

# **PSERS**

## **School Employees' Defined Contribution Plan and Trust**

*(Pursuant to the provisions of the Public School Employees' Retirement Code, Title 24, Pa. C.S. §§ 8101-8538, as amended by the Act of June 12, 2017 (P.L. 11, No. 5) of the General Assembly of the Commonwealth of Pennsylvania)*

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## **School Employees' Defined Contribution Plan and Trust**

WHEREAS, the General Assembly of the Commonwealth of Pennsylvania previously established The Public School Employees' Retirement System of Pennsylvania ("System") 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);

WHEREAS, the statutory basis for the System is set forth in the Public School Employees' Retirement Code, Title 24, Pa. C.S. §§ 8101-8538 ("Retirement Code");

WHEREAS, the System includes a defined benefit pension plan that is intended to: (1) be a governmental "qualified" plan under Section 401(a) of the Internal Revenue Code of 1986, as amended ("IRC") and (2) provide retirement benefits to the eligible employees of Pennsylvania "public schools" as defined in Section 8102 of the Retirement Code;

WHEREAS, Section 8501 of the Retirement Code established the Public School Employees' Retirement Board, an independent administrative board ("Board") that under the Retirement Code, has certain administrative powers and duties regarding the System;

WHEREAS, the General Assembly of the Commonwealth of Pennsylvania amended the Retirement Code by the Act of June 12, 2017 (P.L. 11, No. 5) ("Act 5");

WHEREAS, Act 5 sets forth the structure of and establishes the School Employees' Defined Contribution Plan ("DC Plan") and the School Employees' Defined Contribution Trust ("DC Trust") pursuant to which the assets of the DC Plan are to be held for the funding and payment of benefits under the DC Plan;

WHEREAS, the DC Plan is a defined contribution plan that is intended to be a governmental "qualified" plan under IRC Section 401(a) for the exclusive benefit of those "school employees" who participate in this DC Plan on or after July 1, 2019 and their beneficiaries and the DC Trust is intended to be tax-exempt under IRC Section 501(a);

WHEREAS, although a separate "plan" under IRC Section 401(a), nevertheless Act 5 establishes a participation, contribution, benefit, and administrative structure under the DC Plan that imports many of the System's terms and its application and interpretation by the Board or as developed under applicable law to form an integrated pension system;

WHEREAS, Section 8401 of the Retirement Code provides that the members of the Board shall be the trustee of the DC Trust;

WHEREAS, Section 8401 of the Retirement Code provides that the Board shall set forth the terms and provisions of the DC Plan and the DC Trust consistent with the IRC, the Retirement Code, and other applicable law; and

WHEREAS, in consideration of the foregoing, the Board has duly resolved to establish the terms and provisions of the DC Plan and DC Trust as set forth in the within plan document.

NOW, THEREFORE, the Board hereby sets forth the terms and provisions of the School Employees' Defined Contribution Plan and Trust which shall be effective as of July 1, 2019.

**ARTICLE I**  
**DEFINITIONS**

Unless the context clearly indicates otherwise, the following words and phrases when used in this DC Plan shall have the meanings given to them in this Article.

- 1.01** “**Accumulated After-Tax Voluntary Contributions**” means the total of After-Tax Voluntary Contributions paid into the Trust by a Participant, together with any investment earnings and losses and adjustments for fees, costs and expenses credited or charged thereon and reduced by Distributions.
- 1.02** “**Accumulated Employer Defined Contributions**” means the total of the Employer Defined Contributions paid into the Trust on account of a Participant’s School Service, together with any investment earnings and losses and adjustments for fees, costs and expenses credited or charged thereon and reduced by Distributions.
- 1.03** “**Accumulated Mandatory Pickup Participant Contributions**” means the total of the Mandatory Pickup Participant Contributions paid into the Trust on account of a Participant’s School Service, together with any investment earnings and losses and adjustments for fees, costs and expenses credited or charged thereon and reduced by Distributions.
- 1.04** “**Accumulated Rollover Contributions**” means the total of the Rollover Contributions received by the Trust with respect to a Participant, together with any investment earnings and losses and adjustments for fees, costs and expenses credited or charged thereon and reduced by Distributions.
- 1.05** “**Accumulated Total Defined Contributions**” means the total of the Accumulated Mandatory Pickup Participant Contributions, Accumulated Employer Defined Contributions, Accumulated After-Tax Voluntary Contributions, and Accumulated Rollover Contributions standing to the credit of a Participant in the Individual Investment Account in the Trust.
- 1.06** “**Active Member**” means a School Employee for whom Pick-Up Contributions are being made to the Fund resulting from participation in the System or for whom such contributions otherwise required for current School Service are not being made solely by reason of the application of IRC Section 401(a)(17) or IRC Section 415.
- 1.07** “**Active Participant**” means a School Employee for whom Mandatory Pickup Participant Contributions are being made to the Trust or for whom contributions otherwise required are not being made solely by reason of the limitation under IRC Section 401(a)(17) or IRC Section 415.
- 1.08** “**After-Tax Voluntary Contributions**” means after-tax contributions to this DC Plan and Trust that are so designated by an Active Participant, deducted from the Participant’s Payroll Period Compensation, and credited to the subaccount within the Participant’s Individual Investment Account for such contributions. Such amounts are in addition to the Participant’s Mandatory Pickup Participant Contributions.
- 1.09** “**Alternate Payee**” means any spouse, former spouse, child or dependent of a Participant who is recognized by a Domestic Relations Order as having a right to receive all or a portion of the moneys payable to that Participant under this DC Plan.

- 1.10** “**Annual Valuation Date**” means June 30.
- 1.11** “**Approved Domestic Relations Order**” means any Domestic Relations Order that has been determined to be approved in accordance with the provisions of this DC Plan.
- 1.12** “**Approved Leave of Absence**” means a leave of absence for activated military service or which has been approved by the Employer for sabbatical leave, special sick leave, service as an exchange teacher, Leave for Service with a Collective Bargaining Organization, or professional study.
- 1.13** “**Beneficiary**” means the person or persons, (as defined in 1 Pa.C.S. § 1991 (relating to definitions)), last designated in writing, by a Participant to the Board, to receive upon the death of the Participant all or a portion of the vested Accumulated Total Defined Contributions standing to the credit in the Individual Investment Account. The term shall also include any such designation by an individual with a vested interest in an Individual Investment Account.
- 1.14** “**Board**” means the Public School Employees’ Retirement Board.
- 1.15** “**Class of Service**” means the following membership classes of the System: Class T-C, Class T-D, Class T-E, Class T-F, Class T-G, Class T-H, and Class DC.
- 1.16** “**Compensation**” means:
- (a) **Base Definition.** Any remuneration received or deemed to be received as a School Employee before reductions for Pickup Contributions and Mandatory Pickup Participant Contributions, provided that excluded forms of remuneration do not constitute Compensation.
- (b) **Excluded Forms of Remuneration.** Compensation shall not include the following:
- (1) reimbursements for expenses incidental to employment;
  - (2) any bonus, Severance Payments, payments received in lieu of benefits, any other remuneration or other emolument received by the Participant during School Service which is not based on the standard salary schedule under which the Participant is rendering School Service;
  - (3) payments for unused sick leave or vacation leave, and payments for optional days;
  - (4) bonuses or other compensation for attending school seminars and conventions;
  - (5) payments under health and welfare plans based on hours of employment;
  - (6) any other payment or emolument which may be provided for in a collective bargaining agreement or employment agreement which may be determined by the Board to be for the purpose of enhancing compensation to determine contributions under this DC Plan; and
  - (7) payments for military leave and any other payments made by an Employer while on USERRA Leave, leave of absence granted under 51 Pa. C.S. § 4102 (relating to leaves of absence for certain government employees), military leave of absence

granted under 51 Pa. C.S. §7302 (relating to granting military leaves of absence), leave granted under section 1178 of the Public School Code, or other types of military leave, including other types of leave payments, stipends, differential wage payments as defined in IRC § 414(u)(12) and any other payments.

- (c) **IRC Section 401(a)(17) Dollar Limitation**. The “annual Compensation” of each Active Participant taken into account in determining allocations provided under this Plan for any determination period shall not exceed the annual Compensation limit under IRC Section 401(a)(17) as in effect on the first day of the determination period (e.g. \$275,000 was the annual compensation limit for a determination period beginning in 2018), as adjusted for cost-of-living increases in accordance with IRC Section 401(a)(17)(B). “Annual Compensation” means Compensation during the Fiscal Year or such other consecutive 12-month period over which Compensation is otherwise determined under this DC Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to “annual Compensation” for the determination period that begins with or within such calendar year.

If a determination period consists of fewer than 12 months, the “annual Compensation” limit is an amount equal to the otherwise applicable “annual Compensation” limit multiplied by a fraction, the numerator of which is the number of full months in the short determination period, and the denominator of which is 12.

If Compensation for any prior determination period is taken into account in determining a Participant's allocations for the current Fiscal Year, the Compensation for such prior determination period is subject to the applicable “annual Compensation” limit in effect for that prior period.

- 1.17** “**Contribution Procedures**” means procedures pursuant to which an Active Participant may make After-Tax Voluntary Contributions and/or Rollover Contributions to this DC Plan.
- 1.18** “**Date of Membership**” means the date the Member was first required to be enrolled in the System as an Active Member.
- 1.19** “**DC Plan**” means the School Employees' Defined Contribution Plan as established by the Retirement Code and as set forth in this Plan Document.
- 1.20** “**Default Investment Alternative**” means an investment alternative so designated by the Board into which the balance of an Individual Investment Account will be invested if no effective investment direction has been made for the Individual Investment Account.
- 1.21** “**Designated Beneficiary**” means the individual who is designated by the Participant (or the Participant’s surviving spouse) (or by this DC Plan if applicable) as the beneficiary of the Participant’s interest under this DC Plan and who is the Designated Beneficiary under IRC Section 401(a)(9) and Treasury Regulation Section 1.401(a)(9)-4.
- 1.22** “**Directed Account**” means that portion of an Individual Investment Account composed of one or more of the subaccounts holding amounts described in Accumulated Total Defined Contributions over which investment control may be exercised in accordance with the Investment Policy.



- 1.23** “**Directing Accountholder**” means a Participant or other person who is permitted to direct the investment of all or portion of the Individual Investment Account.
- 1.24** “**Distributee**” means a Participant, the Participant’s or deceased Participant’s surviving spouse, and the Participant’s spouse or former spouse who is the Alternate Payee under an Approved Domestic Relations Order. A Distributee includes a deceased Participant’s non-spouse designated beneficiary, in which case, the distribution can only be transferred to an Eligible Retirement Plan described in the last sentence of this DC Plan’s definition of Eligible Retirement Plan.
- 1.25** “**Distribution**” means payment of all or any portion of an interest in the Trust as set forth in an Individual Investment Account.
- 1.26** “**Distribution calendar year**” means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant’s death, the first “distribution calendar year” is the calendar year immediately preceding the calendar year that contains the Participant’s Required Beginning Date. For distributions beginning after the Participant’s death, the first “distribution calendar year” is the calendar year in which distributions are required to begin under Section 8.08 (b). The required minimum distribution for the Participant’s first “distribution calendar year” will be made on or before the Participant’s Required Beginning Date. The required minimum distribution for other “distribution calendar years,” including the required minimum distribution for the “distribution calendar year” in which the Participant’s Required Beginning Date occurs, will be made on or before December 31 of that “distribution calendar year.”
- 1.27** “**Domestic Relations Order**” means any judgment, decree or order, including approval of a property settlement agreement, entered by a court of competent jurisdiction pursuant to a domestic relations law which relates to the marital property rights of the spouse or former spouse of a Participant, including the right to receive all or a portion of the moneys payable to that Participant under this DC Plan in furtherance of the equitable distribution of marital assets. The term includes orders of support as that term is defined by 23 Pa. C.S. § 4302 (relating to definitions) and orders for the enforcement of arrearages as provided in 23 Pa. C.S. § 3703 (relating to enforcement of arrearages).
- 1.28** “**Eligible Retirement Plan**” means: (1) an eligible plan under IRC Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and in the case of a transfer from this DC Plan, agrees to separately account for amounts transferred into such plan from this DC Plan; (2) a traditional IRA; (3) a Roth IRA; (4) an annuity plan described in IRC Section 403(a); (5) an annuity contract described in IRC Section 403(b); or (6) a qualified plan described in IRC Section 401(a), and in the case of a transfer from this DC Plan, accepts the Distributee’s Eligible Rollover Distribution. This definition of Eligible Retirement Plan shall also apply to a distribution to a surviving spouse, or to a spouse or former spouse who is the Alternate Payee under an Approved Domestic Relations Order. If any portion of an Eligible Rollover Distribution is attributable to payments or distributions from a designated Roth account, an “eligible retirement plan” with respect to such portion shall include only another designated Roth account of the individual from whose account the payments or distributions were made, or a Roth IRA of such individual. If the Distributee is a non-spouse designated beneficiary, the direct rollover may be made only to a traditional or Roth individual retirement account or an annuity described in IRC Section 408(b) that is established on behalf of the non-spouse designated beneficiary and that will be treated as an inherited IRA pursuant to the provisions of IRC Section 402(c)(11), and the determination of any required minimum distribution required under IRC Section 401(a)(9) that is eligible for rollover shall be made in accordance with applicable IRS guidance, including IRS Notice 2007-7, Q & A 17 and

18.

- 1.29** “**Eligible Rollover Distribution**” means any distribution of all or any portion of the balance to the credit of the Distributee, except that an “eligible rollover distribution” does not include: (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee’s designated beneficiary, or for a specified period of ten years or more; (2) any distribution to the extent such distribution is required under IRC Section 401(a)(9); and (3) any other distribution(s) that is/are reasonably expected to total less than \$200 or such other amount prescribed by applicable law during a year.

Any portion of a distribution that consists of after-tax employee contributions which are not includible in gross income may be transferred only to: (1) a traditional individual retirement account or annuity described in IRC Section 408(a) or (b) (a “traditional IRA”) or a Roth individual retirement account or annuity described in IRC Section 408A (a “Roth IRA”); or (2) to a qualified plan or an annuity contract described in IRC Section 401(a) and IRC Section 403(b), respectively, that agrees to separate accounting for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

- 1.30** “**Eligibility Point**” means the point that is accrued for School Service in a Fiscal Year as an Active Participant. One Eligibility Point shall be credited to an Active Participant for each Fiscal Year in which School Service is rendered and for which an Employer is required to remit a Mandatory Pickup Participant Contribution to this DC Plan for such School Service.

- 1.31** “**Employer**” means any Governmental Entity directly responsible for the employment and payment of the School Employee and charged with the responsibility of providing public education within the Commonwealth of Pennsylvania, including but not limited to: Commonwealth of Pennsylvania - 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 College of Technology, and the Western Pennsylvania School for the Deaf.

- 1.32** “**Employer Defined Contributions**” means the rate of employer-required contributions as set forth in the Retirement Code as follows:

- (a) for Class T-G service, contributions equal to 2.25% of the Active Participant’s Compensation;
- (b) for Class T-H service, contributions equal to 2.0% of the Active Participant’s Compensation; and
- (c) for a Class DC service, contributions equal to 2.0% of the Active Participant’s Compensation.

- 1.33** “**Fiscal Year**” means the period that begins on July 1 and ends on the following June 30.

- 1.34** “**Forfeiture Act**” means the Public Employee Pension Forfeiture Act, as enacted by the General Assembly of the Commonwealth of Pennsylvania in the Act of July 8, 1978, (P.L. 752, No. 140), as it may be amended.

