

No. 2019-72

AN ACT

SB 724

Amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes as follows:

In Title 24:

for retirement for school employees, in preliminary provisions, further providing for definitions; in membership, contributions and benefits, further providing for payments by employers and providing for nonparticipating employer withdrawal liability and further providing for actuarial cost method; in School Employees' Defined Contribution Plan, further providing for vesting; in administration and miscellaneous provisions, further providing for Public School Employees Retirement Board; providing for the establishment of the Public Markets Emerging Investment Manager Program; and, in preliminary provisions, further providing for definitions.

In Title 71:

for retirement for State employees and officers, in preliminary provisions relating to retirement for State employees and officers, further providing for definitions; in membership, credited service, classes of service and eligibility for benefits regarding administration of the State Employees' Retirement Fund, further providing for election to become a Class A-6 member or solely a participant in the plan and for eligibility for death benefits; and, in benefits, further providing for maximum single life annuity.

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

Section 1. The definitions of "eligible annuitants" and "eligibility points" in section 8102 of Title 24 of the Pennsylvania Consolidated Statutes are amended to read:

§ 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:

* * *

"Eligible annuitants." All current and prospective annuitants *of the system* with 24 1/2 or more eligibility points and all current and prospective disability annuitants. Beginning January 1, 1995, "eligible annuitants" shall include members with 15 or more eligibility points who terminated or who terminate school service on or after attaining superannuation retirement age and who are annuitants with an effective date of retirement after superannuation age. ***Beginning July 1, 2019, "eligible annuitants" shall include:***

(1) Class DC participants with 24 1/2 or more eligibility points who have terminated school service, who are Medicare eligible and who received all or a part of their distributions; and

(2) Class DC participants with 15 or more eligibility points who terminate school service on or after attaining age 67 and receive all or a part of their distributions.

"Eligibility points." Points which are accrued by an active member, *a participant*, a multiple service member who is an active member of the State Employees' Retirement System for credited service or by a member *or participant* who has been reemployed from USERRA leave or dies while performing USERRA leave and are used in the determination of eligibility for benefits as provided in section 8306 (relating to eligibility points). *A participant shall earn one eligibility point for each fiscal year in which the participant contributes to the trust. Eligibility points earned as Class T-G or Class T-H participants shall apply only for purposes of determining vesting of employer defined contributions under section 8409(b) (relating to vesting).*

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Section 2. Section 8327(b) and (d) of Title 24 are amended to read:

§ 8327. Payments by employers.

* * *

(b) Deduction from appropriations.—

(1) To facilitate the payment of amounts due from any employer to the fund and the trust 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 and the trust from the amount of any moneys due to any employer on account of any appropriation for schools or other purposes amounts equal to the employer contributions, employer defined contributions [and pickup contributions which], *pickup contributions, mandatory participant contributions, voluntary contributions, amounts owed pursuant to section 8327.1 (relating to nonparticipating employer withdrawal liability) and other amounts related to plan administration that* an employer is required to pay to the fund and the trust, as certified by the board, and as remains unpaid on the date such appropriations would otherwise be paid to the employer. Such amount shall be credited to the appropriate accounts in the fund and the trust.

(2) To facilitate the payments of amounts due from any charter school, as defined in Article XVII-A of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, to the fund and the trust 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 and the trust from any funds appropriated to the Department of Education for *public school employees' retirement contributions and basic education of the chartering school district of a charter school [and public school employees' retirement contributions amounts]* equal to the employer contributions, employer defined contributions [and pickup contributions which], *pickup contributions, mandatory participant contributions, voluntary contributions, amounts pursuant to section 8327.1 and other amounts related to plan administration that* a charter school is required to pay to the fund and the trust, as certified by the board, and as remains unpaid on the date such appropriations would otherwise be paid to the chartering school district or charter school. Such amounts shall be credited to the appropriate accounts in the fund and the

trust. Any reduction in payments to a chartering school district made pursuant to this section shall be deducted from the amount due to the charter school district pursuant to the Public School Code of 1949.

