

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2135 Session of
2010

INTRODUCED BY GRELL, EVERETT, GROVE, HARPER, KILLION, MOUL,
PICKETT AND ROSS, JANUARY 6, 2010

REFERRED TO COMMITTEE ON FINANCE, JANUARY 6, 2010

AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated
2 Statutes, in retirement for school employees, further
3 providing for definitions and for construction of part; in
4 membership, contributions and benefits, further providing for
5 eligibility points for retention and reinstatement of service
6 credits, for creditable nonschool service, for classes of
7 service, for eligibility for annuities, for eligibility for
8 vesting, for member contributions for creditable school
9 service, for contributions for purchase of credit for
10 creditable nonschool service, for actuarial cost method and
11 for member's options; in administration and miscellaneous
12 provisions, establishing the individual annuity savings
13 account; further providing for payments to school entities by
14 Commonwealth; and establishing a defined contribution
15 retirement benefit program.

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

18 Section 1. The definitions of "basic contribution rate,"
19 "class of service multiplier," "standard single life annuity,"
20 "superannuation or normal retirement age" and "vestee" in
21 section 8102 of Title 24 of the Pennsylvania Consolidated
22 Statutes are amended and the section is amended by adding
23 definitions to read:
24 § 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:

* * *

"Basic contribution rate." For Class T-A, T-B and T-C service, the rate of 6 1/4%. For Class T-D service, the rate of 7 1/2%. For all active members on the effective date of this provision who are currently paying 5 1/4% and elect Class T-D service, the rate of 6 1/2%. For Class T-E service, the rate of 3.25%.

* * *

"Class of service multiplier."

Class of service	Multiplier
T-A	.714
T-B	.625
T-C	1.000
T-D	1.000
<u>T-E</u>	<u>1.000</u>

* * *

"Funded ratio." The ratio, expressed as a percentage, of the actuarial value of assets of the fund divided by the actuarial accrued liabilities of the system for benefits related to current members, beneficiaries and survivor annuitants, excluding any assets and liabilities associated with the premium assistance program.

* * *

"Individual annuity savings account." The ledger account to which are credited the amounts of the contributions made by the employer and contributions or lump sum payments made by Class T-E members in accordance with the provisions of Chapter 86

(relating to defined contribution retirement benefit program),
together with all interest and investment earnings.

"Individual annuity savings plan." The defined contribution
benefit plan established by the board exclusively for the
benefit of Class T-E members in conformity with section 401(a)
of the Internal Revenue Code of 1986 (Public Law 99-514, 26
U.S.C. § 401(a)).

* * *

"Standard single life annuity." For Class T-A, T-B and T-C
credited service of a member, 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.
For Class T-D credited service of a member, an annuity equal to
2.5% of the final average salary, multiplied by the total number
of years and fractional part of a year of credited service. For
Class T-E credited service of a member, an annuity equal to 1%
of the final average salary, multiplied by the total number of
years and fractional part of a year of credited service.

* * *

"Superannuation or normal retirement age."

Class of service	Age
T-A	62 or any age upon accrual of 35 eligibility points
T-B	62
T-C [and], T-D <u>and</u> <u>T-E</u>	62 or age 60 provided the member has at least 30 eligibility points or any age upon accrual of 35 eligibility points

* * *

1 "Vestee." A member with five or more eligibility points who
2 has terminated school service, has left his accumulated
3 deductions in the fund and is deferring filing of an application
4 for receipt of an annuity. For Class T-E members, a member with
5 ten or more eligibility points who has terminated school
6 service, has left his accumulated deductions in the fund and is
7 deferring filing of an application for receipt of an annuity.

8 Section 2. Section 8103 of Title 24 is amended by adding a
9 subsection to read:

10 § 8103. Construction of part.

