
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2507 Session of
2024

INTRODUCED BY SCHLEGEL, DIAMOND, M. JONES, T. JONES AND
ZIMMERMAN, JULY 23, 2024

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, JULY 23, 2024

AN ACT

1 Amending the act of August 31, 1971 (P.L.398, No.96), entitled
2 "An act providing for the creation, maintenance and operation
3 of a county employees' retirement system, and imposing certain
4 charges on counties and providing penalties," providing for
5 County Employees' Defined Contribution Plan.

6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 Section 1. The act of August 31, 1971 (P.L.398, No.96),
9 known as the County Pension Law, is amended by adding a section
10 to read:

11 Section 30.1. County Employees' Defined Contribution Plan.--

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

1 (b) The County Employees' Defined Contribution Trust is
2 established as part of the plan. The trust shall be comprised of
3 the individual investment accounts and all assets and money in
4 those accounts, and any assets and money held by the board as
5 part of the plan that are not allocated to individual investment
6 accounts. The members of the board shall be the trustees of the
7 trust, which shall be administered exclusively for the benefit
8 of those county employes who participate in the plan and their
9 beneficiaries within the meaning of and in conformity with IRC §
10 401(a). The board shall determine the terms and provisions of
11 the trust not inconsistent with this act, the IRC or other
12 applicable law and shall provide for the investment and
13 administration of the trust.

14 (c) All assets and income in the plan that have been or
15 shall be withheld or contributed by the participants, the county
16 and other employers in accordance with this act shall be held in
17 trust in any funding vehicle permitted by the applicable
18 provisions of the IRC for the exclusive benefit of the
19 participants and their beneficiaries until such time as the
20 funds are distributed to the participants or their beneficiaries
21 in accordance with the terms of the plan document. The assets of
22 the plan held in trust for the exclusive benefit of the
23 participants and their beneficiaries may be used for the payment
24 of the fees, costs and expenses related to the administration
25 and investment of the plan and the trust.

26 (d) The board shall specify the terms and provisions of the
27 plan and trust in a document containing the terms and conditions
28 of the plan and in a trust declaration that shall be published
29 in the county records. Any amendment to the plan and trust
30 declaration also shall be published.

1 (e) The board shall establish in the trust an individual
2 investment account for each participant in the plan. All
3 contributions by a participant or an employer for or on behalf
4 of a participant shall be credited to the participant's
5 individual investment account, together with all interest and
6 investment earnings and losses. Investment and administrative
7 fees, costs and expenses shall be charged to the participants'
8 individual investment accounts except as otherwise provided
9 under this act or as the county otherwise provides by
10 appropriations from the county general fund. Employer defined
11 contributions shall be recorded and accounted for separately
12 from participant contributions, but all interest, investment
13 earnings and losses, and investment and administrative fees,
14 costs and expenses shall be allocated proportionately.

15 (f) (1) A participant shall make mandatory pickup
16 participant contributions through payroll deductions to the
17 participant's individual investment account equal to a rate as
18 determined by the board. The employer shall cause those
19 contributions for current service to be made and deducted from
20 each payroll or on such schedule as established by the board.

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

28 (3) No contributions may be allowed that would cause a
29 violation of the limitations related to contributions applicable
30 to governmental plans contained in IRC § 415 or in other

1 provisions of law. In the event that any disallowed
2 contributions are made, any participant contributions in excess
3 of the limitations and investment earnings on those
4 contributions, but minus investment fees and administrative
5 charges, shall be refunded to the participant by the board.

6 (g) (1) The contributions to the trust required to be made
7 under subsection (f) (1) with respect to county service rendered
8 by an active participant shall be picked up by the county and
9 shall be treated as the employer's contribution for purposes of
10 IRC § 414(h). After the effective date of this subsection, an
11 employer employing a participant in the plan shall pick up the
12 required mandatory participant contributions by a reduction in
13 the compensation of the participant.