* * *

(d) Payments by employers after June 30, 2019.—After June 30, 2019, each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens College of Technology, Western Pennsylvania School for the Deaf, Scotland School for Veterans' Children and The Pennsylvania State University, shall make payments to the fund and the trust *within 30 days after the end of* each quarter, *or as determined by the board*, in an amount computed in the following manner:

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

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

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

* * *

Section 3. Title 24 is amended by adding a section to read:

§ 8327.1. Nonparticipating employer withdrawal liability.

(a) General rule.—*A nonparticipating employer is liable to the system for withdrawal liability in the amount determined under subsection (c). A nonparticipating employer is an employer that is determined by the board to have ceased:*

(1) covered operations under the system; or

(2) to have an obligation to contribute under the system for all or any of the employer's school employees but continues covered operations.

(b) Determination.—An employer shall, within the time prescribed by the board in a written request, furnish such information as the board deems necessary to administer this section and to determine whether an employer is a nonparticipating employer. If the board determines that an employer is a nonparticipating employer, the board shall:

- (1) determine the nonparticipation date;*
- (2) determine the amount of the employer's withdrawal liability;*
- (3) notify the employer of the amount of the withdrawal liability;*

and

- (4) collect the amount of the withdrawal liability.*

(c) Calculation of withdrawal liability.—A nonparticipating employer's withdrawal liability shall be determined as of the employer's nonparticipation date and shall be calculated as follows:

(1) For a nonparticipating employer under subsection (a)(1), the excess of the actuarial present value of the vested accrued benefits of the system's members over the market value of assets, both as of the date of the last actuarial valuation adopted by the board prior to the employer's nonparticipation date, shall be multiplied by a withdrawal fraction,¹ calculated as follows:

(i) The numerator of the withdrawal fraction shall be the total present value of accrued benefits of all active members of the employer.

(ii) The denominator of the withdrawal fraction shall be the total present value of accrued benefits of all active members of the system.

(2) For a nonparticipating employer under subsection (a)(2), the excess of the actuarial accrued liability of the system's members over the market value of assets, both as of the date of the last actuarial valuation adopted by the board prior to the employer's nonparticipation date, shall be multiplied by a withdrawal fraction, calculated as follows:

(i) The numerator of the withdrawal fraction shall be the total present value of accrued benefits of all active members of the employer.

(ii) The denominator of the withdrawal fraction shall be the total present value of accrued benefits of all active members of the system.

(d) Value of benefits.—The actuarial present value of the vested accrued benefits and total present value of accrued benefits shall be determined based on the unit credit actuarial cost method, applying the system's provisions and actuarial assumptions used in the last actuarial valuation adopted by the board prior to the nonparticipation date. The actuarial accrued liability shall be determined based on the same actuarial cost method used to determine the actuarially required contribution rate in section 8328(i) (relating to actuarial cost method), applying the system's provisions and actuarial assumptions used in the last actuarial valuation adopted by the board prior to the nonparticipating date.

¹shall be multiplied by withdrawal fraction," in enrolled bill.

(e) Interest rate assumption.—For purposes of calculating the withdrawal liability in subsection (c)(1):

(1) For a nonparticipating employer under subsection (a)(1), the interest rate assumption shall be reduced by an amount determined by the actuary to reflect the increased investment, mortality and other actuarial risk associated with the accrued benefit of the members of the nonparticipating employer on a basis approved by the board.

(2) For a nonparticipating employer under subsection (a)(2), the interest rate assumption shall be the same annual interest rate used to determine the annual normal contribution rate under section 8328(b) as of the date of the last actuarial valuation adopted by the board prior to the employer's nonparticipation date.

(f) Payment.—A nonparticipating employer shall pay the withdrawal liability as follows:

(1) The withdrawal liability for a nonparticipating employer under subsection (a)(1) shall be paid in a lump sum no later than the time prescribed by the board in the notice of the amount of the withdrawal liability.

(2) The withdrawal liability for a nonparticipating employer under subsection (a)(2) shall be paid based on the schedule and method of payment determined by the board. In addition, the obligations of such nonparticipating employer under this section shall not impair the obligation of the nonparticipating employer to continue to pay the employer contribution rate under section 8328 as adjusted for the withdrawal liability. For purposes of this section, the board may determine whether a member should be treated as being employed by a single employer, regardless of whether the employer is a nonparticipating employer. In making such determination, the board may rely on the provisions of the IRC § 414(b), (c) and (m) and corresponding regulations or may establish other relevant factors the board deems necessary.