- 1.35 **“Forfeiture Act Account”** means the ledger account to which monies forfeited under the Forfeiture Act are credited and any investment experience thereon.
- 1.36 **“Fund”** means The Public School Employees’ Retirement Fund.
- 1.37 **“Governmental Entity”** means 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 of Pennsylvania.
- 1.38 **“Inactive Participant”** means a Participant whose Employer is not required to make Mandatory Pickup Participant Contributions to the Trust, but excluding an Active Participant for whom the Mandatory Pickup Participant Contributions otherwise required for current School Service are not being made solely by reason of the limitation under IRC Section 401(a)(17) or 415, but who has vested Accumulated Total Defined Contributions standing to the Participant’s credit in the Trust and who has not filed an application for a Distribution. In addition, the term “Inactive Participant” also includes any individual who would be an Inactive Participant but for having filed an application for a distribution that has not begun. An individual who would otherwise be an Inactive Participant shall cease to be an Inactive Participant if the Participant has no amount standing to the Participant’s credit in an Individual Investment Account.
- 1.39 **“Individual Investment Account”** means the ledger account in the Trust established for each Participant and maintained by the Board to which are credited the amounts of the contributions made by a Participant and the Participant’s Employer in accordance with the provisions of this DC Plan, together with all investment earnings after deduction for fees, costs and expenses, investment losses and charges for Distributions. The Board shall establish and maintain separate sub-accounts within a Participant’s Individual Investment Account for After-Tax Voluntary Contributions, Employer Defined Contributions, Mandatory Pick-Up Participant Contributions, and Rollover Contributions.
- 1.40 **“Investment Policy”** means the policy pursuant to which a Directing Accountholder may direct the investment of amounts allocated to the Individual Investment Account.
- 1.41 **“IRC”** means the Internal Revenue Code of 1986, as amended. A reference to “IRC Section” shall be deemed to refer to the identically numbered section and subsection or other subdivision of such section in 26 U.S.C.
- 1.42 **“Irrevocable Beneficiary”** means the person or persons permanently designated by a Participant in writing to the Board pursuant to an Approved Domestic Relations Order to receive all or a portion of the vested Accumulated Total Defined Contributions or lump sum benefit payable upon the death of such Participant.
- 1.43 **“Leave for Service with a Collective Bargaining Organization”** means paid leave granted to an Active Participant by an Employer for purposes of working full time for or serving full time as an officer of a Statewide employee organization or a local collective bargaining representative under the act of July 23, 1970 (P.L.563, No.195), known as the Public Employee Relations Act: provided, That greater than one-half of the members of the employee organization are Active Members of the System or Active Participants of this DC Plan; that the Employer shall fully compensate the Participant, including, but not limited to, salary, wages, pension and retirement contributions and benefits, Employer Defined Contributions, other benefits and seniority, as if the Participant were in full-time active service; and that the employee organization shall fully

reimburse the Employer for such salary, wages, pension and retirement contributions and benefits, Employer Defined Contributions and other benefits and seniority.

- 1.44** “**Life Expectancy**” means the period of time computed by using the appropriate table set forth in Treasury Regulations under IRC Section 401(a)(9), including by way of example: (i) Single Life Table; (ii) Uniform Life Table; or (iii) Joint and Last Survivor Table found in Treasury Regulation Section 1.401(a)(9)-9.
- 1.45** “**Mandatory School Employee**” means a School Employee who first becomes an Active Member of the System on or after July 1, 2019.
- 1.46** “**Mandatory Pickup Participant Contributions**” means contributions equal to a percentage of Compensation as set forth on Schedule A that are made by an Employer for an Active Participant for current School Service that are picked up by the Employer and credited under this DC Plan. For purposes of this definition, “picked up” means treatment as an employer contribution under IRC Section 414 (h). The Employer paying the remuneration from which the Mandatory Pickup Participant Contribution is made shall pick up the Mandatory Pickup Participant Contribution by a reduction in the Compensation of the Participant.
- 1.47** “**Member**” means such term as defined in Section 8102 of the Retirement Code.
- 1.48** “**Minimum Service Requirement**” means the service required to become a Mandatory School Employee under the Retirement Code.
- 1.49** “**Non-Vested Contributions**” means the Accumulated Employer Defined Contributions credited to a Participant's Individual Investment Account that are not vested by reason of insufficient Eligibility Points.
- 1.50** “**Non-Vested Account**” means the ledger account established under this DC Plan for purposes of accounting for and administering forfeited Non-Vested Contributions.
- 1.51** “**Participant**” means an Active Participant, Inactive Participant, or Participant Receiving Distributions. An individual shall cease to be a Participant if the individual has no amount standing to the individual's credit in an Individual Investment Account notwithstanding that the former School Employee may continue to be a Member of the System, or may contract to receive an annuity or other form of payment from a provider retained by the Board for such purpose.
- 1.52** “**Participant Receiving Distributions**” means a Terminated Participant who has commenced receiving Distributions from such Participant's Individual Investment Account, but who has not received a total distribution of the vested interest in such Individual Investment Account.
- 1.53** “**Participant's account balance**” means the account balance as of the last Valuation Date in the calendar year immediately preceding the “distribution calendar year” (the “valuation calendar year”) increased by the amount of any contributions made and allocated or forfeitures allocated to the account as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to this DC Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

- 1.54** “**Participation Date**” means the Date of Membership if a Mandatory School Employee is not required to meet the Minimum Service Requirement for the System. If the Minimum Service Requirement is required for the System, then the first payroll period after a Mandatory School Employee meets the Minimum Service Requirement.
- 1.55** “**Payroll Period Compensation**” means the amount of Compensation paid by an Employer during a payroll period to a School Employee who is an Active Participant.
- 1.56** “**Pickup Contributions**” means regular or joint coverage member contributions and shared risk member contributions, as applicable for participation in the System, which are made by the Employer to the Fund for Active Members for current service.
- 1.57** “**Plan Document**” means the documents created by the Board under Section 8402 of the Retirement Code (relating to plan document) that contain the terms and provisions of this DC Plan and Trust as adopted by the Board for the establishment, administration (and investment of amounts contributed to) this DC Plan and Trust, including, but not limited to, the within DC Plan.
- 1.58** “**Public School**” means any or all classes or schools within the Commonwealth of Pennsylvania conducted under the order and superintendence of the Pennsylvania Department of Education including, but not limited to: all educational classes of any Employer charged with the responsibility of public education within the Commonwealth of Pennsylvania as well as those classes financed wholly or in part by the Federal Government, Commonwealth of Pennsylvania 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 State School of Technology, and the Pennsylvania State Oral School for the Deaf.
- 1.59** “**Public School Code**” means the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, as amended.
- 1.60** “**Rate Change Deadline**” means the first payroll period following the month in which the System notifies an Employer that a Mandatory School Employee elected a Class of Service that changes the rate of Mandatory Pickup Participant Contributions and Employer Defined Contributions.
- 1.61** “**Reemployed from USERRA Leave**” or “**Reemployment from USERRA Leave**” means resumption of active participation (resumption of the status as an Active Participant in this DC Plan) as a School Employee after a period of USERRA Leave, if the resumption of active participation was within the time period and under conditions and circumstances such that the School Employee was entitled to reemployment rights under 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services).
- 1.62** “**Required Beginning Date**” means April 1 of the calendar year following the later of the calendar year in which the Participant attains age 70 ½ or the calendar year in which the Participant retires.
- 1.63** “**Retirement Code**” means the Public School Employees’ Retirement Code, Title 24, Pa. C.S. §§ 8101-8538, as amended. A reference in this part to “Section of the Retirement Code” shall be deemed to refer to the identically numbered section and subsection or other subdivision of such section in 24 Pa.C.S.

- 1.64** “**Rollover Contribution**” means: (1) an amount transferred to this DC Plan directly from another Eligible Retirement Plan; (2) a distribution received by a Participant from another Eligible Retirement Plan that is eligible for tax-free rollover to an Eligible Retirement Plan and that is transferred to this DC Plan within sixty (60) days following receipt thereof; and (3) any other amount that is eligible to be rolled over to this DC Plan under the IRC.
- 1.65** “**School Employee**” means any individual engaged in work relating to a Public School for any Governmental Entity and for which work such individual is receiving regular remuneration as an officer, administrator or employee excluding, however, an independent contractor, an individual compensated on a fee basis, an individual who is classified as a school crossing guard under State Law, and those individuals who are enrolled in an approved alternate retirement system or the State Employees’ Retirement System.
- 1.66** “**School Entity**” means a school district of any class, intermediate unit or an area vocational-technical school, as provided for under the act of March 10, 1949 (P.L. 30, No. 14), known as the Public School Code of 1949.
- 1.67** “**School Service**” means service rendered as a School Employee.
- 1.68** “**Severance Payments**” means any payments for unused vacation or sick leave and any additional compensation contingent upon retirement or termination including payments in excess of the scheduled or customary salaries provided for a Participant within the same Governmental Entity with the same educational and experience qualifications who is not terminating service.
- 1.69** “**State Employees’ Retirement System**” means the retirement system in the Commonwealth of Pennsylvania 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 Part XXV of Title 71 (relating to retirement for State employees and officers), added March 1, 1974 (P.L. 125, No. 31).
- 1.70** “**State Law**” means the laws of the Commonwealth of Pennsylvania.
- 1.71** “**Suspense Account**” means an account in the general ledger in which amounts are temporarily recorded because the proper account could not be determined at the time that the transaction was recorded.
- 1.72** “**System**” means 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) and as the context may require, the defined benefit pension plan established by and pursuant to the Retirement Code. The System does not include this DC Plan and Trust.
- 1.73** “**Terminated Participant**” means an individual who has accrued a benefit under this DC Plan, has an amount standing to such individual’s credit in an Individual Investment Account, and has experienced a Termination of School Service. An individual shall not be a Terminated Participant if such individual is a School Employee with any Employer.
- 1.74** “**Termination of School Service**” means the earliest of: (1) the effective date of a Participant’s formal resignation from all School Service; (2) the date a Participant’s employment is formally terminated by all Employers for all School Service; and (3) two years following the last day of School Service for which Mandatory Pickup Participant Contributions are made.

- 1.75** “**Total Contribution Rate**” means the sum of the basic contribution rate, as defined in Section 8102 of the Retirement Code, and the shared risk contribution rate as provided for in Section 8321(b) of the Retirement Code as set forth in Schedule A.
- 1.76** “**Trust**” means the School Employees’ Defined Contribution Trust established under Section 8401 of the Retirement Code and that is comprised of the Individual Investment Accounts, all assets and moneys in those accounts together with all investment earnings thereon, less deductions for fees, costs, expenses, investment losses and distributions, and any assets and moneys held by the Trustee that are not allocated to the Individual Investment Accounts.
- 1.77** “**Trustee**” means the Board acting in its capacity as the trustee of the Trust.
- 1.78** “**USERRA**” means the Uniformed Services Employment and Reemployment Rights Act, 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services), as amended.
- 1.79** “**USERRA Leave**” means any period of time for service in the uniformed services on or after July 1, 2013, as defined in USERRA, by a School Employee or former School Employee who terminated School Service to perform the service in the uniformed services, if the current or former School Employee is entitled to reemployment rights under 38 U.S.C. Ch. 43 with respect to the uniformed service.
- 1.80** “**Valuation Date**” means the Annual Valuation Date and such additional dates during the Fiscal Year as the Board deems necessary or appropriate for the valuation of the assets in the Trust and/or the valuation of all Accumulated Total Defined Contributions (the interests of all parties for whom an Individual Investment Account is maintained under this DC Plan). A Valuation Date may include any day that any transfer agent appointed by the Board or any stock exchange used by such agent conducts business.

**ARTICLE II**  
**ELIGIBILITY AND PARTICIPATION**

**2.01 Eligibility.**

- (a) **Mandatory Participation.** A School Employee shall be eligible to participate in this DC Plan if such School Employee is a Mandatory School Employee as determined by the System.
- (b) **Elective Participation.** An Active Member on July 1, 2019, who has timely notified the System of an election to participate, shall be eligible to participate in this DC Plan for School Service rendered on and after January 1, 2020.
- (c) **Notification.** The System shall notify the DC Plan of all Mandatory School Employees and provide the DC Plan with the Date of Membership, Participation Date, accrued and credited eligibility points in the System, and Class of Service. All determinations regarding such information provided by the System shall be subject to the sole jurisdiction of the System and shall be final and binding.

**2.02 Participation.**

- (a) **Mandatory Participation.** A Mandatory School Employee shall become an Active Participant as of the Participation Date.
- (b) **Elective Participation.** An Active Member on July 1, 2019 who is eligible, and timely elects, to participate in this DC Plan shall become an Active Participant effective January 1, 2020.
- (c) **Notification.** The System shall notify this DC Plan of any Members who elect to become a Participant under Section 8305.5 of the Retirement Code. The System shall further certify to the DC Plan the following information:
  - (1) the elected Class of Service of the Member;
  - (2) the Member's eligibility points accrued and credited in the System; and
  - (3) the Member's prior Class of Service.
- (d) **Irrevocability.** An election to participate in this DC Plan shall be irrevocable regardless of a break in service, break in membership, or break in participation.
- (e) **System Determinations.** All determinations regarding a Member's eligibility or election to opt out of the current Class of Service to participate in the DC Plan, including the amount of the Total Contribution Rate, shall be subject to the sole jurisdiction of the System and shall be final and binding.

- 2.03 Participation Upon Reemployment.** A Participant or former Participant, who becomes reemployed, shall become an Active Participant as of the date such Participant also becomes an Active Member of the System. If such Participant was Class DC, then such Participant shall become an Active Participant as of the date the Participant performs School Service for which Compensation is received for School Service rendered. All Participants shall retain their Class of



Service upon reemployment. A Participant Receiving Distributions shall not become an Active Participant if excluded under Section 8346 of the Retirement Code.

**2.04** **Error and Omission of Participants.** If, in any Fiscal Year, an individual, who should have been a Participant, is erroneously omitted or an individual, who should not have been a Participant, is erroneously included, then the Board may take appropriate corrective action under Section 16.06.

**ARTICLE III**  
**EMPLOYER AND PARTICIPANT CONTRIBUTIONS**

**3.01 Contributions Subject to Limitations.** All contributions made to this DC Plan under this Article III are subject to the limitations contained in Article IV.

**3.02 Mandatory Pickup Participant Contributions.**

- (a) **Obligation to Make Mandatory Pickup Participant Contributions.** An Active Participant shall make Mandatory Pickup Participant Contributions to the Trust as of the Participation Date through payroll deductions from Payroll Period Compensation in the amount set forth on Schedule A. The act of commencement of School Service shall constitute the consent of the Participant to such payroll deductions.
- (b) **Time for Making Mandatory Pickup Participant Contributions.** The Employer shall cause Mandatory Pickup Participant Contributions to be deducted from an Active Participant's Payroll Period Compensation through payroll deductions and remitted to the Trust in the amount set forth on Schedule A, pursuant to the payment terms as established by the Board and in accordance with Section 5.05.
- (c) **Allocation to Individual Investment Account.** The Board shall cause all Mandatory Pickup Participant Contributions received from an Employer to be allocated to the subaccount established for Mandatory Pickup Participant Contributions under the Individual Investment Account of the Participant for whom such contributions have been made on the schedule and terms as established by the Board.
- (d) **Adjustments to Mandatory Pickup Participant Contributions.** In accordance with procedures established by the Board, Mandatory Pickup Participant Contributions shall be adjusted to be consistent with the applicable rate for the Class of Service that is certified by the System. The effective date of such adjustment shall be as of the Participation Date.
- (e) **Mandatory Pickup Participant Contributions for Elective Participation.** The Mandatory Pickup Participant Contributions of an Active Member on July 1, 2019 who elected to become a Participant effective January 1, 2020 shall be the difference between the Total Contribution Rate of the Member's prior Class of Service and the Total Contribution Rate of the elected Class of Service. A Member electing participation in Class DC shall be deemed to have accepted the Mandatory Pickup Participant Contribution rate for Class DC equal to the Total Contribution Rate the Member would have contributed had the Member not elected participation.

