

AN ACT

SB 24

Amending Title 24 (Education) of the Pennsylvania Consolidated Statutes, adding provisions relating to retirement for school employees and making repeals.

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

Section 1. Title 24, act of November 25, 1970 (P.L.707, No.230), known as the Pennsylvania Consolidated Statutes, is amended by adding a title analysis and part to read:

TITLE 24
EDUCATION

Part

IV. Retirement for School Employees

PART IV
RETIREMENT FOR SCHOOL EMPLOYEES

Chapter

- 81. Preliminary Provisions
- 83. Membership, Contributions and Benefits
- 85. Administration and Miscellaneous Provisions

CHAPTER 81
PRELIMINARY PROVISIONS

Sec.

- 8101. Short title of part.
- 8102. Definitions.
- 8103. Construction of part.
- 8104. Severability of provisions.

§ 8101. Short title of part.

This part shall be known and may be cited as the "Public School Employees' Retirement Code."

§ 8102. Definitions.

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

"Accumulated deductions." The total of the contributions paid into the fund by the member on account of current school service, previous school service, or creditable nonschool service and the statutory interest credited on all such contributions.

"Active member." A school employee who is contributing to the fund or for whom authorized contributions are being made to the fund.

"Actuarially equivalent." Equal present values, computed on the basis of statutory interest and the mortality tables adopted by the board.

"Actuary." The consultant to the board who shall be:

- (1) a member of the American Academy of Actuaries;
- (2) an individual who has demonstrated to the satisfaction of the Insurance Commissioner of Pennsylvania that he has the educational background necessary for the practice of actuarial science and has had at least seven years of actuarial experience; or

- (3) a firm, partnership, or corporation of which at least one member meets the requirements of (1) or (2).

"Annuitant." Any member on or after the effective date of retirement until his annuity is terminated.

"Approved leave of absence." A leave of absence which has been approved by the employer for sabbatical leave, service as an exchange teacher, or professional study.

"Basic contribution rate." The rate of 5 ¼% except for an active member of Class T-A or T-B, the appropriate rate based on sex and age at entry into the system.

"Beneficiary." The person or persons last designated in writing to the board by a member to receive his accumulated deductions or a lump sum benefit upon the death of such member.

"Board." The Public School Employees' Retirement Board or the Public School Employees' Retirement Board.

"Class of service multiplier."

Class of service	Multiplier
T-A	.714
T-B	.625
T-C	1.000

"Compensation." Any remuneration received as a school employee excluding refunds for expenses incidental to employment and excluding any severance payments.

"Concurrent service." Simultaneously credited school and State service.

"Creditable nonschool service." Service other than service as a school employee for which an active member may obtain credit.

"Credited service." School or creditable nonschool service for which the required contributions have been made or for which salary deductions or lump sum payments have been agreed upon in writing.

"Date of termination of service." The last date of service for which a member makes contributions or, in the case of an inactive member, the effective date of his resignation or the date his employment is formally discontinued by his employer or two years following the last day of service for which he made contributions, whichever is earliest.

"Effective date of retirement." The first day following the date of termination of service of a member if he has properly filed an application for an annuity within 90 days of such date or:

- (1) In the case of a member who applies for an annuity subsequent to 90 days after termination of service, the date of filing such application or the date specified on the application, whichever is later.
- (2) In the case of a vestee who files an application for an annuity within 90 days of his superannuation age, the attainment of such age.
- (3) In the case of a finding of disability, the date certified by the board as the effective date of disability.

"Eligibility points." Points which are accrued by an active member or a multiple service member who is an active member of the State Employees' Retirement System for credited service and are used in the determination of eligibility for benefits as provided in section 8306 (relating to eligibility points).

“Employer.” Any governmental entity directly responsible for the employment and payment of the school employee and charged with the responsibility of providing public education within this Commonwealth, including but not limited to: State-owned colleges and universities, the Pennsylvania State University, community colleges, area vocational-technical schools, intermediate units, the State Board of Education, Scotland School for Veterans’ Children, Thaddeus Stevens Trade School, and the Pennsylvania State Oral School for the Deaf.

“Final average salary.” The highest average compensation received as an active member during any three nonoverlapping periods of 12 consecutive months with the compensation for part-time service being annualized on the basis of the fractional portion of the school year for which credit is received; except, if the employee was not a member for three such periods, the total compensation received as an active member annualized in the case of part-time service divided by the number of such periods of membership; and, in the case of a member with multiple service credit, the final average salary shall be determined by reference to compensation received by him as a school employee or a State employee or both.

“Full coverage member.” Any member who has made or is making regular member contributions, or has paid or has agreed to pay to the fund the actuarial equivalent of regular member contributions over the entire period of his credited service.

“Fund.” The Public School Employees’ Retirement Fund.

“Governmental entity.” Board of school directors, board of public education, intermediate unit board of directors, area vocational-technical board, any governing board of any agency or authority created by them, and the Commonwealth.

“Inactive member.” A member who is not making regular member contributions, who has accumulated deductions standing to his credit in the fund and who has contributed to the fund within the last two school years or a multiple service member who is active in the State Employees’ Retirement System.

“Intervening military service.” Active military service of a member who was a school employee immediately preceding his induction into the armed services or forces of the United States in order to meet a draft obligation excluding any voluntary extension of such obligational service and who becomes a school employee within 90 days of the expiration of such service.

“Joint coverage member.” Any member who agreed prior to January 1, 1966 to make joint coverage member contributions to the fund and has not elected to become a full coverage member.

“Joint coverage member contributions.” Regular member contributions reduced for a joint coverage member.

“Member.” Active member, inactive member, annuitant, or vestee.

“Member’s annuity.” The single life annuity which is actuarially equivalent on the effective date of retirement to the accumulated deductions standing to the member’s credit in the members’ savings account.

“Military service.” All active military service for which a member has received a discharge other than an undesirable, bad conduct, or dishonorable discharge.

“Multiple service.” Credited service of a member who has elected to combine his credited service in both the Public School Employees’ Retirement System and the State Employees’ Retirement System.

“Previous school service.” Service rendered as a school employee including service in any summer school conducted by a school district of the Commonwealth prior to the member’s most recent entrance in the system.

“Public school.” Any or all classes or schools within this Commonwealth conducted under the order and superintendence of the Department of Education including, but not limited to: all educational classes of any employer charged with the responsibility of public education within this Commonwealth as well as those classes financed wholly or in part by the Federal Government, State-owned colleges and universities, the Pennsylvania State University, community colleges, area vocational-technical schools, intermediate units, the State Board of Education, Scotland School for Veterans’ Children, Thaddeus Stevens Trade School, and the Pennsylvania State Oral School for the Deaf.

“Regular member contributions.” The product of the basic contribution rate and the compensation of the member.

“Salaried employee.” A school employee who is compensated on the basis of an annual salary.

“Salary deductions.” The amounts certified by the board, deducted from the compensation of an active member and paid into the fund.

“School employee.” Any person engaged in work relating to a public school for any governmental entity and for which work he is receiving regular remuneration as an officer, administrator or employee excluding, however, any independent contractor or a person compensated on a fee basis.

“School service.” Service rendered as a school employee.

“School year.” The 12-month period which the governmental entity uses for purposes of administration regardless of the actual time during which a member renders service.

“Severance payments.” Any payments for unused vacation or sick leave and any additional compensation contingent upon retirement including payments in excess of the scheduled or customary salaries provided for members within the same governmental entity with the same educational and experience qualifications who are not terminating service.

“Standard single life annuity.” An annuity equal to 2% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service of a member.

“State Employees’ Retirement System.” The retirement system established by the act of June 27, 1923 (P.L.858, No.331) and codified by the act of June 1, 1959 (P.L.392, No.78) and by Part XXV of Title 71 (relating to retirement for State employees and officers), added March 1, 1974 (P.L.125, No.31).

“State service.” Service rendered as a State employee and credited as service in the State Employees’ Retirement System.

“Statutory interest.” Interest at 4% per annum, compounded annually.

“Superannuation annuitant.” An annuitant whose annuity became payable on or after the attainment of superannuation age.

“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	62 or age 60 provided the member has at least 30 eligibility points or any age upon accrual of 35 eligibility points

“Survivor annuitant.” The person or persons last designated by a member under a joint and survivor annuity option to receive an annuity upon the death of such member.

“System.” The Public School Employees’ Retirement System of Pennsylvania as established by the act of July 18, 1917 (P.L.1043, No.343), and codified by the act of June 1, 1959 (P.L.350, No.77).

“Valuation interest.” Interest at 5 ½% per annum, compounded annually and applied to all accounts other than the members’ savings account.

“Vestee.” A member with ten or more eligibility points who has terminated school service, has left his accumulated deductions in the fund, and is deferring filing of an application for receipt of an annuity. § 8103. Construction of part.

The provisions of this part in so far as they are the same as those of existing law are intended as a continuation of such laws and not as new enactments. The provisions of this part shall not affect any act done, liability incurred, right accrued or vested, or any suit or prosecution pending or to be instituted to enforce any right or penalty or to punish any offense under the authority of any repealed laws.

§ 8104. Severability of provisions.

The provisions of this part are severable and if any of its provisions shall be held to be unconstitutional, the decision of the court shall not

affect or impair any of the remaining provisions. It is hereby declared to be the legislative intent that this part would have been adopted had such unconstitutional provisions not been included.

CHAPTER 83 MEMBERSHIP, CONTRIBUTIONS AND BENEFITS

Subchapter

- A. General Provisions
- B. Contributions
- C. Benefits

SUBCHAPTER A GENERAL PROVISIONS

Sec.

