as a member of the
51 judiciary if the judicial service begins before January 1,

1 2015, or if he first became a member before January 1, 2011,
2 or December 1, 2010, as a member of the General Assembly, or
3 Class A-3 credit for service other than as a member of the
4 judiciary if the nonjudicial service begins before January 1,
5 2015, and he first became a member on or after January 1,
6 2011, or December 1, 2010, as a member of the General
7 Assembly, unless a class of membership other than Class A is
8 elected.

9 (7) (i) State service performed as Class A service
10 before July 1, 2001, and State service for which Class A
11 service could have been credited but was not credited
12 because membership in the system was optional or
13 prohibited pursuant to section 5301 shall be credited as
14 Class AA service only upon the completion of all acts
15 necessary for the State service to be credited as Class A
16 service had this subsection not been enacted and upon
17 payment of required Class AA member contributions as
18 provided in section 5504 (relating to member
19 contributions for the purchase of credit for previous
20 State service or to become a full coverage member).

21 (ii) A person who is not a State employee or a
22 school employee on June 30, 2001, and July 1, 2001, and
23 who has previous State service (except a disability
24 annuitant who returns to State service after June 30,
25 2001, upon termination of the disability annuity) shall
26 not receive Class AA service credit for State service
27 performed before July 1, 2001, until such person becomes
28 an active member, or an active member of the Public
29 School Employees' Retirement System and a multiple
30 service member, and earns three eligibility points by
31 performing credited State service in a class of service
32 other than Class A-5 or credited school service in a
33 class of service other than Class T-G after June 30,
34 2001.

35 (iii) Nothing in this paragraph shall be construed
36 to authorize a member of Class A-5 or a multiple service
37 member who is a member of Class T-G in the Public School
38 Employees' Retirement System to reinstate or purchase
39 credit for previously credited or uncredited State
40 service other than as allowed under section 5303(i).

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

43 (1) A person who:

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

47 (ii) is a member of the General Assembly on July 1,
48 2001, but is not an active member of the system because
49 membership in the system is optional pursuant to section
50 5301 and who becomes an active member after June 30,
51 2001, and before December 1, 2010;

1 and who was not a State police officer on or after July 1,
2 1989, shall be classified as a Class D-4 member and unless he
3 later becomes a member of Class A-5 receive credit as a Class
4 D-4 member for all State service as a member of the system
5 performed as a member of the General Assembly upon payment of
6 regular member contributions for Class D-4 service and,
7 subject to the limitations contained in subsection (a.1)(7)
8 and section 5303(i), if previously a member of Class A or
9 employed in a position for which Class A service could have
10 been earned, shall receive Class AA service credit for all
11 Class A State service, other than State service performed as
12 a State police officer or for which a class of service other
13 than Class A or Class D-4 was or could have been elected or
14 credited.

15 (2) Provided an election to become a Class D-4 member is
16 made pursuant to section 5306.2 (relating to elections by
17 members of the General Assembly), a State employee who was
18 not a State police officer on or after July 1, 1989, who on
19 July 1, 2001, is a member of the General Assembly and an
20 active member of the system and not a member of Class D-3
21 shall be classified as a Class D-4 member and, unless he
22 later becomes a member of Class A-5, receive credit as a
23 Class D-4 member for all State service performed as a member
24 of the General Assembly not credited as another class other
25 than Class A upon payment of regular member contributions for
26 Class D-4 service and, subject to the limitations contained
27 in paragraph (a.1)(7), shall receive Class AA service credit
28 for all Class A State service, other than State service
29 performed as a State police officer or as a State employee in
30 a position in which the member could have elected a class of
31 service other than Class A, performed before July 1, 2001.

32 (3) A member of the General Assembly who after June 30,
33 2001, becomes a State police officer shall retain any Class
34 AA service or Class D-4 service credited prior to becoming a
35 State police officer or being so employed but shall be
36 ineligible to receive Class AA or Class D-4 credit thereafter
37 and instead shall receive Class A credit or Class A-3 credit
38 if he first becomes a member of the system on or after
39 January 1, 2011, and before January 1, 2015, or Class A-5
40 credit if his most recent period of State service begins on
41 or after January 1, 2015.

42 (4) Notwithstanding the provisions of this subsection,
43 no service as a member of the General Assembly performed
44 before December 1, 2010, that is not credited as Class D-4
45 service on November 30, 2010, shall be credited as Class D-4
46 service, unless such service was previously credited in the
47 system as Class D-4 service and the member withdrew his total
48 accumulated deductions as provided in section 5311 (relating
49 to eligibility for refunds) or 5701 (relating to return of
50 [total] accumulated deductions). No service as a member of
51 the General Assembly performed on or after December 1, 2010,

1 shall be credited as Class D-4 service unless the member
2 previously was credited with Class D-4 service credits.

3 (a.3) Class A-4 membership.--Provided that an election to
4 become a Class A-4 member is made pursuant to section 5306.3
5 (relating to election to become a Class A-4 member), a State
6 employee who otherwise would be a member of Class A-3 shall be
7 classified as a Class A-4 member and receive Class A-4 credit
8 for all creditable State service performed after the effective
9 date of membership in the system, except as a member of the
10 judiciary, upon payment of regular member contributions and
11 shared-risk member contributions for Class A-4 service[.],
12 provided that the member does not terminate service and then, on
13 or after January 1, 2015, return to the State service.

14 (a.4) Class A-5 membership.--

15 (1) A State employee who begins State service or becomes
16 a member of the system on or after January 1, 2015, shall be
17 classified as a Class A-5 member without regard to position
18 or office held or class of service that the employee would
19 have been a member of or benefits that the member would have
20 been eligible to accrue and receive but for this subsection
21 and shall receive credit for Class A-5 service upon payment
22 of regular member contributions for Class A-5 service.

23 (2) The provisions of this part regarding the
24 establishment of and membership in Class A-5 shall apply to
25 all current and former members of the State Employees'
26 Retirement System who have returned to State service on or
27 after January 1, 2015, after a termination of State service,
28 notwithstanding the following:

29 (i) Whether the termination occurred before or after
30 January 1, 2015.

31 (ii) Whether the State employee was an annuitant,
32 inactive member, vestee or special vestee or withdrew
33 accumulated deductions during the period of termination.

34 (iii) Previous class of service or type of benefit.

35 (3) A terminated State employee who returns to State
36 service on or after January 1, 2015, shall be subject to the
37 provisions of this part regarding membership in Class A-5
38 that are in effect on the effective date of reemployment,
39 including benefit formulas and accrual rates, eligibility for
40 annuities and distributions, contribution rates, definitions,
41 purchase of creditable school, nonschool, State and nonstate
42 service provisions and actuarial and funding assumptions.

43 (4) An individual who is a State employee on January 1,
44 2015, but is not a member of the system or who first becomes
45 a State employee on or after January 1, 2015, or who returns
46 to State service after a termination of State service,
47 without regard to whether the termination occurred before or
48 after January 1, 2015, shall be ineligible for active
49 membership in any of the several classes of State service as
50 otherwise provided for under this section other than Class A-
51 5. Any such State employee, if eligible, may be a member of

1 Class A-5 as a result of such State service.

2 (b) Other class membership.--

3 (1) A State employee who is a member of a class of
4 service other than Class A on the effective date of this part
5 shall retain his membership in that class until such service
6 is discontinued; any service thereafter shall be credited as
7 Class A service, Class AA service, Class A-5 or Class D-4
8 service as provided for in this section.

9 (2) Notwithstanding any other provision of this section,
10 a State employee [who] whose most recent period of State
11 service began before January 1, 2015, is appointed bail
12 commissioner of the Philadelphia Municipal Court under 42
13 Pa.C.S. § 1123(a)(5) (relating to jurisdiction and venue) and
14 is eligible to be a member of the system as a bail
15 commissioner may, within 30 days of the effective date of
16 this sentence or within 30 days of his initial appointment as
17 a bail commissioner, whichever is later, elect Class E-2
18 service credit for service performed as a bail commissioner
19 until the termination of State service. This class of service
20 multiplier for E-2 service as a bail commissioner shall be
21 1.5.

22 * * *

23 Section 312. Sections 5306.1(c), 5306.2(b), 5306.3(c) and
24 (d), 5307, 5308, 5308.1 introductory paragraph and (1), 5309,
25 5310, 5311 and 5501 of Title 71 are amended to read:

26 § 5306.1. Election to become a Class AA member.

27 * * *

28 (c) Effect of election.--An election to become a Class AA
29 member shall become effective the later of July 1, 2001, or the
30 date when the election is filed with the board and shall remain
31 in effect until the termination of employment. Upon termination
32 and a subsequent reemployment that occurs before January 1,
33 2015, the member's class of service shall be credited in the
34 class of service otherwise provided for in this part. If the
35 reemployment occurs on or after January 1, 2015, the State
36 employee's eligibility for membership and class of service in
37 the system or participation in the plan shall be as provided in
38 this part.

39 * * *

40 § 5306.2. Elections by members of the General Assembly.

41 * * *

42 (b) Effect of election.--Membership as a Class D-4 member
43 shall become effective on July 1, 2001, and shall remain in
44 effect until the termination of service as a member of the
45 General Assembly. Upon termination and a subsequent reemployment
46 that occurs before January 1, 2015, the member's class of
47 service shall be credited in the class of service otherwise
48 provided for in this part. If the reemployment occurs on or
49 after January 1, 2015, the State employee's eligibility for
50 membership and class of service in the system or participation
51 in the plan shall be as provided in this part.

1 * * *

2 § 5306.3. Election to become a Class A-4 member.

3 * * *

4 (c) Effect of election.--An election to become a Class A-4
5 member shall be irrevocable and shall become effective on the
6 effective date of membership in the system and shall remain in
7 effect for all future [creditable] State service creditable in
8 the system that otherwise would not be credited as Class A-5
9 service, other than service performed as a member of the
10 judiciary, but shall not apply to service performed after a
11 termination of State service and a reemployment when the
12 reemployment occurs on or after January 1, 2015. Payment of
13 regular member contributions for Class A-4 State service
14 performed prior to the election of Class A-4 membership shall be
15 made in a form, manner and time determined by the board. Upon
16 termination of State service and a subsequent reemployment
17 before January 1, 2015, a member who elected Class A-4
18 membership shall be credited as a Class A-4 member for
19 creditable State service performed after reemployment and before
20 the next termination of State service, except as a member of the
21 judiciary, regardless of termination of employment, termination
22 of membership by withdrawal of accumulated deductions or status
23 as an annuitant, vestee or inactive member after the termination
24 of service and before reemployment occurring before January 1,
25 2015.

26 (d) Effect of failure to make election.--Failure to elect to
27 become a Class A-4 member within the election period set forth
28 in subsection (b) shall result in all of the member's State
29 service, other than service performed as a member of the
30 judiciary or that would otherwise be credited as Class A-5 after
31 a termination and return to State service, being credited as
32 Class A-3 service and not subject to further election or
33 crediting as Class A-4 service. Upon termination and subsequent
34 employment, a member who failed to elect to become a Class A-4
35 member shall not be eligible to make another election to become
36 a Class A-4 member for either past or future State service.

37 § 5307. Eligibility points.

38 (a) General rule.--An active member of the system shall
39 accrue one eligibility point for each year of credited service
40 as a member of the [State or] system and if a multiple service
41 member as a member of the Public School Employees' Retirement
42 System. A member shall accrue an additional two-thirds of an
43 eligibility point for each year of Class D-3 credited service.
44 In the case of a fractional part of a year of credited service,
45 a member shall accrue the corresponding fractional portion of
46 eligibility points to which the class of service entitles him.

47 (a.1) USERRA leave.--A member of the system or participant
48 in the plan who is reemployed from USERRA leave or who dies
49 while performing USERRA leave shall be granted the eligibility
50 points that he would have accrued had he continued in his State
51 office or employment instead of performing USERRA leave. In the

1 event that a State employee who is reemployed from USERRA leave
2 makes the member contributions or mandatory pickup participant
3 contributions to be granted State service credit for the USERRA
4 leave, no additional eligibility points will be granted.

5 (b) Transitional rule.--

6 (1) In determining whether a member who is not a State
7 employee or school employee on June 30, 2001, and July 1,
8 2001, and who has previous State service (except a disability
9 annuitant who returns to State service after June 30, 2001,
10 upon termination of the disability annuity) has the five
11 eligibility points required by sections 5102 (relating to
12 definitions), 5308(b) (relating to eligibility for
13 annuities), 5309 (relating to eligibility for vesting),
14 5704(b) (relating to disability annuities) and 5705(a)
15 (relating to member's options), only eligibility points
16 earned by performing credited State service[,] or USERRA
17 leave in a class of service other than Class A-5, or credited
18 school service as an active member of the Public School
19 Employees' Retirement System in a class of service other than
20 Class T-G after June 30, 2001, shall be counted until such
21 member earns one such eligibility point by performing
22 credited State service or credited school service after June
23 30, 2001, at which time all eligibility points other than
24 eligibility points in classes of service other than Class A-5
25 or Class T-G as determined pursuant to subsection (a) shall
26 be counted.

27 (2) Any member to whom paragraph (1) applies shall be
28 considered to have satisfied any requirement for five
29 eligibility points contained in this part if the member:

30 (i) has ten or more eligibility points of the
31 applicable class of service as determined pursuant to
32 subsection (a); or

33 (ii) has Class G, Class H, Class I, Class J, Class
34 L, Class M or Class N service and has eight or more
35 eligibility points of a class of service other than Class
36 A-5 or Class T-G as determined pursuant to subsection
37 (a).

38 (c) Transitional rule for members with Class A-5 service
39 credit.--

40 (1) Any provision of this part pertaining to eligibility
41 points applicable to the eligibility for or calculation of
42 annuities or benefits attributable to classes of service
43 other than Class A-5 shall not include any eligibility points
44 attributable to service credited in Class A-5 or as a member
45 of Class T-G in the Public School Employees' Retirement
46 System.

47 (2) Any provision of this part pertaining to eligibility
48 points applicable to the eligibility for or calculation of
49 annuities or benefits attributable to service in Class A-5
50 shall include only eligibility points attributable to service
51 credited in Class A-5 or if a multiple service member as a

1 member of Class T-G in the Public School Employees'
2 Retirement System.

3 (3) Only eligibility points earned as a member of Class
4 A-5, or if a multiple service member, as a member of Class T-
5 G in the Public School Employees' Retirement System, shall be
6 applicable to any provision in this part requiring
7 eligibility points for the determination or payment of
8 benefits from the plan.

9 § 5308. Eligibility for annuities.

10 (a) Superannuation annuity.--Attainment of superannuation
11 age by an active member or an inactive member on leave without
12 pay with three or more eligibility points other than eligibility
13 points resulting from nonstate service or nonschool service
14 shall entitle him to receive a superannuation annuity upon
15 termination of State service and compliance with section 5907(f)
16 (relating to rights and duties of State employees [and
17 members).], members and participants); provided that only
18 eligibility points earned in classes of service other than Class
19 A-5 or, if a multiple service member, in Class T-G shall be used
20 to determine if a member has the three eligibility points
21 necessary to be eligible to receive a superannuation annuity
22 attributable to classes of service other than Class A-5; and
23 further provided, that only eligibility points earned in Class
24 A-5 or, if a multiple service member, in Class T-G shall be used
25 to determine if a member has the three eligibility points
26 necessary to be eligible to receive a superannuation annuity
27 attributable to Class A-5 service.

28 (b) Withdrawal annuity.--

29 (1) Any vestee or any active member or inactive member
30 on leave without pay who terminates State service having five
31 or more eligibility points and who does not have Class A-3
32 [or], Class A-4 or Class A-5 service credit or Class T-E
33 [or], Class T-F or Class T-G service credit in the Public
34 School Employees' Retirement System, or who has Class G,
35 Class H, Class I, Class J, Class K, Class L, Class M or Class
36 N service and terminates State service having five or more
37 eligibility points, upon compliance with section 5907(f), (g)
38 or (h) shall be entitled to receive an annuity.

39 (2) Any vestee, active member or inactive member on
40 leave without pay who has Class A-3 or Class A-4 service
41 credit or, if a multiple service member, Class T-E or Class
42 T-F service credit in the Public School Employees' Retirement
43 System who terminates State service having ten or more
44 eligibility points in classes of service other than Class A-5
45 or Class T-G in the Public School Employees' Retirement
46 System, upon compliance with section 5907(f), (g) or (h),
47 shall be entitled to receive an annuity based on service and
48 compensation in classes of service other than Class A-5 or
49 Class T-G.

50 (3) Any vestee, active member or inactive member on
51 leave without pay who has either Class A-3 [or], Class A-4 or

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

15 (4) In addition to any withdrawal annuity payable under
16 paragraph (2) or (3), any vestee, active member or inactive
17 member on leave without pay who terminates State service
18 having 25 or more eligibility points resulting from Class A-5
19 service credit or, if a multiple service member, Class T-G
20 service credit in the Public School Employees' Retirement
21 System, upon compliance with section 5907 (f), (g) or (h)
22 shall be entitled to receive an annuity based on service and
23 compensation as a member of Class A-5 and Class T-G in
24 addition to any annuity the member is eligible to receive
25 from other classes of service. In the event a member
26 terminates State service having ten or more, but less than 25
27 eligibility points resulting from Class A-5 service credit
28 or, if a multiple service member, Class T-G service credit in
29 the Public School Employees' Retirement System, the member
30 shall be eligible to receive an annuity based on Class A-5
31 service credit upon attainment of superannuation age.

32 (c) Disability annuity.--An active member or inactive member
33 on leave without pay who:

34 (1) has five or more eligibility points other than
35 eligibility points resulting from service as a member of
36 Class A-5 or membership in the Public School Employees'
37 Retirement System [or any active member or inactive member on
38 leave without pay who];

39 (2) is an officer of the Pennsylvania State Police or an
40 enforcement officer; or

41 (3) has five or more eligibility points resulting from
42 service as a member of Class A-5;

43 shall, upon compliance with section 5907(k), be entitled to a
44 disability annuity based on service and compensation in classes
45 other than Class A-5 if he is eligible for a disability annuity
46 on service other than as a member of Class A-5 and a disability
47 annuity based on service and compensation in Class A-5 if he is
48 eligible for a disability annuity based on service and
49 compensation as a member of Class A-5 if he becomes mentally or
50 physically incapable of continuing to perform the duties for
51 which he is employed and qualifies in accordance with the

1 provisions of section 5905(c)(1) (relating to duties of the
2 board regarding applications and elections of members).

3 § 5308.1. Eligibility for special early retirement.

4 Notwithstanding any provisions of this title to the contrary,
5 the following special early retirement provisions shall be
6 applicable to specified eligible members [as follows]:

7 (1) During the period of July 1, 1985, to September 30,
8 1991, an active member who has attained the age of at least
9 53 years and has accrued at least 30 eligibility points shall
10 be entitled, upon termination of State service and compliance
11 with section 5907(f) (relating to rights and duties of State
12 employees [and], members and participants), to receive a
13 maximum single life annuity calculated under section 5702
14 (relating to maximum single life annuity) without a reduction
15 by virtue of an effective date of retirement which is under
16 the superannuation age.

17 * * *

18 § 5309. Eligibility for vesting.

19 Any member who:

20 (1) Does not have Class A-3 [or], Class A-4 or Class A-5
21 service credit or, if a multiple service member, Class T-E
22 [or], Class T-F or Class T-G service credit in the Public
23 School Employees' Retirement System and terminates State
24 service, or if a multiple service member and an active member
25 of the Public School Employees' Retirement System terminates
26 school service, with five or more eligibility points, or any
27 member with Class G, Class H, Class I, Class J, Class K,
28 Class L, Class M or Class N service with five or more
29 eligibility points, shall be eligible until attainment of
30 superannuation age to vest his retirement benefits.

31 (2) Has only Class A-3 or Class A-4 service credit [or]
32 and, if a multiple service member, only Class T-E or Class T-
33 F service credit in the Public School Employees' Retirement
34 System and terminates State service, or if a multiple service
35 member and an active member of the Public School Employees'
36 Retirement System terminates school service, with ten or more
37 eligibility points shall be eligible until attainment of
38 superannuation age to vest his retirement benefits.

39 (3) Has either Class A-3 or Class A-4 service credit
40 [or] and, if a multiple service member, Class T-E or Class T-
41 F service credit in the Public School Employees' Retirement
42 System, also has service credited in the system in one or
43 more other classes of service other than Class A-5 and has
44 five or more, but fewer than ten, eligibility points
45 resulting from service in classes other than Class A-5 or
46 Class T-G and terminates State service, or if a multiple
47 service member and an active member of the Public School
48 Employees' Retirement System terminates school service,
49 shall be eligible until the attainment of superannuation age
50 to vest his retirement benefits calculated on his service
51 credited in classes of service other than Class A-3 [or],

1 Class A-4 or Class A-5 and to be credited with statutory
2 interest on total accumulated deductions, regardless of
3 whether or not any part of his accumulated deductions are a
4 result of Class A-3 or Class A-4 service credit.

5 (4) Has only Class A-5 service credit and, if a multiple
6 service member, only Class T-G service credit in the Public
7 School Employees' Retirement System and terminates State
8 service, or, if a multiple service member and an active
9 member of the Public School Employees' Retirement System,
10 terminates school service with ten or more and less than 25
11 eligibility points shall be required until attainment of
12 superannuation age to vest his retirement benefits resulting
13 from Class A-5 service.

14 (5) Has only Class A-5 service credit and, if a multiple
15 service member, only Class T-G service credit in the Public
16 School Employees' Retirement System and terminates State
17 service, or, if a multiple service member and an active
18 member of the Public School Employees' Retirement System,
19 terminates school service with 25 or more eligibility points
20 shall be eligible until attainment of superannuation age to
21 vest his retirement benefits resulting from Class A-5
22 service.

23 (6) Has Class A-5 service credit and service credited in
24 one or more other classes of service and terminates State
25 service, or if a multiple service member and an active member
26 of the Public School Employees' Retirement System terminates
27 school service, shall be required or eligible to vest his
28 retirement benefits based on Class A-5 service until the
29 attainment of the applicable superannuation age if he would
30 be required or eligible to vest his retirement benefits based
31 on Class A-5 service under paragraph (4) or (5) disregarding
32 all classes of service other than Class A-5 and Class T-G and
33 shall be eligible to vest his retirement benefits in each
34 other class of service other than Class A-5 in accordance
35 with the requirements of each class of service until the
36 attainment of the applicable superannuation ages for each
37 class of service for which he would be able to vest his
38 retirement benefits under paragraph (1), (2) or (3)
39 disregarding service in Class A-5 and Class T-G.

40 § 5310. Eligibility for death benefits.

41 In the event of the death of a member who is eligible for an
42 annuity in accordance with section 5308(a) or (b) (relating to
43 eligibility for annuities), his beneficiary shall be entitled to
44 a death benefit. For purposes of this section, a member with ten
45 or more but less than 25 eligibility points resulting from Class
46 A-5 service credit or, if a multiple service member, Class T-G
47 service credit in the Public School Employees' Retirement System
48 shall be considered eligible for an annuity based on Class A-5
49 service even if under superannuation age.

50 § 5311. Eligibility for refunds.

51 (a) Total accumulated deductions.--Any active member,

1 regardless of eligibility for benefits, may elect to receive his
2 total accumulated deductions upon termination of service in lieu
3 of any benefit from the system resulting from service in classes
4 other than Class A-5 to which he is entitled.

