The Centre County Employees' Retirement System and Trust

Amended and Restated Effective January 1, 2016

Table of Contents

Section 1. Preamble 1
Section 2. Definitions 1
Section 3. [Reserved] 3
Section 4. County Retirement System; County Retirement Board 3
Section 5. Personnel; Administrative Expenses 4
Section 6. Rules and Regulations; Actuarial Data 4
Section 7. County Employees' Retirement Trust Fund; Transfers Between Classes 5
Section 7.1 Additional Class Options 6
Section 8. Custody of Fund; Payments 7
Section 9. Management and Investment of Fund 7
Section 10. Compulsory Membership 7
Section 11. County Guarantee; Annual Budgets 8
Section 12. Service Allowance 8
Section 13. Credit for Military Service 8
Section 13.1 Credit for Public School Service 10
Section 14. Superannuation Retirement Allowance 10
Section 14.1 Special Early Retirement 11
Section 15. Options on Superannuation Retirement 11
Section 15.1 Option to Withdraw Accumulated Deductions and Accumulated Interest 12
Section 16. Involuntary Retirement Allowance; Voluntary Retirement Allowance after Twenty Years of Service 13
Section 17. Retirement as of Time of Death 13
Section 18. Preretirement Death Benefits 14
Section 19. Additional Retirement Benefits 14
Section 20. Total Disability Retirement Allowance 14
Section 21. Payment of Balances Where Disability Annuitant Dies 14
Section 22. Monthly Payments of Retirement Allowances 14
Section 23. Refunds 14
Section 24. Simultaneous Payments of Salary and Retirement Allowance 15
Section 25. Subsequent Admissions to Retirement System 15
Section 26. Reinstatement on Return to County Employment 16
Section 27. Exemption from Taxation and Execution 16

Section 28. Fraud; Correction of Errors 16
Section 29. Designation of Deposit Administrator 16
Section 30. Supplemental Benefits 16
Section 31. Saving Clause 17
Section 32. Maximum Permissible Benefits and Contributions – Code Section 415 17
Section 33. Required Minimum Distributions – Code Section 401(a)(9) 22
Section 34. Direct Rollovers 22
Section 35. Miscellaneous Provisions 23
Appendix A 25
Appendix B 26
Appendix C 27
Appendix D 29

Section 1. Preamble

This document is the plan document and trust for the Centre county retirement system. Prior to this document, Act 96, as amended, together with various resolutions and actions of the county commissioners and the retirement board, served as the plan document and trust provisions, and the retirement board has always, to its knowledge, administered the county retirement system in good-faith compliance with applicable provisions of the Internal Revenue Code and consistent with Act 96.

Section 2. Definitions

As used herein:

"Accumulated deductions" means the total of pickup contributions and, the amounts deducted from the salary of a contributor and paid into the fund and standing to the credit of the members' annuity reserve account, together with the regular interest thereon.

"Act" means the County Pension Law, Act 96 (P.L. 398) [16 P.S. §§ 11651 *et seq.*], August 31, 1971, as amended.

"Actuarial equivalent" or "equivalent actuarial value" means a value that is converted to the actuarially equivalent of another value, using actuarial principles and, for retirement quotations and final benefit elections originally issued before January 24, 2011, the tabular factors set forth on Appendix C, and for retirement quotations and final benefit elections originally issued after January 23, 2011, using the GAM-83 mortality table and seven percent interest, and effective January 1, 2015, using RP-2000, projected using Scale AA to 2013, instead of GAM-83.

"Beneficiary" means any person having an insurable interest in the life of the member who the member nominates by written designation, duly acknowledged and filed with the board, to receive any benefits due under the retirement system following the death of the member.

"Board" means the County Retirement Board established in accordance with the provisions of the act.

"Code" means the United States Internal Revenue Code of 1986, as amended. Reference to any specific provision of the code shall include such provision and any valid regulation promulgated thereunder.

