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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 2

Session of  
2013

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INTRODUCED BY BROWNE, BRUBAKER, PILEGGI, SCARNATI, CORMAN,  
EICHELBERGER, FOLMER, HUTCHINSON, SMUCKER, YAW, RAFFERTY,  
TOMLINSON, ARGALL, ERICKSON, MENSCH, VULAKOVICH, GREENLEAF,  
WARD, VANCE, ALLOWAY, D. WHITE, BAKER, WAUGH, MCILHINNEY,  
ROBBINS AND VOGEL, JANUARY 22, 2013

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REFERRED TO FINANCE, JANUARY 22, 2013

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AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania  
2 Consolidated Statutes, providing for a unified retirement  
3 system for employees of the Commonwealth and school  
4 districts.

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

7 Section 1. Title 71 of the Pennsylvania Consolidated  
8 Statutes is amended by adding a part to read:

9 PART XXVII

10 UNIFIED CONTRIBUTION PENSION PLAN

11 Chapter

12 71. Membership, Contributions and Benefits

13 CHAPTER 71

14 MEMBERSHIP, CONTRIBUTIONS AND BENEFITS

15 Sec.

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17 § 7101. Declaration of purpose.

18 In order to preserve the long-term fiscal stability and  
19 viability of this Commonwealth and school districts, the purpose  
20 of this chapter is to provide a unified retirement system for  
21 employees of the Commonwealth and school districts to  
22 participate in and to provide retirement income security through  
23 a system of defined contribution authorized by the United States  
24 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1  
25 et seq.), permitting the employees to obtain the advantages  
26 inherent in the plans relative to the income tax treatment of  
27 the contributions and disbursements made under defined  
28 contribution plans.

29 § 7102. Definitions.

30 The following words and phrases when used in this chapter

1 shall have the meanings given to them in this section unless the  
2 context clearly indicates otherwise:

3 "Active member." A public employee or a member on leave  
4 without pay for whom contributions are being made pursuant to  
5 the system established under this chapter.

6 "Board." The Public Employees' Retirement System Board.

7 "Compensation." The remuneration actually received as a  
8 public employee, excluding any of the following:

9 (1) Refunds for expenses, contingency and accountable  
10 expense allowances.

11 (2) Severance payments or payments for unused vacation  
12 or sick leave.

13 "Employer." Any governmental entity directly responsible for  
14 the employment and payment of a public employee.

15 "Fund." The Public Employees' Retirement Fund.

16 "Head of department." Any of the following:

17 (1) The chief administrative officer of a department.

18 (2) The chairperson or executive director of an agency,  
19 authority or independent board or commission.

20 (3) The Court Administrator of Pennsylvania.

21 (4) The Chief Clerk of the Senate.

22 (5) The Chief Clerk of the House of Representatives.

23 (6) A designee of any of the individuals listed under  
24 this definition who otherwise executes duties similar to that  
25 of a chief administrative officer of an employer or a  
26 department of any other employer.

27 (7) The director or similar person for any entity that  
28 employs a public employee.

29 "IRC." The Internal Revenue Code of 1986 (Public Law 99-514  
30 26 U.S.C. § 1 et seq.). A reference in this part to "IRC § XXX"

1 shall be deemed to refer to the identically numbered section and  
2 subsection or other subdivision of such section in 26 U.S.C.

3 "Lifestyle funds." An investment fund featuring an asset mix  
4 determined by the level of risk and return that is appropriate  
5 for an individual active member.

6 "Member contributions." Regular contributions by members  
7 under section 7111 (relating to active member contributions).

8 "Pensionable earnings." Compensation minus any compensation  
9 received for the performance of overtime or compensation in the  
10 form of a bonus, regardless if the bonus is pro rata, lump sum  
11 or in any other method.

12 "Public employee." Any of the following employees that begin  
13 public service after December 31, 2013:

14 (1) A State employee.

15 (2) A school employee.

16 "Public school." Any classes or schools within this  
17 Commonwealth conducted under the order and superintendence of  
18 the Department of Education, including any of the following:

19 (1) All educational classes of an employer charged with  
20 the responsibility of public education within this  
21 Commonwealth as well as those classes financed wholly or in  
22 part by the Federal Government.

23 (2) State-owned colleges and universities, The  
24 Pennsylvania State University and community colleges.