(3) The board is authorized to pursue all causes of action and collection remedies as permitted under applicable law to collect the withdrawal liability and to seek relief under section 8327(b) (relating to payments by employers), each without regard to whether the nonparticipating employer has ceased all operations.

Section 4. Sections 8328(a), 8409(b)(3) and 8501(a) of Title 24 are amended to read:

§ 8328. Actuarial cost method.

(a) Employer contribution rate.—The amount of the total employer contributions shall be computed by the actuary as a percentage of the total compensation of all active members and active participants, as applicable, during the period for which the amount is determined and shall be so certified by the board. The total employer contribution rate shall be the sum of paragraphs (1), (2) and (3) divided by the total compensation of all active members and active participants:

(1) the final contribution [rate as] amount computed by multiplying the final contribution rate calculated in subsection (h) [plus] by the total compensation of all active members;

(2) the premium assistance contribution [rate as computed in subsection (f). The actuarially required contribution rate shall consist of the normal contribution rate as defined in subsection (b), the accrued liability contribution rate as defined in subsection (c) and the supplemental annuity contribution rate as defined in subsection (d). Beginning July 1, 2004, the actuarially required contribution rate shall be modified by the experience adjustment factors as calculated in subsection (e).] *amount computed by multiplying the premium assistance contribution rate calculated in subsection (f) by the total compensation of all active members and active participants; and*

(3) *the employer defined contributions as defined under section 8102 (relating to definitions).*

The actuarially required contribution shall be no less than the normal cost plus the cost to fully amortize the unfunded actuarial accrued liability calculated using actuarial methods and assumptions that are consistent with generally accepted actuarial standards and generally accepted accounting principles, including professional actuarial standards of practice.

* * *

§ 8409. Vesting.

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(b) Employer defined contributions.—

* * *

(3) Nonvested employer defined contributions, including interest and investment gains and losses that are forfeited by a participant, shall be **[applied to the participant's most recent employer's obligations assessed in future years]** *retained by the board and used for the payment of expenses of the plan.*

* * *

§ 8501. Public School Employees' Retirement Board.

(a) Status and membership.—The board shall be an independent administrative board and shall consist of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; the Secretary of Banking and Securities, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; one to be appointed by the Governor; three to be elected by the active professional members of the system and active professional participants in the plan from among their number; one to be elected by annuitants **[or participants in the plan who have terminated school service and are receiving or are eligible to receive distributions]** *and Class DC participants receiving distributions*, from among their number; one to be elected by the active nonprofessional members of the system **[or]** *and* active nonprofessional participants in the plan 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 nonlegislative elected members shall be three years. The members from the Senate shall be appointed by the President pro tempore of the Senate and

shall consist of one member from the majority and one member from the minority. The members from the House of Representatives shall be appointed by the Speaker of the House of Representatives and shall consist of one member from the majority and one member from the minority. The legislative members shall serve on the board for the duration of their legislative terms and shall continue to serve until 30 days after the convening of the next regular session of the General Assembly after the expiration of their respective legislative terms or until a successor is appointed for the new term, whichever occurs first. The chairman of the board shall be elected by the board members. Each ex officio member of the board and each legislative member of the board may appoint a duly authorized designee to act in his stead. In the event that a board member, who is designated as an active participant or as the participant in the plan who is receiving or is eligible to receive distributions, receives a total distribution of the board member's interest in the plan, that board member may continue to serve on the board for the remainder of his term.

* * *

Section 4.1. Chapter 85 of Title 24 is amended by adding a subchapter to read:

SUBCHAPTER D
PUBLIC MARKETS EMERGING INVESTMENT MANAGER
PROGRAM

Sec.

8541. Definitions.

8542. Establishment.

8543. Funding.

8544. Participation criteria.

8545. Preference.

8546. Requirements and limitations of firms.

8547. Administration.

§ 8541. Definitions.

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

"Program." The Public Markets Emerging Investment Manager Program established under section 8542 (relating to establishment).

§ 8542. Establishment.

(a) Fiduciary duty of board.—Consistent with the board's fiduciary responsibilities, the board shall establish a Public Markets Emerging Investment Manager Program.

(b) Location of managers.—The board shall locate fund managers with a history of generating positive risk adjusted returns.