"Compensation" means pickup contributions plus remuneration received as a county employee excluding refunds for expenses, contingency and accountable expense allowances and excluding severance payments or payments for unused vacation or sick leave. Compensation includes amounts excluded from income pursuant to a member's election under a cash or deferred compensation arrangement described in sections 401(k) of the code, an eligible deferred compensation plan described in section 457(b) of the code, a cafeteria plan described in section 125 of the code, and, effective January 1, 1998, a qualified transportation fringe benefit plan under section 132(f) of the code. Notwithstanding the preceding the annual compensation of a member shall be limited as set forth in section 401(a)(17) of the code (as adjusted annually pursuant to section 401(a)(17)(B) of the code and announcement by the Internal Revenue Service; for 2011, $245,000). Compensation for any prior year shall be subject to the limitations set forth in Appendix C, C-1. Effective December 12, 1994, if a member is absent on leave due to qualified military service, and returns to employment, compensation

shall be deemed to include compensation such member would have received but for such qualified military service. If compensation for any prior determination period is taken into account in determining a member's benefits for the current year, the compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that prior period.

"Contributor" means any person who has accumulated deductions in the fund standing to the credit of the members' annuity reserve account.

"County annuity" means payments for life or during disability derived from contributions made by the county, excluding pickup contributions.

"County employee" means any person, whether elected or appointed, who is employed by the county, the county institution district, the county prison or by any other institution maintained by the county from county moneys, or who is employed by the county or State official and paid by such official from moneys appropriated by the county for such purpose, whose salary or compensation is paid in regular periodic installments or from fees collected by his office, but shall not, except as hereafter provided, include any person employed on a part-time basis.

"Effective date" means the effective date of the retirement system, which is the first Monday of January of the year succeeding the year in which the retirement system was established by resolution of the county commissioners for the benefit of county employees, as set forth in Appendix A.

"Final salary" means the average annual compensation received by the contributor for the three highest years of service in the employment of the county, or in the event a member has not served three years the total compensation received divided by the number of years served.

"Fund" means the County Employees' Retirement Trust Fund, which shall hold the assets of the retirement system in trust, as provided in section 7.

"Limitation year" means the calendar year.

"Member's annuity" means payments for life or during disability derived from contributions made by the contributor and from pickup contributions.

"Member" means a county employee who has become a member of the retirement system in accordance with section 10 and is a contributor. A member shall cease to be a member upon terminating employment as a county employee for any reason, including death or disability.

"New member" means a member who shall have become a member of the retirement system after the effective date.

"Original member" means a member who was a county employee on the effective date.

"Part-time" means employment with the expectation of completing less than 1000 hours of service during the 12 month period beginning on the first day of employment and each succeeding 12 month period thereafter.

"Pickup contributions" means regular member contributions which are made by the county on behalf of county employees for current service in accordance with section 414(h)(2) of the code and section 7(c) hereof.

"Plan year" means the calendar year.

"Prior service" means all service as a county employee served not later than December 31, preceding the year the retirement system was established.

"Qualified military service" means any service in the uniformed services (as defined in chapter 3 of title 38, United States Code), by any individual if such individual is entitled to reemployment rights under such chapter with respect to such service.

"Regular interest" means interest at the rate of four percent compounded annually, except as otherwise established by the board for member contributions, in accordance with subsection 6(a).

"Retiree" means any person in receipt of a retirement allowance.

"Retirement allowance" means the county annuity plus the member's annuity.

"Retirement system" or "system" means the county retirement plan.

"Social security retirement age" means, for an individual born in 1937 or before, age 65; for an individual born between 1938 and 1954 (inclusive), age 66; and for an individual born in 1955 or later, age 67.

"Superannuation retirement age" means sixty years of age, except as applied to a contributor who has completed twenty years of total service, in which case superannuation retirement age means fifty-five years of age or upwards.

"Vesting" means the right of a contributor who separates from service after having completed five or more years of credited service to leave accumulated deductions credited to his account in the fund and upon reaching superannuation retirement age receive a superannuation retirement allowance.