**3.03 After-Tax Voluntary Contributions.**

- (a) **Election to Make After-Tax Voluntary Contributions.** In accordance with procedures established by the Board, an Active Participant may make After-Tax Voluntary Contributions through payroll deductions.
- (b) **Time for Making After-Tax Voluntary Contributions.** The Employer shall cause After-Tax Voluntary Contributions to be deducted from an Active Participant's Payroll Period Compensation through payroll deductions and remitted to the Trust on such schedule and terms as established by the Board and in accordance with Section 5.05.

- (c) **Allocation to Individual Investment Account.** The Board shall cause all After-Tax Voluntary Contributions that it receives from an Employer to be allocated to the subaccount established for After-Tax Voluntary Contributions under the Individual Investment Account of the Active Participant for whom such contributions have been made on the schedule and terms as established by the Board subject to Section 5.05.

### **3.04 Rollover Contributions.**

- (a) **Participant's Option to Contribute Rollover Contributions.** Subject to the consent of and compliance with the procedures established by the Board, a Participant may make a Rollover Contribution to this DC Plan, provided the Rollover Contribution will not adversely affect the qualified plan status of this DC Plan under IRC Section 401(a).
- (b) **Allocation to Individual Investment Account.** The Board shall cause all Rollover Contributions that it receives with respect to a Participant to be allocated to the subaccount established for Rollover Contributions under the Individual Investment Account of the Participant for whom such contributions have been received subject to Section 5.05.
- (c) **Treatment of Rollover Contributions under this DC Plan.** Accumulated Rollover Contributions shall be distributable only when a distribution is otherwise permitted with respect to the other amounts allocated to the Participant's Individual Investment Account.

### **3.05 Procedures Relating to Participant Contributions.** The Board shall establish Contribution Procedures that address After-Tax Voluntary Contributions and Rollover Contributions as the Board may deem appropriate.

### **3.06 Employer Defined Contributions.**

- (a) **Obligation to Make Employer Defined Contributions.** An Employer shall cause Employer Defined Contributions to be paid and remitted to the Trust with respect to Payroll Period Compensation on such schedule and terms as established by the Board no later than on an annual basis. The Employer Defined Contributions shall correspond to the Class of Service of an Active Participant. On and after a Rate Change Deadline, an Employer shall remit Employer Defined Contributions to the Trust that shall correspond to the elected Class of Service. Any Accumulated Employer Defined Contributions prior to a Rate Change Deadline will remain in the Individual Participant Investment Account. With regard to each Employer under this DC Plan, the Board shall maintain records to track amounts of Employer Defined Contributions that are due, the payment history, and the allocation thereof to the subaccount established for Employer Defined Contributions under the Individual Investment Account of the Active Participant for which such contributions have been received.
- (b) **Allocation to Individual Investment Account.** The Board shall cause all Employer Defined Contributions that it receives from an Employer to be allocated to the subaccount established for Employer Defined Contributions under the Individual Investment Account of the Participant for whom such contributions have been received on the schedule and terms as established by the Board.

**3.07 Participant’s Vested Interest in Individual Investment Account.**

- (a) **Participant Sourced Contributions.** Subject to Section 3.07(e), a Participant shall have a 100% vested interest in the subaccount(s) created under the Individual Investment Account for the following contributions, as adjusted for interest and investment gains or losses thereon, and reduced by investment fees and administrative charges: (1) Mandatory Pick-Up Participant Contributions; (2) After-Tax Voluntary Contributions; and (3) Rollover Contributions.
- (b) **Employer Defined Contributions.** Subject to Section 3.07(e), a Participant’s vested interest in Employer Defined Contributions paid to the Trust and allocated to the Participant’s Individual Investment Account, as adjusted for interest and investment gains or losses, and reduced by investment fees and administrative charges shall be determined in accordance with the following schedule:

Vesting Schedule Employer Defined Contributions	
Eligibility Points	Percentage
Less than 3 Eligibility Points	0%
3 or more Eligibility Points	100%

- (c) **Credit for Eligibility Points Earned prior to Optional Participation.** All eligibility points accrued and credited before January 1, 2020 by a Participant who opts into this DC Plan as referenced and certified pursuant to Section 2.02(c) herein shall be credited in this DC Plan for purposes of determining the vested interest in the Participant’s Individual Investment Account.
- (d) **USERRA Leave.** A Participant who is Reemployed from USERRA Leave or who dies while performing USERRA Leave shall be granted the Eligibility Points that the Participant would have accrued had the Participant continued in school office or employment instead of performing USERRA Leave, without regard to whether the Participant makes the Mandatory Pickup Participant Contributions for the USERRA Leave. A Participant who is reemployed from USERRA Leave and remits Mandatory Pickup Participant Contributions for such USERRA Leave under Article X shall not receive additional Eligibility Points.
- (e) **Forfeiture and Vesting Rules.**
  - (1) **Preemption of Vesting by Permitted Forfeiture.** Notwithstanding the otherwise vested right of a Participant in any subaccount maintained under the Individual Investment Account, the balance in each such subaccount is subject to forfeiture and attachment under the provisions of Section 8533 of the Retirement Code (relating to taxation, attachment and assignment of funds), the Forfeiture Act, and other applicable law, which shall take priority over any vesting in the Individual Investment Account.
  - (2) **Eligibility Points Credited as a Member of the System.** Except as provided in Section 3.07 (c), no Participant shall accrue an Eligibility Point for purposes of this DC Plan other than as provided in the definition of Eligibility Point.

(f) **Credit for Eligibility Points Earned prior to Participation Date.** If a Participation Date is in a Fiscal Year immediately following the Fiscal Year in which a Mandatory School Employee satisfies the Minimum Service Requirement, then an Eligibility Point will be credited for that Fiscal Year.

**3.08 Administration of Forfeitures.** If all or a portion of the amount standing to the credit in a Participant's Individual Investment Account becomes either forfeited under the Forfeiture Act or forfeited as a forfeiture of Non-Vested Contributions under subsection 3.08(b), the Board shall deduct such amount from the Individual Investment Account.

(a) **Accounts.** For a forfeiture under the Forfeiture Act, the Board shall establish a Forfeiture Act Account for purposes of accounting and administering such forfeiture. The Board shall also administer a Forfeiture Act Account as provided in Section 16.03. For a forfeiture of Non-Vested Contributions, the Board shall establish a Non-Vested Account for purposes of accounting and administering such forfeiture. The Board shall maintain an appropriately titled account for each such forfeiture and credit the amounts accordingly, including the investment gains, losses and earnings thereon. No amount of or attributable to a Forfeiture Act Account or Non-Vested Account shall be subject to reinstatement to the Individual Investment Account except as may be required as a result of a claim made under Article XI.

(b) **Non-Vested Contributions.** Non-Vested Contributions shall be forfeited on the earlier of: (1) the first day of the Fiscal Year next following two consecutive Fiscal Years during which the Participant was not an Active Participant; (2) when a Distribution of any amount standing to the credit in the Participant's Individual Investment Account is made to the Participant; or (3) the death of the Participant. The balance of the Non-Vested Account shall be retained by the Board and used for the payment of expenses arising under this DC Plan no later than the last day of the Fiscal Year following the Fiscal Year in which the underlying forfeiture of Non-Vested Contributions arose.

**3.09 Funding of Contributions.** The funding of contributions under this DC Plan is subject to the requirements set forth in Section 8327 of the Retirement Code.

**3.10 No Contributions for Certain School Employees.** Neither a School Employee nor an Employer shall be required to remit contributions to this DC Plan to the extent the provisions of Section 8346 of the Retirement Code apply as determined by the System.

**3.11 Adjustments to Mandatory Pickup Participant Contributions/Employer Defined Contributions.** In accordance with procedures as may be established by the Board, the following shall apply:

(a) The rates of future Mandatory Pickup Participant Contributions and Employer Defined Contributions shall be adjusted as of the Rate Change Deadline to be consistent with the Class of Service certified by the System.

(b) The rate of Mandatory Pickup Participant Contributions during the period of Active Participant status before the Rate Change Deadline shall be adjusted to be consistent with the Class of Service certified by the System on and after the Rate Change Deadline.

(c) Pickup Contributions made to the System that were remitted prior to the Rate Change Deadline and are determined to be inconsistent with the elected Class of Service certified by the System on and after the Rate Change Deadline shall be transferred to the Trust from

the Fund in an amount based on the rate of the Mandatory Pickup Participant Contribution for the elected Class of Service and allocated to the Participant's Individual Investment Account as a Mandatory Pickup Participant Contribution.

- (d) Any Accumulated Employer Defined Contributions for the period of Active Participant status before the Rate Change Deadline shall remain in the Individual Participant Investment Account.

**3.12** **Contributions for Approved Leave of Absence.** An Active Participant, who is placed on an Approved Leave of Absence, shall be deemed to be an Active Participant during such leave; provided that, during the leave: (1) such Active Participant is paid at least one-half of the Compensation the Active Participant would have received had the Active Participant rendered School Service; and (2) the Employer remits the full amount of the required contributions based on the Compensation the Active Participant would have received had the Active Participant rendered School Service. The full amount of the contributions required to be paid by the Active Participant shall be deducted from the Compensation paid while on leave.

**ARTICLE IV**  
**LIMITATIONS ON CONTRIBUTIONS**

**4.01 Special Definitions.** For purposes of this Article, the following definitions shall apply:

- (a) “**Annual Additions**” means the sum of the following amounts credited to a Participant’s Individual Investment Account for the Limitation Year: (1) 415 employer contributions; (2) employee contributions (including mandatory employee contributions (as defined in IRC Section 411(c)(2)(C) and regulations promulgated under IRC Section 411) (for this purpose, pick-up contributions do not constitute employee contributions) and voluntary employee contributions) allocated under a qualified defined contribution plan or a qualified defined benefit plan maintained by the 415 employer if separate accounts are maintained with respect to such Participant under the defined benefit plan; (3) forfeitures allocated under a qualified defined contribution plan maintained by the 415 employer; (4) amounts allocated to an individual medical benefit account as defined in IRC Section 415(l)(2) which is part of a pension or annuity plan maintained by the 415 employer; (5) amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee, as defined in IRC Section 419A(d)(3), under a welfare benefit fund maintained by the 415 employer; and (6) allocations to a Participant under a simplified employee pension.

Annual Additions shall not include: (1) the direct transfer of a benefit or employee contributions from a qualified plan to this DC Plan; (2) rollover contributions (as described in IRC Section 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d)(3), and 457(c)(16); and (3) repayment of contributions as described in IRC Section 415(k)(3), as well as the restoration of benefits which are required pursuant to such repayment.

- (b) “**Defined Contribution Dollar Limitation**” means the dollar limit, as adjusted under IRC Section 415(d).
- (c) “**415 Compensation**” means with respect to any Participant, such Participant’s wages, within the meaning of IRC Section 3401(a) and IRC Section 3401(h) and all other payments of compensation to an employee by the 415 employer (in the course of the 415 employer’s trade or business) for which the 415 employer is required to furnish the employee a written statement under IRC Sections 6041(d), 6051(a)(3), and 6052. 415 Compensation shall be determined without regard to any rules under IRC Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in IRC Section 3401(a)(2)).

Except as provided herein, 415 Compensation for a Limitation Year is the 415 Compensation actually paid or made available during such Limitation Year. 415 Compensation for a Limitation Year shall not include amounts earned but not paid during the Limitation Year. 415 Compensation shall be based on the full Limitation Year regardless of when participation in the DC Plan commences.

415 Compensation for a Limitation Year shall also include 415 Compensation paid by the later of 2½ months after an employee’s severance from employment with the 415 employer or the end of the Limitation Year that includes the date of the employee’s severance from

employment with the 415 employer, if:

- (1) the payment is regular compensation for services during the employee's regular working hours, or compensation for services outside the employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and absent a severance from employment, the payments would have been paid to the employee while the employee continued in employment with the 415 employer;
- (2) the payment is for unused accrued bona fide sick, vacation or other leave that the employee would have been able to use if employment had continued; or
- (3) the payment is received by the employee pursuant to a nonqualified unfunded deferred compensation plan and would have been paid at the same time if employment had continued, but only to the extent includible in gross income.

Any payments not described above shall not be considered 415 Compensation if paid after severance from employment, even if they are paid by the later of 2 ½ months after the date of severance from employment or the end of the Limitation Year that includes the date of severance from employment.

Back pay, within the meaning of Treasury Regulation Section 1.415(c)-2(g)(8), shall be treated as 415 Compensation for the Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

415 Compensation paid or made available during a Limitation Year shall include amounts that would otherwise be included in 415 Compensation but for an election under IRC Section 125(a), IRC Section 132(f)(4), IRC Section 402(e)(3), IRC Section 402(h)(1)(B), IRC Section 402(k), or IRC Section 457(b).

415 Compensation shall also include deemed Section 125 compensation. Deemed Section 125 compensation is an amount that is excludable under IRC Section 106 that is not available to a Participant in cash in lieu of group health coverage under an IRC Section 125 arrangement solely because the Participant is unable to certify that the Participant has other health coverage. Amounts are deemed IRC Section 125 compensation only if the 415 employer does not request or otherwise collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

- (d) **"415 Employer"** means the Employer that pays the underlying Compensation on which 415 Compensation is based.
- (e) **Limitation Year:** The 12-consecutive month period that begins on July 1. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.
- (f) **Maximum Annual Additions:** Except for catch-up contributions described in IRC Section 414(v), the Annual Addition that may be contributed or allocated to a Participant's Individual Investment Account under this DC Plan for any Limitation Year shall not exceed the lesser of:



- (1) The Defined Contribution Dollar Limitation, or
- (2) 100 percent of the Participant's 415 Compensation for the Limitation Year.

The compensation limit referred to in (2) shall not apply to any contribution for medical benefits after separation from service (within the meaning of IRC Section 401(h) or IRC Section 419A(f)(2)) which is otherwise treated as an Annual Addition. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12- consecutive month period, the Maximum Annual Additions will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

Number of months in the short limitation year/12
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If this DC Plan is terminated as of a date other than the last day of the Limitation Year, this DC Plan is deemed to have been amended to change its Limitation Year and the Maximum Annual Additions shall be prorated for the resulting short Limitation Year.