14 (2) For all other purposes under this act and otherwise,
15 mandatory pickup participant contributions shall be treated as
16 contributions made by a participant in the same manner and to
17 the same extent as if the contributions were made directly by
18 the participant and not picked up.

19 (h) (1) The county of an active participant shall make
20 employer defined contributions for service of an active
21 participant that shall be credited to the active participant's
22 individual investment account. Employer defined contributions
23 shall be recorded and accounted for separately from participant
24 contributions.

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

1 contributions, but minus investment fees and administrative
2 charges, shall be refunded to the employer by the board.

3 (i) (1) A participant who terminates county service shall
4 be eligible to withdraw the vested accumulated total defined
5 contributions standing to the participant's credit in the
6 participant's individual investment account or a lesser amount
7 as the participant may request. Payment shall be made in a lump
8 sum unless the board has established other forms of distribution
9 in the plan document. A participant who withdraws the
10 participant's vested accumulated total defined contributions
11 shall no longer be a participant in the plan, notwithstanding
12 that the former county employe may continue to be a member of
13 the system or may have contracted to receive an annuity or other
14 form of payment from a provider retained by the board for such
15 purposes.

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

21 (3) (Reserved).

22 (4) A county employe must be terminated from all positions
23 that result in either membership in the system or participation
24 in the plan to be eligible to receive a distribution. No
25 distribution shall be allowed that would be an in-service
26 distribution prohibited by the IRC.

27 (5) Loans or other distributions, including hardship or
28 unforeseeable emergency distributions, from the plan to county
29 employes who have not terminated county service are not
30 permitted, except as required by law.

1 (6) A participant who terminates county service and whose
2 vested accumulated total defined contributions are below the
3 threshold established by law as of the date of termination of
4 service may be paid the vested accumulated total defined
5 contributions in a lump sum as provided in IRC § 401(a)(31).

6 (7) Except as prohibited by the IRC or as otherwise provided
7 in this act, a participant who is eligible and elects to receive
8 a distribution or vested accumulated employer defined
9 contributions may purchase an annuity with that distribution
10 from an annuity provider contracted by the board under
11 subsection (j)(3) and under such conditions as provided in the
12 plan document. The conditions may include that the board is
13 authorized to make the distribution directly to the annuity
14 provider.

15 (j) (1) In the event of the death of an active participant
16 or inactive participant, the board shall pay to the
17 participant's beneficiary the vested balance in the
18 participant's individual investment account in a lump sum or in
19 such other manner as the board may establish in the plan
20 document.

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

30 (3) The board shall contract with financial institutions,

1 insurance companies or other types of third-party providers to
2 allow a participant, beneficiary or successor payee who receives
3 a lump sum distribution to receive payments and death benefits
4 in a form and manner as provided by the contract. To the extent
5 commercially available, any annuity option shall include an
6 interest rate of at least two and one-half per cent compounded
7 annually.

8 (k) Subject to any applicable forfeiture and attachment
9 provisions of law, a participant shall be vested immediately
10 with respect to all mandatory pickup participant contributions
11 and voluntary contributions paid by or on behalf of the
12 participant to the trust in addition to interest and investment
13 gains or losses on the participant contributions but minus
14 investment fees and administrative charges.

15 (1) (1) The board may perform an annual or more frequent
16 review of any qualified fund manager for the purpose of assuring
17 that the fund manager continues to meet all standards and
18 criteria established.

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

23 (3) The board may allow an inactive participant to maintain
24 the participant's individual investment account within the plan.

25 (4) The board shall administer or ensure the administration
26 of the plan in compliance with the qualifications and other
27 rules of the IRC.

28 (5) The board may establish procedures to provide for the
29 lawful payment of benefits, including, but not limited to,
30 alternate payees as provided by this act or other law.

1 (6) The board shall determine, after reviewing applicable
2 law, what constitutes a termination of county service.