"Year of service" means a 12-month period beginning on the first day of employment of a county employee, or in any succeeding 12-month period thereafter during which such employee is credited with 1000 or more hours of service, or for which an employee is granted credit for a year of service in accordance with section 12.

Section 3. [Reserved]

Section 4. County Retirement System; County Retirement Board

(a) The retirement system has been established for county employees by resolution of the county commissioners as of the effective date, pursuant to the act.

(b) The retirement system shall be administered by a county retirement board, consisting of five members, three of whom shall be the county commissioners, the county controller and the county treasurer. If there is no elected county controller, the chief clerk of the county shall be a member of the board. The chairman of the board of county commissioners shall be chairman of the board. Each member of the board shall take an oath of office that he will diligently and honestly administer the affairs of the board and that he will not knowingly violate or permit to be violated any of the provisions of the act. Such oath shall be subscribed by the member taking it, and shall be filed among the records of the board. The members of the board shall not receive any compensation for their services, but shall be reimbursed for all expenses necessarily incurred in the performance of their duty. Three members of the board shall constitute a quorum.

Section 5. Personnel; Administrative Expenses

The board may appoint and fix the compensation of an actuary. The county controller or the chief clerk of the county, as the case may be, shall be the secretary of the board. In counties having an optional form of government, the board shall appoint a secretary. The compensation of the secretary shall be fixed by the salary board or council, as the case may be. The secretary shall keep a record of all the proceedings of the board, which record shall be open to inspection by the public.

The expense of the administration of the system exclusive of the payment of retirement allowances shall be paid by the county by appropriations made on the basis of estimates submitted by the board. However, such administrative expenses may from year to year be paid from the fund unless it is determined by the actuary that such payment will impair the actuarial soundness of the fund.

Section 6. Rules and Regulations; Actuarial Data

(a) Rules and Regulations. The board shall, from time to time, establish such rules and regulations for meetings of the board and for the administration of the fund, and the various accounts thereof, as may be deemed necessary. The board may, by January 31 of each year, determine the rate of regular interest to be allowed member contribution accounts for the current plan year, such rate of regular interest not to be less than four percent nor more than five and one-half percent per year.

(b) Actuarial data and determinations. The board shall keep such data as shall be necessary for actuarial valuation purposes. The actuary of the board shall (i) periodically make an actuarial investigation into the mortality and service experience of the contributors to and beneficiaries of the fund, (ii) adopt for the retirement system one or more mortality tables, and (iii) certify to the board annually the amount of appropriation to be made by the county to the fund to build up and maintain adequate reserves for the payment of the county's share of retirement allowances.

(c) Plan Interpretation. The board shall have the discretion and authority and responsibility to interpret and construe the provisions of this system and to decide all questions arising thereunder, including without limitation, questions of eligibility for participation, eligibility for benefits, amount of accrued benefits, and the timing of the distribution thereof. All such interpretations, constructions and corrections of the provisions herein shall be final and binding

upon all parties, including without limitation, the county, employees, and their families and dependents.

(d) Claims and Appeals. If any member or other county employee, or any personal representative of such employee or a beneficiary of a deceased member or other county employee files a claim for benefits under the retirement system, the board shall notify such claimant of its determination within a reasonable period of time following its receipt of such claim. If the claimant appeals such determination, the board reserves the right to hear such appeal and to issue a final and binding decision with respect thereto. The board's decision shall be given deference in any subsequent hearing to which the member may be entitled as a matter of law.

(e) Exclusive Benefit Rule. The system shall be administered for the exclusive benefit of members and their beneficiaries (including alternate payees under duly authorized domestic relations orders), including the defraying of reasonable expenses of administering the system, and it shall be impossible, at any time prior to the satisfaction of system liabilities, for any part of the principal or income of the trust to be diverted for any other purpose.

(f) The board reserves the right at any time, and from time to time, to amend in whole or in part any or all of the provisions of the retirement system, to the extent consistent with and not prohibited by the act.