- 8301. Mandatory and optional membership.
- 8302. Credited school service.
- 8303. Eligibility points for retention and reinstatement of service credits.
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- 8310. Eligibility for refunds.

§ 8301. Mandatory and optional membership.

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

(1) Any officer or employee of the Department of Education, State-owned educational institutions, community colleges, area vocational-technical schools, technical institutes, or the Pennsylvania State University and who is a member of the State Employees' Retirement System or a member of another retirement program approved by the employer.

(2) Any school employee who is employed on a per diem or hourly basis for less than 80 full-day sessions or 500 hours in any fiscal year.

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

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

(c) Optional membership.—The school employees categorized in subsection (a)(3) shall have the right to elect membership in the system. Once such election is exercised, membership shall commence from the original date of eligibility and shall continue until the termination of such service.

§ 8302. Credited school service.

(a) Computation of credited service.—In computing credited school service of a member for the determination of benefits, a full-time salaried school employee shall receive one year of credit for each school year or the corresponding fraction thereof, in accordance with the proportion of the full school year for which the required regular member contributions have been made. A per diem or hourly school employee shall receive one year of credited service for each nonoverlapping period of 12 consecutive months in which he is employed and for which he contributes for at least 180 full-day sessions or 1,100 hours of employment. If such member was employed and contributed for less than 180 full-day sessions or 1,100 hours, he shall be credited with a fractional portion of a year determined by the ratio of the number of full-day sessions or hours of service actually rendered to 180 full-day sessions or 1,100 hours, as the case may be. A part-time salaried employee shall be credited with the fractional portion of the year which corresponds to the service actually rendered in relation to the service required as a comparable full-time salaried employee. In no case shall a member receive more than one year of credited service for any 12 consecutive months or a member who has elected multiple service receive an aggregate in the two systems of more than one year of credited service for any 12 consecutive months.

(b) Approved leaves of absence.—An active member shall receive credit for an approved leave of absence provided that:

(1) the member returns for a period at least equal to the length of the leave or one year, whichever is less, to the school district which granted his leave, unless such condition is waived by the employer; and

(2) the proper contributions are made by the member and the employer.

(c) Cancellation of credited service.—All credited service shall be cancelled if a member withdraws his accumulated deductions.

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

(a) Accrued credited service.—Eligibility points shall be computed in accordance with section 8306 (relating to eligibility points) with respect to all credited service accrued as of the effective date of this part.

(b) Future school service.—Every active member of the system shall accrue an eligibility point for each year of school service rendered subsequent to the effective date of this part.

(c) Purchase of previous creditable service.—Every active member of the system or a multiple service member who is an active member of the State Employees' Retirement System on or after the effective date of this part may purchase credit and receive eligibility points as a member of Class T-C for previous school service or creditable nonschool service upon written agreement by the member and the board as to the manner of payment of the amount due for credit for such service; except, that any purchase for reinstatement of service credit shall be for all service previously credited.

§ 8304. Creditable nonschool service.

(a) Eligibility.—An active member or a multiple service member who is an active member of the State Employees' Retirement System shall be eligible to receive Class T-C service credit for creditable nonschool service as set forth in subsection (b) provided that he is not entitled to receive, eligible to receive now or in the future, or is receiving retirement benefits for such service under a retirement system administered and wholly or partially paid for by any other governmental agency or by any private employer, or a retirement program approved by the employer in accordance with section 8301(a)(1) (relating to mandatory and optional membership), and further provided that such service is certified by the previous employer and the manner of payment of the amount due is agreed upon by the member, the employer, and the board.

(b) Limitations on nonschool service.—Creditable nonschool service credit shall be limited to:

(1) Intervening military service.

(2) Other military service not exceeding five years.

(3) Service in any public school or public educational institution in any state other than this Commonwealth or in any territory or area under the jurisdiction of the United States.

(4) Service as an administrator, teacher, or instructor in the field of public school education for any agency or department of the government of the United States whether or not such area was under the jurisdiction of the United States.

(5) Previous service as an employee of a county board of school directors which employment was terminated because of the transfer of the administration of such service or of the entire agency to a governmental entity.

(c) Limitations on years of credit.—Service listed in subsection (b)(3) and (4) must have been for a period of at least one school year and credit for such service shall be limited to the lesser of 12 years or the number of years of school service credited in the system. In no case shall the total credit for nonschool service other than that listed in subsection (b)(5) exceed the number of years of school service credited in the system, plus, in the case of a multiple service member, any additional years of State service credited in the State Employees' Retirement System.

§ 8305. Classes of service.

(a) Class T-C membership.—A school employee who is a member of Class T-C on the effective date of this part or who becomes a member of the system subsequent to the effective date of this part shall be classified as a Class T-C member.

(b) Other class membership.—A school employee who is a member of a class of service other than Class T-C on the effective date of this part may elect to become a member of Class T-C or may retain his membership in such other class until the service is discontinued or he elects to become a full coverage member or elects to purchase credit for previous school or creditable nonschool service.

§ 8306. Eligibility points.

An active member of the system shall accrue one eligibility point for each year of credited service as a member of the school or State retirement system. A member shall accrue an additional two-thirds of an eligibility point for each year of Class D-3 credited service under the State Employees' Retirement System. In the case of a fractional part of a year of credited service, a member shall accrue the corresponding fractional portion of an eligibility point.

§ 8307. Eligibility for annuities.

(a) Superannuation annuity.—An active or an inactive member who attains superannuation age shall be entitled to receive a superannuation annuity upon termination of service and filing of a proper application.

(b) Withdrawal annuity.—A vestee with ten or more eligibility points or an active or inactive member who terminates school service having ten or more eligibility points shall, upon filing a proper application, be entitled to receive an early annuity.

(c) Disability annuity.—An active or inactive member who has credit for at least five years of service shall, upon filing of a proper application, be entitled to a disability annuity if, prior to attainment of superannuation age, he becomes mentally or physically incapable of continuing to perform the duties for which he is employed and qualifies for an annuity in accordance with the provisions of section 8505(c)(1) (relating to duties of board regarding applications and elections of members).

§ 8308. Eligibility for vesting.

Any member who terminates school service with ten or more eligibility points shall be entitled to vest his retirement benefits until attainment of superannuation age.

§ 8309. Eligibility for death benefits.

In the event of the death of a member who is eligible for an annuity in accordance with section 8307(a) or (b) (relating to eligibility for annuities) his beneficiary shall be entitled to a death benefit as provided in section 8347 (relating to death benefits). In the event of the death of a member not eligible for an annuity his beneficiary shall receive the accumulated deductions standing to the member's credit in the fund.

§ 8310. Eligibility for refunds.

Upon termination of service any active member, regardless of eligibility for benefits, may elect to receive his accumulated deductions in lieu of any benefit to which he is entitled.

SUBCHAPTER B
CONTRIBUTIONS

Sec.

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§ 8321. Regular member contributions for current service.

Every active member shall make regular member contributions to the fund for current service by salary deductions.

§ 8322. Joint coverage member contributions.

The regular member contributions for current service of a joint coverage member shall be reduced by 40% of the tax on taxable wages prescribed by the Federal Insurance Contributions Act, 26 U.S.C.A. § 3101 et seq., exclusive of that portion of such tax attributable to coverage for disability and medical benefits.

§ 8323. Member contributions for creditable school service.

(a) Previous school service, sabbatical leave and full coverage.—The contributions to be paid by an active member or an eligible State employee for credit for reinstatement of all previously credited school service, school service not previously credited, sabbatical leave as if he had been in full-time daily attendance, or full-coverage membership shall be sufficient to provide an amount equal to the accumulated deductions which would have been standing to the credit of the member for such service had he made regular member contributions with full coverage at the rate of contribution necessary to be credited as Class T-C service and had such contributions been credited with statutory interest during the period the contributions would have been made and during all periods of subsequent school and State service up to the date of purchase.

(b) Class T-C membership.—The contributions to be paid by a member who elects to transfer to Class T-C shall be equal to the amount of additional contributions, if any, which he would have made had he

become a member of Class T-C on July 1, 1967 and had such contributions been credited with statutory interest during all periods of subsequent school and State service up to the date of purchase.

(c) Approved leave of absence other than sabbatical leave.—The contributions to be paid by an active member for credit for an approved leave of absence other than sabbatical leave, shall be sufficient to transfer his membership to Class T-C and further to provide an annuity as a Class T-C member for such additional credited service. Such amount shall be the sum of the amount required in accordance with the provisions of subsection (b) and an amount determined as the sum of the member's basic contribution rate and the normal contribution rate as provided in section 8328 (relating to actuarial cost method) during such period multiplied by the compensation which was received or which would have been received during such period and with statutory interest during all periods of subsequent school and State service up to the date of purchase.

(d) Certification and payment of contributions.—In all cases other than for the purchase of credit for sabbatical leave, the amount payable shall be certified by the board in accordance with methods approved by the actuary and may be paid in a lump sum within 90 days or, in the case of an active member, may be amortized with statutory interest through salary deductions or by personal checks in amounts agreed upon by the member and the board.

§ 8324. Contributions for purchase of credit for creditable nonschool service.

(a) Source of contributions.—The total contributions to purchase credit as a member of Class T-C for creditable nonschool service of an active member or an eligible State employee shall be paid either by the member, the member's previous employer, the Commonwealth, or a combination thereof, as provided by law.

(b) Nonintervening military service.—The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 (relating to actuarial cost method) at the time of entry of the member into school service subsequent to such military service to one-third of his total compensation received during the first three years of such subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable nonintervening military service being purchased together with statutory interest during all periods of subsequent school and State service to date of purchase. Upon certification of the amount due, payment may be made in a lump sum within 90 days or in the case of an active member it may be amortized with statutory interest through salary deductions or by personal checks in amounts agreed upon by the member and the board. Application may be filed for all such military service credit upon

completion of three years of subsequent credited school service and shall be credited as Class T-C service.