25 (3) Area vocational-technical schools and intermediate  
26 units.

27 (4) The State Board of Education.

28 (5) Scotland School for Veterans' Children, Thaddeus  
29 Stevens College of Technology and the Pennsylvania State Oral  
30 School for the Deaf.

1 "Public service." The service of a public employee during  
2 which the required member contributions have been made.

3 "School employee." A person engaged in work relating to a  
4 public school for any governmental entity and for which work the  
5 person is receiving regular remuneration as an officer,  
6 administrator or employee. The term does not include an  
7 independent contractor or a person compensated on a fee basis.

8 "State employee." Any person holding a State office or  
9 position under the Commonwealth or employed by the Commonwealth  
10 in any capacity. The term shall not include an independent  
11 contractor, a person compensated on a fee basis or a person paid  
12 directly by an entity other than a State Employees' Retirement  
13 System employer. The term shall include members of the General  
14 Assembly and any officer or employee of any of the following:

15 (1) The Pennsylvania Turnpike Commission, the Delaware  
16 River Port Authority, the Port Authority Transit Corporation,  
17 the Philadelphia Regional Port Authority, the Delaware River  
18 Joint Toll Bridge Commission, the State Public School  
19 Building Authority, the General State Authority, the State  
20 Highway and Bridge Authority, the Delaware Valley Regional  
21 Planning Commission and the Susquehanna River Basin  
22 Commission, if the commission or authority makes employer  
23 contributions on behalf of employees under section 7112  
24 (relating to employer contributions).

25 (2) The Interstate Commission of the Delaware River  
26 Basin, if the commission contributes to the fund the money  
27 required to build up the reserves necessary for the payment  
28 of the annuities of the officers and employees without any  
29 liability on the part of the Commonwealth to make  
30 appropriations for those purposes.

1           (3) A separate independent public corporation created by  
2 statute, except for a municipal or quasi-municipal  
3 corporation, if the following apply:

4           (i) The officer or employee remains an officer or  
5 employee of the public corporation.

6           (ii) The officer or employee of the public  
7 corporation was an employee of the Commonwealth  
8 immediately prior to employment by the public  
9 corporation.

10           (iii) The public corporation contributes to the fund  
11 the money required to build up the reserves necessary for  
12 the payment of the annuities of the officers and  
13 employees without any liability on the part of the  
14 Commonwealth to make appropriations for those purposes.

15           "System." The Public Employee's Retirement System.

16           § 7103. Establishment.

17           (a) System establishment.--A public employees' retirement  
18 system is established for public employees.

19           (b) Fund establishment.--The Public Employees' Retirement  
20 Fund is established.

21           § 7104. Public Employees' Retirement System Board.

22           (a) Establishment.--The Public Employees' Retirement System  
23 Board is established for the purpose of administering and  
24 managing the system.

25           (b) Status and membership.--The board shall be an  
26 independent administrative board and shall consist of the  
27 following members:

28           (1) The State Treasurer, who shall be an ex officio  
29 member.

30           (2) Two members of the Senate or a designee.

1       (3) Two members of the House of Representatives or a  
2 designee.

3       (4) The Chairman of the State Employees' Retirement  
4 Board.

5       (5) The Chairman of the Public School Employees'  
6 Retirement Board.

7       (6) The Chairman of the Pennsylvania Municipal  
8 Retirement Board.

9       (7) Three members appointed by the Governor. One of the  
10 members first appointed by the Governor shall be appointed  
11 for a term which shall expire on June 30, 2018, one member  
12 for a term which shall expire on June 30, 2018, and one  
13 member for a term which shall expire on June 30, 2019.

14       (c) Terms and qualifications.--Except as provided under  
15 subsection (d), members shall serve for terms of four years.  
16 Members appointed by the Governor may not be or have been a  
17 public employee on or before the effective date of this section,  
18 nor may be a current or former member of the State Employees'  
19 Retirement System, the Public School Employees' Retirement  
20 System, the Pennsylvania Municipal Retirement System or any  
21 other Pennsylvania public retirement system and shall be subject  
22 to confirmation by the Senate.