Section 7. County Employees' Retirement Trust Fund; Transfers Between Classes

(a) The County Employees' Retirement Fund shall consist of all moneys arising from appropriations made by the county for credit to the county annuity reserve account, from contributions made by the members of the County Employees' Retirement System and from pickup contributions and from all investment returns thereon. The moneys contributed by the county shall be credited to a county annuity reserve account; and those contributed by the members and pickup contributions shall be credited to a member's annuity reserve account. Upon the granting of a retirement allowance to any contributor, whether as a superannuation retirement allowance, an involuntary or voluntary retirement allowance or a total disability retirement allowance, the amount of the contributor's accumulated deductions in the members' annuity reserve account shall lose their status as accumulated deductions and shall be transferred to a retired member's reserve account. Regular interest shall be credited up to the date of retirement, death, or withdrawal, to the member's annuity and county annuity and retired member's reserve accounts. Where a contributor separates from county service with vesting and does not withdraw his accumulated deductions, regular interest shall be credited to all accumulated deductions credited to his account in the fund to the date on which he attains his superannuation retirement age. The actuary shall determine the present value of the liability on account of all county annuities payable to original members and the percentage of such liability which shall be contributed by the county each year over a period of fifteen years from the time the system is established until the accumulated reserve equals the present value of said liability. All such contributions shall be credited to the county annuity reserve account. The actuary shall also determine the amount which shall be contributed by the county into the fund periodically for credit to the county annuity reserve account on account of the service of all new and original members subsequent to the time of the retirement system is established.

(b) Each member of the retirement system shall be required to contribute to the fund the minimum percent of his salary as set forth in Appendix A as of the effective date for the applicable class.

(c) The county shall contribute on behalf of each active member for current service the amount required by subsection 7(b). Contributions made in accordance with this subsection shall be deemed "pickup contributions" and shall be treated as the county's contribution in determining federal tax treatment under the code. For all other purposes pickup contributions shall be treated as contributions made by a member in the same manner and to the same extent as contributions made prior to the implementation of this subsection. The county on or before January 31 of each year shall, at the time when the income and withholding information required by law is furnished to each county employee also furnish the amount of the pickup contribution made on the employee's behalf. The county shall pick up the required contributions by an equal reduction in the compensation of the member.

(d) Each active member may elect to contribute an additional amount not exceeding ten percent more than the minimum percentage herein required. These voluntary contributions shall be paid on an after-tax basis into the fund through payroll deductions in such manner as the board may require.

(e) The board may at any time, by rule, authorize active members of the retirement system, whether original or new members, to individually elect to reduce the contribution to any of the percentages required herein for any class lower than the class otherwise designated by the board as applicable to the retirement system to which the member belongs. Any such election shall in no way affect the calculation of the county annuity portion of the member's retirement allowance as provided in Section 14, which county annuity portion shall be calculated as though the member had not made that election.

(f) All contributions including optional additional payments by members shall be credited to the member's annuity reserve account.

(g) The board may at any time, by rule, authorize active members of the retirement system, whether original or new members, to transfer from the one-one hundred twentieth class, or from the one-one hundredth class, to the one-eightieth class to the one-seventieth class, or to the one-sixtieth class. Whenever such transfers are authorized, salary deductions or pickup contributions applicable to the transferred members shall be based upon the percent of salary deduction applicable while in each class, notwithstanding the provisions of subsection 7(e).

Section 7.1 Additional Class Options

(a) The board may, by rule, establish a one-fiftieth class or a one-fortieth class with a required member contribution rate of nine per cent for each class unless the board establishes a different contribution rate in accordance with section 7(e).

(b) The board may, by rule, authorize the class adopted pursuant to this section to be applied retroactively to the employee's credited service or any portion thereof.