(c) Intervening military service.—Contributions on account of credit for intervening military service shall be determined by the member's basic contribution rate and compensation at the time of entry of the member into active military service, together with statutory interest during all periods of subsequent school and State service to date of purchase. Upon application for such credit the amount due shall be certified in the case of each member by the board, in accordance with methods approved by the actuary, and contributions may be made by one of the following methods:

(1) Regular monthly payments during active military service.

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

(3) Salary deductions or personal checks in amounts agreed upon by the member and the board.

(d) Other creditable nonschool service.—Contributions on account of Class T-C credit for creditable nonschool service other than military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 at the time of the member's entry into school service subsequent to such creditable nonschool service to his total compensation received during the first year of subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable nonschool service being purchased together with statutory interest during all periods of subsequent school or State service to the date of purchase, except that in the case of purchase of credit for creditable nonschool service as set forth in section 8304(b)(5) (relating to creditable nonschool service) the member shall pay only the employee's share unless otherwise provided by law. Upon certification of the amount due, payment may be made in a lump sum within 90 days or in the case of an active member it may be amortized with statutory interest through salary deductions or by personal checks in amounts agreed upon by the member and the board.

§ 8325. Incomplete payments.

In the event that a member terminates school service before any agreed upon payments have been completed the member shall have the right to pay within 30 days of termination of school service the balance due, including interest, in a lump sum and the annuity shall be calculated including full credit for the previous school service, creditable nonschool service, or full-coverage membership. In the event a member does not pay the balance due within 30 days of termination of school service or in the event a member dies in school service or within 30 days of termination of school service and before the agreed upon payments have been completed, the present value of the benefit otherwise payable shall be reduced by the balance due, including interest, and the benefit

payable shall be calculated as the actuarial equivalent of such reduced present value.

§ 8326. Contributions by the Commonwealth.

(a) Contributions on behalf of active members.—The Commonwealth shall make contributions into the fund on behalf of all active members in an amount equal to one-half the amount certified by the board as necessary to provide, together with the members' contributions, annuity reserves on account of prospective annuities as provided in this part in accordance with section 8328(a), (b) and (c) (relating to actuarial cost method). In case a school employee has elected membership in a retirement program approved by the employer, the Commonwealth shall contribute to such program on account of his membership an amount no greater than the amount it would have contributed had the employee been a member of the Public School Employees' Retirement System.

(b) Contributions on behalf of annuitants.—The Commonwealth shall make contributions on behalf of all annuitants in an amount equal to one-half of the amount certified by the board as necessary to fund the additional liabilities for minimum and supplemental annuities in accordance with section 8328(d).

§ 8327. Payments by employers.

(a) General rule.—Each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens Trade School, Pennsylvania State Oral School for the Deaf, Scotland School for Veterans' Children, and the Pennsylvania State University, shall make payments to the fund each quarter in an amount equal to one-half the sum of the percentages, as determined under section 8328 (relating to actuarial cost method), applied to the total compensation during the pay periods in the preceding quarter of all its employees who were members of the system during such period.

(b) Deduction from appropriations.—To facilitate the payment of amounts due from any employer to the fund through the State Treasurer and to permit the exchange of credits between the State Treasurer and any employer, the Secretary of Education and the State Treasurer shall cause to be deducted and paid into the fund from the amount of any moneys due to any employer on account of any appropriation for schools or other purposes such amount due to the fund as certified by the board and as remains unpaid on the date such appropriations would otherwise be paid to the employer, and such amount shall be credited to the employer's account in the fund.

§ 8328. Actuarial cost method.

(a) Employer contribution rate on behalf of active members.—The amount of the total employer contributions on behalf of all active members shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the

amount is determined and shall be so certified by the board. The total contribution rate on behalf of all active members shall consist of the normal contribution rate and the accrued liability contribution rate.

(b) Normal contribution rate.—The normal contribution rate shall be determined after each actuarial valuation. Until all accrued liability contributions have been completed, the normal contribution rate shall be determined, on the basis of an annual 5 ½% interest rate and such mortality and other tables as shall be adopted by the board, as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through the entire period of active school service, would be sufficient to fund the liability for any prospective benefit payable to him, in excess of that portion funded by his prospective member contributions. After all accrued liability contributions have been completed, the normal contribution rate shall be determined by deducting from the present value of the liabilities for all prospective benefits of active members, the sum of the total assets in the fund on the valuation date, excluding the balance in the annuity reserve account, and the present value of prospective member contributions, and dividing the remainder by the present value of the future compensation of all active members.

(c) Accrued liability contribution rate.—For the fiscal year beginning July 1, 1967, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of 30 years from such date the present value of the liabilities for all prospective benefits of active members in excess of the total assets in the fund, excluding the balance in the annuity reserve account, and of the present value of normal contributions and of member contributions payable with respect to all active members on such date during the remainder of their active service. Thereafter, the amount of each annual accrued liability contribution shall be at least 4% greater than the amount of such contribution for the previous fiscal year, except that, if the accrued liability is increased by legislation enacted subsequent to July 1, 1967, such additional liability shall be funded over a period of 30 years from the first day of July, coincident with or next following the effective date of the increase on the basis that each succeeding annual additional accrued liability contribution shall be at least 4% greater than the amount of such additional contribution for the previous fiscal year. The accrued liability contributions under this section shall be discontinued as soon as the total assets in the fund, excluding the balance in the annuity reserve account, equals the present value of the liability for all prospective benefits of active members, less the present value of the prospective normal contributions and of member contributions payable with respect to all active members on such date during the remainder of their active service.

(d) Supplemental annuity contribution rate.—Contributions from the Commonwealth and other employers required to provide for the payment of supplemental annuities to annuitants as provided in section 8348 (relating to supplemental annuities) shall be determined as a percentage of the total compensation of all active members during the period for which the amount is certified as sufficient to fund the liabilities of the supplemental retirement allowance account as a level percentage over a period of 30 years from July 1, 1967. In the event that annuities are increased by legislation enacted subsequent to July 1, 1974, the additional liability for the increase in benefits to annuitants shall be funded similarly as a level percentage over a period of 20 years from the first day of July coincident with or next following the effective date of such legislation.

§ 8329. Payments on account of social security deductions from appropriations.

(a) Payments by Commonwealth.—Where the Secretary of Education enters into an agreement with the Commonwealth to place under the Federal Social Security Act members who have elected coverage, the Commonwealth shall pay into the contribution fund created under the provisions of the act of January 5, 1952 (1951 P.L.1833, No.491), relating to social security coverage for government employees, such amounts and at such times as are required to be paid by the employers and the covered employees on account of such coverage.

(b) Reimbursement by employers.—The Commonwealth shall be reimbursed by the employers to the extent of the total amounts contributable by covered employees and by one-half of the contributions payable under the employer's tax established by the Federal Social Security Act on all covered wages which are not Federally funded. For the purpose of this part, the tax contributions payable shall be the first obligation against any State funds received by the employer for their use or authorized under the act of March 10, 1949 (P.L.30, No. 14), known as the "Public School Code of 1949," and shall first be paid therefrom.

(c) Deduction from appropriations.—The Secretary of Education and the State Treasurer are hereby authorized to cause to be deducted and paid into or retained in the State Treasury from any moneys due to any employer on account of appropriations for schools or other purposes the amounts payable under the provisions of this section.

§ 8330. Appropriations by the Commonwealth.

(a) Annual submission of budget.—The board shall prepare and through the Governor submit annually to the General Assembly an itemized budget consisting of the amounts necessary to be appropriated by the Commonwealth out of the General Fund required to meet the obligations accruing during the fiscal period beginning July 1 of the following year.

(b) Appropriation and payment.—The General Assembly shall make an appropriation sufficient to provide for the obligations of the Commonwealth. Such amount shall be paid by the State Treasurer through the Department of Revenue into the fund within 30 days of receipt of the requisition presented each quarter by the board.

SUBCHAPTER C BENEFITS

Sec.

8341. Return of accumulated deductions.

8342. Maximum single life annuity.

8343. Reduction of annuities on account of social security old-age insurance benefits.

8344. Disability annuities.

8345. Member's options.

8346. Termination of annuities.

8347. Death benefits.

8348. Supplemental annuities.

8349. Payment of benefits.

§ 8341. Return of accumulated deductions.

Any member upon termination of service may, in lieu of all benefits payable under this chapter to which he may be entitled, elect to receive his accumulated deductions.

§ 8342. Maximum single life annuity.

(a) General rule.—Upon termination of service, any full coverage member who is eligible to receive an annuity pursuant to the provisions of section 8307(a) or (b) (relating to eligibility for annuities) and has made an application in accordance with the provisions of section 8507(f) (relating to rights and duties of school employees and members) shall be entitled to receive a maximum single life annuity attributable to his credited service and equal to the sum of the following single life annuities beginning at the effective date of retirement and, in case the member on the effective date of retirement is under superannuation age, multiplied by a reduction factor calculated to provide benefits actuarially equivalent to an annuity starting at superannuation age: Provided however, That on or after July 1, 1976, in the case of any member who has attained age 55 and has 25 or more eligibility points such sum of single life annuities shall be reduced by a percentage determined by multiplying the number of months, including a fraction of a month as a full month, by which the effective date of retirement precedes superannuation age by $\frac{1}{4}\%$:

(1) A standard single life annuity multiplied by the class of service multiplier and calculated on the basis of the number of years of credited school service other than concurrent service.