5 (a.1) Class A-5 accumulated deductions.--An active member
6 who has service credited as a Class A-5 member and is not
7 eligible to receive an immediate annuity or be a vestee as a
8 result of his Class A-5 service may elect to receive his Class
9 A-5 accumulated deductions upon termination of service in lieu
10 of any benefit from the system resulting from service in Class
11 A-5 to which he is entitled.

12 (b) Social security integration accumulated deductions.--Any
13 active member at any time may elect to receive his social
14 security integration accumulated deductions and thereby to have
15 all his social security integration credits and benefits
16 therefor cancelled, and shall not be entitled to accrue any
17 further social security integration credits or benefits; except
18 that a disability annuitant who returns to State service in a
19 class of service other than Class A-5 shall have the right to
20 reinstate his social security integration accumulated deductions
21 and credits therefor.

22 § 5501. Regular member contributions for current service.

23 Regular member contributions shall be made to the fund on
24 behalf of each active member for current service except for any
25 period of current service in which the making of such
26 contributions has ceased solely by reason of section 5502.1
27 (relating to waiver of regular member contributions and Social
28 Security integration member contributions) or any provision of
29 this part relating to the limitations under IRC § 401(a)(17) or
30 [415(b).] 415 or limitations on contributions to the system
31 applicable to a Class A-5 member who is making mandatory pickup
32 participant contributions to the trust.

33 Section 313. Section 5501.1(a) and (b)(1) and (7) of Title
34 71 are amended and the section is amended by adding a subsection
35 to read:

36 § 5501.1. Shared-risk member contributions for Class A-3 [and],
37 Class A-4 and Class A-5 service.

38 (a) General.--Shared-risk member contributions shall be made
39 to the fund on behalf of each member of Class A-3 [or],
40 Class A-4 or Class A-5 for current service credited as Class A-3 [or],
41 Class A-4 or Class A-5 as provided under this section, except
42 for any period of current service in which the making of the
43 contributions has ceased solely by reason of any provision of
44 this part relating to the limitations under IRC § 401(a)(17) or
45 415 or any provision of this part limiting contributions
46 applicable to a Class A-5 member. Shared-risk member
47 contributions shall be credited to the members' savings account.

48 (b) Determination of shared-risk contribution rate[.--] for
49 Class A-3 and Class A-4 service.--The shared-risk contribution
50 for Class A-3 and Class A-4 service shall be determined as
51 follows:

1 (1) For the period from the effective date of this
2 section until June 30, 2014, the shared-risk contribution
3 rate for Class A-3 and Class A-4 service shall be zero.

4 * * *

5 (7) For any fiscal year in which the actual
6 contributions by the Commonwealth or an employer are lower
7 than those required to be made under section 5507(d)
8 (relating to contributions to the system by the Commonwealth
9 and other employers), the prospective shared-risk
10 contribution rate for those employees whose employers are not
11 making the contributions required by section 5507(d) shall be
12 zero and shall not subsequently be increased, except as
13 otherwise provided in this section.

14 * * *

15 (c) Determination of shared-risk contribution rate for Class
16 A-5 service.--The shared risk contribution for Class A-5 service
17 shall be determined as follows:

18 (1) For the period from the effective date of this
19 section until June 30, 2020, the shared-risk contribution
20 rate for Class A-5 service shall be zero.

21 (2) For the period from July 1, 2020, to June 30, 2023,
22 if the annual interest rate adopted by the board for use
23 during the period from January 1, 2017, to December 31, 2019,
24 for the calculation of the normal contribution rate is more
25 than 1% greater than the actual rate of return, net of fees,
26 of the investments of the fund based on market value over the
27 period, the shared-risk contribution rate shall be 0.5%. In
28 all other situations, the shared-risk contribution rate shall
29 be zero.

30 (3) For each subsequent three-year period, the shared-
31 risk contribution rate shall be increased by 0.5% if the
32 annual interest rate adopted by the board for use during the
33 previous ten-year period for the calculation of the normal
34 contribution rate is more than 1% greater than the actual
35 rate of return, net of fees, of the investments of the fund
36 based on market value over the period. The shared-risk
37 contribution rate shall be decreased by 0.5% if the annual
38 interest rate adopted by the board for use during the
39 previous ten-year period for the calculation of the normal
40 contribution rate is equal to or less than the actual rate of
41 return, net of fees, of the investments of the fund based on
42 market value over that period.

43 (4) Notwithstanding paragraphs (2) and (3), the shared-
44 risk contribution rate may not be less than zero and may not
45 be more than the experience adjustment factor resulting from
46 investment gains or losses in effect on the first day when
47 the new rate would be applied, expressed as a percentage of
48 member compensation, provided that in no event may the
49 shared-risk contribution rate be more than 2%. For the
50 determination of the shared-risk contribution rate to be
51 effective July 1, 2023, the determination period shall be

1 January 1, 2017, through December 31, 2022. For the
2 determination of the shared-risk contribution rate to be
3 effective July 1, 2026, the determination period shall be
4 January 1, 2017, through December 31, 2025.

5 (5) The shared-risk contribution rate and the factors
6 entering into its calculation shall be certified by the
7 actuary as part of the annual valuations and the actuarial
8 investigation and evaluation of the system conducted every
9 five years under section 5902(j) (relating to administrative
10 duties of the board).

11 (6) In the event that the annual interest rate adopted
12 by the board for the calculation is changed during the period
13 used to determine the shared-risk contribution rate, the
14 board, with the advice of the actuary, shall determine the
15 applicable rate during the entire period, expressed as an
16 annual rate.

17 (7) For any fiscal year in which the actual
18 contributions by the Commonwealth or an employer are lower
19 than those required to be made under section 5507(d)
20 (relating to contributions to the system by the Commonwealth
21 and other employers), the prospective shared-risk
22 contribution rate for those employees whose employers are not
23 making the contributions required by section 5507(d) shall be
24 zero and shall not subsequently be increased, except as
25 otherwise provided in this section.

26 (8) If the actuary certifies that the accrued liability
27 contributions calculated in accordance with the actuarial
28 cost method provided in section 5508(b), as adjusted by the
29 experience adjustment factor, are zero or less, then the
30 shared-risk contribution rate for the next fiscal year shall
31 be zero and shall not subsequently be increased, except as
32 otherwise provided in this section.

33 Section 314. Sections 5502, 5502.1(b), 5503.1(a), 5504,
34 5505(b)(1), (c), (d) and (i)(4) and 5506(a) of Title 71 are
35 amended to read:

36 § 5502. Social Security integration member contributions.

37 Except for any period of current service in which the making
38 of regular member contributions has ceased solely by reason of
39 section 5502.1 (relating to waiver of regular member
40 contributions and Social Security integration member
41 contributions) or any provision of this part relating to
42 limitations under IRC § 401(a)(17) or 415(b), contributions
43 shall be made on behalf of [a] an active member of any class
44 other than Class A-5 who prior to March 1, 1974, has elected
45 Social Security integration coverage. The amount of such
46 contributions shall be 6 1/4% of that portion of his
47 compensation as an active member in excess of the maximum wages
48 taxable under the provisions of the Social Security Act (49
49 Stat. 620, 42 U.S.C. § 301 et seq.), in addition to the regular
50 member contributions which, after such election, shall be
51 determined on the basis of the basic contribution rate of 5% and

1 the additional member contribution of 1 1/4%: Provided, That a
2 member may elect to discontinue Social Security integration
3 coverage and shall thereafter be ineligible to accrue any
4 further Social Security integration credits or any additional
5 benefits on account of Social Security integration membership.
6 § 5502.1. Waiver of regular member contributions and Social
7 Security integration member contributions.

8 * * *

9 (b) Applicability.--This section shall not apply to any
10 member who has Class A-3 [or], Class A-4 or Class A-5 service
11 credit.

12 § 5503.1. Pickup contributions.

13 (a) Treatment for purposes of IRC § 414(h).--All
14 contributions to the fund required to be made under sections
15 5501 (relating to regular member contributions for current
16 service), 5501.1 (relating to shared-risk member contributions
17 for Class A-3 [and], Class A-4 and Class A-5 service), 5502
18 (relating to Social Security integration member contributions),
19 5503 (relating to joint coverage member contributions) and
20 [section] 5505.1 (relating to additional member contributions),
21 with respect to current State service rendered by an active
22 member on or after January 1, 1982, shall be picked up by the
23 Commonwealth or other employer and shall be treated as the
24 employer's contribution for purposes of IRC § 414(h).

25 * * *

26 § 5504. Member contributions for the purchase of credit for
27 previous State service or to become a full coverage
28 member.

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

31 (1) The contributions to be paid by an active member or
32 eligible school employee for credit [for] in the system for
33 the portion of total previous State service other than
34 service in Class G, Class H, Class I, Class J, Class K, Class
35 L, Class M and Class N that a member is eligible to have
36 credited or to become a full coverage member shall be
37 sufficient to provide an amount equal to the regular and
38 additional accumulated deductions which would have been
39 standing to the credit of the member for such service had
40 regular and additional member contributions been made with
41 full coverage in the class of service and at the rate of
42 contribution applicable during such period of previous
43 service and had his regular and additional accumulated
44 deductions been credited with statutory interest during all
45 periods of subsequent State service as an active member or
46 inactive member on leave without pay and school service as an
47 active member or inactive member of the Public School
48 Employees' Retirement System up to the date of purchase.

49 (2) Notwithstanding paragraph (1), active members [with]
50 who perform State service credited as Class A-3 [State]
51 service shall make contributions and receive credit as if the

1 previous State service was Class A-3 service, and active
2 members [with] who perform State service credited as Class A-
3 4 [State] service shall make contributions and receive credit
4 as if the previous State service was Class A-4 service, even
5 if it would have been credited as a different class of
6 service had the State employee been a member of the system at
7 the time the service was performed unless it was mandatory
8 that the State employee be an active member of the system and
9 the previous State service is being credited as the result of
10 a mandatory active membership requirement.

11 (a.1) Converted county service.--No contributions shall be
12 required to restore credit for previously credited State service
13 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
14 and Class N. Such service shall be restored upon the
15 commencement of payment of the contributions by an active member
16 of a class of service other than Class A-5 required to restore
17 credit in the system for all other previous State service other
18 than Class A-5 service.

19 (b) Certification and method of payment.--The amount payable
20 shall be certified in each case by the board in accordance with
21 methods approved by the actuary and shall be paid in a lump sum
22 within 30 days or in the case of an active member or eligible
23 school employee who is an active member of the Public School
24 Employees' Retirement System may be amortized with statutory
25 interest through salary deductions to the system in amounts
26 agreed upon by the member and the board. The salary deduction
27 amortization plans agreed to by members and the board may
28 include a deferral of payment amounts and statutory interest
29 until the termination of school service or State service as the
30 board in its sole discretion decides to allow. The board may
31 limit the salary deduction amortization plans to such terms as
32 the board in its sole discretion determines. In the case of an
33 eligible school employee who is an active member of the Public
34 School Employees' Retirement System, the agreed upon salary
35 deductions shall be remitted to the Public School Employees'
36 Retirement Board, which shall certify and transfer to the board
37 the amounts paid.

38 § 5505. Contributions for the purchase of credit for creditable
39 nonstate service.

40 * * *

41 (b) Nonintervening military service.--

42 (1) (i) The amount due for the purchase of credit for
43 military service other than intervening military service
44 by a member who is eligible to make the purchase under
45 section 5304(a)(1) or (2) (relating to creditable
46 nonstate service) shall be determined by applying the
47 member's basic contribution rate, the additional
48 contribution rate plus the Commonwealth normal
49 contribution rate for active members at the time of
50 entry, subsequent to such military service, of the member
51 into State service to his average annual rate of

1 compensation, excluding compensation received for Class
2 A-5 service, over the first three years of such
3 subsequent State service and multiplying the result by
4 the number of years and fractional part of a year of
5 creditable nonintervening military service being
6 purchased together with statutory interest during all
7 periods of subsequent State service as an active member
8 or inactive member on leave without pay and school
9 service as an active member or inactive member of the
10 Public School Employees' Retirement System to date of
11 purchase.

12 (ii) The amount due for the purchase of credit for
13 military service other than intervening military service
14 by a member who is eligible to make the purchase under
15 section 5304(a)(3) shall be determined by applying the
16 member's basic contribution rate, plus the Commonwealth
17 normal contribution rate for active members at the time
18 of entry, subsequent to such military service, of the
19 member into Class A-5 State service to his average annual
20 rate of compensation received for Class A-5 service
21 subject to any limit each year by the application of the
22 Class A-5 annual compensation limit, over the first three
23 years of such subsequent Class A-5 State service and
24 multiplying the result by the number of years and
25 fractional part of a year of creditable nonintervening
26 military service being purchased, together with statutory
27 interest during all periods of subsequent State service
28 as an active member or inactive member on leave without
29 pay and school service as an active member or inactive
30 member of the Public School Employees' Retirement System
31 to date of purchase.

32 (iii) Upon application for credit for such service,
33 payment shall be made in a lump sum within 30 days or in
34 the case of an active member or eligible school employee
35 who is an active member of the Public School Employees'
36 Retirement System it may be amortized with statutory
37 interest through salary deductions in amounts agreed upon
38 by the member and the board. The salary deduction
39 amortization plans agreed to by members and the board may
40 include a deferral of payment amounts and statutory
41 interest until the termination of school service or State
42 service as the board in its sole discretion decides to
43 allow. The board may limit salary deduction amortization
44 plans to such terms as the board in its sole discretion
45 determines. In the case of an eligible school employee
46 who is an active member of the Public School Employees'
47 Retirement System, the agreed upon salary deductions
48 shall be remitted to the Public School Employees'
49 Retirement Board, which shall certify and transfer to the
50 board the amounts paid. Application may be filed for all
51 such military service credit upon completion of three

1 years of subsequent State service and shall be credited
2 as Class A service.

3 * * *

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

- 20 (1) regular monthly payments during active military
21 service; or
22 (2) a lump sum payment within 30 days of certification;
23 or
24 (3) salary deductions to the system in amounts agreed
25 upon by the member or eligible school employee who is an
26 active member of the Public School Employees' Retirement
27 System and the board.

28 The salary deduction amortization plans agreed to by members and
29 the board may include a deferral of payment amounts and
30 statutory interest until the termination of school service or
31 State service as the board in its sole discretion decides to
32 allow. The board may limit salary deduction amortization plans
33 to such terms as the board in its sole discretion determines. In
34 the case of an eligible school employee who is an active member
35 of the Public School Employees' Retirement System, the agreed
36 upon salary deductions shall be remitted to the Public School
37 Employees' Retirement Board, which shall certify and transfer to
38 the board the amounts paid.

39 (d) Nonmilitary and nonmagisterial service.--Contributions
40 on account of credit for creditable nonstate service other than
41 military and magisterial service by State employees who first
42 become members of the system before January 1, 2011, or before
43 December 1, 2010, as a member of the General Assembly shall be
44 determined by applying the member's basic contribution rate, the
45 additional contribution rate plus the Commonwealth normal
46 contribution rate for active members at the time of entry
47 subsequent to such creditable nonstate service of the member
48 into State service to his compensation at the time of entry into
49 State service as a member of the system and multiplying the
50 result by the number of years and fractional part of a year of
51 creditable nonstate service being purchased together with

1 statutory interest during all periods of subsequent State
2 service as an active member or inactive member on leave without
3 pay and school service as an active member or inactive member of
4 the Public School Employees' Retirement System to the date of
5 purchase. Upon application for credit for such service payment
6 shall be made in a lump sum within 30 days or in the case of an
7 active member or eligible school employee who is an active
8 member of the Public School Employees' Retirement System it may
9 be amortized with statutory interest through salary deductions
10 to the system in amounts agreed upon by the member and the
11 board. The salary deduction amortization plans agreed to by
12 members and the board may include a deferral of payment amounts
13 and statutory interest until the termination of school service
14 or State service as the board in its sole discretion decides to
15 allow. The board may limit salary deduction amortization plans
16 to such terms as the board in its sole discretion determines. In
17 the case of an eligible school employee who is an active member
18 of the Public School Employees' Retirement System, the agreed
19 upon salary deduction shall be remitted to the Public School
20 Employees' Retirement Board, which shall certify and transfer to
21 the board the amounts paid.

22 * * *

23 (i) Purchases of nonstate service credit by State employees
24 who first became members of the system on or after December 1,
25 2010.--

26 * * *

27 (4) The payment for credit purchased under this
28 subsection shall be certified in each case by the board in
29 accordance with methods approved by the actuary and shall be
30 paid in a lump sum within 30 days or in the case of an active
31 member or eligible school employee who is an active member of
32 the Public School Employees' Retirement System may be
33 amortized with statutory interest through salary deductions
34 to the system in amounts agreed upon by the member and the
35 board. The salary deduction amortization plans agreed to by
36 members and the board may include a deferral of payment
37 amounts and interest until the termination of school service
38 or State service as the board in its sole discretion decides
39 to allow. The board may limit the salary deduction
40 amortization plans to such terms as the board in its sole
41 discretion determines. In the case of an eligible school
42 employee who is an active member of the Public School
43 Employees' Retirement System, the agreed upon salary
44 deductions shall be remitted to the Public School Employees'
45 Retirement Board, which shall certify and transfer to the
46 board the amounts paid.

47 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

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

17 * * *

18 Section 315. Title 71 is amended by adding a section to
19 read:

20 § 5506.2. Application of Class A-5 annual compensation limit.

21 (a) General rule.--The Class A-5 annual compensation limit
22 shall be applied to the total compensation received each
23 calendar year for service as a member of Class A-5 and, if a
24 multiple service member, for service in Class T-G in the Public
25 School Employees' Retirement System.

26 (b) Adjustment required.--For purposes of calculating final
27 average salary for the determination of standard single life
28 annuities and other benefits resulting from Class A-5 service,
29 compensation received each calendar year for Class A-5 service
30 and, if a multiple service member, as a school employee for
31 service as a Class T-G member of the Public School Employees'
32 Retirement System shall be adjusted by first limiting the
33 compensation to the Class A-5 annual compensation limit for that
34 year. The limited Class A-5 service compensation shall then be
35 annualized for any part-time service on the basis of the
36 fractional portion of the year for which credit is received.

37 Section 316. Section 5507(a), (b), (d) and (e) of Title 71
38 are amended and the section is amended by adding a subsection to
39 read:

40 § 5507. Contributions to the system by the Commonwealth and
41 other employers.

42 (a) Contributions on behalf of active members.--The
43 Commonwealth and other employers whose employees are members of
44 the system or participants in the plan shall make contributions
45 to the fund on behalf of all active members in such amounts as
46 shall be certified by the board as necessary to provide,
47 together with the members' total accumulated deductions and
48 Class A-5 accumulated deductions, annuity reserves on account of
49 prospective annuities other than those provided in sections 5708
50 (relating to supplemental annuities), 5708.1 (relating to
51 additional supplemental annuities), 5708.2 (relating to further

1 additional supplemental annuities), 5708.3 (relating to
2 supplemental annuities commencing 1994), 5708.4 (relating to
3 special supplemental postretirement adjustment), 5708.5
4 (relating to supplemental annuities commencing 1998), 5708.6
5 (relating to supplemental annuities commencing 2002), 5708.7
6 (relating to supplemental annuities commencing 2003) and 5708.8
7 (relating to special supplemental postretirement adjustment of
8 2002), in accordance with the actuarial cost method provided in
9 section 5508(a), (b), (c), (d) and (f) (relating to actuarial
10 cost method).

11 (b) Contributions on behalf of annuitants.--The Commonwealth
12 and other employers whose employees are members of the system or
13 participants in the plan shall make contributions on behalf of
14 annuitants in such amounts as shall be certified by the board as
15 necessary to fund the liabilities for supplemental annuities in
16 accordance with the actuarial cost method provided in section
17 5508(e) [(relating to actuarial cost method)].

18 (b.1) Payment of employer contributions to the system.--

19 (1) Payment of employer normal contributions shall be as
20 a percentage of:

21 (i) the compensation of active members in classes of
22 service other than Class A-5; and

23 (ii) the compensation of active members of Class A-5
24 who have 25 or fewer eligibility points resulting from
25 Class A-5 service or, if a multiple service member, Class
26 T-G service up to each employee's Class A-5 annual
27 compensation limit.

28 (2) Payment of accrued liability contributions as
29 modified by the experience adjustment factor shall be as a
30 percentage of compensation of active members and active
31 participants.

32 * * *

33 (d) Payment of final contribution rate.--Notwithstanding the
34 calculation of the actuarially required contribution rate and
35 the provisions of subsections (a) and (b), the Commonwealth and
36 other employers whose employees are members of the system or
37 participants in the plan shall make contributions to the fund on
38 behalf of all active members and annuitants in such amounts as
39 shall be certified by the board in accordance with section
40 5508(i).

41 (e) Benefits completion plan contributions.--In addition to
42 all other contributions required under this section and section
43 5508, the Commonwealth and other employers whose employees are
44 members of the system shall make contributions as certified by
45 the board pursuant to section 5941 (relating to benefits
46 completion plan). Payment of contributions under this subsection
47 shall be as a percentage of the compensation of active members
48 in classes of service other than Class A-5 and the compensation
49 of active members of Class A-5 who have 25 or fewer eligibility
50 points resulting from Class A-5 service or, if a multiple
51 service member, Class T-G up to each employee's Class A-5 annual

1 compensation limit.

2 * * *

3 Section 317. Section 5508(a), (b), (c)(1) and (3), (e)(2),
4 (f) and (h) of Title 71 are amended and subsection (c) is
5 amended by adding a paragraph to read:
6 § 5508. Actuarial cost method.

7 (a) Employer contribution rate on behalf of active
8 members.--The amount of the Commonwealth and other employer
9 contributions on behalf of all active members shall be computed
10 by the actuary as a percentage of the total compensation of all
11 active members and participants, subject to the limitations in
12 section 5507(b.1) (relating to contributions to the system by
13 the Commonwealth and other employees), during the period for
14 which the amount is determined and shall be so certified by the
15 board. The actuarially required contribution rate on behalf of
16 all active members shall consist of the employer normal
17 contribution rate, as defined in subsection (b), and the accrued
18 liability contribution rate as defined in subsection (c). The
19 actuarially required contribution rate on behalf of all active
20 members shall be modified by the experience adjustment factor as
21 calculated in subsection (f).

22 (b) Employer normal contribution rate.--The employer normal
23 contribution rate shall be determined after each actuarial
24 valuation on the basis of an annual interest rate and such
25 mortality and other tables as shall be adopted by the board in
26 accordance with generally accepted actuarial principles. The
27 employer normal contribution rate shall be determined as a level
28 percentage of the compensation of the average new active member
29 on which employer normal contributions are made under section
30 5507(b.1), which percentage, if contributed on the basis of his
31 prospective compensation on which employer normal contributions
32 are made under section 5507(b.1) through his entire period of
33 active State service, would be sufficient to fund the liability
34 for any prospective benefit payable to him in excess of that
35 portion funded by his prospective member contributions,
36 excluding shared-risk member contributions. In no case shall the
37 employer normal contribution rate be less than zero.