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

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

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

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

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

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

25 (v) Procedures, standards and criteria for the making of
26 distributions from the plan upon termination from employment or
27 death or in other circumstances consistent with the purpose of
28 the plan.

29 (9) The board may waive any reporting or information
30 requirement contained in this act if the board determines that

1 the information is not needed for the administration of the
2 plan.

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

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

11 (12) The board shall ensure that participants are provided
12 with educational materials about investment options and choices.

13 (m) The board, the Commonwealth, an employer or other
14 political subdivision shall not be responsible for any
15 investment or other loss incurred under the plan or for the
16 failure of any investment to earn any specific or expected
17 return or to earn as much as any other investment opportunity or
18 to cost less than any other investment opportunity, whether or
19 not the other opportunity was offered to participants in the
20 plan.

21 (n) (1) All contributions, interest and investment earnings
22 shall be invested based on a participant's investment allocation
23 choices, provided that the board may provide for a default
24 investment option. All investment allocation choices shall be
25 credited proportionally between participant contributions and
26 employer defined contributions. Each participant shall be
27 credited individually with the amount of contributions, interest
28 and investment earnings.

29 (2) Investment of contributions by any corporation,
30 institution, insurance company, custodial bank or other entity

1 that the board has approved shall not be unreasonably delayed,
2 and in no case may the investment of contributions be delayed
3 more than thirty days from the date of payroll deduction or the
4 date voluntary contributions are made to the date that funds are
5 invested. Any interest earned on the funds pending investment
6 shall be used to pay administrative costs and fees that would
7 otherwise be required to be borne by participants who are then
8 participating in the plan or paid by appropriations from the
9 county general fund.

10 (o) All fees, costs and expenses of establishing and
11 administering the plan and the trust and investing the assets of
12 the trust shall be borne by the participants and paid from
13 assessments against the balances of the individual investment
14 accounts as established by the board, except that the fees,
15 costs and expenses of establishing and administering the plan
16 and the trust shall be paid by the county through annual
17 appropriations.

18 (p) (1) All payments under this section shall start and be
19 made in compliance with the required beginning date, minimum
20 distribution requirements and incidental death benefit rules of
21 IRC § 401(a).

22 (2) (i) Except as provided under subparagraph (ii) and
23 notwithstanding a provision of this act, a contribution or
24 benefit related to the plan may not exceed any limitation under
25 IRC § 415 with respect to a governmental plan which is in effect
26 on the date the contribution or benefit payment takes effect.

27 (ii) An increase in a limitation under IRC § 415 shall apply
28 to all participants on and after the effective date of this
29 subparagraph.

30 (iii) An increase in benefits on or after the effective date

1 of this subparagraph for a participant in the plan shall be
2 authorized and apply to the fullest extent allowed by law.

3 (g) As used in this section, the following words and phrases
4 shall have the meanings given to them in this subsection unless
5 the context clearly indicates otherwise:

6 "Governmental plan" has the same meaning as the term has in
7 IRC § 414(d).

8 "IRC" means the Internal Revenue Code of 1986 (Public Law 99-
9 514, 26 U.S.C. § 1 et seq.).

10 "Participant" means a county employe.

11 "Plan" means the County Employees' Defined Contribution Plan
12 established under subsection (a).

13 "Trust" means the County Employees' Defined Contribution
14 Trust established under subsection (b).

15 "USERRA" means the Uniformed Services Employment and
16 Reemployment Rights Act, 38 U.S.C. Ch. 43 (relating to
17 employment and reemployment rights of members of the uniformed
18 services).

19 "USERRA leave" means any period of time for service in the
20 uniformed services as defined in 38 U.S.C. Ch. 43 by a county
21 employe or former county employe who terminated county service
22 to perform the service in the uniformed services, if the current
23 or former county employe is entitled to reemployment rights
24 under 38 U.S.C. Ch. 43 with respect to the uniformed service.

25 Section 2. This act shall take effect in 60 days.