(2) A standard single life annuity multiplied by the class of service multiplier and calculated on the basis of the number of years of

concurrent service and multiplied by the ratio of total compensation received in the school system during the period of concurrent service to the total compensation received during such period.

(3) A supplemental annuity such that the total annuity including any cost-of-living increases and prior to any optional modification or any reduction due to retirement prior to superannuation age shall be at least \$100 for each full year of credited service.

(b) *Present value of annuity.*—The present value of the maximum single life annuity as calculated in accordance with subsection (a) shall be determined by multiplying the maximum single life annuity by the cost of a dollar annuity on the effective date of retirement. Such present value shall be decreased only as specifically provided in this part.

§ 8343. Reduction of annuities on account of social security old-age insurance benefits.

(a) *General rule.*—A joint coverage member who is eligible to receive an annuity under section 8307(a) or (b) (relating to eligibility for annuities) shall be entitled to receive the annuity provided for in section 8342 (relating to maximum single life annuity) and section 8348 (relating to supplemental annuities) which shall be reduced at the time at which the member would be entitled to receive full social security old-age insurance benefits whether or not he has applied for such benefits. The reduction shall be an amount equal to 40% of the primary insurance amount paid or payable to him and subject to the following provisions:

(1) The eligibility of such member for the old-age insurance benefit and the amount of such benefit upon which the reduction in his annuity shall be based shall be determined by the board in accordance with the provisions of the Federal Social Security Act, 42 U.S.C.A. § 301 et seq., in effect on the effective date of retirement, except that in determining such eligibility and such amount only wages or compensation for services covered by the system shall be included.

(2) The reduction shall not be more than one-half of the standard single life annuity multiplied by the ratio of the sum of the three years of highest taxable wages to an amount equal to three times the final average salary and by the ratio of the years of credited service after December 31, 1955 to total years of credited service.

(3) Whenever the amount of the reduction from the annuity shall have been once determined, it shall remain fixed for the duration of the annuity except that any decrease in the old-age insurance benefit under the Federal Social Security Act, 42 U.S.C.A. § 301 et seq., shall result in a corresponding decrease in the amount of the reduction from the annuity.

(b) *Exception.*—The reduction provided for in subsection (a) shall not apply to disability annuities.

§ 8344. Disability annuities.

(a) Amount of annuity.—A member who has made application for a disability annuity as provided in section 8507(k) (relating to rights and duties of school employees and members) and has been found to be eligible in accordance with the provisions of sections 8307(c) (relating to eligibility for annuities) and 8505(c)(1) (relating to duties of board regarding applications and elections of members) shall receive a disability annuity payable from the effective date of disability and continued until a subsequent determination by the board that the annuitant is no longer entitled to a disability annuity. The disability annuity shall be equal to a standard single life annuity if the total number of years of credited service is greater than 16.667, otherwise the standard single life annuity shall be multiplied by the lesser of the following ratios:

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

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

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

(c) Termination and modification of payments.—Payment of that portion of the disability annuity in excess of the annuity to which the annuitant was entitled on the effective date of disability calculated in accordance with section 8342 shall cease if the annuitant is no longer eligible under the provisions of section 8505(c)(2) or section 8508(b) or (c) and if such annuitant on the date of termination of service was eligible for an annuity, he may file an application with the board for an election of an optional modification of the annuity to which he was entitled in accordance with section 8342.

(d) Withdrawal of accumulated deductions.—Upon termination of disability annuity payments in excess of an annuity calculated in accordance with section 8342, a disability annuitant who does not return to school service may file an application with the board for an amount

equal to the accumulated deductions standing to his credit at the effective date of disability less the total payments received on account of his member's annuity.

§ 8345. Member's options.

(a) General rule.—Any vestee with ten or more eligibility points or any other eligible member upon termination of school service who has not withdrawn his accumulated deductions as provided in section 8341 (relating to return of accumulated deductions) may apply for and elect to receive either a maximum single life annuity, as calculated in accordance with the provisions of section 8342 (relating to maximum single life annuity), or a reduced annuity certified by the actuary to be actuarially equivalent to the maximum single life annuity and in accordance with one of the following options, except that no member shall elect an annuity payable to one or more survivor annuitants other than his spouse of such a magnitude that the present value of the annuity payable to him for life plus any lump sum payment he may have elected to receive is less than 50% of the present value of his maximum single life annuity.

(1) Option 1.—A life annuity to the member with a guaranteed total payment equal to the present value of the maximum single life annuity on the effective date of retirement with the provision that, if, at his death, he has received less than such present value, the unpaid balance shall be payable to his beneficiary.

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

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

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

(i) Any annuity shall be payable without reduction during the lifetime of the member except as the result of the member's election to receive an annuity reduced upon attainment of age 65, in anticipation of the receipt of a social security benefit.

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

(iii) A portion of the benefit may be payable as a lump sum, except that such lump sum payment shall be limited to one such payment and it shall not exceed an amount equal to the accumulated deductions standing to the credit of the member. The balance of the present value of the maximum single life annuity adjusted in accordance with section 8342(b) shall be paid in the

form of an annuity with a guaranteed total payment, a single life annuity, or a joint and survivor annuity or any combination thereof but subject to the restrictions of subparagraphs (i) and (ii) of this paragraph.

(b) Present value of joint coverage annuity.—The present value of an annuity payable to a member of the joint coverage group shall be determined by taking into account prospectively the reduction applicable upon the attainment of the age at which full social security benefits are payable.

§ 8346. Termination of annuities.

(a) General rule.—If an annuitant returns to school service or enters State service and elects multiple service membership, any annuity payable to him under this part shall cease and in the case of an annuity other than a disability annuity the present value of such annuity, adjusted for full coverage in the case of a joint coverage member who makes the appropriate back contributions for full coverage, shall be frozen as of the date such annuity ceases.

(b) Return to school service during emergency.—When, in the judgment of the employer, an emergency creates an increase in the work load such that there is serious impairment of service to the public, an annuitant may be returned to school service for a period not to exceed 60 days in any school year without loss of his annuity.

(c) Subsequent discontinuance of service.—Upon subsequent discontinuance of service, such member other than a former disability annuitant shall be entitled to an annuity which is actuarially equivalent to the sum of the present value as determined under subsection (a) and the present value of a maximum single life annuity based on years of service credited subsequent to reentry in the system and his final average salary computed by reference to his compensation during his entire period of school and State service.

§ 8347. Death benefits.

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

(b) Members ineligible for annuities.—In the event of the death of any member, other than an annuitant, who is not entitled to a death benefit as provided in subsection (a), his designated beneficiary shall be paid the full amount of his accumulated deductions.

(c) Disability annuitants.—In the event of the death of a disability annuitant who has elected to receive a maximum disability annuity before he has received in annuity payments an amount equal to the present value, on the effective date of disability, of the benefits to which

he would have been entitled under subsection (a) had he died while in school service, the balance of such amount shall be paid to his designated beneficiary, except that in the event of the death of a disability annuitant who was not entitled to receive benefits under subsection (a), his beneficiary shall be paid the accumulated deductions standing to his credit on the effective date of disability less the total payments received on account of his member's annuity.

(d) Other annuitants.—In the event of the death of an annuitant who has elected to receive the maximum single life annuity before he has received in total annuity payments an amount equal to the full amount of the accumulated deductions standing to his credit on the effective date of retirement, the difference between the total payments made to the date of death and the accumulated deductions shall be paid to his designated beneficiary.

§ 8348. Supplemental annuities.

(a) General rule.—Every annuitant who is in receipt of a superannuation, withdrawal or disability annuity, shall continue to receive such annuity and beginning July 1, 1974, any annuitant who retired on or prior to July 1, 1973, shall receive a cost-of-living supplement determined as a percentage applied to the entire retirement annuity as of June 30, 1974. Beginning July 1, 1974, any annuitant whose effective date of retirement is after July 1, 1973 and prior to March 1, 1974 shall receive a supplement determined as an adjustment of 5% applied to the entire retirement annuity on the effective date of retirement. All supplements provided in this subsection shall be payable under the same terms and conditions as provided under the option plan in effect as of June 30, 1974.

(b) Cost-of-living adjustment factors.—The percentage which is to be applied in the determination of the cost-of-living supplements shall be determined on the basis of the effective date of retirement as follows:

Effective date of retirement	Percentage factor
After July 1, 1971 through July 1, 1973	5%
After July 1, 1970 through July 1, 1971	10%
After July 1, 1969 through July 1, 1970	15%
After July 1, 1968 through July 1, 1969	20%
After July 1, 1967 through July 1, 1968	25%
On or prior to July 1, 1967	30%

(c) Withdrawal annuitants.—The cost-of-living supplement as determined in subsection (b) shall not be payable to an annuitant receiving a withdrawal annuity prior to the first day of July coincident with or following his attainment of superannuation age.

(d) Disability annuitants.—Any disability annuitant whose effective date of retirement is prior to July 1, 1971 and whose annuity was increased by less than 20% of the annuity at the time of retirement under the amendatory act of November 27, 1970 (P.L.798, No.261) or

September 9, 1971 (P.L.456, No.106), shall receive beginning July 1, 1974 an additional increase in his annuity equal to 20% of the annuity at the time of retirement less the increase he received under either amendatory act.

(e) Supplement enacted after death of member.—No supplement enacted after the death of the member shall be payable to the beneficiary or survivor annuitant of such deceased former school employee.

§ 8349. Payment of benefits.

(a) Annuities.—Any annuity granted under the provisions of this part shall be paid in equal monthly installments.

(b) Death benefits.—If the amount of a death benefit payable to a beneficiary under section 8347 (relating to death benefits) or under the provisions of Option 1 of section 8345(a)(1) (relating to member's options) is \$5,000 or more, such beneficiary may elect to receive payment according to one of the following options:

(1) A lump sum payment.