23       (d) Legislative members.--The members of the Senate shall be  
24 appointed by the President pro tempore of the Senate and shall  
25 consist of a majority member and a minority member. One member  
26 of the House of Representatives shall be appointed by the  
27 Majority Leader of the House of Representatives. One member of  
28 the House of Representatives shall be appointed by the Minority  
29 Leader of the House of Representatives. The legislative members  
30 shall serve on the board for the duration of their legislative

1 terms and shall continue to serve until 30 days after the  
2 convening of the next regular session of the General Assembly  
3 after the expiration of their respective legislative terms or  
4 until a successor is appointed for the new term, whichever  
5 occurs first. A vacancy occurring during the term of an  
6 appointed member shall be filled for the unexpired term by the  
7 appointment and confirmation of a successor in the same manner  
8 as the member's predecessor. Legislative members shall be  
9 precluded from being appointed to the board if they have  
10 previously or are currently serving in any capacity with any  
11 other retirement board or system.

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

21 (f) Compensation and expenses.--All board members shall be  
22 reimbursed for any necessary expenses and shall not suffer loss  
23 of salary or wages through serving on the board, except that, if  
24 duties the board has mandated are not executed, no compensation  
25 or reimbursement for necessary expenses of board members shall  
26 be paid or payable during the period in which the duties are not  
27 executed.

28 (g) Corporate power and legal advisor.--The board shall  
29 possess the powers and privileges of a corporation. The Attorney  
30 General shall be the legal advisor of the board.



1 § 7105. Duties of board.

2 (a) Employees.--The following shall apply:

3 (1) The positions of secretary, assistant secretary and  
4 investment professional shall be placed under the  
5 unclassified service provisions of the act of August 5, 1941  
6 (P.L.752, No.286), known as the Civil Service Act. All other  
7 positions of the board shall be placed in either the  
8 classified or unclassified service according to the  
9 definition of the terms under the Civil Service Act.

10 (2) Notwithstanding any other provision of law, the  
11 compensation of investment professionals shall be established  
12 by the board. The compensation of all other officers and  
13 employees of the board who are not covered by a collective  
14 bargaining agreement shall be established by the board  
15 consistent with the standards of compensation established by  
16 the Executive Board of the Commonwealth.

17 (b) Secretary.--The secretary shall act as chief  
18 administrative officer for the board. In addition to other  
19 powers and duties conferred upon and delegated to the secretary  
20 by the board, the secretary shall do all of the following:

21 (1) Serve as the administrative agent of the board.

22 (2) Serve as liaison between the board and applicable  
23 legislative committees, the Treasury Department, the  
24 Department of the Auditor General and between the board and  
25 the investment counsel and the mortgage supervisor in  
26 arranging for investments to secure maximum returns to the  
27 fund.

28 (3) Review and analyze proposed legislation and  
29 legislative developments affecting the system and present  
30 findings to the board, legislative committees and other

1 interested groups or individuals.

2 (4) Direct the maintenance of files and records and  
3 preparations or periodic reports.

4 (5) Receive inquiries and requests for information  
5 concerning the system from the press, Commonwealth officials,  
6 State employees, the general public, research organizations  
7 and officials and organizations from other states and provide  
8 information as authorized by the board.

9 (6) Supervise a staff of administrative, technical and  
10 clerical employees engaged in recordkeeping and clerical  
11 processing activities in maintaining files of members,  
12 accounting for contributions, processing payments to  
13 annuitants, preparing required reports and retirement  
14 counseling.

15 (c) Specific duties.--In order to establish and administer  
16 the system, the powers and duties of the board shall include the  
17 following:

18 (1) Providing to active members a defined contribution  
19 retirement plan that is compliant with the IRC and the  
20 requirements of this chapter.

21 (2) Entering into written agreements with financial or  
22 other organizations to administer the system for an active  
23 member and to invest funds held pursuant to the system. The  
24 system and any written agreement shall comply with the IRC.

25 (3) Establishing procedures whereby public employees  
26 shall participate in the system and may change their  
27 investment choices on a periodic basis, as determined by the  
28 board, which shall not be less frequently than once per  
29 calendar month.

30 (4) Arranging for a deduction, from the compensation of

1 public employees, of employee contributions to the system.

2 (5) Establishing criteria for selection by the board of  
3 the financial institutions, insurance companies or other  
4 organizations that may be qualified as managers, on behalf of  
5 the board, of funds accumulated under the system on behalf of  
6 any active member.