**4.02 IRC Section 415 Limitations.** Notwithstanding any other provision of this DC Plan to the contrary, the following limitations shall apply:

- (a) **Maximum Annual Additions if a Participant is not in more than One Plan.** If a Participant does not participate in, and has never participated in another qualified plan maintained by the 415 employer, or a welfare benefit fund (as defined in IRC Section 419(e)) maintained by the 415 employer, or an individual medical account (as defined in IRC Section 415(l)(2) maintained by the 415 employer, or a simplified employee pension (as defined in IRC Section (408(k)) maintained by the 415 employer which provides Annual Additions, the amount of Annual Additions which may be credited to the Participant's Individual Investment Account for any Limitation Year shall not exceed the lesser of the Maximum Annual Additions or any other limitation contained in this DC Plan. If the 415 employer contribution that would otherwise be contributed or allocated to the Participant's Individual Investment Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Annual Additions, the amount contributed or allocated will be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Annual Additions, and any amount in excess of the Maximum Annual Additions.
- (b) **Maximum Annual Additions if a Participant is in more than one Plan.** This subsection applies if, in addition to this DC Plan, a Participant is covered under another qualified defined contribution plan maintained by the 415 employer, a welfare benefit fund (as defined in IRC Section 419(e)) maintained by the 415 employer, an individual medical account (as defined in IRC Section 415(i)(2)) maintained by the 415 employer, or a simplified employee pension (as defined in Section 408(k)) maintained by the 415 employer, that provides an Annual Addition during any Limitation Year. The Annual Additions which may be credited to the Participant's Individual Investment Account under this DC Plan for any such Limitation Year shall not exceed the Maximum Annual Additions reduced by the Annual Additions credited to the Participant's accounts under the other qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions for the same Limitation Year. If the Annual

Additions with respect to the Participant under other qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions maintained by the 415 employer are less than the Maximum Annual Additions and the 415 employer contribution that would otherwise be contributed or allocated to the Participant's Individual Investment Account under this DC Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated will be reduced so that the Annual Additions under all such plans and funds for the Limitation Year will equal the Maximum Annual Additions. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions in the aggregate are equal to or greater than the Maximum Annual Additions, no amount will be contributed or allocated to the Participant's Individual Investment Account under this DC Plan for the Limitation Year.

- (c) **Estimates.** Before determining the Participant's actual 415 Compensation for the Limitation Year. The 415 employer may determine the Maximum Annual Additions for a Participant on the basis of a reasonable estimate of the Participant's 415 Compensation for the Limitation Year, uniformly determined for all Participants similarly situated.
- (d) **Final Determination.** As soon as administratively feasible after the end of the Limitation Year, the Maximum Annual Additions for the Limitation Year shall be determined on the basis of the Participant's actual 415 Compensation for the Limitation Year.
- (e) **Determining Excess Maximum Annual Additions.** If pursuant to Section 4.02(b), a Participant's Annual Additions under this DC Plan and such other plans would result in an excess amount for a Limitation Year, the excess amount will be deemed to consist of the Annual Addition last allocated, except that Annual Additions attributable to a simplified employee pension will be deemed to have been allocated first, followed by Annual Addition to a welfare benefit fund or individual medical benefit account, and then by Annual Additions to this DC Plan. If an excess amount was allocated to a Participant on an allocation date of this DC Plan which coincides with an allocation date of another plan, the excess amount attributed to this DC Plan will be the product of: (i) the total excess amount allocated as of such date, times (ii) the ratio of (A) the Annual Additions allocated to the Participant for the Limitation Year as of such date under this DC Plan to (B) the total Annual Additions allocated to the Participant for the Limitation Year as of such date under this and all the other qualified defined contribution plans.
- (f) **Time when Annual Addition Credited.** An Annual Addition is credited to the Individual Investment Account of a Participant for a particular Limitation Year if it is allocated to the Participant's Individual Investment Account under this DC Plan as of any date within that Limitation Year. However, an amount is not deemed allocated as of a date within a Limitation Year if such allocation is dependent upon participation in this DC Plan as of any date subsequent to such date. For purposes of this subsection (f), employer contributions are treated as credited to a Participant's Individual Investment Account for a Limitation Year only if the contributions are actually made to this DC Plan no later than the 15<sup>th</sup> day of the tenth calendar month following the end of the Fiscal Year with or within which the particular Limitation Year ends.
- (g) **Plan Based Business Rules.** The Board shall apply the provisions of this Article IV in accordance with and as permitted under IRC Section 415 and the guidance issued thereunder, including, but not limited to, Treasury Regulations issued under IRC Section

415. Compliance with IRC Section 415 shall be determined with respect to a Participant: (1) using total 415 Compensation received by a Participant from all 415 employers; and (2) considering Annual Additions with respect to a Participant from all 415 employers.

**4.03** **Adjustment for Excess Annual Additions.** Notwithstanding any provision of this DC Plan to the contrary, if the Annual Additions are exceeded for any Participant, then this DC Plan may only correct such excess in accordance with the IRS' Employee Plans Compliance Resolution System, any other compliance program established by the IRS, or as other permitted under applicable law.

**ARTICLE V**  
**INDIVIDUAL INVESTMENT ACCOUNTS**

- 5.01 Individual Investment Accounts.** The Board shall establish and maintain an Individual Investment Account for each Participant. The Board shall establish and maintain such other accounts and records as it determines in its sole discretion to be reasonably required or appropriate in furtherance of its duties under the Retirement Code and this DC Plan.
- 5.02 Valuation of Individual Investment Accounts.** The Board shall cause the Individual Investment Accounts to be valued at their fair market value on each Valuation Date in accordance with a method consistently followed and uniformly applied, and on such date earnings, expenses, administrative fees, costs, gains, and losses on investments made with amounts in each Participant's Individual Investment Account shall be allocated to such Individual Investment Account.
- 5.03 Share or Unit Accounting.** The Board may provide in its Investment Policy for share or unit accounting to reflect the value of accounts under this DC Plan, if such method is appropriate for the investments allocable thereto.
- 5.04 Suspense Accounts.** The Board may provide in its Investment Policy for special valuation procedures for Suspense Accounts that are properly established under this DC Plan.
- 5.05 Investment of Contributions.** The investment of a Participant's Mandatory Pickup Participant Contributions, After-Tax Voluntary Contributions, and Rollover Contributions shall not be unreasonably delayed, and in no case shall the investment of such contributions be delayed more than thirty (30) days from the date of payroll deduction or the date Rollover Contributions are deposited into the Trust, to the date that such contributions are invested. Any interest earned on the contributions pending investment shall be used to pay administrative costs and fees that would otherwise be required to be borne by Participants who are then participating in this DC Plan or that are funded by contributions from the Employers.

**ARTICLE VI**  
**INVESTMENT OF AMOUNTS ALLOCATED TO INDIVIDUAL INVESTMENT ACCOUNTS**

- 6.01 Establishment of Investment Policy.** The Board shall establish an Investment Policy pursuant to which a Directing Accountholder may direct the investment of amounts allocated to the Individual Investment Account. All investments shall be funded proportionately based on the balance standing to the credit of the Participant's Individual Investment Account. To the extent permitted under the Investment Policy, a Directing Accountholder may direct the Board as permitted under the Investment Policy to invest the Accumulated Total Defined Contributions in specific assets, specific funds or other investments as permitted under the Investment Policy. That portion of Accumulated Total Defined Contributions over which investment control may be exercised is a Directed Account, including but not limited to, any portion that is invested in a Default Investment Alternative. The Investment Policy shall address the establishment of investment options, how often a Directing Accountholder may make changes among investment options, and any other limitations and provisions that the Board may deem advisable regarding a Directing Accountholder's direction of the investment of amounts allocated to the Individual Investment Account.
- 6.02 Board Retains Full Discretion.** In its discretion, the Board may determine Investment Policy and implement any instruction, guideline, or procedure as it deems necessary or appropriate to ensure the proper administration of this DC Plan and may interpret the Investment Policy accordingly.
- 6.03 Implementation of Participant Investment Directions.** The Board shall cause the processing of a Participant's investment directions as soon as administratively practicable after duly provided investment directions from the Participant are received by the Board. The Board does not guarantee that investment directions will be processed on a daily basis or in any respect regarding the processing time of an investment direction. The processing of any investment transaction may be delayed for any legitimate business reason or force majeure (including but not limited to, failure of systems or computer programs, failure of the means of the transmission of data, the failure of a service provider to timely receive values or prices, and correction of errors or omissions of any service provider). The processing date of a transaction shall be binding for all purposes of this DC Plan and considered the applicable Valuation Date for an investment transaction.
- 6.04 Information in Support of Investment Directions.** Any information regarding investments that the Board makes available under this DC Plan for directed investment may be provided to a Directing Accountholder who may direct the investment of the Individual Investment Account, may be provided to the Directing Accountholder in one or more documents (or in any other form, including, but not limited to, electronic media).
- 6.05 Allocation of Gains or Losses.** As of each Valuation Date, all Directed Accounts shall be charged or credited with the net earnings, gains, losses and expenses as well as any appreciation or depreciation in the market value using publicly listed fair market value when available or appropriate as follows: (1) to the extent the assets in a Directed Account are accounted for as pooled assets or investments, the allocation of earnings, gains, losses and expenses of each Directed Account shall be based upon the total amount of funds so invested in a manner proportionate to the Directed Account's share of such pooled investment; and (2) to the extent the assets in a Directed Account are accounted for on a segregated basis, the allocation of earnings, gains, losses and expenses from such assets shall be made on a separate and distinct basis.

- 6.06 Responsibility for Investment Loss.** The Commonwealth of Pennsylvania, the Board, the Trustee, an Employer or a School Entity or other political subdivision and their respective officers and employees shall not be responsible for any investment loss incurred under this DC Plan or for the failure of any investment to earn any specific or expected return or to earn as much as any other investment opportunity or to cost less than any other investment opportunity, whether or not such other opportunity was offered to a party who has an interest in this DC Plan.
- 6.07 Failure to Direct Investments.** The Board shall designate a Default Investment Alternative. The Board shall designate how an Individual Investment Account will be invested in the absence of a proper affirmative investment direction. The Board may designate a Default Investment Alternative in which the Trustee shall deposit contributions to the Trust on behalf of a Directing Accountholder who has been identified by the Board as having not specified investment choices under this DC Plan.
- 6.08 Trustee to Follow Investment Directions.** The Board or Trustee may decline to follow an investment direction to the extent that the direction would:
- (a) Result in a prohibited transaction as defined under IRC Section 503;
  - (b) Jeopardize the tax qualification of this DC Plan; or
  - (c) Be contrary to the Plan Document, applicable State Law or the IRC.

The Board and the Trustee shall not be responsible for any loss or expense resulting from a failure to follow an investment direction in accordance with the requirements of this paragraph.

**ARTICLE VII**  
**VALUATION OF THE TRUST**

- 7.01 Valuation of the Assets in the Trust.** As of each Valuation Date, the Board shall determine the net worth of the assets held in the Trust as those assets exist on the Valuation Date. In determining such net worth, the Trustee shall value the assets held in the Trust at their fair market value as of the Valuation Date and may deduct all expenses for which any service provider to this DC Plan to whom the Trust owes money has not been paid. In determining the net worth of the assets held in the Trust, the Board may update the value of shares held in a Directed Account by reference to the number of shares held on behalf of the Participant (or other party) on whose behalf the Directed Account is held.
- 7.02 Method of Valuation.** In determining the fair market value of securities held in the Trust that are listed on a registered stock exchange, the Board shall value those securities at the prices they were last traded on such exchange preceding the close of business on the Valuation Date. If such securities were not traded on the Valuation Date, or if the exchange on which they are traded was not open for business on the Valuation Date, then the securities shall be valued at the prices at which they were last traded before the Valuation Date. Any unlisted security held in the Trust shall be valued at its bid price next preceding the close of business on the Valuation Date, which bid price shall be obtained from a registered broker or an investment banker. In determining the fair market value of assets other than securities for which trading or bid prices can be obtained, the Board may employ one or more appraisers for that purpose and rely on the values established by such appraiser or appraisers or may appraise those assets itself.

**ARTICLE VIII**  
**DISTRIBUTION OF BENEFITS**

**8.01 Distribution Permitted upon Termination of School Service.**

- (a) **In General.** A Terminated Participant may withdraw all or a portion of the vested Accumulated Total Defined Contributions standing to the Participant's credit in the Individual Investment Account in accordance with distribution procedures established by the Board. A failure by the Participant to apply for a distribution shall be deemed to be an election to defer commencement of payment. The Board shall pay or begin to pay a requested distribution, as applicable, based on the form of the distribution, within sixty (60) days of the filing of the application and receipt of the required data from the Employer of the Terminated Participant and other necessary data.
- (b) **Mandatory Distributions.**
- (1) Notwithstanding anything in this DC Plan to the contrary, if the value of a Terminated Participant's vested Individual Investment Account is greater than one thousand dollars (\$1,000) but less than or equal to five thousand dollars (\$5,000), and the Terminated Participant does not elect to have the vested benefit paid directly to an Eligible Retirement Plan that the Terminated Participant specifies in a direct rollover or to receive the distribution directly, the Board shall direct that the entire vested Individual Investment Account be paid to such Terminated Participant in a single lump-sum payment as a direct rollover to an individual retirement account described in IRC Section 408(a) or an individual retirement annuity described in IRC Section 408(b) designated by the Board. In determining the \$1,000 and \$5,000 limit in subsection (b), the Board shall consider all Accumulated Total Defined Contributions standing to the credit of the Terminated Participant in the Individual Investment Account.
- (2) If the value of the Terminated Participant's vested Individual Investment Account is equal to or less than one thousand dollars (\$1,000), and the Terminated Participant does not elect (or cannot elect) to have the vested benefit paid directly to an Eligible Retirement Plan that the Terminated Participant specifies in a direct rollover or to receive the distribution directly, the Board shall direct that the entire vested Individual Investment Account be paid to such Terminated Participant in a direct single lump-sum payment and not as an Eligible Rollover Distribution.
- (3) The Board shall pay a mandatory distribution described in this subsection (b) no later than the end of the second Fiscal Year following the Fiscal Year during which the individual became a Terminated Participant and without regard to any consent of the Terminated Participant. A mandatory distribution under this subsection shall be in lieu of any other benefit payable under this DC Plan. The above-referenced dollar amounts shall be adjusted to the extent changed by applicable law.

**8.02 Distribution Upon Death.**

- (a) **Board Obligations.** Upon receipt of notification of the death of a Participant, the Board shall notify the Beneficiary of the benefits to which the Beneficiary is entitled resulting from such death and shall make a lump sum payment within sixty (60) days of receipt of certification of death and other necessary data, subject to the requirements of Section 9.02.



- (b) **Death Benefit Greater Than \$5,000.** If the value of the death benefit payable to a Beneficiary is greater than \$5,000, then the Board shall pay such benefit to the Beneficiary of the deceased Participant as requested by the distributee and subject to Section 8.08.
- (c) **Death Benefit.** The amount of a death benefit is the vested balance standing to the credit of the Individual Investment Account as of the Valuation Date as determined in accordance with the distribution procedures established by the Board.
- (d) **Administrative Matters.** The Board may require such appropriate proof of death and such evidence of the right of any person to receive payment of all or a portion of a death benefit in accordance with the distribution procedures established by the Board.
- (e) **Beneficiary Designation.** Each individual who has a vested interest in an Individual Investment Account shall designate a beneficiary in writing with the Board. A Participant may also nominate a contingent beneficiary or beneficiaries to receive the death benefit payable under this DC Plan. Such nominations may be changed at any time by written designation filed with the Board in accordance with procedures established by the Board, if any.
- (f) **System Beneficiary.** If a Participant or individual who has a vested interest in an Individual Investment Account is also a Member of the System, then the most recent beneficiary nomination filed with and accepted by the System shall be effective for this DC Plan unless a separate written beneficiary nomination is filed and accepted for this DC Plan.
- (g) **Default Beneficiary of a Participant.** If a beneficiary is not designated, or if a designated beneficiary of a Participant predeceases the Participant or fails to survive the Participant by 30 days, then the benefits shall be payable to the estate of the Participant. In the absence of a beneficiary and an estate, the Board may pay the next of kin, under the special circumstances provided in 20 Pa.C.S. § 3101 (relating to payments to family and funeral directors), or to the surviving spouse of the Participant.
- (h) **Default Beneficiary of an Individual with a Vested Interest.** If a beneficiary is not designated by an individual, who is not a Participant and who has a vested interest in an Individual Investment Account, or if a designated beneficiary of such individual predeceases the individual or fails to survive the individual by 30 days, then any payments payable from the Individual Investment Account as a result of the death of the individual shall be payable to the estate of the individual.
- (i) **Effect of Divorce or Pending Divorce on Designation of Spouse as Beneficiary by Participant Domiciled in the Commonwealth of Pennsylvania.** Notwithstanding anything in this DC Plan to the contrary, any designation of a spouse or former spouse shall be subject to 20 Pa.C.S. § 6111.2 and the applicable law thereunder.
- (j) **Effect of Divorce or Pending Divorce on Designation of Spouse as Beneficiary by Participant Not Domiciled in the Commonwealth of Pennsylvania.** Notwithstanding anything in this DC Plan to the contrary and provided subsection (i) does not apply, if an individual who has accrued a benefit under this DC Plan and is not domiciled in the Commonwealth of Pennsylvania dies and the Designated Beneficiary is a spouse or former spouse, that designation shall be disregarded for purposes of this DC Plan to the extent

provided in the law of the jurisdiction where the individual was domiciled at the time of death.