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

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

(c) Death or absence of beneficiary.—If the beneficiary designated by a member should predecease him or die within 30 days of his death, or if a valid nomination of a beneficiary is not in effect at his death, any money payable to a beneficiary shall be paid to the estate of the member.

CHAPTER 85

ADMINISTRATION AND MISCELLANEOUS PROVISIONS

Subchapter

- A. Administration
- B. Retirement Fund and Accounts
- C. Miscellaneous Provisions

SUBCHAPTER A ADMINISTRATION

Sec.

- 8501. Public School Employees' Retirement Board.
- 8502. Administrative duties of board.
- 8503. Duties of board to advise and report to employers and members.
- 8504. Duties of board to report to State Employees' Retirement Board.
- 8505. Duties of board regarding applications and elections of members.
- 8506. Duties of employers.
- 8507. Rights and duties of school employees and members.
- 8508. Rights and duties of annuitants.

§ 8501. Public School Employees' Retirement Board.

(a) Status and membership.—The board shall be an independent administrative board and shall consist of 11 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; the executive secretary of the Pennsylvania School Boards Association, ex officio; two to be appointed by the Governor, at least one of whom shall not be a school employee or an officer or employee of the State; three to be elected by the active professional members of the system from among their number; one to be elected by annuitants from among their number; one to be elected by the active nonprofessional members of the system from among their number; and one to be elected by members of Pennsylvania public school boards from among their number. The appointments made by the Governor shall be confirmed by the Senate and each election shall be conducted in a manner approved by the board. The terms of the appointed and elected members shall be three years. The chairman of the board shall be elected by the board members. Each ex officio member of the board may appoint a duly authorized designee to act in his stead.

(b) Appointment and terms of initial members.—For the purposes of securing an orderly transition and staggered terms, the elected members of the board serving on the effective date of this part shall serve until the expiration of their respective terms. The board member initially elected by members of Pennsylvania public school boards shall serve until January 1, 1976. The board member initially elected by the active nonprofessional members of the system shall serve until January 1, 1977. One of the initial board members appointed by the Governor after the effective date of this part shall serve until January 1, 1976 and the second appointed board member shall serve until January 1, 1977. A vacancy occurring during the term of any member shall be filled for the unexpired term by a successor appointed or elected as the case may be in the same manner as his predecessor.

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

(d) Compensation and expenses.—The members of the board who are members of the system shall serve without compensation but shall not suffer loss of salary or wages through serving on the board. The members of the board who are not members of either the school system or the State Employees' Retirement System may be paid \$100 per day when attending meetings and all board members shall be reimbursed for any necessary expenses. However, when the duties of the board as mandated are not executed, no compensation or reimbursement for

expenses of board members shall be paid or payable during the period in which such duties are not executed.

(e) Corporate power and legal advisor.—For the purposes of this part, the board shall possess the power and privileges of a corporation. The Attorney General of the Commonwealth shall be the legal advisor of the board.

§ 8502. Administrative duties of board.

(a) Employees.—The secretary, clerical and other employees of the board and their successors whose positions on the effective date of this part are under the classified service provisions of the act of August 5, 1941 (P.L. 752, No.286), known as the "Civil Service Act," shall continue under such provisions. The compensation and classification of all other persons appointed shall be determined by the board and shall be consistent with the standards established by the Executive Board of the Commonwealth.

(b) Professional personnel.—The board shall contract for the services of a chief medical examiner, an actuary, an investment counselor, and such other professional personnel as it deems advisable.

(c) Expenses.—The board shall, through the Governor, submit to the General Assembly annually a budget covering the administrative expenses of this part. Such expenses as approved by the General Assembly in an appropriation bill shall be paid from investment earnings of the fund in excess of valuation interest, except that if in any year such earnings are not sufficient the balance required shall be appropriated from the General Fund.

(d) Meetings.—The board shall hold at least six regular meetings annually and such other meetings as it may deem necessary.

(e) Records.—The board shall keep a record of all its proceedings which shall be open to inspection by the public.

(f) Functions.—The board shall perform such other functions as are required for the execution of this part and shall have the right to inspect the employment records of employers.

(g) Performance of employer duties.—In the event the employer fails to comply with the procedures as mandated in section 8506 (relating to duties of employers), the board shall perform such duties and bill the employer who shall pay for the cost of same. In the event the employer is delinquent in payment of contributions in accordance with section 8327 (relating to payments by employers), the board shall notify the Secretary of Education and the State Treasurer of such delinquency.

(h) Regulations and procedures.—The board shall, with the advice of the Attorney General and the actuary, adopt and promulgate rules and regulations for the uniform administration of the system. The actuary shall approve in writing all computational procedures used in the calculation of contributions and benefits prior to their application by the board.

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

(j) *Actuarial investigation and valuation.*—The board shall have the actuary make an annual valuation of the various accounts within six months of the close of each fiscal year. In the fiscal year ending 1975 and in every fifth year thereafter, the board shall have the actuary conduct an actuarial investigation and valuation of the system based on data including the mortality, service, and compensation experience provided by the board annually during the preceding five years concerning the members and beneficiaries. The board shall adopt such tables as are necessary for the actuarial valuation of the fund and calculation of contributions, annuities, and benefits based on the reports and recommendations of the actuary.

(k) *Certification of employer contributions.*—The board shall, each year in addition to the itemized budget, certify to the employers and the Commonwealth the percentage of members' payroll necessary for the funding of prospective annuities for active members and certify to them the rates and amounts of the normal contributions, accrued liability contributions and supplemental contributions which shall be paid to the fund and credited to the appropriate accounts. These certifications shall be regarded as final and not subject to modification by the Budget Secretary.

(l) *Commonwealth payments.*—The board shall within 30 days following the end of each quarter determine the amount due to the fund from the Commonwealth during that quarter and submit at that time a requisition for the amount determined to be due from the Commonwealth to the State Treasurer.

(m) *Member contributions and interest.*—The board shall cause each member's contributions, including payroll deductions and all other payments, to be credited to the account of such member and shall pay all such amounts into the fund. Such contributions shall be credited with statutory interest until date of termination of service, except in the case of a vestee, who shall have such interest credited until the effective date of retirement or until the return of his accumulated deductions, if he so elects; and in the case of a multiple service member who shall have such interest credited until termination of service in both the school and the State systems.

(n) *Annual financial statement.*—The board shall prepare and have published, on or before January 1 of each year, a financial statement as of the fiscal year ending June 30 of the previous year showing the condition of the fund and the various accounts and setting forth such other facts, recommendations and data as may be of use in the

advancement of knowledge concerning annuities and other benefits provided by this part. The board shall submit said financial statement to the Governor and shall make copies available to the employers for the use of the school employees and the public.

§ 8503. Duties of board to advise and report to employers and members.

(a) Manual of regulations.—The board shall, with the advice of the Attorney General and the actuary, prepare within 90 days of the effective date of this part, a manual incorporating rules and regulations consistent with the provisions of this part for the employers who shall make information contained therein available to the general membership. The board shall thereafter advise the employers within 90 days of any changes in such rules and regulations due to changes in the law or due to changes in administrative policies.

(b) Member status statements.—The board shall furnish annually on or before December 31, a statement to each member showing the accumulated deductions standing to the credit of the member and the number of years and fractional part of a year of service credited in each class of service as of June 30 of that year. Each member's statement shall be mailed to his home address and shall include a request that the member make any necessary corrections or revisions regarding his designated beneficiary, whose name at the request of the member shall remain confidential and not appear on this statement.

(c) Purchase of credit for previous service.—Upon receipt of an application from an active member or a State employee with multiple service credit to purchase credit for previous school or creditable nonschool service, the board shall determine and certify to the member the amount required to be paid by the member. When necessary, the board shall certify to the proper employer the amount which would have been paid together with statutory interest into the State accumulation account had such employee been an active member in the system during said period.

(d) Purchase of Class T-C credit or full coverage.—Upon receipt of an application from a member of Class T-A or Class T-B to become a member of Class T-C or an active joint coverage member who elects to become a full coverage member, the board shall determine and certify to the member the amount required to be paid by the member, the effective date of the transfer, and the prospective rate for regular member contributions.

§ 8504. Duties of board to report to State Employees' Retirement Board.

(a) Multiple service membership of school employees.—Upon receipt of an application for membership in the system of a school employee who is a former State employee and who has elected multiple service membership, the board shall advise the State Employees' Retirement Board accordingly.

(b) Multiple service membership of State employees.—Upon receipt of notification from the State Employees' Retirement Board that a former school employee has become an active member in the State Employees' Retirement System and has elected to receive credit for multiple service, the board shall certify to the State Employees' Retirement Board and concurrently to the member:

(1) The total credited service in the system and the number of years and fractional part of a year of service credited in each class of service.

(2) The annual compensation received each school year by the member for credited school service.

(c) Applications for benefits for State employees.—Upon receipt of notification and the required data from the State Employees' Retirement Board that a former school employee who elected multiple service has applied for a State employee's retirement benefit or, in the event of his death, his legally constituted representative has applied for such benefit, the board shall:

(1) Certify to the State Employees' Retirement Board:

(i) The salary history as a member of the Public School Employees' Retirement System and the final average salary as calculated on the basis of the compensation received as a State and school employee.

(ii) The annuity or benefit which the member or his beneficiary is entitled to receive under this part and modified according to the option selected.

(2) Transfer to the State Employees' Retirement Fund the accumulated deductions standing to such member's credit and the actuarial reserve required on account of the member's years of credited service in the school system and his final average salary determined on the basis of his compensation in both systems.