11 * * *

12 (c) Construction of part with regard to pension rights and
13 rights relating to individual annuity savings plan.--
14 Notwithstanding any other provision of law, pension benefit
15 rights of school employees and any rights or benefits of Class
16 T-E members relating to the individual annuity savings plan
17 provided for in Chapter 86 (relating to defined contribution
18 retirement benefit program) shall be determined solely by this
19 part and regulations hereunder, and no collective bargaining
20 agreement nor any arbitration award between any school entity or
21 school employer and its employees or their collective bargaining
22 representatives shall be construed to change any of the
23 provisions in this part to require the board to administer
24 pension or retirement benefits not set forth in this part, nor
25 otherwise require action by any other government body pertaining
26 to pension benefits or rights of school employees or benefits or
27 rights of Class T-E members relating to the individual annuity
28 savings plan.

29 Section 3. Sections 8303(c) and 8304(a) of Title 24 are
30 amended to read:

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

* * *

(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:

(1) as a member of Class T-C or T-E, as applicable, for previous school service or creditable nonschool service; or

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

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 or T-E, as applicable, service credit for creditable nonschool service and Class T-D service for intervening military service, provided the member becomes a Class T-D member pursuant to section 8305.1 (relating to election to become a Class T-D member) or 8305 (relating to classes of 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

1 or partially paid for by any other governmental agency or by any
2 private employer, or a retirement program approved by the
3 employer in accordance with section 8301(a)(1) (relating to
4 mandatory and optional membership), and further provided that
5 such service is certified by the previous employer and the
6 manner of payment of the amount due is agreed upon by the
7 member, the employer, and the board.

8 * * *

9 Section 4. Section 8305(a), (b) and (c)(1) of Title 24 are
10 amended and the section is amended by adding a subsection to
11 read:

12 § 8305. Classes of service.

13 (a) Class T-C membership.--A school employee who is a member
14 of Class T-C on the effective date of this part [or who becomes
15 a member of the system subsequent to the effective date of this
16 part] shall be classified as a Class T-C member, provided the
17 school employee does not become a member of Class T-D pursuant
18 to subsection (c).

19 (b) Other class membership.--[A] Other than those school
20 employees covered in subsection (d), a school employee who is a
21 member of a class of service other than Class T-C on the
22 effective date of this part may elect to become a member of
23 Class T-C or Class T-D or may retain his membership in such
24 other class until the service is discontinued or he elects to
25 become a full coverage member or elects to purchase credit for
26 previous school or creditable nonschool service. Any service
27 thereafter shall be credited as Class T-C or T-D service as
28 applicable.

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

30 (1) [A] Other than those persons covered in subsection

1 (d), a person who becomes a school employee and an active
2 member, or a person who becomes a multiple service member who
3 is a State employee and a member of the State Employees'
4 Retirement System, on or after the effective date of this
5 subsection shall be classified as a Class T-D member upon
6 payment of regular member contributions. Any prior school
7 service credited as Class T-C service shall be credited as
8 Class T-D service, subject to the limitations contained in
9 paragraph (4).

10 * * *

11 (d) Class T-E membership.--A school employee who becomes a
12 member of the system after June 30, 2010, shall be classified as
13 a Class T-E member.

14 Section 5. Sections 8307(b), 8308, 8323(a), (c) and (c.1),
15 8324, 8328(a) and 8345(a) of Title 24 are amended to read:
16 § 8307. Eligibility for annuities.

17 * * *

18 (b) Withdrawal annuity.--[A] For Class T-E members, any
19 vestee with ten or more eligibility points or an active or
20 inactive member who terminates school service having ten or more
21 eligibility points shall, upon filing a proper application, be
22 entitled to receive an early annuity. Any other vestee with five
23 or more eligibility points or an active or inactive member who
24 terminates school service having five or more eligibility points
25 shall, upon filing a proper application, be entitled to receive
26 an early annuity.

27 * * *

28 § 8308. Eligibility for vesting.

29 Any Class T-E member who terminates school service with ten
30 or more eligibility points shall be entitled to vest his

1 retirement benefits until attainment of superannuation age. Any
2 other member who terminates school service with five or more
3 eligibility points shall be entitled to vest his retirement
4 benefits until attainment of superannuation age.

5 § 8323. Member contributions for creditable school service.