(c) Whenever the board has, by rule, authorized the members of the retirement system to make a transfer to the one-fiftieth class or the one-fortieth class, the county annuity shall be calculated in accordance with section 14(c) with the new classes added. Notwithstanding the provisions of section 14(c), if the board adopts the retroactivity provision in subsection 7.1(b), the county annuity for all periods of service shall be calculated at the one-fiftieth class rate or one-fortieth class rate, as the case may be.

(d) The board may adopt rules pursuant to this section as provided by the act.

Section 8. Custody of Fund; Payments

All moneys and securities in the fund shall be placed in the custody of the county treasurer for safekeeping; and, all payments from the fund shall be made only on requisition signed by the chairman and secretary of the board.

Section 9. Management and Investment of Fund

(a) The members of the board shall be trustees of the fund, and shall have exclusive management of the fund with full power to invest the moneys therein subject to the terms, conditions, limitations, and restrictions imposed by law upon fiduciaries. Subject to like terms, conditions, limitations, and restrictions, the trustees shall have power to hold, purchase, sell, assign, transfer or dispose of any of the securities and investments in the funds, as well as the proceeds of investments and the moneys belonging to the fund.

(b) The board shall annually allow regular interest on the mean amount for the preceding year to the credit of each of the accounts. The amount so allowed shall be credited to each contributor's account.

Section 10. Compulsory Membership

Each county officer may, and each other county employee shall, be required to become a member of the retirement system established at the later of the effective date and the date of first becoming a county employee; provided, however, that no county officer or county employee who is part-time shall become a member, except as otherwise provided in Section 12. Those becoming members who have been at any time county employees prior to the effective date shall be known as original members; and, those becoming members after the effective date as new members. Any person who becomes a county employee subsequent to the effective date, and who had been an employee of the county at any time prior to the effective date, shall receive credit for the service prior to the effective date, and shall be known as an original member if he shall contribute to the fund the amount which would have been contributed if the retirement system had been in effect during such previous employment; in which event, the county shall contribute for such employee the amount which it would have contributed if the retirement system had been in effect during such previous employment. Leased employees, as defined in section 414(n) of the code, are not eligible to participate in the retirement system.

Section 11. County Guarantee; Annual Budgets

(a) The regular interest charges payable, the creation and maintenance of the necessary reserves for the payment of the county and members' annuities, and the additional retirement benefits, are hereby made obligations of the county. The board shall prepare and submit to the county commissioners, on or before the first day of November of each year, an itemized estimate of the amounts necessary to be appropriated by the county to complete the payment of the obligations of the county during the next fiscal year.

(b) Forfeitures. Any forfeitures during a year arising from a member's termination of employment or otherwise shall be used to reduce the county's contributions for the following year as determined by the actuary and shall not increase any benefit otherwise payable hereunder.

Section 12. Service Allowance

In computing the length of service of a contributor for retirement purposes, full credit shall be given to each original member for each year of service rendered to the county prior to the effective date of the retirement system. This shall include the services of a county official whose compensation was in the form of fees collected by his office, and shall also include the services of the employees paid directly by such county official out of such fees. Full credit shall also be given for each year of service of a contributor who was a per diem employee of the county for a period of at least five years prior to the time the system became effective and who averaged at least two hundred days of employment in each of such years. As soon as practicable after the effective date of the retirement system, the board shall issue to each original member a certificate certifying the aggregate length of his service prior to the effective date. Such certificate shall be final and conclusive as to his prior service, unless thereafter modified by the board upon application of the member. Any member who had been employed on a part-time basis and had been excluded from membership in the plan and who completed more than 1000 hours of services during the 12-month period beginning on the first day of employment or in any succeeding 12-month period thereafter shall receive service credit for a fractional portion of a year determined by the ratio of the number of hours of service credited in that 12-month period to 1400 hours for the purpose of the computation of his retirement credit upon payment by the employee of the amount which the board determines should have been the applicable member contribution during such period. Such payment may be made in installments over a period fixed by the board. The time during which a member is absent from service on leave without pay may be counted in computing the service of a contributor, if allowed by the county commissioners and approved by the board and if the employee pays the member contribution, including the pickup contribution, and the county's contribution into the fund during such absence based upon the contributions made during the 12-month period immediately preceding the leave of absence.