38 (c) Accrued liability contribution rate.--

39 (1) For the fiscal years beginning July 1, 2002, and
40 July 1, 2003, the accrued liability contribution rate shall
41 be computed as the rate of total compensation of all active
42 members which shall be certified by the actuary as sufficient
43 to fund over a period of ten years from July 1, 2002, the
44 present value of the liabilities for all prospective
45 benefits, except for the supplemental benefits as provided in
46 sections 5708 (relating to supplemental annuities), 5708.1
47 (relating to additional supplemental annuities), 5708.2
48 (relating to further additional supplemental annuities),
49 5708.3 (relating to supplemental annuities commencing 1994),
50 5708.4 (relating to special supplemental postretirement
51 adjustment), 5708.5 (relating to supplemental annuities

1 commencing 1998), 5708.6 (relating to supplemental annuities
2 commencing 2002), 5708.7 (relating to supplemental annuities
3 commencing 2003) and 5708.8 (relating to special supplemental
4 postretirement adjustment of 2002), in excess of the total
5 assets in the fund (calculated recognizing all investment
6 gains and losses over a five-year period), excluding the
7 balance in the supplemental annuity account, and the present
8 value of employer normal contributions and of member
9 contributions payable with respect to all active members on
10 December 31, 2001, and excluding contributions to be
11 transferred by county retirement systems or pension plans
12 pursuant to section 5507(c) (relating to contributions to the
13 system by the Commonwealth and other employers). The amount
14 of each annual accrued liability contribution shall be equal
15 to the amount of such contribution for the fiscal year
16 beginning July 1, 2002, except that, if the accrued liability
17 is increased by legislation enacted subsequent to June 30,
18 2002, but before July 1, 2003, such additional liability
19 shall be funded over a period of ten years from the first day
20 of July, coincident with or next following the effective date
21 of the increase. The amount of each annual accrued liability
22 contribution for such additional legislative liabilities
23 shall be equal to the amount of such contribution for the
24 first annual payment.

25 * * *

26 (3) For the fiscal year beginning July 1, 2010, the
27 accrued liability contribution rate shall be computed as the
28 rate of total compensation of all active members which shall
29 be certified by the actuary as sufficient to fund in equal
30 dollar installments over a period of 30 years from July 1,
31 2010, the present value of the liabilities for all
32 prospective benefits calculated as of the immediately prior
33 valuation date, including the supplemental benefits as
34 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
35 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
36 payable from the retirement benefit plan established pursuant
37 to section 5941 (relating to benefits completion plan), in
38 excess of the actuarially calculated assets in the fund
39 (calculated recognizing all realized and unrealized
40 investment gains and losses each year in level annual
41 installments over five years), including the balance in the
42 supplemental annuity account, and the present value of
43 employer normal contributions and of member contributions
44 payable with respect to all active members, inactive members
45 on leave without pay, vestees and special vestees on December
46 31, 2009. If the accrued liability is changed by legislation
47 enacted subsequent to December 31, 2009, and before January
48 1, 2014, such change in liability shall be funded in equal
49 dollar installments over a period of ten years from the first
50 day of July following the valuation date coincident with or
51 next following the date such legislation is enacted.

1 (4) For fiscal years beginning on or after July 1, 2014,
2 the accrued liability contribution rate shall be computed as
3 provided for under paragraph (3), except that the rate shall
4 be computed as a rate of total compensation of all active
5 members and active participants. In addition to any employer
6 defined contributions made to the trust, the Commonwealth and
7 other employers of participants shall make the accrued
8 liability contributions to the fund certified by the board.
9 If the accrued liability is changed by legislation enacted
10 subsequent to December 31, 2013, the change in liability
11 shall be funded in equal dollar installments as a percentage
12 of compensation of all active members and active participants
13 over a period of ten years from the first day of July
14 following the valuation date coincident with or next
15 following the date such legislation is enacted. The accrued
16 liability contribution rate shall be determined after each
17 actuarial valuation on the basis of an annual interest rate
18 and the mortality and other tables adopted by the board in
19 accordance with generally accepted actuarial principles.

20 * * *

21 (e) Supplemental annuity contribution rate.--

22 * * *

23 (2) For fiscal years beginning on or after July 1, 2010,
24 contributions from the Commonwealth and other employers whose
25 employees are members of the system required to provide for
26 the payment of supplemental annuities as provided in sections
27 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
28 and 5708.8 shall be paid as part of the accrued liability
29 contribution rate as provided for in subsection (c)(3), and
30 there shall not be a separate supplemental annuity
31 contribution rate attributable to those supplemental
32 annuities. In the event that supplemental annuities are
33 increased by legislation enacted subsequent to December 31,
34 2009, the additional liability for the increase in benefits
35 shall be funded in equal dollar installments as a percentage
36 of compensation of all active members and active participants
37 over a period of ten years from the first day of July
38 following the valuation date coincident with or next
39 following the date such legislation is enacted.

40 (f) Experience adjustment factor.--

41 (1) For each year after the establishment of the accrued
42 liability contribution rate and the supplemental annuity
43 contribution rate for the fiscal year beginning July 1, 2010,
44 any increase or decrease in the unfunded accrued liability
45 and any increase or decrease in the liabilities and funding
46 for supplemental annuities, due to actual experience
47 differing from assumed experience (recognizing all realized
48 and unrealized investment gains and losses over a five-year
49 period), changes in contributions caused by the final
50 contribution rate being different from the actuarially
51 required contribution rate, State employees making shared-

1 risk member contributions, changes in actuarial assumptions
2 or changes in the terms and conditions of the benefits
3 provided by the system by judicial, administrative or other
4 processes other than legislation, including, but not limited
5 to, reinterpretation of the provisions of this part, shall be
6 amortized in equal dollar annual contributions as a
7 percentage of compensation of all active members and active
8 participants over a period of 30 years beginning with the
9 July 1 succeeding the actuarial valuation determining said
10 increases or decreases.

11 (2) The actuarially required contribution rate shall be
12 the sum of the normal contribution rate, the accrued
13 liability contribution rate and the supplemental annuity
14 contribution rate, modified by the experience adjustment
15 factor as calculated in paragraph (1).

16 * * *

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

35 * * *

36 Section 318. Sections 5509, 5701 and 5701.1 of Title 71 are
37 amended to read:

38 § 5509. Appropriations and assessments by the Commonwealth.

39 (a) Annual submission of budget.--The board shall prepare
40 and submit annually an itemized budget consisting of the amounts
41 necessary to be appropriated by the Commonwealth out of the
42 General Fund and special operating funds and the amounts to be
43 assessed the other employers required to meet the separate
44 obligations to the fund and the trust accruing during the fiscal
45 period beginning the first day of July of the following year.

46 (b) Appropriation and payment.--The General Assembly shall
47 make an appropriation sufficient to provide for the separate
48 obligations of the Commonwealth to the fund and the trust. Such
49 amount shall be paid by the State Treasurer through the
50 Department of Revenue into the fund or trust, as the case may
51 be, in accordance with requisitions presented by the board. The

1 contributions to the system by the Commonwealth on behalf of
2 active members who are officers of the Pennsylvania State Police
3 shall be charged to the General Fund and to the Motor License
4 Fund in the same ratios as used to apportion the appropriations
5 for salaries of members of the Pennsylvania State Police. The
6 contributions to the system by the Commonwealth on behalf of
7 active members who are enforcement officers and investigators of
8 the Pennsylvania Liquor Control Board shall be charged to the
9 General Fund and to the State Stores Fund.

10 (c) Contributions from funds other than General Fund.--The
11 amounts assessed other employers who are required to make the
12 necessary separate contributions to the fund and the trust out
13 of funds other than the General Fund shall be paid by such
14 employers into the fund or trust, as the case may be, in
15 accordance with requisitions presented by the board. The General
16 Fund of the Commonwealth shall not be held liable to appropriate
17 the moneys required to build up the reserves in the fund
18 necessary for the payment of benefits from the system to
19 employees or to make the employer defined contributions for
20 employees of such other employers. In case any such other
21 employer shall fail to provide to the fund the moneys necessary
22 for such purpose, then the service of such members of the system
23 for such period for which money is not so provided shall be
24 credited and pickup contributions with respect to such members
25 shall continue to be credited to the members' savings account.
26 The annuity to which such member is entitled shall be determined
27 as actuarially equivalent to the present value of the maximum
28 single life annuity of each such member reduced by the amount of
29 employer contributions to the system payable on account and
30 attributable to his compensation during such service, except
31 that no reduction shall be made as a result of the failure of an
32 employer to make contributions required for a period of USERRA
33 leave.

34 § 5701. Return of [total] accumulated deductions.

35 Any member upon termination of service may, in lieu of all
36 benefits payable from the system and attributable to service in
37 classes other than Class A-5 under this chapter to which he may
38 be entitled, elect to receive his total accumulated deductions.
39 A member who has service credited as a Class A-5 member and is
40 not eligible to receive an immediate annuity or be a vestee as a
41 result of his Class A-5 service, upon termination of service,
42 may, in lieu of all benefits payable from the system
43 attributable to service in Class A-5 under this chapter to which
44 he may be entitled, elect to receive his Class A-5 accumulated
45 deductions.

46 § 5701.1. Transfer of accumulated deductions.

47 When an employee of the Juvenile Court Judges' Commission
48 elects membership in an independent retirement program pursuant
49 to section 5301(f) (relating to mandatory and optional
50 membership in the system and participation in the plan), the
51 board shall transfer directly to the trustee or administrator of

1 the independent retirement program all accumulated deductions
2 resulting from service credited while an employee of the
3 Juvenile Court Judges' Commission.

4 Section 319. Section 5702(a), (a.1), (b) and (c) and
5 5704(a), (c), (e) and (f) of Title 71 are amended and the
6 sections are amended by adding subsections to read:

7 § 5702. Maximum single life annuity.

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

18 (1) A single life annuity that is the sum of the
19 standard single life [annuity multiplied by the sum of the
20 products,] annuities determined separately for each class of
21 service[, obtained by multiplying] multiplied by the
22 appropriate class of service multiplier [by the ratio of
23 years of service credited in that class to the total credited
24 service] applicable to each standard single life annuity. In
25 case the member on the effective date of retirement is under
26 superannuation age for any service, a reduction factor
27 calculated to provide benefits actuarially equivalent to an
28 annuity starting at superannuation age shall be applied to
29 the product determined for that service. The class of service
30 multiplier for any period of concurrent service shall be
31 multiplied by the proportion of total State and school
32 compensation during such period attributable to State service
33 as a member of the system. In the event a member has two
34 multipliers for one class of service [the class of service
35 multiplier to be used for calculating benefits for that class
36 shall be the average of the two multipliers weighted by the
37 proportion of compensation attributable to each multiplier
38 during the three years of highest annual compensation in that
39 class of service: Provided, That in the case of a member of
40 Class E-1, a portion but not all of whose three years of
41 highest annual judicial compensation is prior to January 1,
42 1973, two class of service multipliers shall be calculated on
43 the basis of his entire judicial service, the one applying
44 the judicial class of service multipliers effective prior to
45 January 1, 1973 and the second applying the class of service
46 multipliers effective subsequent to January 1, 1973. The
47 average class of service multiplier to be used for
48 calculating benefits for his judicial service shall be the
49 average of the two calculated multipliers weighted by the
50 proportion of compensation attributable to each of the
51 calculated multipliers during the three years of highest

1 annual compensation in that class of service.] separate
2 standard single life annuities shall be calculated for the
3 portion of service in such class applicable to each class of
4 service multiplier. In the case of a member with Class A-5
5 service credit and credit in one or more other classes of
6 service who has not attained the superannuation age
7 applicable to Class A-5 service and is not eligible for a
8 withdrawal annuity, but is eligible to be a vestee based on
9 the Class A-5 service credit and who commences receipt of a
10 superannuation or withdrawal annuity, no standard single life
11 annuity based on the member's Class A-5 service credit shall
12 be paid until the attainment of the superannuation age
13 applicable to Class A-5 service.

14 (2) If eligible, a single life annuity of 2% of his
15 average noncovered salary for each year of social security
16 integration credit as provided for in section 5305 (relating
17 to social security integration credits) multiplied, if on the
18 effective date of retirement the member is under
19 superannuation age for any service, by the actuarially
20 determined reduction factor for that service.

21 (3) If eligible, a single life annuity which is
22 actuarially equivalent to the regular and additional
23 accumulated deductions attributable to contributions as a
24 member of Class C, but not less than such annuity determined
25 as if the member were age 60 on the effective date of
26 retirement, actuarially reduced in the event the member is
27 under superannuation age on the effective date of retirement.

28 (4) If eligible, a single life annuity which is
29 actuarially equivalent to the amount by which his regular and
30 additional accumulated deductions attributable to any
31 credited service other than as a member of Class A-3, Class
32 A-4, Class A-5 and Class C are greater than one-half of the
33 actuarially equivalent value on the effective date of
34 retirement of the annuity as provided in paragraph (1)
35 attributable to service other than Class A-3, Class A-4,
36 Class A-5 and Class C for which regular or joint coverage
37 member contributions were made. [This paragraph shall not
38 apply to any member with State service credited as Class A-3
39 or Class A-4.]

40 (5) If eligible, a single life annuity which is
41 actuarially equivalent to the amount by which his social
42 security integration accumulated deductions are greater than
43 one-half of the actuarially equivalent value on the effective
44 date of retirement of the annuity provided for under
45 paragraph (2).

46 (6) If eligible, a single life annuity sufficient
47 together with the annuity provided for in paragraph (1) as a
48 Class A, Class AA, Class A-3 and Class A-4 member and the
49 highest annuity provided for in paragraph (2) to which he is
50 entitled, or at his option could have been entitled, to
51 produce that percentage of [a] the sums of the standard

1 single life [annuity] annuities adjusted by the application
 2 of the class of service multiplier for Class A, Class AA,
 3 Class A-3 or Class A-4 as set forth in paragraph (1) in the
 4 case where any service is credited as a member of Class A,
 5 Class AA, Class A-3 or Class A-4 on the effective date of
 6 retirement as determined by his total years of credited
 7 service as a member of Class A, Class AA, Class A-3 and Class
 8 A-4 and by the following table:

9 10 11 12 13 14 15 16 17	Total Years of Credited Service as a Member of Class A, Class AA, Class A-3 and Class A-4	Percentage of <u>Sums of</u> Standard Single Life [Annuity] <u>Annuities</u> Adjusted for Class A, Class AA, Class A-3 and Class A-4 Class of Service Multipliers
---	--	--

18	35-40	100%
19	41	102%
20	42	104%
21	43	106%
22	44	108%
23	45 or more	110%

24 (a.1) Rule for terminations after attaining age 70.--

25 (1) Any full coverage member who is eligible to receive
 26 an annuity pursuant to the provisions of section 5308(a) who
 27 terminates State service, or if a multiple service member who
 28 is a school employee and an active member of the Public
 29 School Employees' Retirement System who terminates school
 30 service, on or after attaining age 70 and who applies for a
 31 superannuation annuity to be effective the day after the
 32 termination of State service or school service, as the case
 33 may be, shall be entitled to receive a maximum single life
 34 annuity as of a determination date that is equal to the
 35 greater of subparagraph (i) or (ii), plus any annuity he may
 36 be eligible to receive attributable to Class A-5 service
 37 credit:

38 (i) the sum of the annuities provided in subsection
 39 (a)(1) through (6) calculated without including any
 40 annuity attributable to Class A-5 service credit as of
 41 the determination date; and

42 (ii) the greater of clause (A) or (B):

43 (A) the sum of the annuities provided in
 44 subsection (a)(1), (3), (4) and (6) as of the
 45 preceding determination date without including any
 46 annuity attributable to Class A-5 service credit
 47 adjusted by the actuarial increase factor, plus the
 48 annuities provided in subsection (a)(2) and (5) as of
 49 the determination date; and

50 (B) the maximum single life annuity calculated
 51 without including any annuity attributable to Class

1 A-5 service credit as of the preceding determination
2 date adjusted by the actuarial increase factor.

3 The maximum single life annuity calculated without
4 including any annuity attributable to Class A-5 service
5 credit shall be calculated for each determination date.

6 (2) For purposes of this subsection, the determination
7 date shall be:

8 (i) the member's birthday, provided that as of such
9 date the member qualifies for a maximum single life
10 annuity under this subsection, determined excluding
11 eligibility for any annuity attributable to Class A-5
12 service credit; or

13 (ii) if the member's maximum single life annuity is
14 being determined as of the member's effective date of
15 retirement, then the determination date shall be the
16 member's effective date of retirement.

17 (3) In the event an active member, an inactive member on
18 leave without pay or a multiple service member who is a
19 school employee and an active member of the Public School
20 Employees' Retirement System has attained age 70 before the
21 effective date of this subsection, or enters State service or
22 school service, as the case may be, after attaining age 70,
23 then section 5305.1 (relating to eligibility for actuarial
24 increase factor) and subsections (a) and (a.1) shall be
25 effective prospectively with respect to such member at the
26 member's next birthday after the effective date of this
27 subsection, entry into State service, or school service.
28 Nothing in this subsection shall be construed to provide an
29 actuarial increase factor for any period of service prior to the
30 effective date of this subsection.

31 (b) Present value of annuity.--The present value of the
32 maximum single life annuity as calculated in accordance with
33 subsection (a) of this section shall be determined by
34 multiplying the maximum single life annuity by the cost of a
35 dollar annuity on the effective date of retirement, which shall
36 take into account any delay in the receipt of the portion of the
37 annuity based on Class A-5 if the effective date of retirement
38 is under the superannuation age applicable to Class A-5 service.
39 Such present value shall be decreased only as required under the
40 provisions of section 5506 (relating to incomplete payments),
41 5509(c) (relating to appropriations and assessments by the
42 Commonwealth) or 5703 (relating to reduction of annuities on
43 account of social security old-age insurance benefits).

44 (c) Limitation on amount of annuity.--The annuity paid to a
45 member under subsection (a) attributable to any credited service
46 other than as a member of Class A-5 and reduced in accordance
47 with the option elected under section 5705 (relating to member's
48 options) shall not exceed the highest compensation received for
49 any credited service other than service credited as Class A-5
50 during any period of twelve consecutive months of credited
51 service. No limit on the total annuity paid to a member with

1 Class D-3 service shall be applied in the case of a member who
2 served as a constitutional officer of the General Assembly.

3 * * *

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

9 § 5704. Disability annuities.

10 (a) Amount of annuity.--A member who has made application
11 for a disability annuity and has been found to be eligible in
12 accordance with the provisions of section 5905(c)(1) (relating
13 to duties of the board regarding applications and elections of
14 members) shall receive a disability annuity payable from the
15 effective date of disability as determined by the board and
16 continued until a subsequent determination by the board that the
17 annuitant is no longer entitled to a disability annuity. [The]
18 If the sum of the products of the number of years and fractional
19 part of a year of credited service in each class and the
20 appropriate class of service multiplier is greater than 16.667,
21 then the disability annuity shall be a single life annuity that
22 is equal to [a] the sum of the standard single life [annuity]
23 annuities determined separately for each class of service
24 multiplied by the appropriate class of service multiplier
25 [applicable to the class of service at the time of disability if
26 the product of such class of service multiplier and the total
27 number of years of credited service is greater than 16.667,
28 otherwise the], otherwise each standard single life annuity
29 shall be multiplied by the lesser of the following ratios:

30 MY^*/Y or $16.667/Y$

31 where $Y =$ total number of years of credited service, $Y^* =$ total
32 years of credited service if the member were to continue as a
33 State employee until attaining superannuation age as applicable
34 to that class of service at the time of disability, or if the
35 member has attained superannuation age, as applicable to that
36 class of service at the time of disability, then the number of
37 years of credited service and $M =$ the class of service
38 multiplier as applicable to that class of service at the
39 effective date of disability. A member of Class C shall receive,
40 in addition, any annuity to which he may be eligible under
41 section 5702(a)(3) (relating to maximum single life annuity).
42 The member shall be entitled to the election of a joint and
43 survivor annuity on that portion of the disability annuity to
44 which he is entitled under section 5702.

45 * * *

46 (c) Reduction on account of earned income.--Subsequent to
47 January 1, 1972, payments on account of disability shall be
48 reduced by that amount by which the earned income of the
49 annuitant, as reported in accordance with section 5908(b)
50 (relating to rights and duties of annuitants), for the preceding
51 calendar year together with the disability annuity payments

1 provided in this section other than subsection (b), for the
2 year, exceeds the product of:

3 [(i)] (1) the last year's salary of the annuitant as a
4 [State employee] member of the system; and

5 [(ii)] (2) the ratio of the current monthly payment to
6 the monthly payment at the effective date of disability;
7 Provided, That the annuitant shall not receive less than his
8 member's annuity or the amount to which he may be entitled under
9 section 5702 whichever is greater.

10 * * *

11 (e) Termination of State service.--Upon termination of
12 disability annuity payments in excess of an annuity calculated
13 in accordance with section 5702, a disability annuitant who:

14 (1) does not have Class A-3 [or], Class A-4 or Class A-5
15 service credit; or

16 (2) has Class A-3 [or], Class A-4 or Class A-5 service
17 credit and fewer than ten eligibility points;
18 and who does not return to State service may file an application
19 with the board for an amount equal to the excess, if any, of the
20 sum of the shared-risk accumulated deductions plus the regular
21 and additional accumulated deductions standing to his credit at
22 the effective date of disability over one-third of the total
23 disability annuity payments received. If the annuitant on the
24 date of termination of service was eligible for an annuity as
25 provided in section 5308(a) or (b) (relating to eligibility for
26 annuities), he may file an application with the board for an
27 election of an optional modification of his annuity.

28 (f) Supplement for service connected disability.--

29 (1) If a member has been found to be eligible for a
30 disability annuity and if the disability has been found to be
31 a service connected disability and if the member is receiving
32 workers' compensation payments for other than medical
33 benefits, such member shall receive a supplement equal to
34 [70% of his final average salary] the amount determined under
35 paragraph (2) less the sum of the annuity as determined under
36 subsection (a) and any payments paid or payable on account of
37 such disability under the act of June 2, 1915 (P.L.736,
38 No.338), known as the Workers' Compensation Act, the act of
39 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
40 Occupational Disease Act, and the Social Security Act (49
41 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
42 continue as long as he is determined to be disabled and is
43 receiving workers' compensation payments for other than
44 medical benefits on account of his service connected
45 disability in accordance with the Workers' Compensation Act
46 or The Pennsylvania Occupational Disease Act. If the member
47 has received a lump sum workers' compensation payment in lieu
48 of future weekly compensation payments, the length in weeks
49 and calculation of the service connected disability
50 supplement shall be determined by dividing the lump sum
51 payment by the average weekly wage as determined by the

1 Workers' Compensation Board.

2 (2) For a member who does not have Class A-5 service or
3 has only Class A-5 service, the amount to be used to
4 determine eligibility for the supplement under paragraph (1)
5 shall be 70% of his final average salary. For a member who
6 has Class A-5 service and other classes of service, the
7 amount to be used to determine eligibility for the supplement
8 under paragraph (1) shall be determined using the following
9 formula:

$$A = 0.7 [(FAS^{A-5} \text{ multiplied by } Y^{A-5}/Y^T) + (FAS^W \text{ multiplied by } Y^W/Y^T)].$$

12 (3) The following apply to the formula in paragraph (2):

13 (i) A equals the amount used to determine the
14 supplement;

15 (ii) Y^T equals total years of credited service;

16 (iii) Y^W equals years of service credited in classes
17 of service other than Class A-5;

18 (iv) FAS^W equals final average salary calculated for
19 classes of service other than Class A-5;

20 (v) Y^{A-5} equals years of service credited in Class A-
21 5; and

22 (vi) FAS^{A-5} equals final average salary calculated
23 for service credited in Class A-5.