6 (a) Previous school service, sabbatical leave and full
7 coverage.--The contributions to be paid by an active member or
8 an eligible State employee for credit for reinstatement of all
9 previously credited school service, school service not
10 previously credited, sabbatical leave as if he had been in full-
11 time daily attendance, or full-coverage membership shall be
12 sufficient to provide an amount equal to the accumulated
13 deductions which would have been standing to the credit of the
14 member for such service had regular member contributions been
15 made with full coverage at the rate of contribution necessary to
16 be credited as Class T-C service [or], Class T-D service if the
17 member is a Class T-D member or Class T-E service if the member
18 is a Class T-E member and had such contributions been credited
19 with statutory interest during the period the contributions
20 would have been made and during all periods of subsequent school
21 and State service up to the date of purchase.

22 * * *

23 (c) Approved leave of absence other than sabbatical leave
24 and activated military service leave.--The contributions to be
25 paid by an active member for credit for an approved leave of
26 absence, other than sabbatical leave and activated military
27 service leave, shall be sufficient to transfer his membership to
28 Class T-C [or], to Class T-D if the member is a Class T-D member
29 or to Class T-E if the member is a Class T-E member and further
30 to provide an annuity as a Class T-C member [or], Class T-D

1 member if the member is a Class T-D member or Class T-E member
2 if the member is a Class T-E member for such additional credited
3 service. Such amount shall be the sum of the amount required in
4 accordance with the provisions of subsection (b) and an amount
5 determined as the sum of the member's basic contribution rate
6 and the normal contribution rate as provided in section 8328
7 (relating to actuarial cost method) during such period
8 multiplied by the compensation which was received or which would
9 have been received during such period and with statutory
10 interest during all periods of subsequent school and State
11 service up to the date of purchase.

12 (c.1) Activated military service leave.--The contributions
13 to be paid by an active member for credit for all activated
14 military service leave as if he had been in regular attendance
15 in the duties for which he is employed shall be sufficient to
16 provide an amount equal to the accumulated deductions which
17 would have been standing to the credit of the member for such
18 service had regular member contributions been made with full
19 coverage at the rate of contribution necessary to be credited as
20 Class T-C service [or], Class T-D service if the member is a
21 Class T-D member or Class T-E service if the member is a Class
22 T-E member and had such contributions been credited with
23 statutory interest during the period the contributions would
24 have been made and during all periods of subsequent State and
25 school service up to the date of purchase. In the case of
26 activated military service leave beginning after the date of
27 enactment of this subsection, contributions due from the member
28 shall be made as if he is in regular attendance in the duties
29 for which he is employed.

30 * * *

1 § 8324. Contributions for purchase of credit for creditable
2 nonschool service.

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

9 (b) Nonintervening military service.--The amount due for the
10 purchase of credit for military service other than intervening
11 military service shall be determined by applying the member's
12 basic contribution rate plus the normal contribution rate as
13 provided in section 8328 (relating to actuarial cost method) at
14 the time of entry of the member into school service subsequent
15 to such military service to one-third of his total compensation
16 received during the first three years of such subsequent
17 credited school service and multiplying the product by the
18 number of years and fractional part of a year of creditable
19 nonintervening military service being purchased together with
20 statutory interest during all periods of subsequent school and
21 State service to date of purchase. Upon certification of the
22 amount due, payment may be made in a lump sum within 90 days or
23 in the case of an active member or an eligible State employee
24 who is an active member of the State Employees' Retirement
25 System it may be amortized with statutory interest through
26 salary deductions in amounts agreed upon by the member and the
27 board. The salary deduction amortization plans agreed to by
28 members and the board may include a deferral of payment amounts
29 and statutory interest until the termination of school service
30 or State service as the board in its sole discretion decides to

1 allow. The board may limit salary deduction amortization plans
2 to such terms as the board in its sole discretion determines. In
3 the case of an eligible State employee who is an active member
4 of the State Employees' Retirement System, the agreed upon
5 salary deductions shall be remitted to the State Employees'
6 Retirement Board, which shall certify and transfer to the board
7 the amounts paid. Application may be filed for all such military
8 service credit upon completion of three years of subsequent
9 credited school service and shall be credited as Class T-C
10 service. In the event that a Class T-E member makes a purchase
11 of credit for such military service, then such service shall be
12 credited as Class T-E service.