(c) Source list.—After location of fund managers, the board shall provide a source of potential managers for the main fund.

(d) Assistance with marketing.—In order to grow public market emerging investments firms, the board shall assist in using the system's name in the manager's marketing efforts.

§ 8543. Funding.

The board shall allocate an amount of at least \$250,000,000 and not more than \$1,000,000,000 to the program. Funding for each investment manager shall come from assets allocated within the main fund, similar to or most closely related to the investment manager's mandate. The maximum number of investment managers in the program at any one time may not exceed 10, except that the program may be implemented and run with less than 10 investment managers.

§ 8544. Participation criteria.

In order to be considered to participate in the program, an investment manager must meet the following criteria:

(1) Be registered under the Investment Advisers Act of 1940 (54 Stat. 847, 15 U.S.C. § 80b-1 et seq.) or be exempt from the Investment Advisers Act of 1940.

(2) Have the ability to demonstrate real and contented transparency of positions and transactions.

(3) Have the ability to provide and show quarterly liquidity.

(4) A firm, portfolio manager or any combination of firm and portfolio manager must have a five-year historical performance record verified by at least one consultant or accounting firm in accordance with the Global Investment Performance Standard in effect on the effective date of this section.

§ 8545. Preference.

Preference shall be given to investment managers deemed to meet the objectives, goals and required criteria contained under this subchapter,¹ plus demonstration of at least one of the following characteristics:

(1) Be an investment management firm headquartered or incorporated within this Commonwealth.

(2) Be a:

(i) veteran-owned investment management firm, with proper DD-214 verification and honorable discharge; or

(ii) service-disabled-veteran-owned investment management firm with a letter from the United States Department of Veteran Affairs.

(3) Be a minority-owned or women-owned investment management firm approved by the Office of Minority and Women Business Enterprise in accordance with the criteria established by Executive Order No. 1987-18 and 4 Pa. Code § 68.204 (relating to eligibility standards).

§ 8546. Requirements and limitations of firms.

(a) Equity, commodity or absolute return exposure firms.—Firms considered to provide equity, commodity or absolute return exposure may not have more than \$1,500,000,000 of total assets under management when hired. If the total assets under management exceed \$3,000,000,000, the investment managers shall be terminated in a reasonable period of time.

¹contained under this subsection," in enrolled bill.

(b) Fixed-income exposure firms.—Firms considered to provide fixed-income exposure shall have no more than \$3,000,000,000 of total assets under management when hired. If the total assets under management exceeds \$6,000,000,000, existing investment managers shall be terminated within a reasonable period of time.

(c) Performance-based fee accounts.—For performance-based fee accounts, a manager must exceed both a hurdle rate and a high water mark before the manager can earn the performance-based fee.

(d) Transition to main fund.—Investment managers hired into the program may continue in the program for a period of at least three years, but not more than five years. If the investment manager generates strong risk adjusted returns, the Investment Office shall use best efforts to make a place in the main fund for the investment manager. The Investment Office shall consider things such as the investment manager's assets under management and projected ability to continue generating strong risk adjusted returns in the future.

§ 8547. Administration.

(a) Authority to hire.—The board and the Investment Office may hire and fund any investment manager meeting the objectives, goals and criteria under this section.

(b) Prohibition of investment.—An investment may not be made into an investment vehicle that primarily includes private equity, private debt, venture capital or private real estate instruments. An investment in an absolute return strategy shall be subject to manager selection requirements within the absolute return policy.

(c) Emerging manager portfolio manager.—The Investment Office shall appoint an Emerging Manager Portfolio Manager who shall be responsible for administering the program. The Emerging Manager Portfolio Manager shall meet with managers that appear to meet the objectives, goals and criteria of this section. The Emerging Manager Portfolio Manager shall recommend qualified investment managers for inclusion into the main fund and shall further advise the Investment Office if termination of an investment manager is recommended. An investment manager may be terminated by the Emerging Manager Portfolio Manager, with approval from the Investment Office, if the investment manager is underperforming, not generating strong risk adjusted returns, not meeting the criteria to move into the main fund, changes investment processes, has personnel turnover or any other reason which is deemed by the Investment Office to be in the best interests of the system.