Section 13. Credit for Military Service

(a) Any county employee who, on or after September 16, 1940 has been employed by the county for a period of six months and who, on or subsequent to such date, shall have enlisted or been inducted into the military service of the United States in time of war, armed conflict or national emergency, so proclaimed by the President or the Congress of the United States, shall have credited to his employment record, for retirement benefits, all of the time spent by him in such

military service during the continuance of such war, armed conflict or national emergency. Contributions on account of credit for intervening military service shall be determined by the employee's contribution rate and compensation at the time of entry of the member into active military service, together with interest during all periods of subsequent county service to date of purchase. Said contribution shall be paid into the fund by the county. Any employees who have made payments into the fund for which payments the county is liable shall be reimbursed by the county to the full extent of such payments, or be given credit towards future employee payments.

(b) With the approval of the board, all members of the fund who are contributors and who served actively in the armed forces of the United States, shall be entitled to have full service credit for each year or fraction thereof, not to exceed five years of service; provided that the member has three years of county service subsequent to such military service and provided further, that he is not entitled to receive, eligible to receive now or in the future, or is receiving retirement benefits for such service under a retirement system administered and wholly or partially paid for by any other governmental agency, except as required by federal law under 10 USC section 12736. The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying an employee's contribution rate of five percent plus a county contribution rate of five percent to his average annual rate of compensation over the first three years of credited membership service and multiplying the result by the number of years and fractional part of a year of creditable non-intervening military service being purchased together with regular interest from the commencement of such credited membership service to date of purchase. Said contributions shall be paid into the fund by the employee.

(c) Effective December 12, 1994, any member who is absent on account of qualified military service and returns to county service within the period of time during which his reemployment rights are protected by federal law shall receive service credit, contributions, benefits and other rights provided under this subsection 13(c) in lieu of the service credit, contributions, benefits or other rights to which the member would otherwise be entitled under subsection 13(a) or 13(b), except to the extent the member would be entitled to greater service credit, contributions, or benefits or more valuable rights under subsections 13(a) or 13(b). A member described in this subsection 13(c) shall receive credited service for the full period of qualified military service for purposes of vesting. Provided such member pays into the fund an amount equal to the contributions such member would have been required to make but for his absence on account of qualified military service, within the five-year period of time beginning on his reemployment date (or the lesser period of time beginning on such reemployment date that is three times the length of his qualified military service), such member shall also receive credited service for all other purposes of the retirement system, the county shall make all county contributions that would have been due on account of such member contributions, and the member shall be entitled to all other rights and benefits accruing on account of such contributions and service. For purposes of this subsection 13(c), a member shall be treated as having received compensation during his qualified military service based on the rate of compensation the member would have received but for his qualified military service compensation, or if such amount is not reasonably certain, his average compensation during the 12-month period immediately preceding his qualified military service (or, if shorter, the period of time immediately preceding his qualified military service). This subsection 13(c) shall be applied in a manner consistent with section 414(u) of the code,

(d) Effective January 1, 2007, notwithstanding anything herein to the contrary, in the case of a member who dies while performing qualified military service, the member's surviving beneficiary shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided herein as though the member had resumed employment with the county on the day before death and then terminated on account of death in accordance with section 401(a)(37) of the code.

(e) Effective with respect to years beginning after December 31, 2008, for purposes of applying the limits on annual benefits and contributions under section 32 and for purposes of applying other applicable provisions of the code, including section 415(d)(3) and Treas. Reg. § 1.415-2(d), but not for purposes of determining benefits and contributions, "compensation" shall also include differential wage payments, as defined in section 3401(h) of the code, paid by the county to an employee on account of qualified military service. For these purposes the term "differential wage payments" means any payment which (1) is made by the county to an individual with respect to any period during which the individual is performing service in the uniformed services (as defined in chapter 43 of title 38, United States Code) while on active duty for a period of more than 30 days, and (2) represents all or a portion of the wages the individual would have received from the county if the individual were performing service for the county.