§ 8505. Duties of board regarding applications and elections of members.

(a) Statement to new members.—As soon as practicable after each member shall have joined the system, the board shall issue to him a statement as to the aggregate length of total previous school service and creditable nonschool service for which he may receive credit.

(b) State employees electing multiple service status.—Upon receipt of notification from the State Employees' Retirement Board that a former school employee has become an active member in the State Employees' Retirement System and has elected to become a member with multiple service status, the board shall:

(1) In case of a member who is receiving an annuity from the system, discontinue payments, transfer the present value, at that time, of the member's annuity from the annuity reserve account to the members' savings account and resume crediting of statutory interest on the amount restored to his credit and transfer the balance of the

present value of the total annuity from the annuity reserve account to the State accumulation account.

(2) In case of a member who is not receiving an annuity from the system and who has not withdrawn his accumulated deductions, continue or resume the crediting of statutory interest on his accumulated deductions.

(3) In case of a member who is not receiving an annuity from the system and his accumulated deductions were withdrawn, certify to the member the accumulated deductions as they would have been at the time of his separation had he been a full coverage member together with statutory interest for all periods of subsequent State and school service to the date of repayment. Such amount shall be restored by him and shall be credited with statutory interest as such payments are restored.

(c) Disability annuities.—In every case where the board has received an application for a disability annuity based upon physical or mental incapacity for the performance of the job for which the member is employed, the board shall:

(1) Through the chief medical examiner, have the applicant examined and, on the basis of said examination and the subsequent recommendation by the chief medical examiner regarding the applicant's medical qualification for a disability annuity along with such other recommendations which he may make with respect to the permanency of disability or the need for subsequent reexaminations, make a finding of disability or nondisability and, in the case of disability, establish an effective date of disability and the terms and conditions regarding subsequent reexaminations.

(2) Upon the recommendation of the chief medical examiner on the basis of subsequent medical examinations, make a finding of disability or nondisability and, in the case of a finding of nondisability, establish the date of termination of disability and at that time discontinue any annuity payments in excess of any annuity to which he may be otherwise entitled under section 8342 (relating to maximum single life annuity).

(3) Upon receipt of a written statement from a disability annuitant of his earned income of the previous year, adjust the payments of the disability annuity for the following year in accordance with the provisions for a reduction of disability payments of section 8344 (relating to disability annuities).

(d) Withdrawal of accumulated deductions.—Upon receipt of an application to withdraw his accumulated deductions executed by a member who is terminating school service and the required data from the employer, the board shall pay to such member within 60 days after filing the application or termination of school service, whichever is later, the accumulated deductions standing to his credit.

(e) Certification to vestees terminating service.—The board shall certify to a vestee within one year of termination of service of such member:

(1) The accumulated deductions standing to his credit at the date of termination of service.

(2) The number of years and fractional part of a year of credit in each class of service.

(3) The maximum single life annuity to which the vestee shall become entitled upon the attainment of superannuation age and the filing of an application for such annuity.

(f) Notification to vestees approaching superannuation age.—The board shall notify each vestee in writing 90 days prior to his attainment of superannuation age that he shall apply for his annuity within 90 days of attainment of superannuation age and that failure to apply within that time shall result in the cancellation of the right of the vestee to any death benefit in excess of his accumulated deductions.

(g) Initial annuity payment and certification.—The board shall make the first monthly payment to a member who is eligible for an annuity within 60 days of the filing of his application for an annuity and receipt of the required data from the employer of the member. Concurrently the board shall certify to such member:

(1) The accumulated deductions standing to his credit showing separately the amount contributed and the interest credited to the date of termination of service.

(2) The number of years and fractional part of a year credited in each class of service.

(3) The final average salary on which his annuity is based as well as any applicable reduction factors due to age or election of an option or both.

(4) The total annuity payable under the option elected and the amount and effective date of any future reduction on account of social security old-age insurance benefits.

(h) Death benefits.—Upon receipt of notification of the death of a member, the board shall notify the designated beneficiary or survivor annuitant of the benefits to which he is entitled and shall make the first payment to the beneficiary under the plan elected by the beneficiary within 60 days of receipt of certification of death and other necessary data.

(i) Medical insurance coverage.—Upon receipt of notification from an insurance carrier approved by the board that an annuitant who has attained age 65 has elected medical, major medical, and hospitalization insurance coverage, the board shall deduct from the annuity payments the appropriate annual charges in equal monthly installments. Such deductions shall be transmitted to the insurance carrier.

(j) Joint coverage annuitants.—The board shall notify in writing each joint coverage annuitant who retired prior to July 1, 1962 that he

may elect any time prior to, but not later than, one year following the effective date of this part, to receive his annuity without reduction attributable to social security coverage. The board shall within 60 days of such election certify in writing to each annuitant who so elects the amount required to be paid. Upon receipt of a lump sum payment within 60 days in the amount certified to such annuitant, the board shall recompute the annuity payable to such annuitant and the annuity and/or lump sum, if any, payable upon his death to his beneficiary or survivor annuitant as though he had been a full coverage member on the effective date of retirement. Such recomputed annuity shall be paid beginning with the second monthly payment next following the month in which the lump sum payment is received.

§ 8506. Duties of employers.

(a) Status of members.—The employer shall, each month, notify the board in a manner prescribed by the board of the salary changes effective during the past month, the date of all removals from the payroll, and the type of leave of any member who has been removed from the payroll for any time during that month, and:

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

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

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

(b) Records and information.—At the direction of the board, the employer shall furnish service and compensation records as well as other information requested by the board and shall maintain and preserve such records as the board may require for the expeditious discharge of its duties.

(c) Member and employer contributions.—The employer shall certify to his treasurer the required member contributions deducted from each payroll. The treasurer shall remit to the secretary of the board each month the total of the member contributions and the amount due from the employer determined in accordance with section 8327 (relating to payments by employers).

(d) New employees subject to mandatory membership.—Upon the assumption of duties of each new school employee whose membership in the system is mandatory, the employer shall no later than 30 days thereafter cause an application for membership, which application shall include the employee's home address, birthdate certified by the employer, previous school or State service and any other information

requested by the board, and a nomination of beneficiary to be made by such employee and filed with the board and shall make payroll deductions from the effective date of school employment.

(e) New employees subject to optional membership.—The employer shall inform any eligible school employee whose membership in the system is not mandatory of his opportunity to become a member of the system provided that he elects to purchase credit for all such continuous creditable service. If such employee so elects, the employer shall no later than 30 days thereafter cause an application for membership which application shall include the employee's home address, birthdate certified by the employer, previous school or State service and any other information requested by the board, and a nomination of beneficiary to be made by him and filed with the board and shall make payroll deductions from the date of election of membership.

(f) Advising members of duties.—The employer shall advise his employees of their duties as members of the system. Local school districts shall be held harmless from decisions made by the employee in this regard.

(g) Former State employee contributors.—The employer shall, upon the employment of a former member of the State Employees' Retirement System who is not an annuitant of the State Employees' Retirement System, advise such employee of his right to elect multiple service membership within 30 days of entry into the system and, in the case any such employee who so elects has withdrawn his accumulated deductions, require him to restore his accumulated deductions as they would have been at the time of his separation had he been a full coverage member, together with statutory interest for all periods of subsequent State and school service to date of repayment. The employer shall advise the board of such election.

(h) Former State employee annuitants.—The employer shall, upon the employment of an annuitant of the State Employees' Retirement System who applies for membership in the system, advise such employee that he may elect multiple service membership within 30 days of entry into the system and that if he so elects his annuity from the State Employees' Retirement System will be discontinued and, upon termination of school service and application for an annuity, the annuity will be adjusted in accordance with section 8346 (relating to termination of annuities). The employer shall advise the board of such election.

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

(1) An application for the return of accumulated deductions.

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

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

(j) Date of application for benefits.—Any application properly executed and filed with the employer under subsection (i) or properly executed and filed with the employer after termination of service shall be deemed to have been filed with the board on the date filed with the employer.

§ 8507. Rights and duties of school employees and members.

(a) Information on new employees.—Upon his assumption of duties, each new school employee shall furnish his employer with a complete record of his previous school or State service, or creditable nonschool service, proof of his date of birth, his home address, his current status in the system and in the State Employees' Retirement System and such other information as the board may require. Wilful failure to provide the information required by this subsection to the extent available or the provision of erroneous information upon entrance into the system shall result in the forfeiture of the right of the member to subsequently assert any right to benefits based on erroneous information or on any of the required information which he failed to provide. In any case in which the board finds that a member is receiving an annuity based on false information, the additional amounts received predicated on such false information together with statutory interest doubled and compounded shall be deducted from the present value of any remaining benefits to which the member is legally entitled and such remaining benefits shall be correspondingly decreased.

(b) Application for membership.—A new employee who is not currently a member of the system and whose membership is mandatory or a new employee whose membership in the system is not mandatory but who desires to become a member of the system shall execute an application for membership and a nomination of beneficiary and shall make the proper contributions.

(c) Multiple service membership.—Any active member who was formerly an active member in the State Employees' Retirement System may elect to become a multiple service member. Such election shall occur no later than 30 days after becoming an active member in this system.

(d) Credit for previous service or change in membership status.—Any active member or multiple service member who is a State employee who desires to receive credit for his previous school service or

creditable nonschool service to which he is entitled, or a member of Class T-A or Class T-B who desires to become a member of Class T-C, or a joint coverage member who desires to become a full coverage member shall so notify the board. Upon written agreement by the member and the board as to the manner of payment of the amount due, the member shall receive credit for such service as of the date of such agreement subject to the provisions of section 8325 (relating to incomplete payments).