- (k) **Slayer Statute.** The Board shall apply slayer statutes, or similar rules that prohibit inheritance by a person who murders someone from whom the person stands to inherit, under applicable state laws and to the extent applied, the offending person shall not have any interest in this DC Plan as a result of being a beneficiary of the murdered individual.
- (l) **Effect of Payment of a Death Benefit.** Upon the payment of a death benefit under this DC Plan, neither this DC Plan, the Board or the Trustee shall have any liability to any individual or entity as a result of such payment and such payment shall be in full satisfaction of their obligations hereunder and under the Trust with respect to the distributed interest in this DC Plan.

**8.03 Consent to Distributions.** If the present value of a benefit is greater than \$5,000, the benefit may not be paid without the consent of the Distributee. Consent shall not be required for any corrective distribution as described in Section 8.04 below, a distribution that is required under the IRC, including by way of example and not limitation, a required distribution under IRC Section 401(a)(9), or a distribution of an excess annual addition under IRC Section 415.

**8.04 Corrective Distributions.** Nothing in this DC Plan shall preclude the Board from making a distribution to the extent such distribution is made to correct a qualification defect in accordance with the correction procedures permitted under this DC Plan.

**8.05 Distribution under an Approved Domestic Relations Order.**

(a) **Permitted Terms of a Domestic Relations Order.**

- (1) **Alternate Payee's Portion.** A Participant's Individual Investment Account shall not be segregated into a subaccount or newly established account titled in the name of the Alternate Payee pursuant to a Domestic Relations Order. An Alternate Payee shall receive an immediate distribution of an Alternate Payee's share of a Participant's Individual Investment Account upon acceptance of the Domestic Relations Order as an Approved Domestic Relations Order.
- (2) **Amendment of Approved Domestic Relations Orders.**
  - (i) If an Alternate Payee predeceases the Participant and there are benefits payable to the Alternate Payee, a divorce court may amend the Approved Domestic Relations Order to substitute a person for the deceased Alternate Payee to receive any benefits payable to the deceased Alternate Payee.
  - (ii) If a divorce court amends the Approved Domestic Relations Order for any reason, then the amended order must be submitted for recertification as an Approved Domestic Relations Order in accordance with the terms of Section 12.05.
- (3) **Nomination of an Irrevocable Beneficiary.** A Domestic Relations Order may provide for an Irrevocable Beneficiary. A Domestic Relations Order requiring the nomination of an Irrevocable Beneficiary shall be deemed to be one that requires a Participant to nominate an Alternate Payee as a beneficiary and that prohibits the

removal or change of that beneficiary without approval of a court of competent jurisdiction, except by operation of law. Such a Domestic Relations Order may be certified as an Approved Domestic Relations Order by the secretary of the Board, or a designated representative, after the Participant makes such nomination, in which case the Irrevocable Beneficiary so ordered by the court cannot be changed by the Participant without approval by the court.

- (b) **Board Authorization of Distribution.** The Board shall make such distributions as may be required to execute the terms of a Domestic Relations Order that the Board, in accordance with the terms of Section 12.05, has determined constitutes an Approved Domestic Relations Order and subject to implementation.

**8.06 Amount Eligible for Distribution.** The amount of any distribution under this DC Plan, including, but not limited to, a distribution that constitutes a death benefit, shall be based on the vested Accumulated Total Defined Contributions standing to the credit in the Distributee's Individual Investment Account (or the Individual Investment Account from which a distribution is payable) as of the Valuation Date that is selected in accordance with the distribution procedures established by the Board. Subject to forfeiture as provided in this DC Plan, a vested interest shall be determined solely based on the number of Eligibility Points credited to the individual who accrued the benefit under the provisions of this DC Plan. For this purpose, the balance must be increased for any contributions allocated to and reduced for any distribution made from the Individual Investment Account since that Valuation Date. A Distributee shall not share in any allocation of gains or losses attributable to the period between that Valuation Date and the date of the distribution, unless provided otherwise under distribution procedures established by the Board.

**8.07 Sources of Distribution.** Unless otherwise provided in distribution procedures established by the Board, in determining the source of a distribution, the Board shall make a distribution on a pro rata basis from all subaccounts from which a distribution is permitted. Such procedures may permit a distributee to direct the Board as to which subaccount the distribution is to be made. Regardless of a source of any distribution, the tax effect of such a distribution shall be governed by IRC Section 72 and guidance issued by the Internal Revenue Service thereunder.

**8.08 Compliance with IRC Section 401(a)(9) – Required Minimum Distributions.**

(a) **General Rules.**

- (1) **Precedence.** The requirements of this Section shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions. This Section 8.08 shall not be construed as providing additional forms of benefit or vesting rules that are not otherwise provided under this DC Plan.
- (2) **Requirements of Treasury Regulations Incorporated.** All distributions required under this DC Plan shall be determined and made in accordance with the Treasury Regulations under IRC Section 401(a)(9) and the minimum distribution incidental benefit requirement of IRC Section 401(a)(9)(G). In applying any provision of this Section, the Board shall apply a reasonable good faith interpretation of IRC Section 401(a)(9).
- (3) **Limits on Distribution Periods.** As of the first distribution calendar year, distributions to a Participant may only be made in the form of payment that is

otherwise permitted under this DC Plan. If a distribution is not made in a single-sum, then such distribution may only be made over one of the following periods:

- (i) the life of the Participant;
- (ii) the joint lives of the Participant and a Designated Beneficiary;
- (iii) a period certain not extending beyond the life expectancy of the Participant; or
- (iv) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and a Designated Beneficiary.

(b) **Time and Manner of Distribution.**

- (1) **Required Beginning Date.** The Participant's entire interest shall be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.
- (2) **Death of Participant Before Required Distributions Begin.** If the Participant dies before required distributions begin, the Participant's entire interest shall be distributed, or begin to be distributed, no later than as follows:
  - (i) **Surviving Spouse is the Designated Beneficiary.** If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, the surviving spouse may elect to take distributions under the 5-year rule, as described below, or under the life expectancy rule. If the life expectancy rule applies, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.
  - (ii) **Surviving Spouse is not the sole Designated Beneficiary.** If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then the Designated Beneficiary may elect to take distributions under the 5-year rule, as described below, or under the life expectancy rule. If the life expectancy rule applies, then distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died. If the Designated Beneficiary does not elect to commence distributions by December 31 of the calendar year immediately following the calendar year in which the Participant dies, a complete distribution must be made by December 31 of the calendar year containing the fifth anniversary of the Participant's death (the "5-year rule").
  - (iii) **No Designated Beneficiary.** If there is no Designated Beneficiary as of September 30 of the year immediately following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

- (iv) **Death of Surviving Spouse.** If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse are required to begin, this subsection (b)(2), other than subsection (b)(2)(i), shall apply as if the surviving spouse were the Participant.

For purposes of this subsection (b)(2) and subsection (d), unless subsection (b)(2)(iv) applies, distributions are considered to begin on the Participant's Required Beginning Date. If subsection (b)(2)(iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under subsection (b)(2)(i). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under subsection (b)(2)(i)), the date distributions are considered to begin is the date distributions actually commence.

- (3) **Forms of Distribution.** Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single-sum on or before the Required Beginning Date, as of the first distribution calendar year distributions shall be made in accordance with subsections (c) and (d) of this Section and only in the form of distribution as permitted under this DC Plan. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of IRC Section 401(a)(9) and the Treasury Regulations thereunder.

(c) **Required Minimum Distributions During Participant's Lifetime.**

- (1) **Amount of Required Minimum Distribution for Each Distribution Calendar Year.** During the Participant's lifetime, the minimum amount that shall be distributed for each distribution calendar year is the lesser of:
- (i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Treasury Regulation Section 1.401(a)(9)-9, Q&A-2, using the Participant's age as of the Participant's birthday in the distribution calendar year; or
  - (ii) if the Participant's sole Designated Beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Treasury Regulation 1.401(a)(9)-9, Q&A-3, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.
- (2) **Lifetime Required Minimum Distributions Continue Through Year of Participant's Death.** Required minimum distributions will be determined under this subsection (c) beginning with the first distribution calendar year and continuing up to, and including, the distribution calendar year that includes the Participant's date of death.

(d) **Required Minimum Distributions After Participant's Death.**

(1) **Death on or After Date Required Distributions Begin.**

- (i) **Participant Survived by Designated Beneficiary.** If the Participant dies on or after the date required distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's Designated Beneficiary, determined as follows:
- (A) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
  - (B) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.
  - (C) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.
- (ii) **No Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of the September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) **Death Before Date Required Distributions Begin.**

- (i) **Participant Survived by Designated Beneficiary.** Unless designated otherwise as provided herein, if the Participant dies before the date required distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy

of the Participant's Designated Beneficiary, determined as provided in subsection (d)(1).

- (ii) **No Designated Beneficiary.** If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.
- (iii) **Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin.** If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under subsection (b)(2)(i), this subsection will apply as if the surviving spouse were the Participant.
- (e) **Special Rules / Election to Allow Beneficiary to Elect 5-Year Rule.** A Designated Beneficiary shall be permitted to elect on an individual basis whether the 5-year rule or the life expectancy rule in subsection (b)(2) and subsection (d)(2) above applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distributions would be required to begin under subsection (b)(2), or by September 30 of the calendar year that contains the fifth anniversary of the Participant's (or if applicable, surviving spouse's) death. If the Designated Beneficiary does not make an election under this paragraph, distributions will be made in accordance with the 5-year rule.
- (f) **Notification of Approaching Required Beginning Date.** The Board shall notify in writing each Participant, who has experienced a Termination of School Service and who has not commenced distribution by 90 days before the Participant's Required Beginning Date, that the Participant has an obligation to commence distributions by the Required Beginning Date in a form and manner required by IRC § 401(a)(9) and other applicable provisions of the IRC.

**ARTICLE IX**  
**FORM OF DISTRIBUTION**

- 9.01 Normal Form of Distribution for a Terminated Participant.** Pursuant to the election of a Terminated Participant whose vested Individual Investment Account exceeds \$5,000, the Board shall direct the distribution of amounts allocated to such Individual Investment Account to the Terminated Participant in cash in one of the following forms of payment subject to the required minimum distribution rules under Section 8.08.
- (a) **Lump-sum Distribution.** The Participant's vested Individual Investment Account.
  - (b) **Partial Lump-sum Distribution.** A portion of the Participant's vested Individual Investment Account with the remaining balance distributed as may be elected by the Participant and permitted under this section 9.01.
  - (c) **Individual Guaranteed Annuity.** All or a portion of the Participant's vested Individual Investment Account to be used to purchase an annuity facilitated by the Board with a vendor to ensure an annuity of a monthly pension for life with a minimum interest rate of 2.5% to the extent commercially available. If a Participant elects to purchase an annuity under this section, then the Participant shall elect an Eligible Rollover Distribution to purchase such annuity.
  - (d) **Payments over a period certain in monthly, quarterly, semi-annual, or annual installments.** The period over which such payment is to be made shall not extend beyond the earlier of the Terminated Participant's life expectancy (or the joint life expectancy of the Terminated Participant and the Terminated Participant's Designated Beneficiary). Once payments have begun, a Terminated Participant may elect to accelerate the payments (reduce the term and increase payments) and if the Individual Investment Account has a balance at death, the balance in the Individual Investment Account shall be paid to the Participant's Beneficiary.
  - (e) **Termination of Distributions upon Return to School Service.** If a Participant Receiving Distributions returns to School Service before receiving the entire benefit under this DC Plan, then such Participant shall not be eligible to receive any additional distribution from this DC Plan until the Participant subsequently has a Termination of School Service, unless the provisions of Section 8346 of the Retirement Code apply as determined by the System.
  - (f) **Normal Form of Distribution for a Beneficiary or an Alternate Payee.** The Board shall pay an amount payable under this DC Plan to a Beneficiary, or Alternate Payee, as applicable, in the form of a one lump-sum payment. If a Participant has begun to receive a distribution of benefits under this DC Plan and subsequently dies before receiving the full value of the vested Individual Investment Account, the remaining benefit shall be paid in the form of one lump-sum payment.
- 9.02 Direct Rollovers.**
- (a) **Eligible Rollover Distributions.** Notwithstanding any other provision of this DC Plan to the contrary that would limit a Distributee's election under this subsection (a), a Distributee may elect, at the time and in the manner prescribed by the Board, to have any portion or all of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified



by the Distributee in a direct rollover; provided, however, that a Distributee may not elect a direct rollover with respect to a portion of an Eligible Rollover Distribution if such portion totals less than \$500, or such other amount as may be determined by the Board. The Distributee must elect a complete direct rollover if the Eligible Rollover Distribution is less than \$500. The portion of any Eligible Rollover Distribution consisting of After-Tax Voluntary Contributions may only be rolled over to an individual retirement account or annuity described in IRC Section 408(a) or (b) or to a qualified defined contribution plan described in IRC Section 401(a), 403(a) or 403(b) that provides for separate accounting with respect to such accounts, including separate accounting for the portion of such Eligible Rollover Distribution that is includible in income (including earnings on the portion that is not so includible) and the portion that is not includible in income.

(b) **Non-Spouse Beneficiary Rollover Right.** A non-spouse beneficiary who is a Designated Beneficiary under IRC Section 401(a)(9)(E) and the Treasury Regulations thereunder, by a direct trustee-to-trustee transfer may roll over all or any portion of an Eligible Rollover Distribution to an individual retirement account which the beneficiary establishes for purposes of receiving the distribution. If the Participant's named Beneficiary is a trust, the Board may make a direct rollover to an individual retirement account on behalf of the trust, provided that the trust satisfies the requirements to be a designated beneficiary.

**9.03 Notice Regarding Time and Form of Distributions.** The Board shall provide a Distributee who is entitled to an Eligible Rollover Distribution with a written explanation of the right to a direct rollover, the tax consequences of not making a direct rollover, and if applicable, any available special income tax elections. The written explanation shall be provided no less than thirty (30) days and not more than one-hundred eighty (180) days before the benefit commencement date. If the Distributee, after having received the written explanation, affirmatively elects a distribution, then a distribution may be made less than thirty (30) days after the written explanation was provided to the Distributee, provided that the Board clearly indicates to the Distributee that the Distributee has a right to consider the decision whether or not to elect a direct rollover for at least thirty (30) days after the written explanation is provided. The direct rollover written explanation must be provided to all Distributees, unless the total amount the Distributee will receive as a distribution during the calendar year is expected to be less than \$200.00.