24 * * *

25 (h) Coordination of benefits.--The determination and payment
26 of a disability annuity under this section is in addition to any
27 payments a member may be entitled to receive, has received or is
28 receiving as a result of being a participant in the plan.

29 Section 320. Sections 5705(a), 5705.1, 5706(a), (a.1),
30 (a.2), (b) and (c) (1) and 5707(a), (b), (e) and (f) of Title 71
31 are amended to read:

32 § 5705. Member's options.

33 (a) General rule.--Any special vestee [who has attained
34 superannuation age, any vestee who does not have Class A-3 or
35 Class A-4 service credit having five or more eligibility points
36 for service other than Class T-E or Class T-F service in the
37 Public School Employees' Retirement System, or vestee who has
38 Class A-3 or Class A-4 service credit having ten or more
39 eligibility points, any member with Class G, Class H, Class I,
40 Class J, Class K, Class L, Class M or Class N service having
41 five or more eligibility points or any other eligible member
42 upon termination of State service who has not withdrawn his
43 total accumulated deductions as provided in section 5701
44 (relating to return of total accumulated deductions)] , vestee
45 or any other member upon termination of State service who is
46 eligible to receive an annuity as provided in section 5308(a) or
47 (b) (relating to eligibility for annuities) may apply for and
48 elect to receive either a maximum single life annuity, as
49 calculated in accordance with the provisions of section 5702
50 (relating to maximum single life annuity), or a reduced annuity
51 certified by the actuary to be actuarially equivalent to the

1 maximum single life annuity and in accordance with one of the
2 following options; except that no member shall elect an annuity
3 payable to one or more survivor annuitants other than his spouse
4 or alternate payee of such a magnitude that the present value of
5 the annuity payable to him for life plus any lump sum payment he
6 may have elected to receive is less than 50% of the present
7 value of his maximum single life annuity:

8 (1) Option 1.--A life annuity to the member with:

9 (i) a guaranteed total payment attributable to all
10 classes of service other than Class A-5 equal to the
11 present value of the maximum single life annuity
12 attributable to all classes of service other than Class
13 A-5 on the effective date of retirement with the
14 provision that, if, at his death, he has received less
15 than such present value, the unpaid balance shall be
16 payable to his beneficiary[.]; and

17 (ii) a guaranteed total payment attributable to
18 Class A-5 service equal to the present value of the
19 maximum single life annuity attributable to Class A-5
20 service on the effective date of retirement with the
21 provision that, if, at his death, he has received less
22 than such present value, the unpaid balance shall be
23 payable to his beneficiary.

24 (2) Option 2.--A joint and survivor annuity payable
25 during the lifetime of the member with the full amount of
26 such annuity payable thereafter to his survivor annuitant, if
27 living at his death.

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

32 (4) Option 4.--Some other benefit which shall be
33 certified by the actuary to be actuarially equivalent to the
34 maximum single life annuity, subject to the following
35 restrictions:

36 (i) any annuity shall be payable without reduction
37 during the lifetime of the member;

38 (ii) the sum of all annuities payable to the
39 designated survivor annuitants shall not be greater than
40 one and one-half times the annuity payable to the member;
41 and

42 (iii) a portion of the benefit may be payable as a
43 lump sum, except that such lump sum payment shall not
44 exceed an amount equal to the total accumulated
45 deductions standing to the credit of the member that are
46 not the result of contributions and statutory interest
47 made or credited as a result of Class A-3 or Class A-4
48 service. The balance of the present value of the maximum
49 single life annuity adjusted in accordance with section
50 5702(b) shall be paid in the form of an annuity with a
51 guaranteed total payment, a single life annuity, or a

1 joint and survivor annuity or any combination thereof but
2 subject to the restrictions of subparagraphs (i) and (ii)
3 under this option.

4 * * *

5 § 5705.1. Payment of accumulated deductions resulting from
6 [Class A-3 and Class A-4] more than one class of
7 service.

8 (a) Payment of accumulated deduction resulting from Class A-
9 3 and Class A-4 service.--Any superannuation or withdrawal
10 annuitant who:

11 (1) has Class A-3 or Class A-4 service credit;

12 (2) has service credited in one or more classes of
13 service; [and]

14 (3) because he has five or more, but fewer than ten,
15 eligibility points is not eligible to receive an annuity on
16 his Class A-3 or Class A-4 service; and

17 (4) does not have any service credited as Class A-5
18 shall receive in a lump sum at the time of his retirement, in
19 addition to any other annuity or lump sum payment which he may
20 elect, his accumulated deductions resulting from his Class A-3
21 or Class A-4 service credit. Payment of these accumulated
22 deductions resulting from Class A-3 or Class A-4 service credit
23 shall not be eligible for installment payments pursuant to
24 section 5905.1 (relating to installment payments of accumulated
25 deductions) but shall be considered a lump sum payment for
26 purposes of section 5905.1(d).

27 (b) Payment of Class A-5 accumulated deductions.--Any
28 annuitant who:

29 (1) Is eligible to receive or is receiving an annuity as
30 a result of credited service other than service as a member
31 of Class A-5 who has not accrued enough eligibility points to
32 receive an annuity or become a vestee for benefit
33 attributable to his Class A-5 service on the effective date
34 of retirement and has Class A-5 accumulated deductions
35 standing to his credit shall receive in a lump sum upon
36 termination but not later than his retirement, in addition to
37 any other annuity or lump sum payment which he may be
38 eligible to receive or elect to receive, his Class A-5
39 accumulated deductions. Payment of these Class A-5
40 accumulated deductions resulting from Class A-5 service
41 credit shall not be eligible for installment payments under
42 section 5905.1, but shall be considered a lump sum payment
43 for purposes of section 5905.1(d).

44 (2) Is a member with Class A-5 service credit and one or
45 more other classes of service credit who is receiving or who
46 has terminated State service and is eligible to receive now
47 or in the future an annuity based on his Class A-5 service
48 and is not eligible to receive an annuity based on his
49 service credited in one or more of his other classes of
50 service shall receive in a lump sum upon termination but
51 later than his retirement, in addition to any other annuity

1 which he may be eligible to receive or elect to receive for
2 his Class A-5 service, his accumulated deductions resulting
3 from his service credit in classes of service other than
4 Class A-5 for which he is not eligible to receive an annuity;
5 provided that if he has more than one class of service other
6 than Class A-5, he may not elect to receive his accumulated
7 deductions for any other class of service unless he either
8 receives an annuity in all other classes other than Class A-5
9 that he is eligible to receive or he elects to withdraw his
10 total accumulated deductions under sections 5311 (relating to
11 eligibility for refund) and 5701 (relating to return of total
12 accumulated deductions). Payment of these accumulated
13 deductions resulting from service in classes other than Class
14 A-5 shall not be eligible for installment payments under
15 section 5905.1, but shall be considered a lump sum payment
16 for purposes of section 5905.1(d).

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
31 full coverage, shall be frozen as of the date such annuity
32 ceases. An annuitant who is credited with an additional 10% of
33 Class A and Class C service as provided in section 5302(c)
34 (relating to credited State service) and who returns to State
35 service shall forfeit such credited service and shall have his
36 frozen present value adjusted as if his 10% retirement incentive
37 had not been applied to his account. In the event that the cost-
38 of-living increase enacted December 18, 1979 occurred during the
39 period of such State or school employment, the frozen present
40 value shall be increased, on or after the member attains
41 superannuation age, by the percent applicable had he not
42 returned to service. This subsection shall not apply in the case
43 of any annuitant who may render services to the Commonwealth in
44 the capacity of an independent contractor or as a member of an
45 independent board or commission or as a member of a departmental
46 administrative or advisory board or commission when such members
47 of independent or departmental boards or commissions are
48 compensated on a per diem basis for not more than 150 days per
49 calendar year or as a member of an independent board or
50 commission requiring appointment by the Governor, with advice
51 and consent of the Senate, where the annual salary payable to

1 the member does not exceed \$35,000 and where the member has been
2 an annuitant for at least six months immediately preceding the
3 appointment. Such service shall not be subject to member
4 contributions or be eligible for qualification as creditable
5 State service[.] or for participation in the plan, mandatory
6 pickup participant contributions or employer defined
7 contributions. Notwithstanding the provisions of section 2.1(h)
8 of the act of September 30, 1983 (P.L.160, No.39), known as the
9 Public Official Compensation Law, or any other provision of law,
10 senior justices, senior judges and senior magisterial district
11 judges are subject to the return to service and termination of
12 annuity provisions of this part.

13 (a.1) Return to State service during emergency.--When, in
14 the judgment of the employer, an emergency creates an increase
15 in the work load such that there is serious impairment of
16 service to the public, an annuitant may be returned to State
17 service for a period not to exceed 95 days in any calendar year
18 without loss of his annuity. In computing the number of days an
19 annuitant has returned to State service, any amount of time less
20 than one-half of a day shall be counted as one-half of a day.
21 For agencies, boards and commissions under the Governor's
22 jurisdiction, the approval of the Governor that an emergency
23 exists shall be required before an annuitant may be returned to
24 State service. This 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.2) Return of benefits.--In the event an annuitant whose
29 annuity from the system ceases pursuant to this section receives
30 any annuity payment, including a lump sum payment pursuant to
31 section 5705 (relating to member's options) on or after the date
32 of his return to State service or entering school service, the
33 annuitant shall return to the board the amount so received from
34 the system plus statutory interest. The amount payable shall be
35 certified in each case by the board in accordance with methods
36 approved by the actuary and shall be paid in a lump sum within
37 30 days or in the case of an active member or school employee
38 who is an active member of the Public School Employees'
39 Retirement System may be amortized with statutory interest
40 through salary deductions to the system in amounts agreed upon
41 by the member and the board. The salary deduction amortization
42 plans agreed to by the member and the board may include a
43 deferral of payment amounts and statutory interest until the
44 termination of school service or State service as the board in
45 its sole discretion decides to allow. The board may limit salary
46 deduction amortization plans to such terms as the board in its
47 sole discretion determines. In the case of a school employee who
48 is an active member of the Public School Employees' Retirement
49 System, the agreed upon salary deductions shall be remitted to
50 the Public School Employees' Retirement Board, which shall
51 certify and transfer to the board the amounts paid.

1 * * *

2 (b) Subsequent discontinuance of service.--Upon subsequent
3 discontinuance of service, such member other than a former
4 annuitant who had the effect of his frozen present value
5 eliminated in accordance with subsection (c) or a former
6 disability annuitant shall be entitled to an annuity which is
7 actuarially equivalent to the sum of:

8 (1) the present value as determined under subsection (a)
9 [and];

10 (2) the present value of a maximum single life annuity
11 based on years of service credited in classes of service
12 other than Class A-5 subsequent to reentry in the system and
13 his final average salary computed by reference to his
14 compensation for service credited in classes of service other
15 than Class A-5 and Class T-G during his entire period of
16 State and school service[.]; and

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

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

24 (1) An annuitant who returns to State service as an
25 active member of the system and earns three eligibility
26 points by performing credited State service in a class of
27 service other than Class A-5 following the most recent period
28 of receipt of an annuity under this part, or an annuitant who
29 enters school service and:

30 (i) is a multiple service member; or

31 (ii) who elects multiple service membership, and
32 earns three eligibility points by performing credited State
33 service or credited school service in classes of service
34 other than Class A-5 or Class T-G following the most recent
35 period of receipt of an annuity under this part, and who had
36 the present value of his annuity frozen in accordance with
37 subsection (a), shall qualify to have the effect of the
38 frozen present value resulting from all previous periods of
39 retirement eliminated, provided that all payments under
40 Option 4 and annuity payments payable during previous periods
41 of retirement plus interest as set forth in paragraph (3)
42 shall be returned to the fund in the form of an actuarial
43 adjustment to his subsequent benefits or in such form as the
44 board may otherwise direct.

45 * * *

46 § 5707. Death benefits.

47 (a) Members eligible for annuities.--Any active member,
48 inactive member on leave without pay, vestee or current or
49 former State employee performing USERRA leave who dies and was
50 eligible for an annuity in accordance with section 5308(a) or

51 (b) (relating to eligibility for annuities) or special vestee

1 who has attained superannuation age and dies before applying for
2 a superannuation annuity shall be considered as having applied
3 for an annuity to become effective the day before his death and
4 in the event he has not elected an option or such election has
5 not been approved prior to his death, it shall be assumed that
6 he elected Option 1. For purposes of this subsection, a member
7 with ten or more, but less than 25 eligibility points resulting
8 from Class A-5 service credit or, if a multiple service member,
9 Class T-G service credit in the Public School Employees'
10 Retirement System shall be considered eligible for an annuity
11 based on Class A-5 service even if under superannuation age.

12 (b) Members ineligible for annuities.--In the event of the
13 death of a special vestee, an active member, an inactive member
14 on leave without pay or a current or former State employee
15 performing USERRA leave who is not entitled to a death benefit
16 as provided in subsection (a), his designated beneficiary shall
17 be paid the full amount of his total accumulated deductions and
18 Class A-5 accumulated deductions.

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

29 * * *

30 (e) Annuitants electing maximum single life annuity.--

31 (1) In the event of the death of an annuitant who has
32 elected to receive the maximum single life annuity before he
33 has received in annuity payments based on his service
34 credited in classes other than Class A-5 the full amount of
35 the total accumulated deductions standing to his credit on
36 the effective date of retirement, the balance shall be paid
37 to his designated beneficiary.

38 (2) In the event of the death of an annuitant who has
39 elected to receive the maximum single life annuity before he
40 has received in annuity payments based on his service
41 credited in Class A-5 the full amount of the Class A-5
42 accumulated deductions standing to his credit on the
43 effective date of retirement, the balance shall be paid to
44 his designated beneficiary.

45 (f) Members subject to limitations under section 5702(c).--
46 Subject to the limitations contained in section 401(a)(9) of the
47 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
48 401(a)(9)), the present value of any annuity in excess of that
49 payable under section 5702 (relating to maximum single life
50 annuity) that is not subject to the limitations under section
51 415(b) of the Internal Revenue Code of 1986 shall be paid in a

1 lump sum to the beneficiary designated by the member after the
2 death of the member. A beneficiary receiving a benefit under
3 this subsection shall not be able to elect a payment method
4 otherwise allowed under section 5709(b) (2) and (3) (relating to
5 payment of benefits from the system).

6 Section 321. Section 5709(a) and (b) of Title 71 are amended
7 and the section is amended by adding a subsection to read:

8 § 5709. Payment of benefits from the system.

9 (a) Annuities.--[Any] Except as provided in subsection (d),
10 any annuity granted under the provisions of this part and paid
11 from the fund shall be paid in equal monthly installments.

12 (b) Death benefits.--If the amount of a death benefit
13 payable from the fund to a beneficiary of a member under section
14 5707 (relating to death benefits) or under the provisions of
15 Option 1 of section 5705(a) (1) (relating to member's options) is
16 \$10,000 or more, such beneficiary may elect to receive payment
17 according to one of the following options:

18 (1) a lump sum payment;

19 (2) an annuity actuarially equivalent to the amount
20 payable; or

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

24 * * *

25 (d) Members with Class A-5 service and service in one or
26 more other classes of service.--An annuitant whose receipt of
27 the portion of his annuity attributable to Class A-5 service has
28 been delayed to the attainment of Class A-5 superannuation age
29 shall have his annuity increased upon attainment of the
30 applicable superannuation age under the terms and conditions of
31 the annuity payment option selected at the time of retirement or
32 if applicable under section 5907(j) (relating to rights and
33 duties of State employees and members). In the event such a
34 member selected a joint and survivor annuity and died prior to
35 attaining the applicable superannuation age, the annuity of his
36 survivor annuitant, if surviving, will be increased at the time
37 the member would have attained Class A-5 superannuation age.

38 Section 322. Title 71 is amended by adding a chapter to
39 read:

40 CHAPTER 58

41 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

42 Sec.

43 5801. Establishment.

44 5802. Plan document.

45 5803. Individual investment accounts.

46 5804. Participant contributions.

47 5805. Mandatory pickup participant contributions.

48 5806. Employer defined contributions.

49 5807. Eligibility for benefits.

50 5808. Death benefits.

51 5809. Vesting.

1 5810. Termination of distributions.
2 5811. Agreements with financial institutions and other
3 organizations.
4 5812. Powers and duties of board.
5 5813. Responsibility for investment loss.
6 5814. Investments based on participants' investment allocation
7 choices.
8 5815. Expenses.
9 5816. (Reserved).
10 5817. Tax qualification.
11 5818. State Employees' Defined Contribution Holding Vehicle
12 Trust.
13 § 5801. Establishment.
14 (a) State Employees' Defined Contribution Plan.--The State
15 Employees' Defined Contribution Plan is established. The board
16 shall administer and manage the plan which shall be a defined
17 contribution plan exclusively for the benefit of those State
18 employees who participate in the plan and their beneficiaries
19 within the meaning of and in conformity with IRC § 401(a). The
20 board shall determine the terms and provisions of the plan not
21 inconsistent with this part, IRC or other applicable law and
22 shall provide for the plan's administration.
23 (b) State Employees' Defined Contribution Trust.--The State
24 Employees' Defined Contribution Trust is established as part of
25 the plan. The trust shall be comprised of the individual
26 investment accounts and all assets and moneys in those accounts.
27 The members of the board shall be the trustees of the trust,
28 which shall be administered exclusively for the benefit of those
29 State employees who participate in the plan and their
30 beneficiaries within the meaning of and in conformity with IRC §
31 401(a). The board shall determine the terms and provisions of
32 the trust not inconsistent with this part, IRC or other
33 applicable law and shall provide for the investment and
34 administration of the trust.
35 (c) Assets held in trust.--All assets and income in the plan
36 that have been or shall be withheld or contributed by the
37 participants, the Commonwealth and other employers in accordance
38 with this part shall be held in trust in any funding vehicle
39 permitted by the applicable provisions of IRC for the exclusive
40 benefit of the participants and their beneficiaries until such
41 time as the funds are distributed to the participants or their
42 beneficiaries in accordance with the terms of the plan document.
43 The assets of the plan held in trust for the exclusive benefit
44 of the participants and their beneficiaries may be used for the
45 payment of the fees, costs and expenses related to the
46 administration and investment of the plan and the trust.
47 (d) Name for transacting business.--All of the business of
48 the plan shall be transacted, the trust invested, all
49 requisitions for money drawn and payments made and all of its
50 cash and securities and other property shall be held by the name
51 of the "State Employees' Defined Contribution Plan."

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

6 § 5802. Plan document.

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

19 § 5803. Individual investment accounts.

20 The board shall establish in the trust an individual
21 investment account for each participant in the plan. All
22 contributions by a participant or an employer for or on behalf
23 of a participant shall be credited to the participant's
24 individual investment account, together with all interest and
25 investment earnings and losses. Investment and administrative
26 fees, costs and expenses shall be charged to the participants'
27 individual investment accounts. Employer defined contributions
28 shall be recorded and accounted for separately from participant
29 contributions, but all interest, investment earnings and losses,
30 and investment and administrative fees, costs and expenses shall
31 be allocated proportionately.

32 § 5804. Participant contributions.

33 (a) Mandatory contributions.--A participant shall make
34 mandatory pickup participant contributions through payroll
35 deductions to the participant's individual investment account
36 for State service required to be credited in the plan. The
37 employer shall cause those contributions for service required to
38 be credited in the plan to be made and deducted from each
39 payroll or on such schedule as established by the board.

40 (b) Voluntary contributions.--A participant may make
41 voluntary contributions through direct trustee-to-trustee
42 transfers or through transfers of money received in an eligible
43 rollover into the trust to the extent allowed by IRC § 402. The
44 rollovers shall be made in a form and manner as determined by
45 the board, shall be credited to the participant's individual
46 investment account and shall be separately accounted for by the
47 board.

48 (c) Prohibited contributions.--No contributions may be
49 allowed that would cause a violation of the limitations related
50 to contributions applicable to governmental plans contained in
51 IRC § 415 or in other provisions of law. In the event that any

1 disallowed contributions are made, any participant contributions
2 in excess of the limitations and investment earnings on those
3 contributions shall be refunded to the participant by the board.
4 § 5805. Mandatory pickup participant contributions.

5 (a) Treatment for purposes of IRC § 414(h).--The
6 contributions to the trust required to be made under section
7 5804(a) (relating to participant contributions) with respect to
8 State service rendered by an active participant shall be picked
9 up by the Commonwealth or other employer and shall be treated as
10 the employer's contribution for purposes of IRC § 414(h). After
11 the effective date of this section, an employer employing a
12 participant in the plan shall pick up the required mandatory
13 participant contributions by a reduction in the compensation of
14 the participant.

15 (b) Treatment for other purposes.--For all purposes other
16 than the IRC, the mandatory pickup participant contributions
17 shall be treated as contributions made by a participant in the
18 same manner and to the same extent as if the contributions were
19 made directly by the participant and not picked up.
20 § 5806. Employer defined contributions.

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

27 (b) Contributions resulting from participants reemployed
28 from USERRA leave.--When a State employee reemployed from USERRA
29 leave makes the mandatory pickup participant contributions
30 permitted to be made for the USERRA leave, the Commonwealth or
31 other employer by whom the State employee is employed at the
32 time the participant contributions are made shall make whatever
33 employer defined contributions would have been made under this
34 section had the employee making the participant contributions
35 continued to be employed in the participant's State office or
36 position instead of performing USERRA leave. The employer
37 defined contributions shall be placed in the participant's
38 individual investment account as otherwise provided by this
39 part.

40 (c) Limitations on contributions.--No contributions may be
41 allowed that would cause a violation of the limitations related
42 to contributions applicable to governmental plans contained in
43 IRC § 415 or in other provisions of law. In the event that any
44 disallowed contributions are made, any employer defined
45 contributions in excess of the limitations and investment
46 earnings on the contributions shall be refunded to the employer
47 by the board.

48 § 5807. Eligibility for benefits.

49 (a) Termination of service.--A participant who terminates
50 State service shall be eligible to withdraw the vested
51 accumulated total defined contributions standing to the

1 participant's credit in the participant's individual investment
2 account or a lesser amount as the participant may request.
3 Payment shall be made in a lump sum unless the board has
4 established other forms of distribution in the plan document. A
5 participant who withdraws his vested accumulated total defined
6 contributions shall no longer be a participant in the plan,
7 notwithstanding that the former State employee may continue to
8 be a member of the system with Class A-5 service credit or may
9 have contracted to receive an annuity or other form of payment
10 from a provider retained by the board for such purposes.

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

17 (c) (Reserved).

18 (d) Prohibited distributions.--A participant who also is a
19 member of the system must be terminated from all positions that
20 result in either membership in the system or participation in
21 the plan to be eligible to receive a distribution.

22 (e) Loans.--Loans or other distributions, including hardship
23 or unforeseeable emergency distributions, from the plan to State
24 employees who have not terminated State service are not
25 permitted, except as required by law.

26 (f) Small individual investment accounts.--A participant who
27 terminates State service and whose vested accumulated total
28 defined contributions are below the threshold established by law
29 as of the date of termination of service may be paid the vested
30 accumulated total defined contributions in a lump sum as
31 provided in IRC § 401(a)(31).

32 § 5808. Death benefits.