(e) Beneficiary for death benefits.—Every member shall nominate a beneficiary by written designation filed with the board to receive the death benefit or the benefit payable under the provisions of Option 1. Such nomination may be changed at any time by the member by written designation filed with the board. A member may also nominate a contingent beneficiary or beneficiaries to receive the death benefit or the benefit payable under the provisions of Option 1.

(f) Termination of service.—Each member who terminates school service shall execute on or before the date of termination of service a written application, duly attested by the member or his legally constituted representative, electing to do one of the following:

(1) Withdraw his accumulated deductions.

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

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

(g) Vesting of retirement rights.—If a member elects to vest his retirement rights, he shall nominate a beneficiary by written designation filed with the board and he may anytime thereafter withdraw the accumulated deductions standing to his credit or, if he has ten or more eligibility points, apply for an annuity.

(h) Vestees attaining superannuation age.—Upon attainment of superannuation age a vestee shall execute and file within 90 days an application for an annuity. Any application filed after such 90 day period shall be effective as of the date it is filed with the board. If a vestee does not file an application within seven years after attaining superannuation age, he shall be deemed to have elected to receive his accumulated deductions upon attainment of superannuation age.

(i) Failure to apply for annuity.—If a member is eligible to receive an annuity and does not file a proper application within 90 days of termination of service, he shall be deemed to have elected to vest, and his annuity will become effective as of the date an application is filed with the board or the date designated on the application whichever is later.

(j) **Nomination of beneficiary or survivor annuitant.**—A member who is eligible and elects to receive a reduced annuity under Option 1, 2, 3, or 4, shall nominate a beneficiary or a survivor annuitant, as the case may be, by written designation filed with the board at the time of his retirement. A member who has elected Option 1, may change his designated beneficiary at any time. A member having designated a survivor annuitant at time of retirement shall not be permitted to nominate a new survivor annuitant unless such survivor annuitant predeceases him or unless the member is awarded a divorce or becomes married subsequent to the election of the option. In such cases, the annuitant shall have the right to reelect an option and to nominate a beneficiary or a new survivor annuitant and to have his annuity recomputed to be actuarially equivalent as of the date of recomputation to the annuity in effect immediately prior to the recomputation. In no other case shall a benefit plan be changed by an annuitant.

(k) **Disability annuities.**—If service of a member who is under superannuation age is terminated due to his physical or mental incapacity for the performance of duty, an application for a disability annuity may be executed by him or by a person legally authorized to act on his behalf.

§ 8508. Rights and duties of annuitants.

(a) **Election by joint coverage annuitants.**—Any annuitant who is a joint coverage member who was receiving an annuity prior to July 1, 1962 may elect to receive his annuity without reduction on account of social security old-age insurance benefits provided that he shall file such election with the board prior to one year following the effective date of this part and shall make a lump sum payment within 60 days of receipt of the certification of the amount due.

(b) **Periodic earnings statements by disability annuitants.**—It shall be the duty of an annuitant receiving a disability annuity while still under superannuation age to furnish a written statement within 30 days of the close of each year of all earned income during that year and information showing whether or not he is able to engage in a gainful occupation and such other information as may be required by the board. On failure, neglect, or refusal to furnish such information for the period of the preceding year, the board may refuse to make further payments due to disability to such annuitant until he has furnished such information to the satisfaction of the board. Should such refusal continue for six months, all of his rights to the disability annuity payments in excess of any annuity to which he is otherwise entitled shall be forfeited from the date of his last statement to the board. Any moneys received in excess of those to which he was entitled shall be deducted from the present value of the annuity to which he is otherwise entitled.

(c) **Medical examinations of disability annuitants.**—Should any annuitant receiving a disability annuity while still under superannuation age refuse to submit to a medical examination by a physician or

physicians at the request of the board, his payments due to disability shall be discontinued until the withdrawal of such refusal. Should such refusal continue for a period of six months, all of his rights to the disability annuity payments in excess of any annuity to which he is otherwise entitled shall be forfeited.

SUBCHAPTER B RETIREMENT FUND AND ACCOUNTS

Sec.

8521. Management of fund and accounts.

8522. Public School Employees' Retirement Fund.

8523. Members' savings account.

8524. State accumulation account.

8525. Annuity reserve account.

§ 8521. Management of fund and accounts.

(a) Control and management of fund.—The members of the board shall be the trustees of the fund and shall have exclusive control and management of the said fund and full power to invest the same, subject, however, to all the terms, conditions, limitations, and restrictions imposed by this part or other law upon the making of investments. Subject to like terms, conditions, limitations, and restrictions, said trustees shall have the power to hold, purchase, sell, assign, transfer, or dispose of any of the securities and investments in which any of the moneys in the fund shall have been invested as well as of the proceeds of said investments and of any moneys belonging to said fund.

(b) Crediting of interest.—The board annually shall allow statutory interest to the credit of the members' savings account on the mean amount of the accumulated deductions of all members for whom interest is payable for the preceding year and valuation interest on the mean amount of the annuity reserve account for the preceding year to the credit of that account. The board annually shall allow valuation interest calculated on the mean amount for the preceding year of the balance in the State accumulation account excluding any earnings of the fund credited to the account during that year. In the event the total earnings for the year do not exceed 5 ½% of the mean amount for the preceding year of the total assets of the fund less earnings credited to the fund during that year plus the administrative expenses of the board, the difference required to be appropriated from the General Fund shall be credited to the State accumulation account.

(c) Custodian of fund.—The State Treasurer shall be the custodian of the fund.

(d) Payments from fund.—All payments from the fund shall be made by the State Treasurer in accordance with requisitions signed by the secretary of the board and ratified by resolution of the board.

(e) Fiduciary status of board.—The members of the board, employees of the board, and agents thereof shall stand in a fiduciary

relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto.

(f) Name for transacting business.—By the name of “The Public School Employees’ Retirement System” or “The Public School Employes’ Retirement System” all of the business of the system shall be transacted, its fund invested, all requisitions for money drawn and payments made, and all of its cash and securities and other property shall be held, except that, any other law to the contrary notwithstanding, the board may establish a nominee registration procedure for the purpose of registering securities in order to facilitate the purchase, sale, or other disposition of securities pursuant to the provisions of this part.

(g) Deposits in banks and trust companies.—For the purpose of meeting disbursements for annuities and other payments in excess of the receipts, there shall be kept available by the State Treasurer an amount, not exceeding 10% of the total amount in the fund, on deposit in any bank or banks in this Commonwealth organized under the laws thereof or under the laws of the United States or with any trust company or companies incorporated by any law of this Commonwealth, provided any of such banks or trust companies shall furnish adequate security for said deposit. The sum deposited in any one bank or trust company shall not exceed 25% of the paid-up capital and surplus of said bank or trust company.

(h) Investment in corporate stocks.—Preferred and common stock of any corporation organized under the laws of the United States or of any commonwealth or state thereof or of the District of Columbia shall be an authorized investment of the fund, regardless of any other provision of law provided that:

(1) such stock be purchased with the exercise of that degree of judgment and care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital;

(2) in the case of any stock other than stock of a bank or insurance company, the stock is listed or traded (or if unlisted or not entitled to trading privileges shall be eligible for listing and application for such listing shall have been made) on the New York Stock Exchange or any other exchange approved by the Secretary of Banking;

(3) no investment in common stock be made which at that time would cause the book value of the investments in common stock to exceed 25% of the total assets of the fund;

(4) no more than 5% of the total assets of the fund be invested in common stocks in any one year, provided that any unused portion

may be used in subsequent years, but in no event shall more than 8% of such assets be invested in common stocks in any one year;

(5) the amount invested in the common stock of any one company shall not exceed at cost 2% of the book value of the assets of the fund at the time of purchase and shall not exceed 5% of the issued and outstanding common stock of that company; and

(6) the percentage limitations of paragraphs (3) and (4) shall not apply to the reinvestment of funds realized from the sale or transfer of common stocks and no sale or other liquidation of any investment shall be required solely because of any change in market values whereby the percentages of stocks set forth in this subsection are exceeded.

(i) Common stock defined.—“Common stock” as used in subsection (h) shall include the stock certificates, certificates of beneficial interests, or trust participation certificates issued by any corporation or unincorporated association included under the definition of “corporation” in subsection (j).

(j) Corporation defined.—“Corporation” as used in subsection (h) shall include a voluntary association, a joint-stock association or company, a business trust, a Massachusetts trust, a common-law trust, and any other organization organized and existing for any lawful purpose and which like a corporation, continues to exist, notwithstanding changes in the personnel of its members or participants and conducts its affairs through a committee, a board, or some other group acting in a representative capacity.

(k) Investment in real estate and mortgages.—Real estate subject to a lease to one or more financially responsible tenants which lease shall not require managerial responsibility by the board; and bonds, notes and deeds of trust, of individuals or corporations secured by mortgages on real estate located in any state, district or territory of the United States, shall be an authorized investment of the board regardless of any other provision of law. The board shall promulgate regulations to implement the foregoing to insure the safety of investments made pursuant to this subsection which regulations shall be in accordance with generally accepted standards and investment principles for pension funds of comparable size. All instruments, transfers of interest, and all records pertaining to real estate, mortgages or bonds invested in by the board, shall be open to public inspection. Reports as requested by the board, shall be submitted on all real estate and mortgage investments by mortgage advisors and correspondents.

§ 8522. Public School Employees' Retirement Fund.

The fund shall consist of all moneys in the several separate funds in the State Treasury set apart to be used under the direction of the board for the benefit of members of the system; and the Treasury Department shall credit to the fund all moneys received from the Department of Revenue arising from the contributions required under the provisions of

Chapter 83 (relating to membership, contributions and benefits) and all earnings from investments or moneys of said fund. There shall be established and maintained by the board the several ledger accounts specified in sections 8523 (relating to members' savings account), 8524 (relating to State accumulation account) and 8525 (relating to annuity reserve account).