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

23 (1) Regular monthly payments during active military
24 service.

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

27 (3) Salary deductions in amounts agreed upon by the
28 member and the board. The salary deduction amortization plans
29 agreed to by the members and the board may include a deferral
30 of payment amounts and statutory interest until the

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

10 (d) Other creditable nonschool service.--Contributions on
11 account of Class T-C or Class T-E credit, as applicable, for
12 creditable nonschool service other than military service shall
13 be determined by applying the member's basic contribution rate
14 plus the normal contribution rate as provided in section 8328 at
15 the time of the member's entry into school service subsequent to
16 such creditable nonschool service to his total compensation
17 received during the first year of subsequent credited school
18 service and multiplying the product by the number of years and
19 fractional part of a year of creditable nonschool service being
20 purchased together with statutory interest during all periods of
21 subsequent school or State service to the date of purchase,
22 except that in the case of purchase of credit for creditable
23 nonschool service as set forth in section 8304(b) (5) (relating
24 to creditable nonschool service) the member shall pay only the
25 employee's share unless otherwise provided by law. Upon
26 certification of the amount due, payment may be made in a lump
27 sum within 90 days or in the case of an active member or an
28 eligible State employee who is an active member of the State
29 Employees' Retirement System it may be amortized with statutory
30 interest through salary deductions in amounts agreed upon by the

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

12 (e) Creditable work experience.--Contributions on account of
13 T-C credit or Class T-E credit, as applicable, for creditable
14 work experience pursuant to section 8304(b)(6) shall be the
15 present value of the full actuarial cost of the increase in the
16 projected superannuation annuity caused by the additional
17 service credited on account of the purchase of creditable work
18 experience. The amount paid for the purchase of credit for
19 creditable work experience shall not be payable as a lump sum
20 under section 8345(a)(4)(iii) (relating to member's options).
21 Any individual eligible to receive an annuity, excluding an
22 annuity received under the Federal Social Security Act (42
23 U.S.C. § 301 et seq.), in another pension system, other than a
24 military pension system, shall not be eligible to purchase this
25 service.

26 (f) Creditable maternity leave.--Contributions on account of
27 Class T-C credit or Class T-E credit, as applicable, for
28 creditable maternity leave pursuant to section 8304(b)(7) shall
29 be determined by applying the member's basic contribution rate
30 plus the normal contribution rate as provided in section 8328 at

1 the time of the member's return to school service to the total
2 compensation received during the first year of subsequent school
3 service and multiplying the product by the number of years and
4 fractional part of a year of creditable service being purchased,
5 together with statutory interest during all periods of
6 subsequent school or State service to the date of purchase. The
7 amount paid for the purchase of credit for creditable maternity
8 leave shall not be eligible for withdrawal as a lump sum under
9 section 8345(a)(4)(iii).

10 § 8328. Actuarial cost method.

11 (a) Employer contribution rate on behalf of active
12 members.--The amount of the total employer contributions on
13 behalf of all active members shall be computed by the actuary as
14 a percentage of the total compensation of all active members
15 during the period for which the amount is determined and shall
16 be so certified by the board. The total contribution rate on
17 behalf of all active members shall consist of the normal
18 contribution rate as defined in subsection (b), the accrued
19 liability contribution rate as defined in subsection (c) and the
20 supplemental annuity contribution rate as defined in subsection
21 (d). Beginning July 1, 2004, the total contribution rate shall
22 be modified by the experience adjustment factors as calculated
23 in subsection (e) but in no case shall it be less than 4% plus
24 the premium assistance contribution rate, provided, however,
25 that in any year in which the funded ratio is 100% or higher,
26 the total contribution rate shall not be less than 4% plus the
27 premium assistance contribution rate, minus a percentage amount
28 equal to the ratio of the employer contributions into the
29 individual annuity savings plan provided for in Chapter 86
30 (relating to defined contribution retirement benefit program)

1 for all active Class T-E members to the total payroll for school
2 employers for the previous fiscal year.

3 * * *

4 § 8345. Member's options.