33 (a) General rule.--In the event of the death of an active
34 participant or inactive participant, the board shall pay to the
35 participant's beneficiary the vested balance in the
36 participant's individual investment account in a lump sum or in
37 such other manner as the board may establish in the plan
38 document.

39 (b) Death of participant receiving distributions.--In the
40 event of the death of a participant receiving distributions, the
41 board shall pay to the participant's beneficiary the vested
42 balance in the participant's individual investment account in a
43 lump sum or in such other manner as the board may establish in
44 the plan document or, if the board has established alternative
45 methods of distribution in the plan document under which the
46 participant was receiving distributions, to the participant's
47 beneficiary or successor payee, as the case may be, as provided
48 in the plan document.

49 (c) Contracts.--The board may contract with financial
50 institutions, insurance companies or other types of third-party
51 providers to allow participants who receive a lump sum

1 distribution to receive payments and death benefits in a form
2 and manner as provided by the contract.

3 § 5809. Vesting.

4 (a) Participant and voluntary contributions.--Subject to the
5 forfeiture and attachment provisions of section 5953 (relating
6 to taxation, attachment and assignment of funds) or otherwise as
7 provided by law, a participant shall be vested with respect to
8 all mandatory pickup participant contributions and voluntary
9 contributions paid by or on behalf of the participant to the
10 trust in addition to interest and investment gains or losses on
11 the participant contributions but not including investment fees
12 and administrative charges.

13 (b) Employer defined contributions.--

14 (1) Subject to the forfeiture and attachment provisions
15 of section 5953 or otherwise as provided by law, a
16 participant with three eligibility points as provided under
17 section 5307(c)(3) (relating to eligibility points) shall be
18 vested with respect to all employer defined contributions
19 paid to the participant's individual investment account in
20 the trust in addition to interest and investment gains and
21 losses on the employer defined contributions but not
22 including investment fees and administrative charges.

23 (2) Nonvested employer defined contributions and the
24 interest and investment gains and losses on the nonvested
25 employer defined contributions that are forfeited when a
26 participant terminates State service before accruing three
27 eligibility points as provided under section 5307(c)(3) are
28 credited to the participant's most recent employer's future
29 obligation assessed under section 5509 (relating to
30 appropriations and assessments by the Commonwealth).

31 (c) USERRA leave and eligibility points.--A participant in
32 the plan who is reemployed from USERRA leave or who dies while
33 performing USERRA leave shall receive eligibility points under
34 this section for the State service that would have been
35 performed had the member not performed USERRA leave.

36 § 5810. Termination of distributions.

37 (a) Return to State service.--

38 (1) A participant receiving distributions or an inactive
39 participant who returns to State service shall cease
40 receiving distributions and shall not be eligible to receive
41 distributions until the participant subsequently terminates
42 State service, without regard to whether the participant is a
43 mandatory, optional or prohibited member of the system or
44 participant in the plan. Notwithstanding the provisions of
45 section 2.1 of the act of September 30, 1983 (P.L.160,
46 No.39), known as the Public Official Compensation Law, or any
47 other provision of law, senior justices, senior judges and
48 senior magisterial district judges are subject to the return
49 to service and termination of distribution provisions of this
50 part.

51 (2) This subsection shall not apply to a distribution of

1 accumulated employer defined contributions or other
2 distributions that the participant has received or used to
3 purchase an annuity from a provider contracted by the board.

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

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

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

21 § 5811. Agreements with financial institutions and other
22 organizations.

23 (a) Written agreement.--To establish and administer the
24 plan, the board shall enter into a written agreement with one or
25 more financial institutions or pension management organizations
26 to administer the plan and the investment of funds held pursuant
27 to the plan. The administrator shall be selected in accordance
28 with the following:

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

31 (2) The board shall publish the solicitation in the
32 Pennsylvania Bulletin.

33 (3) Proposals received shall be evaluated based on
34 specific criteria adopted by the board. The criteria shall
35 include experience, customer service history and other
36 criteria.

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

39 § 5812. Powers and duties of board.

40 The board shall have the following powers and duties to
41 establish the plan and trust and administer the provisions of
42 this chapter and part:

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

45 (2) The board shall pay all administrative fees, costs
46 and expenses of managing, investing and administering the
47 plan, the trust and the individual investment accounts from
48 the balance of such individual investment accounts except as
49 the General Assembly otherwise provides by appropriations
50 from the General Fund.

51 (3) The board may establish investment guidelines and

1 limits on the types of investments that participants may
2 make, consistent with the board's fiduciary obligations.

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

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

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

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

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

20 (9) The board shall administer or ensure the
21 administration of the plan in compliance with the
22 qualifications and other rules of the IRC.

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

25 (11) The board shall determine what constitutes a
26 termination of State service.

27 (12) The board may establish procedures for
28 distributions of small accounts as required or permitted by
29 the IRC.

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

34 (i) Procedures for eligible participants to change
35 their investment choices on a periodic basis or make
36 other elections regarding their participation in the
37 plan.

38 (ii) Procedures for deducting mandatory pickup
39 participant contributions from a participant's
40 compensation.

41 (iii) Procedures for rollovers and trustee-to-
42 trustee transfers allowed under the IRC and permitted as
43 part of the plan.

44 (iv) Standards and criteria for providing not less
45 than ten options in accordance with three or more
46 providers of investment options to eligible individuals
47 regarding investments of amounts deferred under the plan.
48 The standards and criteria must provide for variety of
49 investment options and shall be reviewed in accordance
50 with criteria established by the board. One of the
51 available options must serve as the default option for

1 participants who do not make a timely election and, to
2 the extent commercially available, one option must have
3 an annuity.

4 (v) Standards and criteria for disclosing to the
5 participants the anticipated and actual income
6 attributable to amounts invested, property rights and all
7 fees, costs and expenses to be made against amounts
8 deferred to cover the fees, costs and expenses of
9 administering and managing the plan or trust.

10 (vi) Procedures, standards and criteria for the
11 making of distributions from the plan upon termination
12 from employment or death or in other circumstances
13 consistent with the purpose of the plan.

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

18 (15) The board may contract any services and duties in
19 lieu of staff, except final adjudications and as prohibited
20 by law. Any duties or responsibilities of the board not
21 required by law to be performed by the board can be delegated
22 to a third-party provider subject to appeal to the board.

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

26 (17) The provisions and restrictions of the act of July
27 2, 2010 (P.L.266, No.44), known as the Protecting
28 Pennsylvania's Investments Act, shall not apply to the plan
29 or trust or the investments of the plan or trust, but the
30 board may offer to the plan participants investment vehicles
31 that would be allowed under the Protecting Pennsylvania's
32 Investments Act.

33 (18) The board shall ensure that participants are
34 provided with educational materials about investment options
35 and choices.

36 § 5813. Responsibility for investment loss.

37 The board, the Commonwealth, an employer or other political
38 subdivision shall not be responsible for any investment loss
39 incurred under the plan or for the failure of any investment to
40 earn any specific or expected return or to earn as much as any
41 other investment opportunity, whether or not the other
42 opportunity was offered to participants in the plan.

43 § 5814. Investments based on participants' investment
44 allocation choices.

45 (a) Investment by participant.--All contributions, interest
46 and investment earnings shall be invested based on a
47 participant's investment allocation choices. All investment
48 allocation choices shall be credited proportionally between
49 participant contributions and employer defined contributions.
50 Each participant shall be credited individually with the amount
51 of contributions, interest and investment earnings.

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

15 § 5815. Expenses.

16 All fees, costs and expenses of administering the plan and
17 the trust and investing the assets of the trust shall be borne
18 by the participants and paid from assessments against the
19 balances of the individual investment accounts as established by
20 the board, except that for fiscal years ending before July 1,
21 2016, the fees, costs and expenses of establishing and
22 administering the plan and the trust shall be paid by the
23 Commonwealth through annual appropriations from the General
24 Fund, made on the basis of estimates from the board.

25 § 5816. (Reserved).

26 § 5817. Tax qualification.

27 (a) Required distributions.--All payments pursuant to this
28 chapter shall start and be made in compliance with the minimum
29 distribution requirements and incidental death benefit rules of
30 IRC § 401(a).

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

32 (1) (i) Except as provided under subparagraph (ii) and
33 notwithstanding a provision of this part, a contribution
34 or benefit related to the plan may not exceed any
35 limitation under IRC § 415 with respect to governmental
36 plans which is in effect on the date the contribution or
37 benefit payment takes effect.

38 (ii) An increase in a limitation under IRC § 415
39 shall apply to all participants on and after the
40 effective date of this section.

41 (iii) For the purposes of this paragraph, the term
42 "government plans" shall have the same meaning as the
43 term has in IRC § 414(d).

44 (2) (i) Except as provided under subparagraph (ii), an
45 amendment of this part on or after the effective date of
46 this section that increases contributions or benefits for
47 active participants, inactive participants or
48 participants receiving distributions shall not be deemed
49 to provide for a contribution or benefit in excess of any
50 limitation, adjusted on or after the effective date of
51 this section, under IRC § 415 unless specifically

1 provided by legislation.

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

6 § 5818. State Employees' Defined Contribution Holding Vehicle
7 Trust.

8 (a) Establishment.--The State Employees' Defined
9 Contribution Holding Vehicle Trust is established as part of the
10 plan. The holding vehicle trust shall be comprised of the
11 individual investment accounts and all assets and moneys in
12 those accounts from January 1, 2015, until the earlier of the
13 date the board certifies that the State Employees' Defined
14 Contribution Trust is operational and able to accept participant
15 and employer contributions or December 31, 2015. The members of
16 the board shall be the trustees of the holding vehicle trust,
17 which shall be held in a separate account, established by the
18 Treasury Department and shall not be inconsistent with this
19 part, the IRC or other applicable law. The holding vehicle trust
20 shall be administered exclusively for the benefit of those State
21 employees who participate in the plan and their beneficiaries
22 within the meaning of and in conformity with IRC § 401(a)
23 subject to the requirements of Chapter 59 (relating to
24 administration, funds, accounts, general provisions).

25 (b) Assets held in trust.--All assets and income in the
26 holding vehicle trust that are withheld or contributed by the
27 participants, the Commonwealth and other employers in accordance
28 with this part shall be held in trust as permitted by the
29 applicable provisions of the IRC for the exclusive benefit of
30 the participants and their beneficiaries until such time as the
31 funds are transferred to the State Employees' Defined
32 Contribution Trust in accordance with the terms of the plan
33 document. The assets of the holding vehicle trust may be used
34 for the payment of the fees, costs and expenses related to the
35 administration and investment of the holding vehicle trust and
36 transfer of assets to the State Employees' Defined Contribution
37 Trust.

38 (c) Mandatory pickup participant contributions.--All
39 mandatory pickup participant contributions and employer defined
40 contributions that are required under sections 5804 (relating to
41 participant contributions), 5805 (relating to mandatory pickup
42 participant contributions) and 5806 (relating to employer
43 defined contributions) to be made to the State Employees'
44 Defined Contribution Trust upon certification of such trust
45 shall be made to the holding vehicle trust prior to the date the
46 board certifies the State Employees' Defined Contribution Trust.
47 The employer shall cause those contributions for service
48 required to be credited in the plan to be made and deducted from
49 each payroll or on such schedule as established by the board and
50 such participant contributions shall be picked up by the
51 Commonwealth or other employer and shall be treated as the

1 employer's contribution for purposes of IRC § 414(h). On and
2 after the effective date of this section, an employer employing
3 a participant in the plan shall pick up the required mandatory
4 participant contributions by a reduction in the compensation of
5 the participant. No participant is permitted to make voluntary
6 contributions to the holding vehicle trust.

7 (d) Treatment for other purposes.--For all purposes other
8 than the IRC, the mandatory pickup participant contributions
9 shall be treated as contributions made by a participant in the
10 same manner and to the same extent as if the contributions were
11 made directly by the participant and not picked up.

12 (e) Limitations on contributions.--No contributions may be
13 allowed that would cause a violation of the limitations related
14 to contributions applicable to governmental plans contained in
15 IRC § 415 or in other provisions of law. In the event that any
16 disallowed contributions are made, any employer defined
17 contributions in excess of the limitations and investment
18 earnings on the contributions shall be refunded to the employer
19 by the board.

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

24 (g) Interest.--Upon the disbursement of a return of Class A-
25 5 accumulated deductions to a participant who has terminated
26 State service or of a death benefit to a participant's
27 designated beneficiaries or upon the transfer of all assets in
28 the holding vehicle trust to the State Employees' Defined
29 Contribution Trust or December 31, 2015, whichever occurs first,
30 the Commonwealth shall make an interest payment to the holding
31 vehicle trust. The interest payment shall be equal to 4% annual
32 rate of return on the mandatory pickup participant contributions
33 and employer defined contributions made for the participant,
34 increased or decreased for any investment losses or earnings
35 while in the holding vehicle trust, but in no case shall the
36 interest payment be less than zero.

37 (h) Responsibility for loss of investment opportunity.--The
38 board, the Commonwealth, an employer or other political
39 subdivision shall not be responsible for the failure of any
40 investment in the holding vehicle trust to earn any specific or
41 expected return greater than the 4% interest rate paid under
42 subsection (g) or to earn as much as any other investment
43 opportunity, whether or not the other opportunity was offered to
44 participants in the holding vehicle trust.

45 (i) Termination of holding vehicle trust.--After the
46 disbursement or transfer of all assets in the holding vehicle
47 trust and the certification by the board that no further
48 liabilities from the holding vehicle trust exist, the holding
49 vehicle trust shall be closed, and this section, except for
50 subsection (h), shall become inoperative.

51 Section 323. Section 5901(a), (c) and (d) of Title 71 are

1 amended to read:

2 § 5901. The State Employees' Retirement Board.

3 (a) Status and membership.--The board shall be an
4 independent administrative board and consist of 11 members: the
5 State Treasurer, ex officio, two Senators, two members of the
6 House of Representatives and six members appointed by the
7 Governor, one of whom shall be an annuitant of the system or a
8 participant in the plan who has terminated State service and is
9 receiving or is eligible to receive distributions, for terms of
10 four years, subject to confirmation by the Senate. At least five
11 board members shall be active members of the system or active
12 participants in the plan, and at least two shall have ten or
13 more years of credited State service or shall have been active
14 participants in the plan for ten calendar years. The chairman of
15 the board shall be designated by the Governor from among the
16 members of the board. Each member of the board who is a member
17 of the General Assembly may appoint a duly authorized designee
18 to act in his stead. In the event that a board member, who is
19 designated as an active participant or as a participant in the
20 plan who is receiving or is eligible to receive distributions,
21 receives a total distribution of his interest in the plan, that
22 board member may continue to serve on the board for the
23 remainder of his term.

24 * * *

25 (c) Oath of office.--Each member of the board shall take an
26 oath of office that he will, so far as it devolves upon him,
27 diligently and honestly, administer the affairs of said board,
28 the system and the plan and that he will not knowingly violate
29 or willfully permit to be violated any of the provisions of law
30 applicable to this part. Such oath shall be subscribed by the
31 member taking it and certified by the officer before whom it is
32 taken and shall be immediately filed in the Office of the
33 Secretary of the Commonwealth.

34 (d) Compensation and expenses.--The members of the board who
35 are members of the system or participants in the plan shall
36 serve without compensation but shall not suffer loss of salary
37 or wages through serving on the board. The members of the board
38 who are not members of the system or participants in the plan
39 shall receive \$100 per day when attending meetings and all board
40 members shall be reimbursed for any necessary expenses. However,
41 when the duties of the board as mandated are not executed, no
42 compensation or reimbursement for expenses of board members
43 shall be paid or payable during the period in which such duties
44 are not executed.

45 * * *

46 Section 324. Sections 5902(a.1), (b), (c), (e), (h), (i),
47 (j), (k), (m) and (n) and 5903(a) and (b) of Title 71 are
48 amended and the sections are amended by adding subsections to
49 read:

50 § 5902. Administrative duties of the board.

51 * * *

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

6 (1) Serve as the administrative agent of the board.

7 (2) Serve as liaison between the board and applicable
8 legislative committees, the Treasury Department, the
9 Department of the Auditor General, and between the board and
10 the investment counsel and the mortgage supervisor in
11 arranging for investments to secure maximum returns to the
12 fund.

13 (3) Review and analyze proposed legislation and
14 legislative developments affecting the system or the plan and
15 present findings to the board, legislative committees, and
16 other interested groups or individuals.

17 (4) Direct the maintenance of files and records and
18 preparation of periodic reports required for actuarial
19 evaluation studies.

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

26 (6) (i) Supervise a staff of administrative, technical,
27 and clerical employees engaged in record-keeping and
28 clerical processing activities for both the system and
29 the plan in maintaining files of members and
30 participants, accounting for contributions, processing
31 payments to annuitants and terminated participants,
32 preparing required reports, and retirement counseling.

33 (ii) The board may utilize the staff of employees
34 provided for under this paragraph for both the system and
35 the plan but shall allocate the fees, costs and expenses
36 incurred under this paragraph between the system and the
37 plan as appropriate.

38 (b) Professional personnel.--

39 (1) The board shall contract for the services of a chief
40 medical examiner, an actuary, investment advisors and
41 counselors, and such other professional personnel as it deems
42 advisable. The board may, with the approval of the Attorney
43 General, contract for legal services.

44 (2) The board may utilize the same individuals and firms
45 contracted under this subsection for both the system and the
46 plan but shall allocate the fees, costs and expenses incurred
47 under this subsection between the system and the plan as
48 appropriate.

49 (c) Expenses.--

50 (1) The board shall, through the Governor, submit to the
51 General Assembly annually a budget covering the

1 administrative expenses of [this part] the system and a
2 separate budget covering the administrative expenses of the
3 plan which budgets shall include those expenses necessary to
4 establish the plan and trust.

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

8 (3) For fiscal years ending on or before June 30, 2016,
9 such expenses of the plan as approved by the General Assembly
10 in an appropriation bill shall be paid from the General Fund.
11 For fiscal years beginning on or after July 1, 2016, such
12 expenses of the plan as approved by the General Assembly
13 shall be paid from interest, pursuant to section 5814(b)
14 (relating to investments based on participants' investment
15 allocation choices), or assessments on the balances of the
16 participants' individual investment accounts.

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

26 * * *

27 (e) Records.--

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

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

40 (i) in the case of an alternative investment or
41 alternative investment vehicle, involve the release of
42 sensitive investment or financial information relating to
43 the alternative investment or alternative investment
44 vehicle which the fund or trust was able to obtain only
45 upon agreeing to maintain its confidentiality;

46 (ii) cause substantial competitive harm to the
47 person from whom sensitive investment or financial
48 information relating to the investment was received; or

49 (iii) have a substantial detrimental impact on the
50 value of an investment to be acquired, held or disposed
51 of by the fund or trust or would cause a breach of the

1 standard of care or fiduciary duty set forth in this
2 part.

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

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

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

19 (B) the entity in which the investment was made
20 is liquidated;
21 whichever is later.

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

28 (A) the [inspection] access no longer has a
29 substantial detrimental impact on the value of an
30 investment of the fund or trust and would not cause a
31 breach of the standard of care or fiduciary duty set
32 forth in this part; or

33 (B) the entity in which the investment was made
34 is liquidated;
35 whichever is later.

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

42 (5) Any record, material or data received, prepared,
43 used or retained by the board or its employees, or agents
44 relating to the contributions, account value or benefits
45 payable to or on account of a participant shall not
46 constitute a public record subject to public access under the
47 Right-to-Know Law if, in the reasonable judgment of the
48 board, the access would disclose any of the following:

49 (i) The existence, date, amount and any other
50 information pertaining to the rollover contributions or
51 trustee-to-trustee transfers, of any participant.

1 (ii) The investment options selections of any
2 participant.

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

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

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

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

16 (7) The following shall apply:

17 (i) Nothing in this part shall be construed to mean
18 that the release or publicizing of a record, material or
19 data which would not constitute a public record under
20 this subsection shall be a violation of the board's
21 fiduciary duties.

22 (ii) This paragraph shall apply to a record,
23 material or data under this subsection, notwithstanding
24 any of the following:

25 (A) Whether the record, material or data was
26 created, generated or stored before the effective
27 date of this paragraph.

28 (B) Whether the record, material or data was
29 previously released or made public.

30 (C) Whether a request for the record, material
31 or data was made or is pending final response under
32 the Right-to-Know Law.

33 * * *

34 (h) Regulations and procedures.--The board shall, with the
35 advice of the Attorney General and the actuary, adopt and
36 promulgate rules and regulations for the uniform administration
37 of the system. The actuary shall approve in writing all
38 computational procedures used in the calculation of
39 contributions and benefits pertaining to the system, and the
40 board shall by resolution adopt such computational procedures,
41 prior to their application by the board. Such rules, regulations
42 and computational procedures as so adopted from time to time and
43 as in force and effect at any time, together with such tables as
44 are adopted pursuant to subsection (j) as necessary for the
45 calculation of annuities and other benefits, shall be as
46 effective as if fully set forth in this part. Any actuarial
47 assumption specified in or underlying any such rule, regulation
48 or computational procedure and utilized as a basis for
49 determining any benefit shall be applied in a uniform manner.

50 (i) Data.--The board shall keep in convenient form such data
51 as are stipulated by the actuary in order that an annual

1 actuarial valuation of the various accounts of the fund can be
2 completed within six months of the close of each calendar year.

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

29 (k) Certification of employer contributions to fund.--The
30 board shall, each year in addition to the itemized budget
31 required under section 5509 (relating to appropriations and
32 assessments by the Commonwealth), certify, as a percentage of
33 the members' payroll, the shared-risk contribution rate, the
34 employers' contributions as determined pursuant to section 5508
35 (relating to actuarial cost method) necessary for the funding of
36 prospective annuities for active members and the annuities of
37 annuitants and certify the rates and amounts of the employers'
38 normal contributions as determined pursuant to section 5508(b),
39 accrued liability contributions as determined pursuant to
40 section 5508(c), supplemental annuities contribution rate as
41 determined pursuant to section 5508(e), the experience
42 adjustment factor as determined pursuant to section 5508(f), the
43 collared contribution rate pursuant to section 5508(h) and the
44 final contribution rate pursuant to section 5508(i), which shall
45 be paid to the fund and credited to the appropriate accounts.
46 The board may allocate the final contribution rate and certify
47 various employer contribution rates and amounts based upon the
48 different benefit eligibility, class of service multiplier,
49 superannuation age, final average salary calculation,
50 compensation limits and other benefit differences resulting from
51 State service credited for individual members even though such

1 allocated employer contribution rate on behalf of any given
2 member may be more or less than 5% of the member's compensation
3 for the period from July 1, 2010, to June 30, 2011, or may
4 differ from the prior year's contribution for that member by
5 more or less than the percentages used to calculate the collared
6 contribution rate for that year and may be below any minimum
7 contribution rate established for the collared contribution rate
8 or final contribution rate. These certifications shall be
9 regarded as final and not subject to modification by the
10 Secretary of the Budget.

11 * * *

12 (m) Annual financial statement.--The board shall prepare and
13 have published, on or before July 1 of each year, [a financial
14 statement] financial statements as of the calendar year ending
15 December 31 of the previous year showing the condition of the
16 fund, the trust and the various accounts, including, but not
17 limited to, the board's accrual and expenditure of directed
18 commissions, and setting forth such other facts,
19 recommendations, and data as may be of use in the advancement of
20 knowledge concerning annuities and other benefits provided by
21 this part. The board shall submit said financial [statement]
22 statements to the Governor and shall file copies with the head
23 of each department for the use of the State employees and the
24 public.