**9.04 Distribution for Minor or Incompetent Individual.** The DC Plan may transact business with a guardian, conservator, trustee, custodian (including under a Uniform Transfers or Gifts to Minors Act), attorney-in-fact, or other legal representative appointed on behalf of a distributee; provided sufficient documentation is submitted to the DC Plan evidencing authority to transact business with the DC Plan. The DC Plan, Board, and the Trustee, who in good faith rely upon the authority of a representative as if such authority was genuine, will not incur any liability for making payments made in accordance with the instruction of such representative. Neither the DC Plan, Board, nor the Trustee has any duty to inquire as to the competence of any individual entitled to receive payments under this DC Plan.

**9.05 Location of Participant or Beneficiary Unknown.** If any Participant or beneficiary cannot be located and a benefit under this DC Plan becomes distributable or if a distribution has been issued but the Participant or beneficiary fails to timely complete the distribution (in either case, a "lost distributee"), the provisions of this Section 9.05 shall apply. The provisions of this Section 9.05 shall no longer apply if the Board, before taking action to dispose of the lost distributee's benefit is able to complete the distribution.

- (a) **Attempt to Locate.** A reasonable and diligent search for the lost distributee shall be conducted using the following search methods: (1) U.S. Postal Service via certified mail at the lost distributee's last known address and through appropriate means for any address or contact information (including email addresses and telephone numbers); (2) search of DC Plan and System records, and publicly available records or directories for contact information; and (3) use of any of these search methods: (a) a commercial locator service; (b) a credit reporting agency; or (c) a proprietary internet search tool for locating individuals. The Individual Investment Account of the lost distributee may be charged for the reasonable expenses incurred under this subsection regardless of whether the lost distributee is actually located or a distribution is made to the lost distributee.
- (b) **Failure to Locate/Dispose of Distributable Benefit.** If the lost distributee remains unlocated after six (6) months (or such longer period as may be determined by the Board) from the date the search methods described in subsection (a) were first used, the benefit of the lost distributee will not be distributed and will continue to be invested pursuant to the last known investment direction provided by the lost distributee; provided, however, that such benefit is not subject to the mandatory distribution rules set forth in Section 8.01(b)(1).
- (c) **Subsequent Distributions.** If a lost distributee whose benefit was not distributed thereafter at any time but before this DC Plan has been terminated makes a claim for the lost distributee's benefit, the benefit shall be distributed upon written request and subject to the terms of this DC Plan.
- (d) **Alternative Disposition.** The Board may adopt an alternative policy under this Section as it deems reasonable or appropriate to administer the benefits of lost distributees, provided that the policy is administered in a uniform and nondiscriminatory manner with consideration to the specific circumstances around each lost distributee.

**9.06 Distribution of Excess Benefits.** If this DC Plan pays a benefit in excess of the maximum amount of payment required under the provisions of this DC Plan, the Board shall have the right to recover any such excess payment, plus earnings at the Board's discretion, on behalf of this DC Plan and the Trust from the Participant or other distributee, and to offset against future benefit payments to be paid under this DC Plan and the Trust to the Participant or such distributee.

**ARTICLE X**  
**USERRA RELATED PROVISIONS**

**10.01 Military Service by a Participant.** A Participant who has performed USERRA Leave shall be treated and may make contributions as follows:

- (a) **Break in Service.** A Participant who is Reemployed from USERRA Leave may not be treated as having incurred a break in School Service by reason of the USERRA Leave.
- (b) **Participant Election to Make Post Reemployed from USERRA Leave Contributions relating to USERRA Leave.** Any Participant or former Participant who is Reemployed from USERRA Leave, who has rights under USERRA, and who desires to make Mandatory Pickup Participant Contributions and/or After-Tax Voluntary Contributions for such USERRA Leave shall so notify the Board within the time period required under 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services) and IRC § 414(u) of the desire to make such contributions. If such Participant or former Participant elects to make contributions, such contributions shall be made as provided in subsection (c) and allocated to the appropriate subaccount under the Participant's Individual Investment Account in accordance with the procedures established by the Board.
- (c) **Post Reemployed from USERRA Leave Contributions.**
  - (1) **Contributions in General.**
    - (i) **Participant Makes Mandatory Pickup Participant Contributions.** If a Participant who is Reemployed from USERRA Leave subsequently makes Mandatory Pickup Participant Contributions in the amounts and in the time periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as if the Participant had continued in the Participant's school employment and performed School Service and been compensated during the period of USERRA Leave, then the Employer by whom the Participant is employed at the time the Participant makes the Mandatory Pickup Participant Contributions shall make the corresponding Employer Defined Contributions. Such Participant shall have contributions, benefits, rights and obligations determined under this DC Plan as if the Participant was an Active Participant who performed School Service during the USERRA Leave in the job position that such Participant would have held had such Participant not been on USERRA Leave and received the deemed Compensation: (1) on which the Mandatory Pickup Participant Contributions could be made; (2) and if made to this DC Plan, on which the corresponding Employer Defined Contributions for the USERRA Leave will be computed; and (3) on which the right to make After-Tax Voluntary Contributions may be made as permitted by law. Notwithstanding anything in this DC Plan or applicable law to the contrary, the crediting of an Eligibility Point for a Participant who exercises rights under USERRA shall be determined for purposes of this DC Plan under Section 3.07 (d).
    - (ii) **Deemed Compensation.** In determining the amount of any contribution, Compensation shall be the Compensation the Participant would have received during the period while in qualified military service based on the

rate of pay the Participant would have received from the Employer, but for the absence due to qualified military service. If the Compensation the Participant would have received during the leave is not reasonably certain, Compensation shall be equal to the Participant's average Compensation from the Employer during the twelve (12) month period immediately preceding the qualified military leave or, if shorter, the Participant's actual period of employment immediately preceding the qualified military service.

(iii) **Due Date for Contributions.** If an Employer is required to make Employer Defined Contributions for a reemployed Participant, the Employer must make such contributions not later than the date required by the Board or as set forth in USERRA procedures established by the Board, but in no event later than when required by applicable law. For Mandatory Pickup Participant Contributions and After-Tax Voluntary Contributions, a Participant, who is reemployed following qualified military service, may make up such contributions during the period beginning on the date of reemployment and ending on the earlier of the date that is three times the length of the qualified military service period or five (5) years from the date of reemployment. Any make-up contribution under this Section is subject to the IRC Section 415 limitation for the year for which the make-up contribution would have been made had the Participant not been on qualified military leave.

- (2) **Participant Does Not Make Mandatory Pickup Participant Contributions.** A Participant who is Reemployed from USERRA Leave and does not make the Mandatory Pickup Participant Contributions or makes only part of the Mandatory Pickup Participant Contributions within the allowed payment period may not be eligible to make Mandatory Pickup Participant Contributions and After-Tax Voluntary Contributions at a later date for the period of USERRA Leave for which the Mandatory Pickup Participant Contributions were not timely made.
- (3) **No Return from USERRA Leave.** A Participant who performs USERRA Leave from which the Participant could have been Reemployed from USERRA Leave had the Participant returned to School Service in the time frames required by 38 U.S.C. Ch. 43 for reemployment rights, but did not do so, cannot make Mandatory Pickup Participant Contributions or After-Tax Voluntary Contributions for the period of USERRA Leave should the Participant later return to School Service and be a Participant in this DC Plan.
- (4) **Other Types of Leave Disregarded.** An Active Participant or Inactive Participant who, on or after June 12, 2017 is granted a leave of absence under 51 Pa. C.S. § 4102 or a military leave under 51 Pa. C.S. Ch. 73 that is not USERRA Leave cannot make Mandatory Pickup Participant Contributions or After-Tax Voluntary Contributions during or for the leave of absence or military leave, and may not have Employer Defined Contributions made during such leave, without regard to whether or not the Participant received salary, wages, stipends, differential wage payments or other payments from the Participant's Employer during the leave, notwithstanding any provision to the contrary in 51 Pa. C.S. § 4102 or 51 Pa. C.S. Ch. 73.

- (5) **Heroes Earnings Assistance and Relief Act - Death while Performing USERRA Leave.** If a Participant dies while performing USERRA Leave, then the Participant will be credited with the applicable amount of Eligibility Points for the period of USERRA Leave rendered prior to death as if the Participant returned to school service and terminated employment because of death. The Beneficiary of the deceased Participant will be entitled to all benefits accrued relating to the period of qualified military service provided under this DC Plan as if the Participant resumed and then terminated employment because of death.
- (6) **Compliance with IRC Section 414(u).** Notwithstanding anything in this DC Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with IRC Section 414(u) to the extent required for this DC Plan to constitute a qualified plan under the IRC. As used in this DC Plan, qualified military service means any service in the uniformed services (as defined in Chapter 43 of Title 38, United States Code) by any individual if such individual is entitled to reemployment rights under that Chapter with respect to such service.

**ARTICLE XI**  
**PROCEDURES APPLICABLE TO CLAIMS FOR BENEFITS OR OTHERWISE ARISING IN**  
**CONNECTION WITH THIS DC PLAN**

- 11.01 Permissible Claims.** Pursuant to the claims and review procedures set forth in Section 11.02, a School Employee, a Participant, a beneficiary, or Alternate Payee of a Participant may file and only file a claim related to such School Employee, a Participant, a beneficiary, or Alternate Payee of a Participant based on one or more of the following, to: (1) recover benefits due under this DC Plan, (2) enforce rights under the terms of this DC Plan; (3) clarify rights to future benefits under this DC Plan; or (4) to enforce such other rights relating to participation in this DC Plan provided under the Retirement Code or other applicable law of the Commonwealth of Pennsylvania. All matters relating to a Domestic Relations Order shall be determined under Section 12.05.
- 11.02 Claims Procedures.** All claims that may be made as provided in Section 11.01 and review of any adverse determination shall be made in accordance with the claim and review procedures that apply to making claims and review of adverse determinations under the System, including, but not limited to, those set forth in the Pennsylvania Code, Part XIII, Public School Employees' Retirement Board.
- 11.03 Exclusive Source of Rights and Benefits.** Regardless of any other provision of law, pension and benefits rights of a School Employee shall be determined solely by Part IV of Title 24 Pa. C.S. or any amendment thereto, or this Plan Document, and no collective bargaining agreement nor any arbitration award between an Employer and the Employer's employees or the employee's collective bargaining representative shall be construed to do any of the following: (1) change any of the provisions of Part IV of Title 24 Pa. C.S.; (2) require the Board to administer pension or retirement benefits not set forth in Part IV of Title 24 Pa. C.S. or not established in the Plan Document; (3) require the Board to modify, amend or change any of the terms and provisions of the Plan Document; or (4) otherwise require action by any other government body pertaining to pension or retirement benefits or rights of School Employees.

**ARTICLE XII**  
**PLAN ADMINISTRATION BY THE BOARD**

**12.01 Powers and Duties of the Board.**

- (a) **In General.** The Board shall administer this DC Plan for the exclusive benefit of Participants and beneficiaries, subject to the specific terms of this DC Plan, the Retirement Code, and other applicable law. The Board may consider and defer, where appropriate, to determinations, interpretations, and business rules of the System and the defined benefit plan administered by the Board for School Employees. In addition to the procedures identified in this DC Plan, the Board may establish rules, procedures, correct any defect, supply information, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of this DC Plan.
- (b) **Adjudications.** The Board shall have sole jurisdiction to interpret and administer the terms of this DC Plan and adjudicate all disputes arising in connection with the administration, interpretation, and application of this DC Plan. The Board adopts the provisions of Chapter 201 of the Board's duly promulgated regulations relating to Applicability of General Rules, 22 Pa. Code, for all activities, determinations, and proceedings before the Board, except as provided herein, or inconsistent with, this DC Plan. Subject to Article XI, determinations made by the DC Plan shall be conclusive and binding upon all individuals and entities.
- (c) **Authority.** The Board shall have all powers necessary or appropriate to accomplish its duties under this DC Plan. These powers include, but are not limited to the authority to:
- (1) determine all questions relating to the eligibility of a School Employee to participate or remain a participant hereunder and to receive benefits under this DC Plan; provided however, that to the extent these questions are determined or litigated with regard to participation in the System, such determinations shall apply under this DC Plan;
  - (2) implement Article XI;
  - (3) compute, certify and direct agents of this DC Plan with regard to the amount and kind of benefits to which a Participant, Beneficiary, or Alternate Payee of a Participant is entitled hereunder;
  - (4) authorize and direct the Trustee or other applicable person with respect to payment of benefits or disbursements from this DC Plan and the Trust;
  - (5) maintain all necessary records for the administration of this DC Plan; and
  - (6) compute and certify to an Employer the sums of money necessary for the Employer to comply with its obligations to make or remit contributions to this DC Plan.
- (d) **Powers Granted under the Retirement Code.** In addition to such powers provided in Chapter 85 of the Retirement Code and applicable law, the Board shall have the following powers and duties to establish and administer this DC Plan:

- (1) The Board may commingle or pool assets with the assets of other persons or entities.
- (2) The Board shall pay all administrative fees, costs and expenses of managing, investing and administering this DC Plan, the Trust and the Individual Investment Accounts from the balance of such Individual Investment Accounts, except as otherwise provided in the Retirement Code or as the Pennsylvania General Assembly otherwise provides through appropriations from the General Fund.
- (3) The Board may establish investment guidelines and limits on the types of investments that a Participant may make, consistent with the Board's fiduciary obligations.
- (4) The Board shall have the power to amend the terms of this DC Plan as may be necessary to maintain the tax-qualified status of this DC Plan.
- (5) The Board may establish a process for election to participate in this DC Plan by those School Employees for whom participation is not mandatory.
- (6) The Board may perform an annual or more frequent review of any qualified fund manager for the purpose of assuring it continues to meet all standards and criteria established.
- (7) The Board may allow for eligible rollovers and direct trustee-to-trustee transfers into the Trust from qualified plans of other employers, regardless of whether the employers are private employers or public employers.
- (8) The Board may allow an inactive participant to maintain the participant's individual investment account within the plan.
- (9) The Board shall administer or ensure the administration of this DC Plan in compliance with the qualification and other applicable rules of the IRC.
- (10) The Board may establish procedures to provide for the lawful payment of benefits.
- (11) The Board shall determine what constitutes a Termination of School Service and whether such termination has occurred.
- (12) The Board may establish procedures for distributions of small accounts as required or permitted by the IRC.
- (13) The Board may establish procedures in the Plan Document or to promulgate rules and regulations as it deems necessary for the administration and management of this DC Plan, including, but not limited to, establishing:
  - (i) Procedures by which an eligible Participant may change (a) the amounts of After-Tax Voluntary Contributions being contributed to this DC Plan; (b) investment choices on a periodic basis; or (3) make other elections regarding participation in this DC Plan.