(d) Internal Review Committee.—An investment manager considered for hiring into the program shall meet with the Internal Review Committee. The Internal Review Committee shall review each manager considered for inclusion in the program and provide feedback to the Emerging Manager Portfolio Manager. Investment Office approval shall be required to hire a manager into the program, including the Emerging Manager Portfolio Manager, the Emerging Manager Portfolio Manager's supervisor and the Chief Investment Officer.

(e) Approval for exceptional investment manager.—*If the Emerging Manager Portfolio Manager, the Chief Investment Officer or other qualified staff have located an exceptional investment manager that does not meet the required criteria established under this section, the Investment Office shall obtain board approval for hiring. The Investment Office shall present to the board the specific reasons for hiring the investment manager.*

(f) Contract requirements.—*Each investment manager shall manage its portfolio within the constraints of the contract entered into between the investment manager and the board, the Investment Policy Statement, Objectives and Guidelines, any applicable addendum and any applicable amendments to the contract and Investment Policy Statement, Objectives and Guidelines. The Investment Office and board shall have authority to negotiate the investment contract with the investment manager, including the investment guidelines.*

(g) Insurance.—*Each of the standard insurance provisions in the Investment Policy Statement, Objectives and Guidelines, except for the maximum deductibles, shall apply to the investment manager until the investment manager is either managing over \$100,000,000 for the program or is moved out of the program into the main fund. The maximum deductible for both the error and omissions insurance and the fidelity bond shall be the greater of 10% of audited retained earnings or the following:*

<i>Asset Size</i>	<i>Maximum Deductible</i>
<i>\$0 - \$50,000,000</i>	<i>\$50,000</i>
<i>\$50,000,000 - \$75,000,000</i>	<i>\$100,000</i>
<i>\$75,000,000 - \$100,000,000</i>	<i>\$200,000</i>

(h) Funding.—*Board approval shall be required for total capital allocations exceeding \$100,000,000. Investment strategy limitations shall be consistent with Investment Policy Statement constraints. The Emerging Manager Portfolio Manager, the Emerging Manager Portfolio Manager's supervisor and the Chief Investment Officer shall determine the amount of the initial allocation and each subsequent allocation to each investment manager.*

Section 5. The definition of "eligible person" in section 8702(a) of Title 24 is amended to read:

§ 8702. Definitions.

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

"Eligible person." An individual who is:

(1) an annuitant or survivor annuitant or the spouse or dependent of an annuitant or survivor annuitant; or

(2) a *Class DC* participant [receiving distributions] who has terminated school service, who has at least 10 eligibility points,¹ who is Medicare eligible and who has received all or part of their distributions,

¹"school service, has at least 10 eligibility points," in enrolled bill.

or a successor payee[.] or the spouse or dependent of [a participant receiving distributions or a] *a Class DC participant described under this paragraph or* successor payee.

* * *

Section 5.1. The definition of "enforcement officer" in section 5102 of Title 71 is amended by adding a paragraph to read:

§ 5102. Definitions.

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

* * *

"Enforcement officer."

* * *

(6) Individuals who are employed¹ by the Office of State Inspector General on or after the effective date of this paragraph as investigators, agents and their immediate supervisors, who are charged with the enforcement of laws and who have, within the scope of their employment, the police power to enforce the laws under the authority of Article V-A of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929.

* * *

Section 6. Sections 5306.4(c) and (d), 5310 and 5702(a)(1) of Title 71 are amended to read:

§ 5306.4. Election to become a Class A-6 member or solely a participant in the plan.

* * *

(c) Effect of election to be a Class A-6 member.—An election to become a Class A-6 member shall be irrevocable and shall become effective on the effective date of membership in the system and shall remain in effect for all future creditable State service, other than service performed as a Class A-5 exempt employee. Payment *and adjustment* of regular member contributions *and mandatory pickup participant contributions for Class A-5 State service and* for Class A-6 State service performed prior to the election of Class A-6 membership shall be made in a form, manner and time determined by the board. Upon termination and subsequent reemployment, a member who elected Class A-6 membership shall be credited as a Class A-6 member for creditable State service performed after reemployment, except as a Class A-5 exempt employee, regardless of termination of employment, termination of membership by withdrawal of accumulated deductions or status as an annuitant, vestee or inactive member after the termination of service.