5 (a) General rule.--Any Class T-E member with ten or more
6 eligibility points, any other vestee with five or more
7 eligibility points or any other eligible member upon termination
8 of school service who has not withdrawn his accumulated
9 deductions as provided in section 8341 (relating to return of
10 accumulated deductions) may apply for and elect to receive
11 either a maximum single life annuity, as calculated in
12 accordance with the provisions of section 8342 (relating to
13 maximum single life annuity), or a reduced annuity certified by
14 the actuary to be actuarially equivalent to the maximum single
15 life annuity and in accordance with one of the following
16 options, except that no member shall elect an annuity payable to
17 one or more survivor annuitants other than his spouse or
18 alternate payee of such a magnitude that the present value of
19 the annuity payable to him for life plus any lump sum payment he
20 may have elected to receive is less than 50% of the present
21 value of his maximum single life annuity.

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

28 (2) Option 2.--A joint and survivor annuity payable
29 during the lifetime of the member with the full amount of
30 such annuity payable thereafter to his survivor annuitant, if

1 living at his death.

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

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

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

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

15 (iii) A portion of the benefit may be payable as a
16 lump sum, except that such lump sum payment shall not
17 exceed an amount equal to the accumulated deductions
18 standing to the credit of the member. The balance of the
19 present value of the maximum single life annuity adjusted
20 in accordance with section 8342(b) shall be paid in the
21 form of an annuity with a guaranteed total payment, a
22 single life annuity, or a joint and survivor annuity or
23 any combination thereof but subject to the restrictions
24 of subparagraphs (i) and (ii) of this paragraph.

25 * * *

26 Section 6. Title 24 is amended by adding a section to read:

27 § 8523.1. Individual annuity savings account.

28 The individual annuity savings account is established as the
29 ledger account to which shall be credited the amounts of
30 contributions made by the employer and contributions or lump sum

payments made by Class T-E members in accordance with the provisions of Chapter 86 (relating to defined contribution retirement benefit program), together with all interest and investment earnings.

Section 7. Section 8535 of Title 24 is amended to read:

§ 8535. Payments to school entities by Commonwealth.

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

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

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

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

9 (3) School entities shall have up to five days after
10 receipt of the Commonwealth's portion of the employer's
11 liability to make payment to the Public School Employees'
12 Retirement Fund.

13 (4) Commencing with the 2009-2010 school year, in any
14 year in which the employer contribution rate certified under
15 section 8328 increases by a rate exceeding the index defined
16 in Chapter 3 of the act of June 27, 2006 (1st Sp.Sess.,
17 P.L.1873, No.1), known as the Taxpayer Relief Act, the
18 Commonwealth shall pay each school entity a supplemental
19 amount in addition to the payments described in paragraphs
20 (1) and (2), sufficient to ensure that the increase in the
21 amount required to be paid by the school entity under section
22 8327 (relating to payments by employers) minus payments paid
23 to the school entity under paragraphs (1) and (2), to the
24 extent solely attributable to increases in the employer
25 contribution rate, does not exceed such index.

26 Section 8. Title 24 is amended by adding a chapter to read:

27 CHAPTER 86

28 DEFINED CONTRIBUTION RETIREMENT BENEFIT PROGRAM

29 Sec.

30 8601. Individual annuity savings plan.

1 8602. Agreements with financial institutions and other
2 organizations.

3 8603. Rules and regulations.

4 8604. Responsibility for investment loss.

5 8605. Nonassignment and nontransferability.

6 8606. Powers and duties of board.

7 8607. Rights and duties of Class T-E members.

8 8608. Employer contributions.

9 8609. Investments based on members' investment allocation
10 choices.

11 § 8601. Individual annuity savings plan.

12 In addition to the benefits provided to Class T-E members in
13 this part, the board shall establish and serve as trustee of a
14 defined contribution benefit plan exclusively for Class T-E
15 members within the meaning of and in conformity with section
16 401(a) of the Internal Revenue Code of 1986 (Public Law 99-514,
17 26 U.S.C. § 401(a) et seq.), which shall be known as the
18 individual annuity savings plan. The board shall determine all
19 of the terms and provisions of the plan not inconsistent with
20 this part or the Internal Revenue Code of 1986, including, but
21 not limited to, standards and procedures for its funding, and
22 shall provide for the plan's administration.