§ 8523. Members' savings account.

(a) Credits to account.—The members' savings account shall be the ledger account to which shall be credited the amounts of the contributions or lump sum payments made by active members in accordance with the provisions of Chapter 83 (relating to membership, contributions and benefits).

(b) Interest and transfers from account.—The individual member accounts to which interest is payable shall be credited with statutory interest. The accumulated deductions credited to the account of a member who dies in service or whose application for an annuity has been approved shall be transferred from the members' savings account to the annuity reserve account provided for in section 8525 (relating to annuity reserve account).

(c) Charges to account.—Upon the election of a member to withdraw his accumulated deductions, the payment of such amount shall be charged to the members' savings account.

§ 8524. State accumulation account.

The State accumulation account shall be the ledger account to which shall be credited all contributions of the Commonwealth and other employers as well as the earnings of the fund. Valuation interest shall be allowed on the total amount of such account less any earnings of the fund credited during the year. The reserves necessary for the payment of annuities and death benefits as approved by the board and as provided in Chapter 83 (relating to membership, contributions and benefits) shall be transferred from the State accumulation account to the annuity reserve account. At the end of each year the required interest shall be transferred from the State accumulation account to the credit of the members' savings account and the annuity reserve account. The administrative expenses of the board shall be charged to the State accumulation account.

§ 8525. Annuity reserve account.

(a) Credits and charges to account.—The annuity reserve account shall be the ledger account to which shall be credited the reserves held for the payment of annuities and death benefits on account of all annuitants and the contributions from the Commonwealth and other employers as determined in accordance with section 8328 (relating to actuarial cost method) for the payment of the supplemental annuities provided in section 8348 (relating to supplemental annuities). The annuity reserve account shall be credited with valuation interest. After the transfers provided in sections 8523 (relating to members' savings

account) and 8524 (relating to State accumulation account), all annuity and death benefit payments shall be charged to the annuity reserve account and paid from the fund.

(b) Transfers from account.—Should an annuitant be subsequently restored to active service, the present value of his member's annuity at the time of reentry into school service shall be transferred from the annuity reserve account and placed to his individual credit in the members' savings account. In addition, the actuarial reserve for his annuity less the amount transferred to the members' savings account shall be transferred from the annuity reserve account to the State accumulation account.

SUBCHAPTER C MISCELLANEOUS PROVISIONS

Sec.

8531. State guarantee.

8532. State supervision.

8533. Taxation, attachment and assignment of funds.

8534. Fraud and adjustment of errors.

§ 8531. State guarantee.

Statutory interest charges payable, the maintenance of reserves in the fund, and the payment of all annuities and other benefits granted by the board under the provisions of this part are hereby made obligations of the Commonwealth. All income, interest, and dividends derived from deposits and investments authorized by this part shall be used for the payment of the said obligations of the Commonwealth.

§ 8532. State supervision.

The fund and ledger accounts provided for by this part shall be subject to the supervision of the State Insurance Department.

§ 8533. Taxation, attachment and assignment of funds.

The right of a person to a member's annuity, a State annuity, or retirement allowance, to the return of contributions, any benefit or right accrued or accruing to any person under the provisions of this part, and the moneys in the fund are hereby exempt from any State or municipal tax, and exempt from levy and sale, garnishment, attachment, or any other process whatsoever, and shall be unassignable.

§ 8534. Fraud and adjustment of errors.

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

(b) Adjustment of errors.—Should any change or mistake in records result in any member, beneficiary, or survivor annuitant receiving from the system more or less than he would have been entitled to receive had the records been correct, then regardless of the intentional

or unintentional nature of the error and upon the discovery of such error, the board shall correct the error and so far as practicable shall adjust the payments which may be made for and to such person in such a manner that the actuarial equivalent of the benefit to which he was correctly entitled shall be paid.

Section 2. Repeals.—(a) The following acts and parts of acts are repealed absolutely:

Act of July 18, 1917 (P.L.1043, No.343), entitled “An act establishing a public school employes’ retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties.”

As much of section 202, act of April 9, 1929 (P.L.177, No.175), known as “The Administrative Code of 1929,” as relates to the Public School Employes’ Retirement Board in the Department of Education.

Sections 410 and 1308, act of April 9, 1929 (P.L.177, No.175), known as “The Administrative Code of 1929.”

Act of May 6, 1942 (Sp. Sess., P.L.101, No.27), entitled “A supplement to the act, approved the eighteenth day of July, one thousand nine hundred seventeen (Pamphlet Laws, one thousand forty-three), entitled ‘An act establishing a public school employes’ retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties,’ defining the rights and obligations of certain members of the School Employes’ Retirement Association engaged in active military service.”

Act of January 14, 1952 (P.L.2015, No.560), entitled “A supplement to the act, approved the eighteenth day of July, one thousand nine hundred seventeen (Pamphlet Laws 1043), entitled ‘An act establishing a public school employes’ retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities,

allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties,' by extending certain benefits heretofore granted to school employes entering the armed forces of the United States to certain other similarly qualified school employes."

Act of August 19, 1953 (P.L. 1097, No. 294), entitled "A supplement to the act, approved the eighteenth day of July, one thousand nine hundred seventeen (Pamphlet Laws 1043), entitled 'An act establishing a public school employes' retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties,' by permitting former contributors who have become State employes and members of the State Employes' Retirement Association to restore membership in the Public School Employes' Retirement Association, and authorizing the transfer of monetary credits in the Public School Employes' Retirement Association to the State Employes' Retirement Association under certain conditions."

Act of May 17, 1956 (P.L. 1622, No. 538), entitled "A supplement to the act, approved the eighteenth day of July, one thousand nine hundred seventeen (Pamphlet Laws 1043), entitled 'An act establishing a public school employes' retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties,' by permitting former contributors who have become State employes and members of the State Employes' Retirement Association to restore membership in the Public School Employes' Retirement Association and authorizing the transfer of monetary credits in the Public School Employes' Retirement Association to the State Employes' Retirement Association under certain conditions."

Act of May 17, 1956 (P.L. 1623, No. 539), entitled "A supplement to the act, approved the eighteenth day of July, one thousand nine hundred seventeen (Pamphlet Laws 1043), entitled 'An act establishing a public school employes' retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes,

defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits and rights from taxation and judicial process; and providing penalties, by permitting any school employe as a contributor under the provisions of the School Employes' Retirement System and who was an employe under the State Employes' Retirement System of the Commonwealth and made contributions to the State Employes' Retirement Fund on account of such State service to obtain credit for such service in the School Employes' Retirement System under certain conditions."

Act of June 20, 1957 (P.L.337, No.182), entitled "A supplement to the act of July 18, 1917 (P.L.1043), entitled 'An act establishing a public school employes' retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties,' authorizing the retransfer of credits of certain State employes to the Public School Employes' Retirement System."

Act of June 1, 1959 (P.L.350, No.77), known as the "Public School Employes' Retirement Code of 1959."

Act of November 19, 1959 (P.L.1548, No.554), entitled "An act to provide temporary supplemental retirement benefits for certain annuitants of the Public School Employes' Retirement System, creating a special fund in the custody of the State Treasurer, imposing duties on the Public School Employes' Retirement Board, and making an appropriation."

(b) All other acts or parts of acts inconsistent with this act are hereby repealed to the extent of such inconsistency.

Section 3. Savings Clause.—In order to assure an orderly transition, the following provisions of repealed law shall be saved and applicable as specified:

(1) The provisions relating to the calculation of annuities of annuitants who return to school service and subsequently retire shall not apply to former annuitants who are active members of the system on the effective date of this act.

(2) The amount due for the purchase of any credit for service creditable to an active member under the provisions of the act of June 1, 1959 (P.L.350, No.77), known as the "Public School Employes' Retirement Code of 1959," shall not include interest if the member

makes a lump sum payment of the full amount due prior to January 1, 1976 or commences regular payments through salary deductions for such service prior to January 1, 1976 and completes such payments prior to January 1, 1978. Any member who elects to purchase such credit and does not make a lump sum payment of the full amount due prior to January 1, 1976 or commences regular payments through salary deductions prior to January 1, 1976 and does not complete such payments prior to January 1, 1978 shall be required to purchase such credit in accordance with the provisions of this act.

(3) The rights of members of Class T-B as provided in section 301(2)(c) and (d) of the act of June 1, 1959 (P.L.350, No.77), known as the "Public School Employes' Retirement Code of 1959," shall continue.

(4) The provisions relating to former teachers as provided in sections 303(3) and 407(1) of the act of June 1, 1959 (P.L.350, No.77), known as the "Public School Employes' Retirement Code of 1959," shall continue.

Section 4. Effective Date.—This act shall take effect immediately except that:

(1) As applicable to members terminating school service on or after March 1, 1974, the provisions relating to the purchase of credit for previous school or creditable nonschool service and the calculation of benefits shall be effective March 1, 1974.

(2) The provisions relating to the crediting of statutory interest to the accounts of members on leave without pay shall become effective on July 1, 1975.

(3) The provisions relating to the basic contribution rate of members shall become effective on July 1, 1976 and the provisions relating to the payment of the employer contributions shall become effective on July 1, 1975.

(4) The provisions relating to membership of part-time employees shall become effective with the beginning of the school year 1975-1976.

(5) The provisions relating to eligibility for disability annuities shall be effective December 1, 1974.

APPROVED—The 2nd day of October, A. D. 1975.

MILTON J. SHAPP