7 (6) Establishing standards or criteria for the providing  
8 of options to an active member concerning the method of  
9 investing amounts accumulated under the system if the options  
10 include a diversified mix of low-cost investment products  
11 that span the risk-return spectrum.

12 (7) Establishing standards or criteria for informing  
13 active members of specific options offered by qualified  
14 managers.

15 (8) Designing a comprehensive, balanced and impartial  
16 educational program to assist active members in their choice  
17 of investment options under the system, which shall include  
18 retirement planning education and financial planning guidance  
19 on matters such as investment diversification, investment  
20 risks, investment costs and asset allocation.

21 (9) Establishing standards and criteria for the  
22 disclosure to active members of the anticipated and actual  
23 income attributable to the amounts, property and rights and  
24 all fees, costs and charges to be made against the amounts  
25 accumulated to cover the costs of administering and managing  
26 the funds.

27 (10) Establishing processes for participation in the  
28 system. The election period shall begin on the date that an  
29 individual becomes a qualified employee and shall end 90 days  
30 from that date.

1       (11) Performing an annual review of any qualified fund  
2 manager for the purpose of assuring it continues to meet all  
3 standards and criteria established.

4       (12) Establishing procedures whereby any active member  
5 may do one of the following:

6           (i) Withdraw accumulated amounts in cases of  
7 financial hardship or separation of an active member from  
8 State service or as otherwise permitted under the IRC.

9           (ii) Dispose of an active member's account pursuant  
10 to a domestic relations order unless in conflict with the  
11 IRC.

12       (13) Administering the system in compliance with the  
13 IRC.

14       (14) Promulgating regulations necessary to administer  
15 this chapter.

16       (d) Prohibited interests.--No member or employee of the  
17 board shall have any direct or indirect interest in the gains or  
18 profits of any investment made by the board.

19       (e) Professional personnel.--The board shall contract for  
20 the services of investment advisors and counselors and any other  
21 professional personnel as it deems advisable. The board may,  
22 with the approval of the Attorney General, contract for legal  
23 services.

24       (f) Expenses.--The board shall, through the Governor, submit  
25 to the General Assembly annually a budget covering the  
26 administrative expenses of this part. The expenses as approved  
27 by the General Assembly in an appropriation bill shall be paid  
28 in whole or in part from nonvested forfeitures. Concurrently  
29 with its administrative budget, the board shall also submit to  
30 the General Assembly annually a list of proposed expenditures

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

7 (g) Meetings.--The board shall hold at least six regular  
8 public meetings annually and any other public meetings as it may  
9 deem necessary. A majority of the board shall constitute a  
10 quorum for the transaction of business at a public meeting of  
11 the board.

12 (h) Records.--The following shall apply:

13 (1) The board shall keep a record of all its proceedings  
14 which shall be open to inspection by the public.

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 under  
19 the act of February 14, 2008 (P.L.6, No.3), known as the  
20 Right-to-Know Law, if, in the reasonable judgment of the  
21 board, the inspection would do one of the following:

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

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

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

5 (3) The following shall apply:

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

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

19           (A) The inspection no longer causes substantial  
20 competitive harm to the person from whom the  
21 information was received.

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

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

30           (A) The inspection no longer has a substantial

1 detrimental impact on the value of an investment of  
2 the fund and would not cause a breach of the standard  
3 of care or fiduciary duty under this chapter.

4 (B) The entity in which the investment was made  
5 is liquidated.

6 (i) Functions.--The board shall perform any other functions  
7 as are required for the execution of the provisions of this  
8 chapter.

9 (j) Performance of departmental duties.--In the event the  
10 head of department fails to comply with the procedures mandated  
11 under section 7115 (relating to duties of heads of departments),  
12 the board shall perform the duties and bill the department for  
13 the cost of the same.

14 (k) Regulations and procedures.--The board shall, with the  
15 advice of the Attorney General, adopt and promulgate rules and  
16 regulations for the uniform administration of the system.

17 (l) Annual financial statement.--The board shall prepare and  
18 have published, on or before July 1 of each year, a financial  
19 statement as of the calendar year ending December 31 of the  
20 previous year showing the condition of the fund and the various  
21 accounts, including the board's accrual and expenditure of  
22 directed commissions, and setting forth any other facts,  
23 recommendations and data as may be of use in the advancement of  
24 knowledge concerning annuities and other benefits provided under  
25 this chapter. The board shall submit the financial statement to  
26 the Governor and the General Assembly and shall file copies with  
27 the head of each department for the use of the State employees  
28 and the public.