23 § 8602. Agreements with financial institutions and other
24 organizations.

25 To establish and administer the individual annuity savings
26 plan, the board shall have the power to enter into written
27 agreements with one or more financial institutions or other
28 organizations relating to the plan's administration and
29 investment of funds held pursuant to the plan.

30 § 8603. Rules and regulations.

1 The board shall have the power to promulgate rules and
2 regulations necessary for the administration and management of
3 the individual annuity savings plan, including, but not limited
4 to, establishing:

5 (1) Procedures whereby eligible Class T-E members may
6 change optional election amounts or their investment choices
7 on a periodic basis or make other elections regarding their
8 participation in the plan.

9 (2) Procedures for deducting amounts to be deferred from
10 members' compensation.

11 (3) Standards or criteria for the selection of financial
12 institutions or other organizations that may be qualified as
13 managers of funds deferred under the plan or to provide other
14 services relating to the administration and management of the
15 plan.

16 (4) Standards and criteria for disclosing and providing
17 options to eligible individuals regarding investments of
18 amounts deferred under the plan, provided that one of the
19 available options must serve as the default option for
20 members who do not make a timely election.

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

26 (6) Procedures, standards and criteria for the making of
27 withdrawals from the plan upon separation from employment or
28 death or in other circumstances consistent with the purpose
29 of the plan.

30 § 8604. Responsibility for investment loss.

1 Neither the board, the Commonwealth, an employer nor any
2 school entity or other political subdivision shall be
3 responsible for any investment loss incurred under this plan, or
4 for the failure of any investment to earn any specific or
5 expected return, or to earn as much as any other investment
6 opportunity, whether or not such other opportunity was offered
7 to participants in the plan.

8 § 8605. Nonassignment and nontransferability.

9 Except as may be provided under section 8533(b) and (c)
10 (relating to taxation, attachment and assignment of funds), no
11 participant or beneficiary shall have the right to commute,
12 sell, assign or otherwise transfer or convey the rights to
13 receive payments under agreements entered into under this
14 chapter, and such payments and rights are expressly declared to
15 be exempt from any State or municipal tax and exempt from levy
16 and sale, garnishment, attachment or any other process
17 whatsoever and shall be nonassignable and nontransferable.

18 § 8606. Powers and duties of board.

19 The board shall have the following powers and duties to
20 administer the provisions of this chapter:

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

23 (2) The board shall pay all administrative costs of
24 managing and administering the individual savings account
25 plans from the contributions and earnings of such individual
26 accounts.

27 (3) The board may establish investment guidelines and
28 limits on the types of investments that Class T-E members can
29 make, consistent with the board's fiduciary obligations.

30 (4) The board shall at all times have the power to

1 change the terms of the plan as may be necessary to maintain
2 the tax-qualified status of the plan.

3 § 8607. Rights and duties of Class T-E members.

4 Class T-E members shall have the following rights and duties
5 under the provisions of this chapter:

6 (1) Each Class T-E member shall contribute 3% of
7 compensation to the member's individual annuity savings
8 account.

9 (2) Each Class T-E member may, at the member's option,
10 make additional contributions to the extent permitted by
11 Federal law and subject to such rules and requirements for
12 the making of elections as may be imposed by Federal law and
13 rules and regulations of the board.

14 (3) Upon termination of service, a Class T-E member
15 shall withdraw the moneys in the account if and to the extent
16 required or permitted by regulations established by the
17 board.

18 § 8608. Employer contributions.

19 The employer of each Class T-E member shall make a
20 contribution to the member's individual annuity savings account
21 equal to 2% of the member's compensation. No further
22 contributions by employers shall be permitted.

23 § 8609. Investments based on members' investment allocation
24 choices.

25 All contributions, interest and investment earnings shall be
26 100% vested and shall be invested based on the Class T-E
27 member's investment allocation choices. Each Class T-E member
28 shall be credited individually with the amount of contributions,
29 interest and investment earnings.

30 Section 9. This act shall take effect immediately.