25 (n) Independent [audit] audits.--The board shall provide for
26 [an annual audit] annual audits of the system and the plan by
27 [an] independent certified public [accountant] accountants,
28 which [audit] audits shall include the board's accrual and
29 expenditure of directed commissions. The board may use the same
30 independent certified public accountant for the audits of both
31 the system and the plan.

32 * * *

33 (p) Participant and employer contributions to trust.--The
34 board shall, each year in addition to any fees and itemized
35 budget required under section 5509 (relating to appropriations
36 and assessments by the Commonwealth), certify, as a percentage
37 of each participant's compensation, the employer defined
38 contributions, which shall be paid to the trust and credited to
39 each participant's individual investment account. These
40 certifications shall be regarded as final and not subject to
41 modification by the Secretary of the Budget. The board shall
42 cause all mandatory pickup participant contributions made on
43 behalf of a participant and all voluntary contributions made by
44 a participant to be credited to the participant's individual
45 investment account.

46 § 5903. Duties of the board to advise and report to heads of
47 departments [and], members and participants.

48 (a) Manual of regulations.--The board shall, with the advice
49 of the Attorney General and the actuary, prepare and provide,
50 within 90 days of the effective date of this part, a manual
51 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)] 415. As soon as
12 practicable after January 1 of each year, the board shall also
13 advise the heads of departments of the employees for whom,
14 pursuant to 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 (b) Member status statements and certifications.--The board
18 shall furnish annually to the head of each department on or
19 before April 1, a statement for each member employed in such
20 department showing the total accumulated deductions and Class A-
21 5 accumulated deductions standing to his credit as of December
22 31 of the previous year and requesting the member to make any
23 necessary corrections or revisions regarding his designated
24 beneficiary. In addition, for each member employed in any
25 department and for whom the department has furnished the
26 necessary information, the board shall certify the number of
27 years and fractional part of a year of credited service
28 attributable to each class of service, the number of years and
29 fractional part of a year attributable to social security
30 integration credits in each class of service and, in the case of
31 a member eligible to receive an annuity, the benefit to which he
32 is entitled upon the attainment of superannuation age.

33 (b.1) Participant status statements.--The board shall
34 furnish annually to each participant, on or before April 1 and
35 more frequently as the board may agree or as required by law, a
36 statement showing the accumulated total defined contributions
37 credited to the participant's individual investment account, the
38 nature and type of investments and the investment allocation of
39 future contributions as of December 31 of the previous year and
40 requesting the participant to make any necessary correction or
41 revision regarding his designated beneficiary.

42 * * *

43 Section 325. Section 5904(c) of Title 71 is amended to read:
44 § 5904. Duties of the board to report to the Public School
45 Employees' Retirement Board.

46 * * *

47 (c) Applications for benefits for school employees.--Upon
48 receipt of notification and the required data from the Public
49 School Employees' Retirement Board that a former State employee
50 who elected multiple service has applied for a public school
51 employees' retirement benefit or, in the event of his death, his

1 legally constituted representative has applied for such benefit,
2 the board shall:

3 (1) certify to the Public School Employees' Retirement
4 Board;

5 (i) the salary history as a member of the State
6 Employees' Retirement System and the final average salary
7 as calculated on the basis of the compensation received
8 as a State and school employee; and

9 (ii) the annuity or benefit to which the member or
10 his beneficiary is entitled as modified according to the
11 option selected; and

12 (2) transfer to the Public School Employees' Retirement
13 Fund the total accumulated deductions or Class A-5
14 accumulated deductions standing to such member's credit and
15 the actuarial reserve required on account of years of
16 credited service in the State system, final average salary
17 determined on the basis of his compensation in both systems
18 and the average noncovered salary to be charged to the State
19 accumulation account, the State Police benefit account or the
20 enforcement officers' benefit account, as each case may
21 require.

22 * * *

23 Section 326. Section 5905(b), (c.1), (f) and (g) of Title 71
24 are 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'
31 Retirement Board that a former State employee has become an
32 active member in the Public School Employees' Retirement System
33 and has elected to become a member with multiple service status
34 the board shall:

35 (1) in case of a member receiving an annuity from the
36 system:

37 (i) discontinue payments, transfer the present value
38 of the member's annuity at the time of entering school
39 service, plus the amount withdrawn in a lump sum payment,
40 on or after the date of entering school service, pursuant
41 to section 5705 (relating to member's options), with
42 statutory interest to date of transfer, minus the amount
43 to be returned to the board on account of return to
44 service, that the board has determined is to be credited
45 in the members' savings account, from the annuity reserve
46 account to the members' savings account and resume
47 crediting of statutory interest on the amount restored to
48 his credit;

49 (ii) transfer the balance of the present value of
50 the total annuity, minus the amount to be returned to the
51 board on account of return to service that the board has

1 determined is to be credited in the State accumulation
2 account, from the annuity reserve account to the State
3 accumulation account; and

4 (iii) certify to the member the amount of lump sum
5 and annuity payments with statutory interest the member
6 is to return to the board and, of those amounts, which
7 amount shall be credited to the members' savings account
8 and credited with statutory interest as such payments are
9 returned and which amount shall be credited to the State
10 accumulation account; or

11 (2) in case of a member who is not receiving an annuity
12 and has not withdrawn his total accumulated deductions or
13 Class A-5 accumulated deductions, continue or resume the
14 crediting of statutory interest on his total accumulated
15 deductions and Class A-5 accumulated deductions during the
16 period his total accumulated deductions and Class A-5
17 accumulated deductions remain in the fund; or

18 (3) in case of a former State employee who is not
19 receiving an annuity from the system and his total
20 accumulated deductions or Class A-5 accumulated deductions
21 were withdrawn, certify to the former State employee the
22 accumulated deductions as they would have been at the time of
23 his separation had he been a full coverage member together
24 with statutory interest for all periods of subsequent State
25 and school service to the date of repayment and the amount of
26 such total accumulated deductions or Class A-5 accumulated
27 deduction he is eligible to restore. Such amount shall be
28 restored by him and shall be credited with statutory interest
29 as such payments are restored.

30 * * *

31 (c.1) Termination of service by members.--In the case of any
32 member terminating State service who is entitled to an annuity
33 and who is not then a disability annuitant, the board shall
34 advise such member in writing of any benefits from the system to
35 which he may be entitled under the provisions of this part and
36 shall have the member prepare, on or before the date of
37 termination of State service, one or more of the following three
38 forms, a copy of which shall be given to the member and the
39 original of which shall be filed with the board:

40 (1) an application for the return of total accumulated
41 deductions and if eligible, for the return of Class A-5
42 accumulated deductions;

43 (2) if eligible, an election to vest his retirement
44 rights and, if he is a joint coverage member and so desires,
45 elect to become a full coverage member and agree to pay
46 within 30 days of the date of termination of service the lump
47 sum required; or

48 (3) if eligible, an application for an immediate annuity
49 and, if he desires:

50 (i) an election to convert his medical, major
51 medical and hospitalization insurance coverage to the

1 plan for State annuitants; and

2 (ii) if he is a joint coverage member, an election
3 to become a full coverage member and an agreement to pay
4 within 30 days of date of termination of service the lump
5 sum required.

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

18 * * *

19 (e.2) Notification to inactive participants approaching
20 required beginning date.--The board shall notify in writing each
21 inactive participant who has terminated State service and has
22 not commenced distribution by 90 days before the participant's
23 required beginning date that the inactive participant has an
24 obligation to commence distributions by the required beginning
25 date in a form and manner required by IRC § 401(a)(9) and other
26 applicable provisions of the IRC.

27 (f) Initial annuity payment and certification.--The board
28 shall make the first monthly payment to a member who is eligible
29 for an annuity within 60 days of the filing of his application
30 for an annuity or, in the case of a vestee or special vestee who
31 has deferred the filing of his application to a date later than
32 90 days following attainment of superannuation age, within 60
33 days of the effective date of retirement, and receipt of the
34 required data from the head of the department and, if the member
35 has Class G, Class H, Class I, Class J, Class K, Class L, Class
36 M or Class N service, any data required from the county
37 retirement system or pension plan to which the member was a
38 contributor before being a State employee. Concurrently, the
39 board shall certify to such member:

40 (1) the total accumulated deductions and Class A-5
41 accumulated deductions standing to his credit showing
42 separately the amount contributed by the member, the pickup
43 contribution and the interest credited to the date of
44 termination of service;

45 (2) the number of years and fractional part of a year
46 credited in each class of service;

47 (3) the final average salary on which his annuity is
48 based as well as any applicable reduction factors due to age
49 and/or election of an option; and

50 (4) the total annuity payable under the option elected
51 and the amount and effective date of any future reduction

1 under section 5703 (relating to reduction of annuities on
2 account of social security old-age insurance benefits).

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

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

34 * * *

35 Section 327. Section 5905.1(a), (b) and (d) of Title 71 are
36 amended to read:

37 § 5905.1. Installment payments of accumulated deductions.

38 (a) General rule.--Notwithstanding any other provision of
39 this part, whenever a member elects to withdraw his total
40 accumulated deductions or Class A-5 accumulated deductions
41 pursuant to section 5311(a) (relating to eligibility for
42 refunds) or 5701 (relating to return of [total] accumulated
43 deductions) or elects to receive a portion of his benefit
44 payable as a lump sum pursuant to section 5705(a)(4)(iii)
45 (relating to member's options), the member may elect to receive
46 the amount in not more than four installments.

47 (b) Payment of first installment.--The payment of the first
48 installment shall be made in the amount and within seven days of
49 the date specified by the member, except as follows:

50 (1) Upon receipt of a member's application to withdraw
51 his total accumulated deductions or Class A-5 accumulated

1 deductions as provided in section 5311(a) or 5701 and upon
2 receipt of all required data from the head of the department
3 and, if the member has Class G, Class H, Class I, Class J,
4 Class K, Class L, Class M or Class N service, any data
5 required from the county retirement system or pension plan to
6 which the member was a contributor before being transferred
7 to State employment, the board shall not be required to pay
8 the first installment prior to 45 days after the filing of
9 the application and the receipt of the data or the date of
10 termination of service, whichever is later.

11 (2) In the case of an election as provided in section
12 5705(a)(4)(iii) by a member terminating service within 60
13 days prior to the end of a calendar year and upon receipt of
14 all required data from the head of the department and, if the
15 member has Class G, Class H, Class I, Class J, Class K, Class
16 L, Class M or Class N service, any data required from the
17 county retirement system or pension plan to which the member
18 was a contributor before being transferred to State
19 employment, the board shall not be required to pay the first
20 installment prior to 21 days after the later of the filing of
21 the application and the receipt of the data or the date of
22 termination of service, but, unless otherwise directed by the
23 member, the payment shall be made no later than 45 days after
24 the filing of the application and the receipt of the data or
25 the date of termination of service, whichever is later.

26 (3) In the case of an election as provided in section
27 5705(a)(4)(iii) by a member who is not terminating service
28 within 60 days prior to the end of a calendar year and upon
29 receipt of all required data from the head of the department
30 and, if the member has Class G, Class H, Class I, Class J,
31 Class K, Class L, Class M or Class N service, any data
32 required from the county retirement system or pension plan to
33 which the member was a contributor before being transferred
34 to State employment, the board shall not be required to pay
35 the first installment prior to 45 days after the filing of
36 the application and the receipt of the data or the date of
37 termination of service, whichever is later.

38 * * *

39 (d) Statutory interest.--Any lump sum, including a lump sum
40 payable pursuant to section 5705.1 (relating to payment of
41 accumulated deductions resulting from [Class A-3 and Class A-4]
42 more than one class of service), or installment payable shall
43 include statutory interest credited to the date of payment,
44 except in the case of a member, other than a vestee or special
45 vestee, who has not filed his application prior to 90 days
46 following his termination of service.

47 Section 328. Sections 5906(a), (b), (d), (e), (g), (h), (i),
48 (j) and (l) and 5907(a), (c), (d), (e) and (f) of Title 71 are
49 amended and the sections are amended by adding subsections to
50 read:

51 § 5906. Duties of heads of departments.

1 (a) Status of members and participants.--The head of
2 department shall, at the end of each pay period, notify the
3 board in a manner prescribed by the board of salary changes
4 effective during that period for any members and participants of
5 the department, the date of all removals from the payroll, and
6 the type of leave of any members and participants of the
7 department who have been removed from the payroll for any time
8 during that period, and:

9 (1) if the removal is due to leave without pay, he shall
10 furnish the board with the date of beginning leave and the
11 date of return to service, and the reason for leave; or

12 (2) if the removal is due to a transfer to another
13 department, he shall furnish such department and the board
14 with a complete State service record, including past State
15 service in other departments or agencies, or creditable
16 nonstate service; or

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

21 (i) in the case of death of the member or
22 participant, the head of the department shall so notify
23 the board;

24 (ii) in the case of a service connected disability
25 of a member, the head of department shall, to the best of
26 his ability, investigate the circumstances surrounding
27 the disablement of the member and submit in writing to
28 the board information which shall include but not
29 necessarily be limited to the following: date, place and
30 time of disablement to the extent ascertainable; nature
31 of duties being performed at such time; and whether or
32 not the duties being performed were authorized and
33 included among the member's regular duties. In addition,
34 the head of department shall furnish in writing to the
35 board all such other information as may be related to the
36 member's disablement;

37 (iii) in the case of a member terminating from The
38 Pennsylvania State University who is a member of the
39 system with five or more but less than ten eligibility
40 points and who has terminated State service on June 30,
41 1997, because of the transfer of his job position or
42 duties to a controlled organization of the Penn State
43 Geisinger Health System or because of the elimination of
44 his job position or duties due to the transfer of other
45 job positions or duties to a controlled organization of
46 the Penn State Geisinger Health System, the head of the
47 department shall so certify to the board.

48 (b) Records and information.--At any time at the request of
49 the board and at termination of service of a member or a
50 participant, the head of department shall furnish service and
51 compensation records and such other information as the board may

1 require and shall maintain and preserve such records as the
2 board may direct for the expeditious discharge of its duties.

3 * * *

4 (c.1) Participant and employer defined contributions.--The
5 head of department shall:

6 (1) Cause the mandatory pickup participant contributions
7 on behalf of a participant to be made.

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

10 (3) Notify the board at times and in a manner prescribed
11 by the board of the compensation of any participant to whom
12 the limitation under IRC § 401(a)(17) either applies or is
13 expected to apply and cause the participant's contributions
14 to be deducted from payroll to cease at the limitation under
15 IRC § 401(a)(17) on the payroll date if and when such limit
16 shall be reached.

17 (4) Certify to the State Treasurer the amounts picked up
18 and deducted and the employer defined contributions being
19 made and send the total amount picked up, deducted and
20 contributed together with a duplicate of the voucher to the
21 secretary of the board every pay period or on such schedule
22 as established by the board.

23 (d) New employees subject to mandatory membership or
24 participation.--Upon the assumption of duties of each new State
25 employee whose membership in the system or plan is mandatory,
26 the head of department shall cause an application for membership
27 or participation and a nomination of beneficiary to be made by
28 such employee and filed with the board and shall make pickup
29 contributions or mandatory pickup participant contributions from
30 the effective date of State employment.

31 (e) New employees subject to optional membership or
32 participation.--The head of department shall, upon the
33 employment or entering into office of any State employee whose
34 membership in the system or participation in the plan is not
35 mandatory, inform such employee of his opportunity to become a
36 member of the system or participant in the plan. If such
37 employee so elects, the head of department shall cause an
38 application for membership or participation and a nomination of
39 beneficiary to be made by him and filed with the board and shall
40 cause proper contributions to be made from the effective date of
41 membership or participation.

42 * * *

43 (g) Former school employee contributors.--The head of
44 department shall, upon the employment of a former contributor to
45 the Public School Employees' Retirement System who is not an
46 annuitant of the Public School Employees' Retirement System,
47 advise such employee [of his] if he has a right to elect within
48 365 days of entry into the system or, for a member of Class A-5,
49 if he has a right to elect within 45 days of entry into the
50 system, to become a multiple service member, and in the case of
51 any such employee who so elects and has withdrawn his

1 accumulated deductions, require him to reinstate his credit in
2 the Public School Employees' Retirement System. The head of the
3 department shall advise the board of such election.

4 (h) Former school employee annuitants.--The head of
5 department shall, upon the employment of an annuitant of the
6 Public School Employees' Retirement System who applies for
7 membership in the system, advise such employee [that] if he may
8 elect multiple service membership within 365 days of entry into
9 the system or, for a member of Class A-5, if he has a right to
10 elect multiple service within 45 days of entry into the system,
11 and if he so elects his public school employee's annuity will be
12 discontinued effective upon the date of his return to State
13 service and, upon termination of State service and application
14 for an annuity, the annuity will be adjusted in accordance with
15 section 5706 (relating to termination of annuities). The head of
16 department shall advise the board of such election.

17 (i) Annual statement to members.--Annually, upon receipt
18 from the board, the head of department shall furnish to each
19 member the statement specified in section 5903(b) (relating to
20 duties of the board to advise and report to heads of departments
21 [and], members and participants).

22 (j) Termination of service.--The head of department shall,
23 in the case of any member terminating State service who is
24 ineligible for an annuity before attainment of superannuation
25 age, advise such member in writing of any benefits to which he
26 may be entitled under the provisions of this part and shall have
27 the member prepare, on or before the date of termination of
28 State service, an application for the return of total
29 accumulated deductions and Class A-5 accumulated deductions or,
30 on or before September 30, 1997, an application to be vested as
31 a special vestee, if eligible.

32 * * *

33 (l) State employees performing USERRA or military-related
34 leave of absence.--The head of department shall report to the
35 board any State employee who ceases to be an active member or
36 active participant to perform USERRA service, or who is granted
37 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
38 of absence for certain government employees) or a military leave
39 of absence under 51 Pa.C.S. § 7302 (relating to granting
40 military leaves of absence), the date on which the USERRA
41 service, leave of absence or military leave of absence began,
42 the date on which the State employee is reemployed from USERRA
43 leave or returns after the leave of absence or military leave of
44 absence, if the event occurs, and any other information the
45 board may require or direct.

46 * * *

47 § 5907. Rights and duties of State employees [and], members and
48 participants.

49 (a) Information on new employees.--Upon his assumption of
50 duties each new State employee shall furnish the head of
51 department with a complete record of his previous State service,

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

15 * * *

16 (b.1) Application for participation.--On or after January 1,
17 2015, in the case of a new employee who is not currently a
18 participant in the plan and whose participation is mandatory, or
19 in the case of a new employee whose participation is not
20 mandatory but is permitted and who desires to become a
21 participant in the plan, the new employee shall execute an
22 application for participation and a nomination of a beneficiary.

23 (c) Multiple service membership.--Any [active member] State
24 employee who is an active member in a class of service other
25 than Class A-5 who was formerly an active member in the Public
26 School Employees' Retirement System in a class of service other
27 than Class T-G may elect to become a multiple service member.
28 Such election shall occur no later than 365 days after becoming
29 an active member in a class of service other than Class A-5 in
30 this system. Any State employee who is an active member of Class
31 A-5 who was formerly an active member in Public School
32 Employees' Retirement System in Class T-G may elect to become a
33 multiple service member. Such election shall occur no later than
34 45 days after becoming an active member of Class A-5. A State
35 employee who is eligible to elect to become a multiple service
36 member who begins USERRA leave during the election period
37 without having elected multiple service membership may make the
38 election within 365 days, or 45 days if a member of Class A-5,
39 after being reemployed from USERRA leave.

40 (d) Credit for previous service or change in membership
41 status.--Any active member or eligible school employee who
42 desires to receive credit for the portion of his total previous
43 State service or creditable nonstate service to which he is
44 entitled, or a joint coverage member who desires to become a
45 full coverage member, shall so notify the board and upon written
46 agreement by the member and the board as to the manner of
47 payment of the amount due, the member shall receive credit for
48 such service as of the date of such agreement.

49 * * *

50 (d.2) Contributions for USERRA leave.--Any active
51 participant or inactive participant on leave without pay or

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

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

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

30 (e.1) Beneficiary for death benefits from the plan.--Every
31 participant shall nominate a beneficiary by written designation
32 filed with the board as provided in section 5906(d) or (e) to
33 receive the death benefit payable under section 5808 (relating
34 to death benefits). A participant may also nominate a contingent
35 beneficiary or beneficiaries to receive the death benefit
36 provided under section 5808. Such nomination may be changed at
37 any time by the participant by written designation filed with
38 the board.

39 (e.2) Beneficiaries for employees who are members and
40 participants.--A State employee who is both a member of the
41 system and a participant in the plan may designate or nominate
42 different persons to be beneficiaries, survivor annuitants and
43 successor payees for his benefits from the system and the plan.

44 (f) Termination of service by members.--Each member who
45 terminates State service and who is not then a disability
46 annuitant shall execute on or before the date of termination of
47 service one or more of the appropriate [application]
48 applications, duly attested by the member or his legally
49 constituted representative, electing to:

50 (1) withdraw his total accumulated deductions and if
51 eligible withdraw his Class A-5 accumulated deductions; or

1 (2) if eligible, vest his retirement rights; and if he
2 is a joint coverage member, and so desires, elect to become a
3 full coverage member and agree to pay within 30 days of the
4 date of termination of service the lump sum required; or

5 (3) if eligible, receive an immediate annuity and may,
6 (i) if eligible, elect to convert his medical, major
7 medical, and hospitalization coverage to the plan for
8 State annuitants; and

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

13 * * *

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

21 * * *

22 Section 329. Sections 5931(b), 5932, 5933, 5934, 5935, 5936,
23 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
24 5953.4(a) of Title 71 are amended to read:

25 § 5931. Management of fund and accounts.

26 * * *

27 (b) Crediting of interest.--The board, annually, shall allow
28 the required interest on the mean amount for the preceding year
29 to the credit of each of the accounts other than the individual
30 investment accounts. The amount so allowed shall be credited
31 thereto by the board and transferred from the interest reserve
32 account.

33 * * *

34 § 5932. State Employees' Retirement Fund.

35 (a) General rule.--The fund shall consist of all balances in
36 the several separate accounts set apart to be used under the
37 direction of the board for the benefit of members of the system;
38 and the Treasury Department shall credit to the fund all moneys
39 received from the Department of Revenue arising from the
40 contributions relating to or on behalf of members of the system
41 required under the provisions of Chapter 55 (relating to
42 contributions), and any income earned by the investments or
43 moneys of said fund. There shall be established and maintained
44 by the board the several ledger accounts specified in sections
45 5933 (relating to members' savings account), 5934 (relating to
46 State accumulation account), 5935 (relating to annuity reserve
47 account), 5936 (relating to State Police benefit account), 5937
48 (relating to enforcement officers' benefit account), 5938
49 (relating to supplemental annuity account) and 5939 (relating to
50 interest reserve account).

51 (b) Individual investment accounts and trust.--The

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

8 § 5933. Members' savings account.