29 (m) Independent audit.--The board shall provide for an  
30 annual audit of the system by an independent certified public

1 accountant, which shall include the board's accrual and  
2 expenditure of directed commissions.

3 § 7106. Administration and investment options.

4 (a) Administration.--The board shall administer the system  
5 as a defined contribution retirement system under the IRC under  
6 which benefits will be provided for active members. The benefits  
7 to be provided for or on behalf of active members in the system  
8 shall be provided through active member-directed investments in  
9 accordance with IRC § 401(a). Active members and employers shall  
10 contribute to the system in accordance with sections 7111  
11 (relating to active member contributions) and 7112 (relating to  
12 employer contributions).

13 (b) Investment options.--The system shall provide a variety  
14 of investment options. The investment options shall include  
15 lifestyle funds that are based upon age and projected  
16 retirement.

17 (c) Additional investment options.--The system shall make  
18 available investment options that represent a broad cross  
19 section of asset classes and risk profiles. To the extent  
20 practical, a composite fund may be offered to participants which  
21 represents the entire portfolio return under management within  
22 the Public School Employees' Retirement System or the State  
23 Employees' Retirement System.

24 (d) Default investment option.--The system shall provide a  
25 default investment option to an active member who does not  
26 affirmatively elect a specific investment option. The default  
27 investment option shall be the lifestyle fund which most closely  
28 represents the current demographic of the active member and the  
29 projected retirement of the active member. The active member  
30 contribution in the default investment option shall be 6% of the



1 active member's total pensionable earnings.

2 (e) Investment guidance.--The system shall make available  
3 investment guidance in accordance with pension industry  
4 standards.

5 (f) Membership.--Membership in the system shall consist of  
6 public employees occupying permanent positions with an employer.  
7 § 7107. Plan structure.

8 (a) Duties.--In developing and making available the system,  
9 the board shall do all of the following:

10 (1) Implement competitive bidding practices for  
11 processes that govern the daily operations of the system.

12 (2) Provide consistency in the plan for all active  
13 members.

14 (3) Effectively leverage the existing administrative and  
15 financial capabilities of the State Employees' Retirement  
16 System and the Public School Employees' Retirement System,  
17 provided that this requirement shall not implicitly preclude  
18 the board from contracting with or utilizing the services of  
19 existing entities providing retirement or financial services.

20 (4) Provide participants with a broad range of low-cost  
21 investment alternatives.

22 (5) Allow for online administration and daily  
23 valuations.

24 (6) Allow for rollovers into this plan from plans of  
25 other public employers.

26 (7) Provide active members with the necessary financial  
27 planning resources to allow active members to make adequate  
28 portfolio allocation decisions.

29 (8) Allow an active member who is no longer a public  
30 employee to maintain their account within the system.

1           (9) Benchmark the system continually against the best  
2           demonstrated practices within the entire industry.

3           (b) Prohibitions.--In developing and making available the  
4           system, the board shall not do any of the following:

5           (1) Provide any additional benefit beyond that provided  
6           under this chapter that results in an increased cost to any  
7           taxpayer of this Commonwealth.

8           (2) Implement or administer any loan provisions unless  
9           required by law.

10          (c) Costs.--Any administrative costs, overhead costs or  
11          nonrecurring, start-up costs shall be paid by the board with an  
12          annual appropriation to the board for administrative costs. Any  
13          other costs may be charged against participant accounts.

14          § 7108. Investments and expenses.

15          The board shall not be responsible for any investment loss  
16          incurred in the system or for failure of any investment to earn  
17          any specific or expected return or to earn as much as any other  
18          investment opportunity, whether or not the other investment  
19          opportunity was offered to active members in the system. The  
20          board shall bear the expenses arising from allowing public  
21          employees to elect to participate in the system and active  
22          members to choose a fund manager which are deducted from  
23          compensation amounts contributed under the system and  
24          transferred to the fund manager. All other expenses arising from  
25          the administration of the system shall be assessed against the  
26          accounts created on behalf of active members either by the fund  
27          managers or by the board.

28          § 7109. Attachment.