- (ii) Procedures for deducting Mandatory Pickup Participant Contributions and After-Tax Voluntary Contributions from an Active Participant's Compensation.
  - (iii) Procedures for rollovers and trustee-to-trustee transfers allowed under the IRC and permitted by the Board as part of this DC Plan.
  - (iv) Standards and criteria for providing not less than ten (10) options which are offered by three (3) or more providers of investment options to eligible individuals regarding investments of amounts in an Individual Investment Account. The standards and criteria must provide for a variety of investment options and shall be reviewed in accordance with criteria established by the Board.
  - (v) Standards and criteria for disclosing to the Participants the anticipated and actual income attributable to amounts invested, property rights and all fees, costs and expenses to be made against amounts deferred to cover the costs and expenses of administering and managing this DC Plan or the Trust.
  - (vi) Procedures, standards and criteria for the making of distributions from this DC Plan upon (a) termination from employment, one of which shall include an option for an annuity with a minimum interest rate of 2.5% to the extent commercially available, (b) death or (c) in other circumstances consistent with the purpose of this DC Plan.
- (14) The Board may waive any reporting or information requirement contained in the Retirement Code if the Board determines that the information is not needed for the administration of this DC Plan.
- (15) The Board may contract any services and duties in lieu of its staff except final adjudications and as prohibited by law. Any duties or responsibilities of the Board not required by law to be performed by the Board may be delegated to a third-party provider subject to appeal to the Board.
- (16) The Board may provide that any duties of the Employer or information provided by a Participant to the Employer be performed or received directly by the Board.
- (17) The Board shall ensure that Participants are provided with educational materials about investment options and choices.
- (18) The provisions and restrictions of the act of July 2, 2010 (P.L.266, No.44), known as the Protecting Pennsylvania's Investments Act, shall not apply to the Participants' Individual Investment Accounts or the moneys and investments therein, but the Board is authorized to offer to Participants investment vehicles that would be permitted under the Protecting Pennsylvania's Investments Act.
- (e) **Additional Administrative Duties of the Board.** The Board shall administer this DC Plan in accordance with Section 8502 (Administrative Duties of the Board) of the Retirement Code. Such administration shall include supplying all information and reports to the Internal Revenue Service, a Participant, the beneficiaries and Alternate Payees of a Participant, and others as required by applicable law.

(f) **Duties of the Board Regarding Applications and Elections of Participants.** The Board shall administer this DC Plan in accordance with Section 8505 (Duties of Board Regarding Applications and Elections of Participants) of the Retirement Code.

(g) **Adjustment of Errors.** Should any change or mistake in records result in any Participant, beneficiary, or Alternate Payee receiving from this DC Plan more or less than such individual 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 if the error affects contributions to or payments from this DC Plan, the Board shall take such action as shall be provided for in this DC Plan.

**12.02 Appointment of Advisers.** The Board may exercise any power regarding the appointment of advisers as it possesses under the Retirement Code, including, but not limited to, counsel, specialists, advisers, agents, third party administrative services providers and recordkeepers and other persons as the Board deems necessary or desirable in connection with the administration of this DC Plan.

**12.03 Action by the Board.** This DC Plan acknowledges that the Board is constituted, and shall or may conduct business under the authority that it otherwise possesses, as the governing body of the System. Except as prohibited by applicable law, whenever the Board under this DC Plan is permitted or required to do or perform any act or matter or thing, it shall be done and performed by an individual or entity duly authorized by the Board.

**12.04 Reliance upon Information.** The Board, its staff, delegates and agents in administering this DC Plan are entitled to, but are not required to, rely upon information provided by an Employer, Participant, a beneficiary or Alternate Payee of a Participant, a DC Plan service provider and their respective agents and representatives.

**12.05 Approval of Domestic Relations Orders.**

(a) **Terms of a Domestic Relations Order.** A Domestic Relations Order pertaining to a Participant shall be certified as an Approved Domestic Relations Order by the secretary of the Board, or a designated representative, only if the Domestic Relations Order meets all of the following:

- (1) Require this DC Plan to provide any type or form of benefit or any option applicable to a Participant in this DC Plan other than a single lump-sum payment.
- (2) Does not require the segregation of the Alternate Payee's share of the Participant's Individual Investment Account into a subaccount or newly established Individual Investment Account titled in the name of the Alternate Payee.
- (3) Does not require this DC Plan to recover or distribute any funds that were distributed to the Participant or at the Participant's direction before the approval of the Domestic Relations Order by the secretary of the Board, or a designated representative.
- (4) Requires this DC Plan to pay to the Alternate Payee no more than the lesser of: (a) the vested amount of the Participant's Individual Investment Account specified in

the Domestic Relations Order or (b) the vested amount of the Participant's Individual Investment Account as of the date of the transfer of the Alternate Payee's share to the Alternate Payee.

- (5) States that this DC Plan shall not be required to recoup or make good for losses in value to the Participant's Individual Investment Account incurred between the date of the valuation of the account used for equitable distribution purposes and the date of the distribution to the Alternate Payee.
  - (6) Specifies the amount or percentage of the Participant's Individual Investment Account to be paid to the Alternate Payee and the date upon which such valuation is based.
  - (7) Specifies the name and last known mailing address, if any, of the Participant and the name and last known mailing address of each Alternate Payee covered by the Domestic Relations Order and states that it is the responsibility of each Alternate Payee to keep a current mailing address on file with this DC Plan.
  - (8) Does not grant an Alternate Payee the rights, privileges or options available to a Participant.
  - (9) Requires the Participant to execute an authorization allowing each Alternate Payee to monitor the Participant's compliance with the terms of the Domestic Relations Order through access to information concerning the Participant maintained by this DC Plan. Any authorization granted under this provision shall be construed as an authorization for the Alternate Payee to receive information concerning the Participant that relates to the administration, calculation and payment of the Alternate Payee's share of the Participant's Individual Investment Account and not as an authorization to exercise the rights afforded to the Participant or obtain information that is not related to the administration, calculation and payment of the Alternate Payee's share of the Participant's Individual Investment Account.
  - (10) Requires the distribution of the Alternate Payee's share of the Participant's Individual Investment Account, as soon as practicable upon a final determination that the underlying Domestic Relations Order constitutes an Approved Domestic Relations Order which may be made by a direct payment or to the extent permitted under the IRC, an Eligible Rollover Distribution.
  - (11) In the case of a Participant who is currently receiving distributions from this DC Plan as of the date that the Domestic Relations Order is approved by the secretary of the Board, or a designated representative, may not order the Board to pay the Alternate Payee more than the vested balance available in the Participant's Individual Investment Account as of the date the Domestic Relations Order is approved or require that distributions continue to the Alternate Payee after the death of the Participant and final settlement of the Participant's Individual Investment Account.
- (b) **Determination by Secretary.** Within a reasonable time after receipt of a Domestic Relations Order, the secretary of the Board, or a designated representative, shall determine whether the Domestic Relations Order is an Approved Domestic Relations Order and notify the Participant and each Alternate Payee of this determination. Notwithstanding any other

provision of law, the exclusive remedy of any Participant or Alternate Payee aggrieved by a decision of the secretary of the Board or, a designated representative, shall be the right to an adjudication by the Board under 2 Pa. C.S. Ch.5 (relating to practice and procedure) with appeal therefrom to the Commonwealth Court under 2 Pa. C.S. Ch.7 (relating to judicial review) and 42 Pa. C.S. Section 763(a)(1) (relating to direct appeals from government agencies). The Board shall have no obligation to implement an Approved Domestic Relations Order until all parties have either exhausted or waived all appeal rights.

- (c) **Other Orders.** The requirements for approval identified in subsections (a) and (a.1) shall not apply to any Domestic Relations Order that is an order for support as that term is defined in 23 Pa. C.S. Section 4302 (relating to definitions) or an order for the enforcement of arrearages as provided in 23 Pa. C.S. Section 3703 (relating to enforcement of arrearages). These orders shall be approved to the extent that they do not attach moneys in excess of the limits on attachments as established by the laws of the Commonwealth of Pennsylvania and the United States, require distribution of benefits in a manner that would violate the laws of the United States, any other state or the Commonwealth of Pennsylvania or require distribution of funds for support or enforcement of arrearages against any Participant who is not receiving distributions from this DC Plan at the time the order is entered. These orders may be approved notwithstanding any other provision of 24 Pa. C.S., Part IV or this DC Plan that would otherwise require a distribution of Accumulated Employer Defined Contributions in the form of an annuity or to require the purchases of an annuity.
- (d) **Obligation Discharged.** Only the requirements of 24 Pa. C.S., Part IV and any regulations promulgated under 24 Pa. C.S., Part IV shall be used to govern the approval or disapproval of a Domestic Relations Order. Therefore, if the secretary of the Board, or a designated representative, acts in accordance with the provisions of this 24 Pa. C.S., Part IV and any promulgated regulations in approving or disapproving a Domestic Relations Order, then the obligations of the System or this DC Plan with respect to such approval or disapproval shall be discharged.
- (e) **Domestic Relations Order Procedures.** Except to the extent prohibited by applicable law, the Board may adopt procedures that shall govern the terms, review and approval of a Domestic Relations Order, including by way of example and not limitation, the naming of an Irrevocable Beneficiary.

**12.06 Legal Representatives.** This DC Plan may transact business with a guardian, conservator, trustee, custodian (including under a Uniform Transfers or Gifts to Minors Act), attorney-in-fact, or other legal representative appointed on behalf of a Participant, beneficiary or Alternate Payee; provided sufficient documentation is submitted to this DC Plan evidencing authority to transact business with this DC Plan, including but not limited to, exercising a right or making an election under this DC Plan. This DC Plan, Board, and the Trustee, who in good faith rely upon the authority of a representative as if such authority was genuine, will not incur any liability for processing any requested transaction or making payments in accordance with the instruction of such representative. Neither this DC Plan, Board, nor the Trustee has any duty to inquire as to the competence of any individual entitled to exercise a right, make an election, or receive payments under this DC Plan.

**ARTICLE XIII**  
**DUTIES OF AN EMPLOYER**

- 13.01 General Duty.** An Employer shall: (1) perform those duties imposed under the Retirement Code and regulations implementing the Retirement Code; (2) timely provide all information requested by the Board; (3) maintain and preserve records required by applicable law and as requested the Board; and (4) cooperate fully with the Board in the administration of this DC Plan and maintain compliance with applicable law.
- 13.02 Status of Participants.** An Employer shall provide the Board all information that the Board requests for the administration of this DC Plan.
- 13.03 Mandatory Pickup Participant Contributions, Employer Defined Contributions and After-Tax Voluntary Contributions.** An Employer shall make the Mandatory Pickup Participant Contributions on behalf of a Participant and shall deduct and remit to the Trust any After-Tax Voluntary Contributions authorized by a Participant. The Employer shall make the Employer Defined Contributions on behalf of a Participant. The Employer shall notify the Board at times and in a manner prescribed by the Board of the Compensation of any Participant to whom the limitation under IRC Section 401(a)(17) either applies or is expected to apply and shall cause the Participant's Mandatory Pickup Participant Contributions to be deducted from Payroll Period Compensation to cease at the limitation under IRC Section 401(a)(17) on the payroll date if and when such limit is reached. The Employer shall certify to the Board the amounts picked up and deducted and the Employer Defined Contributions being made and shall send the total amount picked up, deducted and contributed together with a duplicate of such voucher to the secretary of the Board every pay period or on such schedule as established by the Board.
- 13.04 Demographic Information.** In accordance with the School Employee demographic information requirements established by the Board, an Employer, with regard to the School Employee of the Employer, shall provide the Board the School 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 School Employees who participate in this DC Plan and filed with the Board and shall make such contributions as required under Article III.
- 13.05 Advising Participants of Duties.** To the extent required by the Board, an Employer, with regard to its School Employees, shall provide information regarding this DC Plan.
- 13.06 School Employee Performing USERRA Leave or Military-Related Leave of Absence.** An Employer shall report all of the following to the Board:
- (a) Any Participant who:
    - (1) Ceases to be an Active Participant to perform USERRA service; or
    - (2) Is granted a leave of absence under 51 Pa. C.S. Section 4102 (relating to leave of absence for certain governmental employees) or a military leave of absence under 51 PA. C.S. Section 7302 (relating to granting military leaves of absence).
  - (b) The date on which the School Employee is Reemployed from USERRA Leave or returns after the leave of absence or military leave of absence, if applicable.

(c) Any other information that the Board may require.

**13.07 Differential Wage Payments and Military Leave of Absence Payments.** Notwithstanding the exclusion of differential wage payments as defined in IRC § 414(u)(12) from Compensation under this DC Plan, the Employer of any Participant on USERRA Leave shall report differential wage payments made to the Participant to the Board, and the Employer of any Participant on leave of absence under 51 Pa. C.S. § 4102 shall report any payment made to the Participant in the form and manner established by the Board.

**ARTICLE XIV**  
**RIGHTS AND DUTIES OF SCHOOL EMPLOYEES AND PARTICIPANTS**

- 14.01 General Duty.** A School Employee, a Participant, and a former Participant shall: (1) perform those duties imposed under the Retirement Code and regulations implementing the Retirement Code; (2) timely provide all information requested by the Board; and (3) cooperate fully with the Board in the administration of this DC Plan.
- 14.02 Information on New Employees.** Upon first engaging in School Service, each new School Employee shall furnish the Employer with a complete record of previous School Service or State service, or creditable non-school service, proof of date of birth, home address, status in the System and this DC Plan and in the State Employees' Retirement System and the State Employees' Defined Contribution Plan and such other information as the Board may require. Willful failure to provide the information required by this Section or under the Retirement Code to the extent available or the provision of erroneous information upon entrance into the System or this DC Plan shall result in the forfeiture of the right of the Participant to subsequently assert any right to benefits based on erroneous information or on any of the required information that the Participant failed to provide. The foregoing duties shall include the obligation to update such information to the extent of any changes therein occur.
- 14.03 Return from USERRA Leave.** A Participant who has reemployment rights under USERRA shall notify the Board of the Participant's election, if any, to claim rights related to Reemployment from USERRA Leave within such time as required by USERRA.

**ARTICLE XV**  
**AMENDMENT AND TERMINATION**

**15.01 Amendment by the Board.** The Board shall have the right at any time to amend this DC Plan subject to grant of authority provided in Section 8401 of the Retirement Code, namely, to determine the terms and provisions of this DC Plan not inconsistent with Part IV Retirement for School Employees under Title 24 Education Pa. C.S, the IRC, including, but not limited to IRC Section 401(a) and other applicable law. Unless the context indicates otherwise, any amendment to this DC Plan is not applicable to determine the benefit accrued (and the extent to which such benefits are vested) by a Terminated Participant or former School Employee whose employment terminated before the effective date of such amendment, except where application of the amendment to the Terminated Participant or former School Employee is required by statute, regulation or other guidance of general applicability. Where the provisions of this DC Plan are ambiguous as to the application of an amendment to a Terminated Participant or former School Employee, the Board has the authority to make a final determination on the proper interpretation of this DC Plan subject to any appeal rights provided under Article XI.

**15.02 Termination of the DC Plan.** The Board hereby acknowledges that this DC Plan may be terminated pursuant to the lawful exercise of legislative and executive authority by the General Assembly and Governor of the Commonwealth of Pennsylvania. In the event of the termination of this DC Plan and to the extent required to constitute a governmental plan within the meaning of IRC Section 414(d) that is a qualified plan under IRC Section 401(a), this DC Plan shall comply with the vesting requirements resulting from the application of IRC Section 401(a)(4) and IRC Section 401(a)(7) as in effect on September 1, 1974. For reference purposes, IRC Section 401(a)(7) then provided:

A trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that, upon its termination or upon complete discontinuance of contributions, under the plan, the rights of all employees to benefits accrued to the date of such termination or discontinuance, to the extent then funded, or the amounts credited to the employees' accounts are nonforfeitable.