9 (a) Credits to account.--The members' savings account shall
10 be the ledger account to which shall be credited the amounts of
11 the pickup contributions made by the Commonwealth or other
12 employer and contributions or lump sum payments made by active
13 members in accordance with the provisions of sections 5501
14 (relating to regular member contributions for current service),
15 5501.1 (relating to shared-risk member contributions for Class
16 A-3 [and], Class A-4 and Class A-5 service), 5502 (relating to
17 social security integration member contributions), 5503
18 (relating to joint coverage member contributions), 5504
19 (relating to member contributions for the purchase of credit for
20 previous State service or to become a full coverage member),
21 5505.1 (relating to additional member contributions) and 5505
22 (relating to contributions for the purchase of credit for
23 creditable nonstate service) and transferred from the members'
24 savings account of the Public School Employees' Retirement
25 System in accordance with the provisions of section 5303.2
26 (relating to election to convert school service to State
27 service).

28 (b) Interest and transfers from account.--The members'
29 savings account in total and the individual member accounts
30 shall be credited with statutory interest. The total accumulated
31 deductions and Class A-5 accumulated deductions credited to a
32 member whose application for an annuity has been approved shall
33 be transferred from the members' savings account to the annuity
34 reserve account provided for in section 5935 (relating to
35 annuity reserve account), except in the case of a member who is
36 an officer of the Pennsylvania State Police or an enforcement
37 officer the total accumulated deductions and Class A-5
38 accumulated deductions to his credit shall be transferred from
39 the members' savings account to the State Police benefit account
40 provided for in section 5936 (relating to State Police benefit
41 account) or to the enforcement officers benefit account provided
42 for in section 5937 (relating to enforcement officers' benefit
43 account), as the case may be.

44 (c) Charges to account.--Upon the election of a member to
45 withdraw his total accumulated deductions or Class A-5
46 accumulated deductions or upon the transfer of accumulated
47 deductions pursuant to section 5701.1 (relating to transfer of
48 accumulated deductions), the payment of such amount shall be
49 charged to the members' savings account.

50 § 5934. State accumulation account.

51 The State accumulation account shall be the ledger account to

1 which shall be credited all contributions of the Commonwealth or
2 other employers whose employees are members of the system and
3 made in accordance with the provisions of section 5507(a) or (d)
4 (relating to contributions to the system by the Commonwealth and
5 other employers) except that the amounts received under the
6 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
7 amounts received under the provisions of the Liquor Code, act of
8 April 12, 1951 (P.L.90, No.21), shall be credited to the State
9 Police benefit account or the enforcement officers' benefit
10 account as the case may be. All amounts transferred to the fund
11 by county retirement systems or pension plans in accordance with
12 the provisions of section 5507(c) also shall be credited to the
13 State accumulation account. All amounts transferred to the fund
14 by the Public School Employees' Retirement System in accordance
15 with section 5303.2(e) (relating to election to convert school
16 service to State service), except amounts credited to the
17 members' savings account, and all amounts paid by the Department
18 of Corrections in accordance with section 5303.2(f) also shall
19 be credited to the State accumulation account. The State
20 accumulation account shall be credited with valuation interest.
21 The reserves necessary for the payment of annuities and death
22 benefits resulting from membership in the system as approved by
23 the board and as provided in Chapter 57 (relating to benefits)
24 shall be transferred from the State accumulation account to the
25 annuity reserve account provided for in section 5935 (relating
26 to annuity reserve account), except that the reserves necessary
27 on account of a member who is an officer of the Pennsylvania
28 State Police or an enforcement officer shall be transferred from
29 the State accumulation account to the State Police benefit
30 account provided for in section 5936 (relating to State Police
31 benefit account) or to the enforcement officers' benefit account
32 as provided for in section 5937 (relating to enforcement
33 officers' benefit account) as the case may be. The reserves
34 necessary for the payment of supplemental annuities in excess of
35 those reserves credited to the supplemental annuity account on
36 June 30, 2010, shall be transferred from the State accumulation
37 account to the supplemental annuity account. In the event that
38 supplemental annuities are increased by legislation enacted
39 after December 31, 2009, the necessary reserves shall be
40 transferred from the State accumulation account to the
41 supplemental annuity account.

42 § 5935. Annuity reserve account.

43 (a) Credits and charges to account.--The annuity reserve
44 account shall be the ledger account to which shall be credited
45 the reserves held for payment of annuities and death benefits on
46 account of all annuitants except in the case of members who are
47 officers of the Pennsylvania State Police or enforcement
48 officers. The annuity reserve account shall be credited with
49 valuation interest. After the transfers provided in sections
50 5933 (relating to members' savings account), 5934 (relating to
51 State accumulation account) and 5938 (relating to supplemental

1 annuity account), all annuity and death benefit payments
2 resulting from membership in the system except those payable to
3 any member who retires as an officer of the Pennsylvania State
4 Police or an enforcement officer shall be charged to the annuity
5 reserve account and paid from the fund.

6 (b) Transfers from account.--Should an annuitant other than
7 a member who was retired as an officer of the Pennsylvania State
8 Police or an enforcement officer be subsequently restored to
9 active service as a member of the system or as a participant in
10 the plan, the present value of his member's annuity at the time
11 of reentry into State service shall be transferred from the
12 annuity reserve account and placed to his individual credit in
13 the members' savings account. In addition, the actuarial reserve
14 for his annuity less the amount transferred to the members'
15 savings account shall be transferred from the annuity reserve
16 account to the State accumulation account.
17 § 5936. State Police benefit account.

18 (a) Credits and charges to account.--The State Police
19 benefit account shall be the ledger account to which shall be
20 credited all contributions received under the provisions of the
21 act of May 12, 1943 (P.L.259, No.120), and any additional
22 Commonwealth or other employer contributions provided for in
23 section 5507 (relating to contributions to the system by the
24 Commonwealth and other employers) which are creditable to the
25 State Police benefit account. The State Police benefit account
26 shall be credited with the required interest. In addition, upon
27 the filing of an application for an annuity by a member who is
28 an officer of the Pennsylvania State Police, the total
29 accumulated deductions and Class A-5 accumulated deductions
30 standing to the credit of the member in the members' savings
31 account and the necessary reserves from the State accumulation
32 account shall be transferred to the State Police benefit
33 account. Thereafter, the total annuity of such annuitant shall
34 be charged to the State Police benefit account and paid from the
35 fund.

36 (b) Transfers from account.--Should the said annuitant be
37 subsequently restored to active service as a member of the
38 system or as a participant in the plan, the present value of the
39 member's annuity at the time of reentry into State service shall
40 be transferred from the State Police benefit account and placed
41 to his individual credit in the members' savings account. In
42 addition, the actuarial reserve for his annuity calculated as if
43 he had been a member of Class A if he has Class A or Class C
44 service credited; as if he had been a member of Class A-3 if the
45 annuitant has Class A-3 State service credited; or as if he had
46 been a member of Class A-4 if the annuitant has Class A-4
47 service credited, less the amount transferred to the members'
48 savings account shall be transferred from the State Police
49 benefit account to the State accumulation account. Upon
50 subsequent retirement other than as an officer of the
51 Pennsylvania State Police the actuarial reserve remaining in the

1 State Police benefit account shall be transferred to the
2 appropriate reserve account.

3 § 5937. Enforcement officers' benefit account.

4 (a) Credits and charges to account.--The enforcement
5 officers' benefit account shall be the ledger account to which
6 shall be credited moneys transferred from the enforcement
7 officers' retirement account in the State Stores Fund according
8 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
9 known as the Liquor Code, and any additional Commonwealth or
10 other employer contributions provided for in section 5507
11 (relating to contributions to the system by the Commonwealth and
12 other employers) which are creditable to the enforcement
13 officers' benefit account. The enforcement officers' benefit
14 account shall be credited with the required interest. In
15 addition, upon the filing of an application for an annuity by a
16 member who is an enforcement officer of the Pennsylvania Liquor
17 Control Board, the total accumulated deductions and Class A-5
18 accumulated deductions standing to the credit of the member in
19 the members' savings account and the necessary reserves from the
20 State accumulation account shall be transferred to the
21 enforcement officers' benefit account. Thereafter, the total
22 annuity of such annuitant shall be charged to the enforcement
23 officers' benefit account and paid from the fund.

24 (b) Transfers from account.--Should the said annuitant be
25 subsequently restored to active service as a member of the
26 system or as a participant in the plan, the present value of the
27 member's annuity at the time of reentry into State service shall
28 be transferred from the enforcement officers' benefit account
29 and placed to his individual credit in the members' savings
30 account. In addition, the actuarial reserve for his annuity
31 calculated as if he had been a member of Class A if the
32 annuitant does not have any Class AA, Class A-3 or Class A-4
33 service credited; as if he had been a member of Class AA if the
34 annuitant does have Class AA service credited; as if he had been
35 a member of Class A-3 if the annuitant has Class A-3 State
36 service credited; or as if he had been a member of Class A-4 if
37 the annuitant has Class A-4 service credited, less the amount
38 transferred to the members' savings account shall be transferred
39 from the enforcement officers' benefit account to the State
40 accumulation account. Upon subsequent retirement other than as
41 an enforcement officer the actuarial reserve remaining in the
42 enforcement officers' benefit account shall be transferred to
43 the appropriate reserve account.

44 § 5938. Supplemental annuity account.

45 The supplemental annuity account shall be the ledger account
46 to which shall be credited all contributions from the
47 Commonwealth and other employers in accordance with section
48 5507(b) (relating to contributions to the system by the
49 Commonwealth and other employers) for the payment of the
50 supplemental annuities provided in sections 5708 (relating to
51 supplemental annuities), 5708.1 (relating to additional

1 supplemental annuities), 5708.2 (relating to further additional
2 supplemental annuities), 5708.3 (relating to supplemental
3 annuities commencing 1994), 5708.4 (relating to special
4 supplemental postretirement adjustment), 5708.5 (relating to
5 supplemental annuities commencing 1998), 5708.6 (relating to
6 supplemental annuities commencing 2002), 5708.7 (relating to
7 supplemental annuities commencing 2003) and 5708.8 (relating to
8 special supplemental postretirement adjustment of 2002) made
9 before July 1, 2010, the amount transferred from the State
10 accumulation account to provide all additional reserves
11 necessary as of June 30, 2010, to pay such supplemental
12 annuities and adjustments, and the amounts transferred from the
13 State accumulation account to provide all additional reserves
14 necessary as a result of supplemental annuities enacted after
15 December 31, 2009. The supplemental annuity account shall be
16 credited with valuation interest. The reserves necessary for the
17 payment of such supplemental annuities shall be transferred from
18 the supplemental annuity account to the annuity reserve account
19 as provided in section 5935 (relating to annuity reserve
20 account).

21 § 5939. Interest reserve account.

22 The interest reserve account shall be the ledger account to
23 which shall be credited all income earned by the fund and to
24 which shall be charged all administrative and investment
25 expenses incurred by the fund. At the end of each year the
26 required interest shall be transferred from the interest reserve
27 account to the credit of each of the accounts of the fund in
28 accordance with the provisions of this subchapter. In addition,
29 at the end of each accounting period, the interest reserve
30 account shall be credited or charged with all recognized changes
31 in the market valuation of the investments of the fund. The
32 administrative and investment expenses of the board relating to
33 the administration of the system and investments of the fund
34 shall be paid from the fund out of earnings. Any surplus or
35 deficit in the interest reserve account at the end of each year
36 shall be transferred to the State accumulation account.

37 § 5951. State guarantee regarding the system.

38 The required interest charges payable, the maintenance of
39 reserves in the fund, and the payment of all annuities and other
40 benefits granted by the board from the system under the
41 provisions of this part relating to the establishment and
42 administration of the system are hereby made obligations of the
43 Commonwealth. All income, interest, and dividends derived from
44 deposits and investments of the system authorized by this part
45 shall be used for the payment of the said obligations of the
46 Commonwealth and shall not be used for any obligations of the
47 plan or trust.

48 § 5953. Taxation, attachment and assignment of funds.

49 (a) General rule.--

50 (1) Except as provided in paragraphs (2), (3) and (4),
51 the right of a person to any benefit or right accrued or

1 accruing under the provisions of this part and the moneys in
2 the fund and the trust are hereby exempt from any State or
3 municipal tax, levy and sale, garnishment, attachment,
4 spouse's election, or any other process whatsoever and the
5 provisions of Article XIII.1 of the act of April 9, 1929
6 (P.L.343, No.176), known as The Fiscal Code, and no
7 participant or beneficiary, successor payee, or alternate
8 payee of a participant shall have the ability to commute,
9 sell, assign, alienate, anticipate, mortgage, pledge,
10 hypothecate, commutate or otherwise transfer or convey any
11 benefit or interest in an individual investment account or
12 rights to receive or direct distributions under this part or
13 under agreements entered into under this part except as
14 otherwise provided in this part and in the case of either a
15 member or a participant except for a set-off by the
16 Commonwealth in the case provided in subparagraph (i), and
17 shall be unassignable except:

18 (i) To the Commonwealth in the case of a member or
19 participant who is terminating State service and has been
20 determined to be obligated to the Commonwealth for the
21 repayment of money owed on account of his employment or
22 to the fund on account of a loan from a credit union to a
23 member which has been satisfied by the board from the
24 fund.

25 (ii) To a credit union as security for a loan to a
26 member not to exceed \$750 and interest not to exceed 6%
27 per annum discounted and/or fines thereon if the credit
28 union is now or hereafter organized and incorporated
29 under the laws of this Commonwealth and the membership of
30 such credit union is limited solely to officials and
31 employees of the Commonwealth and if such credit union
32 has paid to the fund \$3 for each such assignment.

33 (2) (i) Rights under this part shall be subject to
34 forfeiture as provided by the act of July 8, 1978
35 (P.L.752, No.140), known as the Public Employee Pension
36 Forfeiture Act, and by or pursuant to section 16(b) of
37 Article V of the Constitution of Pennsylvania.
38 Forfeitures under this subsection or under any other
39 provision of law may not be applied to increase the
40 benefits that any member would otherwise receive under
41 this part.

42 (ii) Notwithstanding this paragraph and the
43 provisions of section 16(b) of Article V of the
44 Constitution of Pennsylvania, the act of July 8, 1978
45 (P.L.752, No.140), known as the Public Employee Pension
46 Forfeiture Act, or 42 Pa.C.S. § 3352 (relating to pension
47 rights), the accumulated mandatory participant
48 contributions and accumulated voluntary contributions
49 standing to the credit of a participant shall not be
50 forfeited but shall be available for payment of fines and
51 restitution as provided by law. Amounts in the trust that

1 have been ordered to be distributed to an alternate payee
2 as the result of an equitable distribution of marital
3 property as part of an approved domestic relations order
4 entered before the date of the order or action in a court
5 or other tribunal resulting in a forfeiture of a
6 participant's interest in the trust shall not be subject
7 to the provisions of section 16(b) of Article V of the
8 Constitution of Pennsylvania, the Public Employee Pension
9 Forfeiture Act, or 42 Pa.C.S. § 3352. Any accumulated
10 employer defined contributions forfeited as a result of
11 this paragraph or other law shall be retained by the
12 board and notwithstanding sections 5812(2) (relating to
13 powers and duties of board), 5815 (relating to expenses)
14 and 5902(c) (relating to administrative duties of the
15 board) used for the payment of expenses of the plan.

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

19 (4) Effective with distributions made on or after
20 January 1, 1993, and notwithstanding any other provision of
21 this part to the contrary, a distributee may elect, at the
22 time and in the manner prescribed by the board, to have any
23 portion of an eligible rollover distribution paid directly to
24 an eligible retirement plan by way of a direct rollover. For
25 purposes of this paragraph, a "distributee" includes a member
26 [and], a participant, a member's surviving spouse [and], a
27 participant's surviving spouse, a member's former spouse who
28 is an alternate payee under an approved domestic relations
29 order[.], a participant's former spouse who is an alternate
30 payee under an approved domestic relations order and anyone
31 else authorized under the IRC and the plan terms approved by
32 the board to have an eligible rollover distribution paid
33 directly to an eligible retirement plan by way of a direct
34 rollover. For purposes of this paragraph, the term "eligible
35 rollover distribution" has the meaning given such term by IRC
36 § 402(f)(2)(A), and "eligible retirement plan" has the
37 meaning given such term by IRC § 402(c)(8)(B), except that a
38 qualified trust shall be considered an eligible retirement
39 plan only if it accepts the distributee's eligible rollover
40 distribution; however, in the case of an eligible rollover
41 distribution to a surviving spouse, an eligible retirement
42 plan is an "individual retirement account" or an "individual
43 retirement annuity" as those terms are defined in IRC §
44 408(a) and (b).

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

47 (1) In the case of a member or participant who is
48 terminating service, the amount determined after
49 certification by the head of the department that the member
50 or participant is so obligated, and after review and approval
51 by the department or agency's legal representative or upon

1 receipt of an assignment from the member or participant in
2 the amount so certified[.], except that no payment shall be
3 made from the individual investment account of a participant
4 until the participant otherwise applies for and receives a
5 distribution and shall not exceed the amount of the
6 distribution.

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

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

14 (ii) at such time as the Department of Banking shall
15 require the credit union to charge the amount of the loan
16 against the reserve fund of such credit union.

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

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

28 § 5953.1. Approval of domestic relations orders.

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

34 (1) Requires the system to provide any type or form of
35 benefit or any option applicable to members already provided
36 under this part.

37 (2) Requires the system to provide no more than the
38 total amount of benefits than the member would otherwise
39 receive (determined on the basis of actuarial value) unless
40 increased benefits are paid to the member or alternate payee
41 based upon cost-of-living increases or increases based on
42 other than actuarial value.

43 (3) Specifies the amount or percentage of the member's
44 benefits to be paid by the system to each such alternate
45 payee or the manner in which such amount or percentage is to
46 be determined.

47 (4) Specifies the retirement option to be selected by
48 the member upon retirement or states that the member may
49 select any retirement option offered by this part upon
50 retirement.

51 (5) Specifies the name and last known mailing address,

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

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

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

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

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

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

26 (3) Requires the plan to pay to the alternate payee no
27 more than the lesser of the vested amount of the
28 participant's individual investment account specified by the
29 domestic relations order or the vested amount of the
30 participant's individual investment account as of the date of
31 the transfer of the alternate payee's share to the alternate
32 payee.

33 (4) States that the plan shall not be required to recoup
34 or make good for losses in value to the participant's
35 individual investment account incurred between the date of
36 the valuation of the account used for equitable distribution
37 purposes and the date of distribution to the alternate payee.

38 (5) Specifies the amount or percentage of the
39 participant's individual investment account to be paid to the
40 alternate payee and the date upon which the valuation is
41 based.

42 (6) Specifies the name and last known mailing address,
43 if any, of the participant and the name and last known
44 mailing address of each alternate payee covered by the order
45 and states that it is the responsibility of each alternate
46 payee to keep a current mailing address on file with the
47 plan.

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

50 (8) Includes provisions for the deferred distribution of
51 the equitable distribution share of benefits payable from any

1 defined benefit pension program administered by the system in
2 which the participant may have an interest as a member of the
3 system or states that the alternate payee may not receive any
4 portion or any benefits payable to the participant as a
5 result of his membership in the system.

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

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

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

32 (c) Other orders.--The requirements for approval identified
33 in [subsection (a)] subsections (a) and (a.1) shall not apply to
34 any domestic relations order which is an order for support as
35 the term is defined at 23 Pa.C.S. § 4302 (relating to
36 definitions) or an order for the enforcement of arrearages as
37 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
38 arrearages). These orders shall be approved to the extent that
39 they do not attach moneys in excess of the limits on attachments
40 as established by the laws of the United States and this
41 Commonwealth[.], require distributions of benefits in a manner
42 which would violate the laws of the United States, any other
43 state or this Commonwealth or require the distribution of funds
44 for support or enforcement of arrearages against a participant
45 who is not receiving distributions from the plan at the time the
46 order is entered. These orders may be approved notwithstanding
47 any other provision of this part or the plan that would require
48 a distribution of accumulated employer defined contributions in
49 the form of an annuity or to require the purchase of an annuity.

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

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

8 § 5953.2. Irrevocable beneficiary.

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

23 § 5953.3. Irrevocable survivor annuitant.

24 Notwithstanding any other provisions of this part, a domestic
25 relations order pertaining to a member may provide for an
26 irrevocable survivor annuitant. A domestic relations order
27 requiring the designation of an irrevocable survivor annuitant
28 shall be deemed to be one that requires a member to designate an
29 alternate payee as a survivor annuitant and that prohibits the
30 removal or change of that survivor annuitant without approval of
31 a court of competent jurisdiction, except by operation of law.
32 Such a domestic relations order may be certified as an approved
33 domestic relations order by the secretary of the board, or his
34 designated representative, in which case the irrevocable
35 survivor annuitant so ordered by the court cannot be changed by
36 the member without approval by the court. A person ineligible to
37 be designated as a survivor annuitant may not be designated as
38 an irrevocable survivor annuitant.

39 § 5953.4. Amendment of approved domestic relations orders.

40 (a) Deceased alternate payee.--In the event that the
41 alternate payee predeceases the member or the participant and
42 there are benefits payable to the alternate payee, the divorce
43 court may amend the approved domestic relations order to
44 substitute a person for the deceased alternate payee to receive
45 any benefits payable to the deceased alternate payee.

46 * * *

47 Section 330. Title 71 is amended by adding a section to
48 read:

49 § 5953.6. Irrevocable successor payee.

50 (a) Condition.--Notwithstanding any other provision of this
51 part, a domestic relations order pertaining to a participant may

1 provide for an irrevocable successor payee if the participant is
2 receiving a payment pursuant to a payment option provided by the
3 board that allows for a successor payee.

4 (b) Determination.--A domestic relations order requiring the
5 designation of an irrevocable successor payee shall be deemed to
6 be one that requires a participant who is receiving payments
7 from an annuity or other distribution option to designate an
8 alternate payee as a successor payee and that prohibits the
9 removal or change of the successor payee without approval of a
10 court of competent jurisdiction, except by operation of law.

11 (c) Certification.--A domestic relations order under
12 subsection (b) may be certified as an approved domestic
13 relations order by the secretary of the board or his designated
14 representative. If a domestic relations order is certified under
15 this subsection, the irrevocable successor payee ordered by the
16 court shall not be changed by the participant without approval
17 by the court.

18 (d) Ineligibility.--A person ineligible to be designated as
19 a successor payee shall not be designated as an irrevocable
20 successor payee. A court shall not name an irrevocable successor
21 payee if the alternate payee is eligible to receive a lump sum
22 distribution of the alternate payee's portion of the marital
23 portion of the pension benefit.

24 Section 331. Sections 5954, 5955 and 5957 of Title 71 are
25 amended to read:

26 § 5954. Fraud and adjustment of errors.

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

32 (b) Adjustment of errors.--Should any change or mistake in
33 records result in any member, participant, beneficiary [or],
34 survivor annuitant or successor payee receiving from the system
35 or plan more or less than he would have been entitled to receive
36 had the records been correct, then regardless of the intentional
37 or unintentional nature of the error and upon the discovery of
38 such error, the board shall correct the error and if the error
39 affects contributions to or payments from the system, then so
40 far as practicable shall adjust the payments which may be made
41 for and to such person in such a manner that the actuarial
42 equivalent of the benefit to which he was correctly entitled
43 shall be paid. If the error affects contributions to or payments
44 from the plan, the board shall take action as provided for in
45 the plan document.

46 § 5955. Construction of part.