29          Notwithstanding any other provision of law, any benefit or  
30          interest available under the system, any right to receive or

1 direct payments under the system or any distribution of payment  
2 made under the system shall not, except as expressly specified  
3 by the system, be subject to assignment, alienation,  
4 garnishment, attachment, transfer, anticipation, sale, mortgage,  
5 pledge, hypothecation, commutation, execution or levy, whether  
6 by voluntary or involuntary act of any interested person.

7 § 7110. Investments.

8 Investment of contributions by any corporation, institution,  
9 insurance company or custodial bank that the board has approved  
10 shall not be unreasonably delayed, and in no case shall the  
11 investment of contributions be delayed more than 30 days from  
12 the date of payroll deduction to the date that funds are  
13 invested. Any interest earned on the funds pending investment  
14 shall be allocated to the Commonwealth and credited to the  
15 accounts of active members who are then participating in the  
16 system unless the interest is used to defray administrative  
17 costs and fees that would otherwise be required to be borne by  
18 active members who are then participating in the system.

19 § 7111. Active member contributions.

20 Regular active member contributions shall be made to the  
21 system on behalf of each active member for current service in an  
22 amount equal to a percentage of the active member's pensionable  
23 earnings. The employer shall cause active member contributions  
24 for current service to be made and deducted from each payroll.  
25 Active members may elect to contribute to the system on their  
26 behalf to the extent permitted by law.

27 § 7112. Employer contributions.

28 (a) Contributions.--The Commonwealth or any other employer  
29 shall make payments to the trust fund on behalf of the active  
30 member. The amount of the payments shall match the contribution

1 made by an active member dollar for dollar under section 7111  
2 (relating to active member contributions) but shall not exceed  
3 6% of the active member's pensionable earnings.

4 (b) Disability.--In the event an active member becomes  
5 totally and permanently disabled, the employer shall continue to  
6 make employer contributions in the same amount as the employer's  
7 previous contribution on behalf of the active member as provided  
8 under subsection (a) until the active member has attained 65  
9 years of age. A contribution under this subsection shall be made  
10 regardless of the level of the active member's contributions or  
11 the absence thereof.

12 § 7113. Vesting.

13 (a) Forfeiture.--The following shall apply:

14 (1) Except as provided under paragraph (2), an active  
15 member shall be vested after completing three years of  
16 service during which the person is an active member in the  
17 system with respect to employer contributions paid on behalf  
18 of the active member to the system plus interest and earnings  
19 on the employer contributions but minus investment fees and  
20 administrative charges.

21 (2) An active member that is considered part time shall  
22 only be vested if the member is compensated for at least  
23 1,000 hours per year.

24 (b) Forfeiture.--The following shall apply:

25 (1) If an active member or a beneficiary entitled to a  
26 payment cannot be located, the related accounts shall be  
27 forfeited as of the date the active member or the beneficiary  
28 cannot be located. The active member's vested account balance  
29 that is so forfeited shall be restored to the active member's  
30 account if the active member or beneficiary entitled to the

1 payment later submits a written election of method of  
2 payment.

3 (2) Any unvested portion of an active member's accounts  
4 shall be forfeited and may be applied as provided under  
5 section 7105(f) (relating to duties of board) upon the death  
6 or other termination of public service of the active member.  
7 § 7114. Duties of board to advise and report to heads of  
8 departments and members.

9 (a) Manual of regulations.--The board shall, with the advice  
10 of the Attorney General, prepare and provide, within 90 days of  
11 the effective date of this section, a manual incorporating rules  
12 and regulations consistent with the provisions of this chapter  
13 to the heads of departments who shall provide the information to  
14 newly hired public employees who are active members and shall  
15 make the information contained in the manual available to the  
16 general membership. The board shall thereafter advise the heads  
17 of departments within 90 days of any changes in the rules and  
18 regulations due to changes in the law or due to changes in  
19 administrative policies.

20 (b) Member status statements and certifications.--The board  
21 shall furnish annually to the head of each department, on or  
22 before April 1, a statement for each member employed in such  
23 department showing the total accumulated deductions standing to  
24 his credit as of December 31 of the previous year and requesting  
25 the member to make any necessary corrections or revisions  
26 regarding his designated beneficiary. In addition, for each  
27 member employed in any department and for whom the department  
28 has furnished the necessary information, the board shall certify  
29 the number of years and fractional part of a year of credited  
30 service.