(d) Effect of election to be solely a participant in the plan.—An election to become solely a participant in the plan shall be irrevocable and shall become effective on the date that membership in the system would have been effective had the election not been made and shall remain in effect for all future State service, other than service performed as a Class A-5 exempt employee. [Payment] *Adjustment of regular member contributions for*

¹(5) Individuals who are employed" in enrolled bill.

Class A-5 State service and payment of mandatory participant pickup contributions for service solely as a participant in the plan performed prior to the election shall be made in a form, manner and time determined by the board. Upon termination and subsequent reemployment, a State employee who elected to be solely a participant in the plan shall resume active participation for State service performed after reemployment, except as a Class A-5 exempt employee, regardless of termination of employment, termination of participation by a partial or total distribution of vested total defined contributions or status as an annuitant, vestee or inactive member of the system as a Class A-5 exempt employee after the termination of service.

* * *

§ 5310. Eligibility for death benefits.

In the event of the death of a member who is eligible for an annuity in accordance with section 5308(a) or (b) (relating to eligibility for annuities), his beneficiary shall be entitled to a death benefit. **[For purposes of this section, a member with ten or more eligibility points shall be considered eligible for an annuity based on Class A-5 service or Class A-6 service even if under superannuation age.]**

§ 5702. Maximum single life annuity.

(a) General rule.—Any full coverage member who is eligible to receive an annuity pursuant to the provisions of section 5308(a) or (b) (relating to eligibility for annuities) who terminates State service, or if a multiple service member who is a school employee who is an active member of the Public School Employees' Retirement System who terminates school service, before attaining age 70 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:

(1) A single life annuity that is the sum of the standard single life annuities determined separately for each class of service multiplied by the appropriate class of service multiplier applicable to each standard single life annuity. In case the member on the effective date of retirement is under superannuation age for any service, a reduction factor calculated to provide benefits actuarially equivalent to an annuity starting at superannuation age and subject to the provisions of subsection [(e)] (f) shall be applied to the product determined for that service: Provided, however, That any standard single life annuity resulting from Class A-5 service 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 0.25% if the effective date of retirement is on or after the date the member has attained age 57 and the member has 25 or more eligibility points, and that any standard single life annuity resulting from Class A-6 service 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 0.25% if the effective date of retirement is on or after the date the member has attained age 62 and the member has 25 or more eligibility points. The class of service multiplier for any period of concurrent service shall be multiplied by the proportion of total State and school compensation during such

period attributable to State service as a member of the system. In the event a member has two multipliers for one class of service, separate standard single life annuities shall be calculated for the portion of service in the class applicable to each class of service multiplier.

* * *

Section 6.1. Notwithstanding any provision of 71 Pa.C.S. §§ 5507 and 5508 to the contrary, for purposes of 71 Pa.C.S. § 5508(c)(4), any change in the accrued liability that results from the addition of paragraph (6) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102¹ shall be funded in equal dollar installments as a percentage of compensation of all affected active members and affected active participants employed by the Office of State Inspector General over a period of 10 years from the first day of July following the valuation date coincident with or next following the effective date of this section.

Section 6.2. The provisions of this act are severable. If any provision of this act or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application.

Section 6.3. The following shall apply:

(1) Except as provided under paragraph (2), the addition of paragraph (6) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102¹ shall apply retroactively to September 18, 2017.

(2) The addition of paragraph (6) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102¹ shall not apply retroactively to September 18, 2017, for an employee hired after December 31, 2018.

(3) The addition of paragraph (6) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102¹ shall not apply to a current or former employee of the Office of Inspector General who dies prior to 60 days after the effective date of this section.

(4) Except as provided under paragraph (5), only service performed by employees under paragraph (6) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102² after September 17, 2017, may be service as an enforcement officer.

(5) Only service performed on or after the effective date of this section by employees under paragraph (6) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102² who were hired after December 31, 2018, may be service as an enforcement officer.

Section 7. This act shall take effect in 60 days.

APPROVED—The 2nd day of July, A.D. 2019

TOM WOLF

¹"addition of paragraph (5) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102" in enrolled bill.

²employees under paragraph (5) of the definition of "enforcement officer" in 71 Pa.C.S. § 5102" in enrolled bill.