47 (a) Exclusive source of rights and benefits.--Regardless of
48 any other provision of law, pension and benefit rights of State
49 employees shall be determined solely by this part or any
50 amendment thereto or the plan document established by the board,
51 and no collective bargaining agreement nor any arbitration award

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

36 (b) References.--References in this part to the Internal
37 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.)
38 or the Uniformed Services Employment and Reemployment Rights Act
39 of 1994 (Public Law 103-353, 108 Stat. 3149), including
40 administrative regulations promulgated under the Internal
41 Revenue Code of 1986 or the Uniformed Services Employment and
42 Reemployment Rights Act of 1994, are intended to include laws
43 and regulations:

- 44 (1) In effect on the effective date of this subsection.
- 45 (2) Amended, supplemented or supplanted on and after the
46 effective date of this subsection.

47 (c) Officer or member of the Pennsylvania State Police.--

- 48 (1) Notwithstanding a provision of subsection (a) or
49 section 12.1 of the act of November 23, 2010 (P.L. 1269, No.
50 120), regarding the continued effectiveness of pension or
51 retirement benefits or rights previously established by or as

1 a result of a binding arbitration award issued before July 1,
2 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
3 referred to as the Policemen and Firemen Collective
4 Bargaining Act, and implemented by the board, the pension or
5 retirement benefits or rights of a State employee who is a
6 current or former State police officer shall be as provided
7 in this part as if the binding arbitration award was not
8 issued, except as provided under this subsection.

9 (2) A State employee who is a current or former State
10 police officer who:

11 (i) terminates State service before July 1, 2017; or

12 (ii) terminates State service on or after July 1,
13 2017, does not have service credited in Class A-5
14 shall be eligible to receive the maximum single life annuity,
15 before optional modification under section 5705 (relating to
16 member's options), that the State employee would have been
17 eligible to receive if this subsection had not been enacted.

18 (3) A State employee who is a current or former State
19 police officer who has service credited in Class A-5 and who
20 terminates State service on or after July 1, 2017, shall be
21 eligible to receive a maximum single life annuity before
22 optional modification under section 5705 equal to the sum of:

23 (i) if eligible, the maximum single life annuity
24 that the State employee would have been eligible to
25 receive without regard to any eligibility points, service
26 credit, compensation or contributions attributable to
27 Class A-5 service if this subsection had not been
28 enacted; and

29 (ii) if eligible, the maximum single life annuity
30 that the State employee is eligible to receive under this
31 part attributable to Class A-5 service and, if a multiple
32 service member, Class T-G service.

33 (4) An individual who is not a State employee on July
34 1, 2017, or who is a State employee but not a member of the
35 system on July 1, 2017, who subsequently becomes a State
36 police officer shall not be eligible to accrue benefits
37 pursuant to the binding arbitration award, but instead shall
38 be eligible to accrue benefits as a member of Class A-5 and a
39 participant in the plan. This paragraph shall apply without
40 regard to prior service as a State police officer or whether
41 service was performed or benefits accrued under the binding
42 arbitration award.

43 (5) As used in this subsection, "binding arbitration
44 award" means a binding arbitration award issued before July
45 1, 1989, pursuant to the act of June 24, 1968 (P.L.237,
46 No.111), referred to as the Policemen and Firemen Collective
47 Bargaining Act, and implemented by the board.

48 (d) Application to members of certain collective bargaining
49 units.--

50 (1) As applied to members of the collective bargaining
51 unit represented by the Pennsylvania State Troopers

1 Association who become State employees as a result of
2 entering into State service on or after January 1, 2015, and
3 before July 1, 2017, any references in the provisions of this
4 part pertaining to membership in Class A-5 and eligibility or
5 ineligibility for membership in other classes of service and
6 participation in the plan to December 31, 2014, or January 1,
7 2015, shall be read as June 30, 2017, and July 1, 2017,
8 respectively.

9 (2) As applied to members of the collective bargaining
10 units represented by the Fraternal Order of Police, Lodge #85
11 and the Pennsylvania State Rangers Association who become
12 State employees as a result of entering into State service on
13 or after January 1, 2015, and before July 1, 2015, any
14 references in the provisions of this part pertaining to
15 membership in Class A-5 and eligibility or ineligibility for
16 membership in other classes of service and participation in
17 the plan to December 31, 2014, or January 1, 2015, shall be
18 read as June 30, 2015, and July 1, 2015, respectively.

19 (e) Adverse inference.--Nothing in this part shall be
20 construed to mean that the limitations on benefits or other
21 requirements under IRC § 401(a) or other applicable provisions
22 of the IRC which are applicable to participants in the plan do
23 not apply to the participants or to members of the system and
24 the benefits payable under this part.

25 (f) Applicability.--The following shall apply:

26 (1) The provisions of this part regarding the
27 establishment of and participation in the plan shall apply to
28 current and former members of the system who return to State
29 service on or after January 1, 2015, after a termination of
30 State service, notwithstanding the following:

31 (i) Whether the termination occurred before, on or
32 after January 1, 2015.

33 (ii) Whether the State employee was an annuitant,
34 inactive member, vestee or special vestee or withdrew
35 accumulated deductions during the period of termination.

36 (iii) Any other class of service or benefits that
37 may be applicable to any other State employee or any
38 other State office or employment class of service or
39 benefits they may have held.

40 (2) A terminated State employee who returns to State
41 service on or after January 1, 2015, shall be subject to the
42 provisions of this part regarding participation in the plan
43 or membership in the system that are in effect on the
44 effective date of reemployment, including, but not limited
45 to, benefit formulas and accrual rates, eligibility for
46 annuities and distributions, contribution rates, definitions,
47 purchase of creditable school, nonschool, State and nonstate
48 service provisions and actuarial and funding assumptions.

49 (g) Furloughs.--For purposes of sections 5302 (relating to
50 credited State service), 5306 (relating to classes of service)
51 and this section, a State employee who is furloughed under

1 section 802 of the act of August 5, 1941 (P.L. 752, No. 286),
2 known as the Civil Service Act, and reemployed pursuant to the
3 Civil Service Act in any class of service or civil service
4 status which was previously held, shall not be treated as having
5 been terminated from State service and beginning a new period of
6 State service.

7 § 5957. Independent Fiscal Office study.

8 The Independent Fiscal Office shall study and analyze the
9 implementation of shared-risk contributions under section 5501.1
10 (relating to shared-risk member contributions for Class A-3
11 [and], Class A-4 and Class A-5 service) and its impact on the
12 system. The study shall be completed by December 31, 2015, and
13 shall be transmitted to the Appropriations Committee and the
14 Finance Committee of the Senate, the Appropriations Committee
15 and the Finance Committee of the House of Representatives and to
16 the Governor.

17 ARTICLE IV

18 Section 401. The following words and phrases when used in
19 this article shall have the meanings given to them in this
20 section unless the context clearly indicates otherwise:

21 "School Retirement Board." The Public School Employees'
22 Retirement Board.

23 "School System." The Public School Employees' Retirement
24 System.

25 "State Retirement Board." The State Employees' Retirement
26 Board.

27 "State System." The State Employees' Retirement System.

28 Section 402. The following apply to reservation of
29 legislative authority:

30 (1) In regard to the School System:

31 (i) The following provisions shall not create an
32 express or implied contractual right in a member of the
33 School System, a participant in the School Employees'
34 Defined Contribution Plan or another person claiming an
35 interest in the account of a member or participant:

36 (A) A provision of this act which amends 24
37 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77, in relation to
38 requirements for any of the following:

39 (I) Qualification of the School Employees'
40 Defined Contribution Plan as a qualified pension
41 plan under sections 401(a) and 415(b) of the
42 Internal Revenue Code of 1986 (Public Law 99-514,
43 26 U.S.C. §§ 401(a) and 415(b)).

44 (II) Compliance with the Uniformed Services
45 Employment and Reemployment Rights Act of 1994
46 (Public Law 103-353, 108 Stat. 3149).

47 (III) Contribution to, participation in or
48 benefit from the School Employees' Defined
49 Contribution Plan or School Employees' Defined
50 Contribution Trust.

51 (IV) Contribution to, membership in or

1 benefit attributable from Class T-G service in
2 the School System or, if a multiple service
3 member, from Class A-5 service in the State
4 System.

5 (V) A domestic relations order regarding an
6 alternate payee of a participant in the School
7 Employees' Defined Contribution Plan.

8 (B) A construction of 24 Pa.C.S. Pt. IV or 51
9 Pa.C.S. Ch. 77, a regulation promulgated under 24
10 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77 or a term or
11 provision of the School Employees' Defined
12 Contribution Plan or School Employees' Defined
13 Contribution Trust established by statute or in the
14 plan document or trust declaration.

15 (ii) The provisions of 24 Pa.C.S. Pt. IV shall
16 remain subject to the Internal Revenue Code of 1986 and
17 the Uniformed Services Employment and Reemployment Rights
18 Act of 1994 and regulations promulgated under those
19 statutes.

20 (iii) The General Assembly reserves to itself the
21 further exercise of its legislative power to amend or
22 supplement the provisions of 24 Pa.C.S. Pt. IV in order
23 to maintain the qualification of the system as a
24 qualified pension plan under section 401(a) of the
25 Internal Revenue Code of 1986 (26 U.S.C. § 401(a)) and
26 other applicable provisions of the Internal Revenue Code
27 of 1986 and the Uniformed Services Employment and
28 Reemployment Rights Act of 1994.

29 (2) In regard to the State System:

30 (i) The following provisions shall not create an
31 express or implied contractual right in a member of the
32 State System, a participant in the State Employees'
33 Defined Contribution Plan or another person claiming an
34 interest in the account of a member or participant:

35 (A) A provision of this act which amends 51
36 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, in relation to
37 requirements for any of the following:

38 (I) Qualification of the State Employees'
39 Defined Contribution Plan as a qualified pension
40 plan under sections 401(a) and 415(b) of the
41 Internal Revenue Code of 1986 (26 U.S.C. §§
42 401(a) and 415(b)).

43 (II) Compliance with the Uniformed Services
44 Employment and Reemployment Rights Act of 1994.

45 (III) Contribution to, participation in or
46 benefit from the State Employees' Defined
47 Contribution Plan or State Employees' Defined
48 Contribution Trust.

49 (IV) Contribution to, membership in or
50 benefit attributable from Class A-5 service in
51 the State System or, if a multiple service

1 member, from Class T-G service in the School
2 System.

3 (V) A domestic relations order regarding an
4 alternate payee of a participant in the State
5 Employees' Defined Contribution Plan.

6 (B) A construction of 51 Pa.C.S. Ch. 77 or 71
7 Pa.C.S. Pt. XXV, a regulation promulgated under 51
8 Pa.C.S. Ch. 77 or 71 Pa.C.S. Pt. XXV or a term or
9 provision of the State Employees' Defined
10 Contribution Plan or State Employees' Defined
11 Contribution Trust established by statute or in the
12 plan document or trust declaration.

13 (ii) The provisions of 71 Pa.C.S. Pt. XXV shall
14 remain subject to the Internal Revenue Code of 1986 and
15 the Uniformed Services Employment and Reemployment Rights
16 Act of 1994 and regulations promulgated under those
17 statutes.

18 (iii) The General Assembly reserves to itself the
19 further exercise of its legislative power to amend or
20 supplement the provisions of 71 Pa.C.S. Pt. XXV:

21 (A) in order to maintain the qualification of
22 the State System as a qualified pension plan under
23 section 401(a) of the Internal Revenue Code of 1986
24 (26 U.S.C. § 401) and other applicable provisions of
25 the Internal Revenue Code of 1986 and the Uniformed
26 Services Employment and Reemployment Rights Act of
27 1994; and

28 (B) as a matter of fiscal or public policy.

29 Section 403. Nothing in this act shall be construed to mean
30 that:

31 (1) a calculation or actuarial method used by the School
32 Retirement Board, its actuaries or the School System was not
33 in accordance with the provisions of 24 Pa.C.S. Pt. IV or
34 other applicable law prior to the effective date of this
35 paragraph; or

36 (2) a calculation or actuarial method used by the State
37 Retirement Board, its actuaries or the State System was not
38 in accordance with the provisions of 71 Pa.C.S. Pt. XXV or
39 other applicable law prior to the effective date of this
40 paragraph.

41 Section 404. The following apply to accrued liability:

42 (1) In regard to the School System:

43 (i) (Reserved).

44 (ii) Payments required to fund a change in accrued
45 liability resulting from this act shall be subject to
46 limits imposed under this act on employer contributions
47 to the School System.

48 (iii) For purposes of 24 Pa.C.S. §§ 8326, 8327 and
49 8328, changes under this paragraph shall not be
50 considered to be costs added by legislation.

51 (2) In regard to the State System:

1 (i) Notwithstanding any other provision of law, a
2 change in accrued liability of the State System created
3 under this act as a result of changes in benefits shall
4 be funded in equal dollar installments over a period of
5 20 years beginning July 1, 2014.

6 (ii) (Reserved).

7 (iii) Payments required to fund a change in accrued
8 liability resulting from this act shall be subject to
9 limits imposed under this act on employer contributions
10 to the State System.

11 (iv) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and
12 5508, changes under this paragraph shall not be
13 considered to be costs added by legislation.

14 Section 405. The following shall apply to construction
15 related to Federal law:

16 (1) In regard to the School System:

17 (i) This act shall be construed and administered in
18 such a manner that the School System and the School
19 Employees' Defined Contribution Plan satisfy the
20 requirements necessary to qualify as a qualified pension
21 plan under section 401(a) of the Internal Revenue Code of
22 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
23 applicable provisions of the Internal Revenue Code of
24 1986 and the Uniformed Services Employment and
25 Reemployment Rights Act of 1994 (Public Law 103-353, 108
26 Stat. 3149). Regulations promulgated by the School
27 Retirement Board and terms and conditions of the plan
28 document and trust declaration adopted by the School
29 Retirement Board may include provisions necessary to
30 accomplish the purpose of this subparagraph.

31 (ii) Nothing in this act shall be construed to
32 require a member of Class T-G to make contributions to
33 the School System in excess of the limits established by
34 section 415(n)(3)(A)(iii) of the Internal Revenue Code of
35 1986 (26 U.S.C. § 415(n)(3)(A)(iii)). A contribution made
36 by a member of Class T-G which is determined to be in
37 excess of the limits shall be refunded to the member in a
38 lump sum subject to withholding for all applicable taxes
39 and penalties as soon as administratively possible after
40 the determination is made. A refund under this
41 subparagraph shall not affect the benefit payable to the
42 member and shall not be treated as or deemed to be a
43 withdrawal of the member's accumulated deductions.

44 (2) As to the State System:

45 (i) This act shall be construed and administered in
46 a manner that the State System and the State Employees'
47 Defined Contribution Plan shall satisfy the requirements
48 necessary to qualify as a qualified pension plan under
49 section 401(a) of the Internal Revenue Code of 1986 (26
50 U.S.C. § 401(a)), other applicable provisions of the
51 Internal Revenue Code of 1986 and the Uniformed Services

1 Employment and Reemployment Rights Act of 1994. The
2 regulations promulgated by the State Retirement Board and
3 the terms and conditions of the plan document and trust
4 declaration adopted by the State Retirement Board may
5 include provisions necessary to accomplish the purpose of
6 this subparagraph.

7 (ii) Nothing in this act shall be construed or
8 deemed to imply that any member of Class A-5 shall be
9 required to make contributions to the State System in
10 excess of the limits established by section 415(n) (3) (A)
11 (iii) of the Internal Revenue Code of 1986 (26 U.S.C. §
12 415(n) (3) (A) (iii)). A contribution made by a member of
13 Class A-5 which is determined to be in excess of the
14 limits shall be refunded to the member in a lump sum
15 subject to withholding for all applicable taxes and
16 penalties as soon as administratively possible after the
17 determination is made. A refund under this subparagraph
18 shall not affect the benefit payable to the member and
19 shall not be treated as or deemed to be a withdrawal of
20 the member's accumulated deductions.

21 (iii) Nothing in this act shall be construed to mean
22 that an interpretation or application of 71 Pa.C.S. Pt.
23 XXV or benefits available to members of the State System
24 was not in accordance with 71 Pa.C.S. Pt. XXV or other
25 applicable law, including the Internal Revenue Code of
26 1986 and the Uniformed Services Employment and
27 Reemployment Rights Act of 1994, before the effective
28 date of this subparagraph.

29 Section 406. The following shall apply to immunity from
30 personal liability:

31 (1) Notwithstanding any other provision of law,
32 fiduciary requirement, actuarial standard of practice or
33 other requirement, no member of the School Retirement Board
34 nor an actuary, employee or official of the School System
35 shall be held liable or in breach or violation of a law or
36 standard, as an individual, in an official capacity or as a
37 governmental or corporate entity, for an action or
38 calculation related to calculating and certifying a final
39 contribution rate as provided under this act that is
40 different from the actuarially required contribution rate as
41 appropriately calculated under 24 Pa.C.S. Pt. IV.

42 (2) Notwithstanding any other provision of law,
43 fiduciary requirement, actuarial standard of practice or
44 other requirement, no member of the State Retirement Board
45 nor an actuary employee or official of the State System shall
46 be held liable or in breach or violation of a law or
47 standard, as an individual, in an official capacity or as a
48 governmental or corporate entity, for an action or
49 calculation related to calculating and certifying a final
50 contribution rate as provided under this act that is
51 different from the actuarially required contribution rate as

1 appropriately calculated under 71 Pa.C.S. Pt. XXV.
2 Section 407. Nothing in this act shall be deemed to permit
3 the restoration of service credit or a retirement benefit which:

4 (1) was or is subject to section 16 of Article V of the
5 Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

6 (2) the subject of an order of forfeiture under the act
7 of July 8, 1978 (P.L.752, No.140), known as the Public
8 Employee Pension Forfeiture Act.

9 Section 408. The following apply to recertification of
10 contribution rates:

11 (1) If, prior to the effective date of this paragraph,
12 the School Retirement Board certifies employer contribution
13 rates for the fiscal year beginning July 1, 2014,
14 notwithstanding any other provision of law, the School
15 Retirement Board shall recertify to the Secretary of the
16 Budget the contributions, rates, factors and amounts under 24
17 Pa.C.S. § 8502(k). The recertification shall reflect all
18 changes in the contributions, rates, factors and amounts
19 previously certified prior to the effective date of this
20 paragraph for the fiscal year beginning July 1, 2014, which
21 are required to comply with 24 Pa.C.S. §§ 8326, 8327 and
22 8328. The recertification shall occur within 15 days of the
23 effective date of this paragraph and shall supersede the
24 prior certification.

25 (2) If, prior to the effective date of this section, the
26 State Retirement Board certifies employer contribution rates
27 for the fiscal year beginning July 1, 2014, notwithstanding
28 any other provision of law, the State Retirement Board shall
29 recertify to the secretary the contributions, rates, factors
30 and amounts under 71 Pa.C.S. § 5902(k). The recertification
31 shall reflect all changes in the contributions, rates,
32 factors and amounts previously certified prior to the
33 effective date of this paragraph for the fiscal year
34 beginning July 1, 2014, which are required to comply with 71
35 Pa.C.S. §§ 5507 and 5508. The recertification shall occur
36 within 15 days of the effective date of this paragraph and
37 shall supersede the prior certification.

38 Section 409. The following apply to transfer of assets:

39 (1) For fiscal year 2014-2015, the Commonwealth may pay
40 or transfer money, securities or other forms of assets
41 directly to the School System to pay amounts required to be
42 contributed by the Commonwealth under 24 Pa.C.S. §§ 8328 and
43 8535. The board must do all of the following:

44 (i) Accept the payments and assets.

45 (ii) Credit the value of the payments and assets to
46 the State accumulation account.

47 (iii) Apply the value of the payments and assets as
48 a credit to employers on a pro rata basis, as the board
49 deems appropriate.

50 (2) Notwithstanding any other provision of law,
51 fiduciary requirement, actuarial standard of practice or

1 other requirement, the members of the Public School
2 Employees' Retirement Board, the actuary and employees and
3 officials of the School System shall not be held liable or in
4 breach or violation of a law or standard as individuals, in
5 their official capacity or as a governmental or corporate
6 entity, for any action taken, or calculation made, under this
7 section.

8 (3) Section 13(1)(i) of the act of November 23, 2010
9 (P.L. 1269, No. 120), entitled, "An act amending Titles 24
10 (Education) and 71 (State Government) of the Pennsylvania
11 Consolidated Statutes, in Title 24, further providing for
12 definitions, for mandatory and optional membership, for
13 contributions by the Commonwealth, for payments by employers,
14 for actuarial cost method, for additional supplemental
15 annuities, for further additional supplemental annuities, for
16 supplemental annuities commencing 1994, for supplemental
17 annuities commencing 1998, for supplemental annuities
18 commencing 2002, for supplemental annuities commencing 2003,
19 for administrative duties of board, for payments to school
20 entities by Commonwealth, for eligibility points for
21 retention and reinstatement of service credits and for
22 creditable nonschool service; providing for election to
23 become a Class T-F member; further providing for classes of
24 service, for eligibility for annuities, for eligibility for
25 vesting, for regular member contributions, for member
26 contributions for creditable school service, for
27 contributions for purchase of credit for creditable nonschool
28 service, for maximum single life annuity, for disability
29 annuities, for member's options, for duties of board
30 regarding applications and elections of members and for
31 rights and duties of school employees and members; providing
32 for Independent Fiscal Office study; in Title 71,
33 establishing an independent fiscal office and making a
34 related repeal; further providing for definitions, for
35 credited State service, for retention and reinstatement of
36 service credits, for creditable nonstate service and for
37 classes of service; providing for election to become a Class
38 A-4 member; further providing for eligibility for annuities
39 and for eligibility for vesting; providing for shared-risk
40 member contributions for Class A-3 and Class A-4 service;
41 further providing for waiver of regular member contributions
42 and Social Security integration member contributions, for
43 member contributions for purchase of credit for previous
44 State service or to become a full coverage member, for
45 contributions for the purchase of credit for creditable
46 nonstate service, for contributions by the Commonwealth and
47 other employers, for actuarial cost method, for maximum
48 single life annuity, for disability annuities and for
49 member's options; providing for payment of accumulated
50 deductions resulting from Class A-3 service; further
51 providing for additional supplemental annuities, for further

1 additional supplemental annuities, for supplemental annuities
2 commencing 1994, for supplemental annuities commencing 1998,
3 for supplemental annuities commencing 2002, for supplemental
4 annuities commencing 2003, for special supplemental
5 postretirement adjustment of 2002, for administrative duties
6 of the board, for duties of board to advise and report to
7 heads of departments and members, for duties of board
8 regarding applications and elections of members, for
9 installment payments of accumulated deductions, for rights
10 and duties of State employees and members, for members'
11 savings account, for State accumulation account, for State
12 Police Benefit Account, for Enforcement Officers' Benefit
13 Account, for supplemental annuity account and for
14 construction of part; and providing for Independent Fiscal
15 Office study, for retirement eligibility of Pennsylvania
16 State Police officers or members, for a prohibition on the
17 issuance of pension obligation bonds, for holding certain
18 public officials harmless, for construction of calculation or
19 actuarial method, for applicability and for certain
20 operational provisions" is repealed to the extent that it is
21 inconsistent with this section.

22 Section 410. If a provision of this act or its application
23 to any person or circumstance is held invalid, the invalidity
24 shall not affect other provisions or applications of this act
25 that can be given effect without the invalid provision or
26 application.

27 Section 411. This act shall take effect immediately.