1 § 7115. Duties of heads of departments.

2 (a) Status of members.--The head of the department shall, at  
3 the end of each pay period, notify the board in a manner  
4 prescribed by the board of salary changes effective during that  
5 period for any members of the department, the date of all  
6 removals from the payroll and the type of leave of any members  
7 of the department who have been removed from the payroll for any  
8 time during that period. The following shall apply:

9 (1) If the removal is due to leave without pay, the head  
10 of the department shall furnish the board with the date of  
11 beginning of leave and of return to service and the reason  
12 for leave.

13 (2) If the removal is due to a transfer to another  
14 department, the head of the department shall furnish the  
15 department and the board with a complete public service  
16 record, including past public service.

17 (3) If the removal is due to termination of public  
18 service, the head of the department shall furnish the board  
19 with a complete public service record. The following shall  
20 apply:

21 (i) In the case of death of the member, the head of  
22 the department shall notify the board.

23 (ii) In the case of a service-connected disability,  
24 the head of the department shall, to the best of his or  
25 her ability, investigate the circumstances surrounding  
26 the disablement of the member and submit in writing to  
27 the board information which shall include the date, place  
28 and time of disablement to the extent ascertainable, the  
29 nature of duties being performed at the time and whether  
30 or not the duties being performed were authorized and

1 included among the member's regular duties. The head of  
2 the department shall furnish in writing to the board any  
3 other information as may be related to the member's  
4 disablement.

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

11 (c) Employer contributions.--The head of the department  
12 shall cause the required employer contributions to be made and  
13 deducted under section 7110 (relating to investments). The head  
14 of the department shall certify to the State Treasurer the  
15 amounts deducted and shall send the total amount picked up and  
16 deducted, together with a duplicate of the voucher to the  
17 secretary of the board every pay period. On or before January  
18 31, 2013, and on or before each January 31 thereafter, the head  
19 of the department shall, at the time when the income and  
20 withholding information required by law is furnished to each  
21 member, also furnish the amount of employer contributions made  
22 on his behalf.

23 (d) Mandatory membership.--Each public employee shall be  
24 subject to mandatory membership in the system. Upon the  
25 assumption of public service of each new public employee whose  
26 membership in the system is mandatory, the head of the  
27 department shall cause an application for membership and a  
28 nomination of beneficiary to be made by such public employee and  
29 filed with the board and shall make employer contributions from  
30 the effective date of public service.

1 (e) Annual statement to active members.--Annually, upon  
2 receipt from the board, the head of the department shall furnish  
3 to each active member the statement specified under section  
4 7114(b) (relating to duties of board to advise and report to  
5 heads of departments and members).

6 (f) Termination of service.--The head of the department  
7 shall, in the case of any active member terminating public  
8 service who is ineligible for an annuity before attainment of  
9 superannuation age, advise the member in writing of any benefits  
10 to which the member may be entitled under this chapter and shall  
11 have the member prepare, on or before the date of termination of  
12 public service, an application for the return of total  
13 accumulated deductions.

14 (g) Date of application for benefits.--Any application  
15 properly executed and filed under subsection (f) with the  
16 department and not filed with the board within 30 days shall be  
17 deemed to have been filed with the board on the date filed with  
18 the department, and in such case all required data shall be  
19 furnished to the board immediately.

20 § 7116. Administration.

21 For purposes of administering the system, an individual  
22 account shall be maintained in the name of each public employee.

23 § 7117. Applicability.

24 (1) Except as provided in paragraph (2), this chapter  
25 shall apply to public employees entering into public service  
26 after December 31, 2013, or upon the expiration of any  
27 collective bargaining agreement an employer has entered  
28 providing retirement benefits to a public employee, whichever  
29 is later, and shall not be construed to affect any person who  
30 is a public school employee or State employee before January



1 1, 2014.

2 (2) This chapter shall apply to any person who is a  
3 public school employee or State employee before January 1,  
4 2014, but reenters public service after December 31, 2013.

5 Section 2. The following shall apply:

6 (1) The provisions of 24 Pa.C.S. Pt. IV shall not apply  
7 to public school employees employed after December 31, 2013.

8 (2) The provisions of 71 Pa.C.S. Pt. XXV shall not apply  
9 to State employees employed after December 31, 2013.

10 Section 3. This act shall take effect in 60 days.