**ARTICLE XVI**  
**MISCELLANEOUS**

**16.01 Exclusive Benefit.**

- (a) **General Rule.** Except as provided under Sections 16.01(b) and Section 16.01(c) and otherwise specifically permitted or required by applicable law, including, but not limited to Section 8533 of the Retirement Code, no part of the assets of this DC Plan (including any corpus or income of the Trust or funds contributed thereto) may be used for, or diverted to, purposes other than the exclusive benefit of the Participants and the beneficiaries and Alternate Payees of the Participants, whether by operation of this DC Plan or the Trust, by termination of either, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other means.
- (b) **Mistake of Fact.** If an Employer makes a contribution under a mistake of fact, the Employer may demand repayment of such contribution at any time within one (1) year following the time of payment and the Trustee shall return such amount to the Employer upon its finding of a mistake of fact. Earnings of this DC Plan and Trust attributable to the contributions may not be returned to the Employer, but any losses attributable thereto must reduce the amount so returned.
- (c) **Expenses.** All expenses, fees, and costs of administering this DC Plan and the Trust, including, but not limited to, the investment of the assets of the Trust, shall be borne by the Participants and the beneficiaries and Alternate Payees of the Participants proportionately as determined by the Board, and paid from assessments against the balances of the Individual Investment Accounts, except as otherwise provided in the Retirement Code or as the General Assembly of the Commonwealth of Pennsylvania otherwise provides through appropriations from the General Fund.

Such expenses shall include, but not be limited to, any expenses incident to the functioning of a third party administrative services providers, or any person or persons retained or appointed by the Board incident to the exercise of its duties under this DC Plan, including, but not limited to, fees of accountants, counsel, investment managers, and agents appointed for the purpose of assisting the Board or Trustee in carrying out the instructions of a Directing Accountholder as to the directed investment of their Individual Investment Accounts and other specialists and their agents and other costs of administering this DC Plan. In addition, unless specifically prohibited under statute, regulation or other guidance of general applicability, the Board may charge to the Individual Investment Account of an individual Participant a reasonable charge to offset the cost of making a distribution.

If liquid assets of this DC Plan are insufficient to cover any expense that may be paid from this DC Plan and Trust, then assets of this DC Plan and Trust shall be liquidated to the extent necessary for such expenses. If any part of the assets of the Trust becomes subject to tax, all taxes incurred will be paid from the assets of the Trust. Until paid, the expenses shall constitute a liability of the Trust.

- 16.02 Participant Rights.** This DC Plan and the Trust shall not be deemed to constitute a contract between any Employer and any Participant or any individual or to be a consideration or an inducement for the employment of any Participant or individual, and except as provided herein or the laws of the Commonwealth of Pennsylvania, give any Participant, individual or entity any legal or equitable right against an Employer, the Board, or the Trustee, including their respective

officers, directors, employees, agents, representatives and volunteers. Nothing contained in this DC Plan or the Trust shall be deemed to give any Participant or individual the right to be retained in the service of any Employer or to interfere with the right of any Employer to discharge any Participant or individual at any time regardless of the effect which such discharge shall have upon the individual as a Participant in this DC Plan.

**16.03 Alienation of Benefits.**

- (a) **General Rule.** Except as provided under Section 16.03 (b) and Section 16.03 (c), no interest in an Individual Investment Account, rights to receive or direct distributions or a benefit under this DC Plan of any Participant or the beneficiary or Alternate Payee of any Participant shall be subject in any manner to being commuted, sold, assigned, alienated, anticipated, mortgaged, pledged, hypothecated, encumbered, charged or otherwise transferred or conveyed or be liable for, or subject to, the debts, contracts, liabilities, engagements, torts, attachment or legal process of any Participant or the beneficiary or Alternate Payee of any Participant, nor shall it be subject to attachment or legal process for or against any of the foregoing. Any attempt to act in violation of this subsection (a) shall be void.
- (b) **Exception for Forfeiture.** An interest in an Individual Investment Account, rights to receive or direct distributions or a benefit under this DC Plan shall be subject to forfeiture as provided in the Forfeiture Act; provided, however, that the Accumulated Mandatory Pickup Participant Contributions, Accumulated Rollover Contributions, and Accumulated After-Tax Voluntary Contributions standing to the credit of a Participant shall be available for the payment of fines and restitution as provided by law. Amounts in the Trust that have been ordered to be distributed to an Alternate Payee as the result of an equitable distribution of marital property as part of an Approved Domestic Relations Order entered before the date of the order or action in a court or other tribunal resulting in a forfeiture of a Participant's interest in this DC Plan and Trust shall not be subject to the Forfeiture Act. Any Accumulated Employer Defined Contributions forfeited under the Forfeiture Act or other applicable law shall be retained by the Board and used for the payment of expenses of this DC Plan.
- (c) **Exception for Approved Domestic Relations Order.** An interest in an Individual Investment Account, rights to receive or direct distributions or a benefit under this DC Plan shall be subject to attachment in favor of an Alternate Payee under an Approved Domestic Relations Order.

**16.04 Use of Electronic Media.** To the extent authorized by the Board, a Participant or the beneficiary or Alternate Payee of a Participant may use any electronic medium to make or provide any application, claim, beneficiary designation, election, notice, consent or waiver under this DC Plan.

**16.05 Notice to Members/Participants.** Notice by publication, including, but not limited to, newsletters, newspapers, forms, first class mail, letters, manuals and electronic notice, including, but not limited to, e-mail or publicly accessible Internet websites, distributed or made available to a Participant in a manner reasonably calculated to give actual notice of the provisions of the Retirement Code that require notice to Participants shall be deemed sufficient notice for all purposes.

- 16.06 Plan Correction.** The Board may undertake such correction of plan errors as the Board deems necessary, including, but not limited to, correction to preserve the tax qualification of this DC Plan under IRC Section 401(a). Without limiting the Board's authority under the prior sentence, the Board, as it determines to be reasonable and appropriate, may undertake correction of Plan Document and operational failures under a method described in this DC Plan or under the IRS Employee Plans Compliance Resolution System or other applicable guidance promulgated by the Internal Revenue Service. The Board may require an Employer or the Employer may make if permitted by the Board, corrective contributions pursuant to this Section regardless of whether this DC Plan otherwise permits such contribution source. In addition, this DC Plan is authorized to recover benefits from a Participant or the beneficiary or Alternate Payee of a Participant that have been distributed improperly.
- 16.07 Waiver of Notice.** Any person entitled to a notice under this DC Plan may waive the right to receive such notice, to the extent such a waiver is not prohibited by applicable law.
- 16.08 Evidence.** Anyone required to give data, statements or other information relevant under the terms of this DC Plan or the administration thereof, may do so to the extent not prohibited under Article XI, by certificate, affidavit, document or other form from which the person to act in reliance may consider pertinent, reliable and genuine, and to have been signed, made or presented by the proper party or parties. The Board, its staff, and the Trustee are protected fully in acting and relying upon any evidence described under the immediately preceding sentence.
- 16.09 Gender, Number and Tense.** Wherever any words are used in this DC Plan in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases in which they would so apply; whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply; and whenever any words are used herein in the past or present tense, they shall be construed as though they were also used in the other form in all cases where they would so apply.
- 16.10 Binding Effect.** This DC Plan, and all actions and decisions made hereunder, shall be binding upon all Participants and the beneficiaries and Alternate Payees of all Participants, and their heirs, administrators, successors and assigns.
- 16.11 Severability of Provisions.** If any provision of this DC Plan shall be held to be illegal, invalid or unenforceable for any reason, the remaining provisions under this DC Plan shall be construed as if the illegal, invalid or unenforceable provisions has never been included in this DC Plan.
- 16.12 Computation of Days for Documents with Filing Deadlines.** When computing the due date for a document with a filing deadline, the first day (the date of communication to the Participant) shall be excluded and the last day of the period shall be included. A "day" means a calendar day. If the due date for a required action falls on a Saturday or Sunday or on any day made a legal holiday on which PSERS business is closed, then the due date shall be extended to the next business day. For any document required to be filed with the Board or submitted in the administration of this DC Plan, the date of receipt and not the date of mailing shall control.
- 16.13 Governing Law.** The provisions of this DC Plan shall be construed, administered, and enforced in accordance with the provisions of the applicable law of the Commonwealth of Pennsylvania and, to the extent applicable, Federal law. All conflicts of law shall be resolved in favor of maintaining the qualified status of this DC Plan under the IRC.

**16.14 References to Certain Federal Statutes.** A reference to the IRC or USERRA, including administrative regulations promulgated under the IRC or USERRA, shall include laws and regulations in effect on June 12, 2017 and amended, supplemented or supplanted on or after June 12, 2017.

**16.15 Construction, Board's Discretion and Headings.**

- (a) **Preservation of Qualified Plan Status.** This DC Plan and the Trust shall be interpreted consistent with and to preserve the tax qualification of this DC Plan under IRC Section 401(a) and tax exemption of the Trust under IRC Section 501(a) and also consistent with other applicable law. To the extent permissible under applicable law, any provision which a court (or other entity with binding authority to interpret this DC Plan) determines to be inconsistent with such construction and interpretation, is deemed severed and is of no force or effect and the remaining DC Plan terms shall remain in full force and effect. No provision of this DC Plan shall be construed to mean that the limitations on benefits or other requirements under the provisions of IRC Section 401(a) or other applicable provisions of the IRC, as applicable to a governmental plan, do not apply to the Participants in this DC Plan.
- (b) **Usage of the Term Spouse.** When used in this DC Plan, the word "spouse" shall have the meaning given by applicable state law, provided however, for purposes of the IRC, when applicable, the word "spouse" means the individual to whom an individual is married for purposes of Federal tax law.
- (c) **The Board's Discretion.** The Board has the authority to interpret and construe this DC Plan and governing law and to determine all questions arising in the administration, interpretation and application of this DC Plan. Any determination the Board makes under this DC Plan is final and binding upon any affected individual or entity subject to rights provided under Article XI.
- (d) **Headings.** The headings and subheadings of this DC Plan have been inserted for convenience of reference and are to be ignored in the construction of the provisions hereof.

**ARTICLE XVII**  
**THE TRUST**

**17.01 The Trust.**

- (a) **Establishment.** The Trust for this DC Plan is established and named the “School Employees’ Defined Contribution Trust” (“Trust”) pursuant to Section 8401(b) of the Retirement Code. The purpose of the Trust is to be the entity through which the Trustee holds and invests the assets of this DC Plan until distributed in accordance with the provisions of this DC Plan.
- (b) **Intention to Qualify under IRC Section 401(a).** This Trust is intended to constitute a qualified trust under IRC Section 401(a) and be entitled to tax exemption under Section 501(a) of the IRC. The provisions of the Trust, including this Article XVII and the applicable provisions of this DC Plan, shall be construed and administered in accordance with the applicable provisions of the Retirement Code and to the extent required to constitute a qualified trust, IRC Section 401(a).
- (c) **Assets Held in Trust.** All of the assets of the DC Plan shall be held in trust for the exclusive benefit of the DC Plan’s Participants and their Beneficiaries and defraying reasonable expenses of administering the DC Plan. The Trust shall accept and receive all sums of money paid to it from time to time pursuant to the terms of this DC Plan and shall hold, invest, reinvest, manage, and administer those monies and all increments, earnings, and income thereon as trust funds exclusively for such purposes. All of the assets of the DC Plan shall be held in a separate trust fund, as required by the Retirement Code.

**17.02 Trustee.** The members of the Board shall be the trustee of the Trust and shall possess the power and privileges of a corporation. Members of the Board who are not members of either the 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. When the duties of the Board as mandated are not executed, however, no compensation or reimbursement for expenses shall be paid or payable during such period. The members of the Board, employees of the Board, and agents thereof stand in a fiduciary relationship to the Participants and their Beneficiaries regarding the investments and disbursements of any of the moneys of the Trust and shall not profit either directly or indirectly with respect thereto.

**17.03 Trust Fund.** The Trust shall consist of the Trust Fund consisting of contributions and assets otherwise transferred to the Trust in accordance with the provisions of this DC Plan, together with all investment earnings thereon, less deductions for fees, costs, expenses, investment losses and distributions.

**17.04 Contributions.** All amounts required to be contributed or transferred to this DC Plan shall become part of the Trust. The Trustee shall establish procedures for accepting contributions to the Trust and any limitations on cash, securities, or other property acceptable to the Trustee. Securities or property not so acceptable shall be converted into cash, and said cash transferred to the Trust and credited accordingly.

**17.05 Distributions.** Distributions from the Trust shall be made to such persons, at such times, and in such amounts as set forth in the provisions of this DC Plan; provided, however, that in no event shall the Trustee be under any obligation to make any payment other than from the funds in this

Trust. The Trustee shall be fully protected in relying and acting upon notice, instruction, certification, or other document in writing that was made or purports to have been made in accordance with this DC Plan, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth and accuracy of the statements contained therein. Upon any such distribution, the amount of the payment shall no longer constitute a part of the Trust.

**17.06 Trust Powers.** In addition to the powers set forth in Article XII, the Trustee shall have the power and duty to take all actions necessary or proper in carrying out the provisions of the Trust. Without limiting the generality of the foregoing, the Trustee shall have the following powers and duties:

- (a) The Trustee may purchase or otherwise acquire property for the Trust, whether real or personal; hold it; and sell, convey, transfer, lease, or otherwise dispose of, and also grant options with respect to it. The Trustee may cause any securities or other property to be registered in the name of the "School Employees' Defined Contribution Plan," or in the name of one or more of the Trustee's nominees, and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust;
- (b) The Trustee, in carrying out the provisions of the Trust, may authorize one or more persons or any agent to negotiate, execute, or deliver any agreement or instrument or make any payment on behalf of the Trustee and may allocate among the Board members or delegate to other persons all or such portion of the Trustee duties under the Trust, as the Trustee, in their sole discretion, shall decide;
- (c) If any person, whether a Participant, a Beneficiary, or otherwise, receives money to which such person was not entitled, the Trustee is authorized in its discretion to recover such money through one or more of the following: from the recipient through any available legal process or remedy, from the recipient through offset against other amounts not yet paid to the recipient, or from the Individual Investment Account from which the excess was taken to offset against amounts not yet paid. The Trustee is authorized to recover such amount in full and to assess interest thereon; and
- (d) The Trustee shall be authorized and empowered to do all acts, whether or not expressly authorized herein that the Trustee may deem necessary or proper to protect and carry out the purpose of the Trust or to qualify the DC Plan under the applicable provisions of the IRC.

**SCHEDULE A**

<b>Original Membership Class</b>	<b>Original Membership Total Contribution Rate</b>	<b>Elected Membership Class</b>	<b>Mandatory Pickup Participant Contribution Rate</b>
<b>Class T-G</b>	5.5%	n/a	2.75%
<b>Class T-C (Class P)</b>	6.25%	T-G	0.75%
<b>Class T-D (Class C-TD)</b>	6.5%	T-G	1%
<b>Class T-D (Class P-TD)</b>	7.5%	T-G	2%
<b>Class T-E</b>	7.5%	T-G	2%
<b>Class T-F</b>	10.3%	T-G	4.8%
<b>Class T-H</b>	4.5%	n/a	3%
<b>Class T-C (Class P)</b>	6.25%	T-H	1.75%
<b>Class T-D (Class C-TD)</b>	6.5%	T-H	2%
<b>Class T-D (Class P-TD)</b>	7.5%	T-H	3%
<b>Class T-E</b>	7.5%	T-H	3%
<b>Class T-F</b>	10.3%	T-H	5.8%
<b>Class DC</b>	0.0%	n/a	7.5%
<b>Class T-C (Class P)</b>	6.25%	DC	6.25%
<b>Class T-D (Class C-TD)</b>	6.5%	DC	6.5%
<b>Class T-D (Class P-TD)</b>	7.5%	DC	7.5%
<b>Class T-E</b>	7.5%	DC	7.5%
<b>Class T-F</b>	10.3%	DC	10.3%

\* Classes in parentheses are derived fields, based on Membership Class and qualification date, used to determine the correct contribution rate.