Section 13.1 Credit for Public School Service

Any member who, on or after July 1, 1982 is employed by the county for a period of one month and who, on or immediately prior to July 1, 1982 was an employee of a public school district, shall have credited to his employment record, for retirement benefits, all the time spent by such member as an employee in the school district; provided however, that (i) the member contribute to the fund the total amount of employee accumulated deductions withdrawn from the Public School Employees' Retirement Fund, (ii) the board of the Public School Employees' Retirement Fund transfer over within thirty days of receipt of a written request from the county the total amount of the employer contributions and the accumulated interest on such contributions, and (iii) the member start work with the county within thirty days after leaving employment with the public school district. This section shall apply only where the transfer of employment from the public school district to the county was not voluntary on the part of the member.

Section 14. Superannuation Retirement Allowance

(a) Any contributor who has reached superannuation retirement age may retire for superannuation by filing with the board a written statement duly signed by the contributor setting forth the date he desires to retire. The contributor's retirement shall commence at the time so specified.

(b) On retirement for superannuation, a retiree shall receive a retirement allowance which shall consist of: (i) a member's annuity which shall be the actuarial equivalent of his accumulated deductions standing to his credit in the members' annuity reserve account, and (ii) a county annuity based on the rate of accrual (i.e. class) multiplied by final salary and multiplied by the years of service earned during the period each class was in effect; (iii) in addition, thereto, in the case of an original member, one-one hundred twentieth of his final salary multiplied by each year of prior service. At any time the board by rule may, by increasing the county annuity, authorize

the payment of a minimum retirement allowance of one hundred dollars ($100) per month to every contributor who shall thereby retire for superannuation after twenty years of service.

(c) Whenever the board has by rule authorized the members of the retirement system to transfer from the one-one hundred twentieth class to the one-one hundredth class, or whenever the board shall hereafter by rule authorize the transfer to the one-eightieth class, to the one-seventieth class or the one-sixtieth class, the county annuity shall be calculated as follows:

(1) For service prior to the time of transfer, at the one-one hundred twentieth rate, the one-one hundredth rate, the one-eightieth rate, the one seventieth rate or the one-sixtieth rate as the case may be.

(2) For service subsequent to the time of transfer to the time of retirement, or to the time of a subsequent transfer, at the rate applicable during such period.

(3) For all service prior to the time of commencing contribution, as the time member contributions were made at the one-one hundred twentieth rate bears to the total time of contribution and as the time member contributions were made at any other rate herein provided for bears to the total time of contribution.

Section 14.1 Special Early Retirement

(a) If authorized in accordance with the act and approved by the retirement board, a special early retirement provision may be adopted for active members of the county employees' retirement system. If applicable, the terms and conditions of the early retirement are set forth in Appendix A, which include explicit effective beginning and ending dates and which shall not be less than sixty days nor more than one hundred twenty days, with a seven-day revocation period after the active member's initial election, and following the election period, the special early retirement period which is not to exceed twelve months.

(b) To be eligible for special early retirement, a member must meet the specified requirements established at the time of retirement during the special early retirement period. Minimum eligibility for special early retirement cannot be less than attainment of fifty-five years of age and ten years of credited service or thirty years of credited service with no age requirement. A member who is eligible for the special early retirement shall be credited with additional full years of service, which shall be no less than ten per cent nor more than thirty per cent of credited service, the result then rounded to the next full year, at the current designated county class base.

(c) The increase in actuarial accrued liability attributable to the special early retirement provision shall be determined by the actuary of the board and shall be amortized by level dollar amortization payments over the five-year period the end of which is the end of the fifth retirement system year occurring after the end of the early retirement period.

(d) No more than one special early retirement provision can be authorized within a five-year period.

Section 15. Options on Superannuation Retirement

Subject to the requirements of section 33, at the time of his superannuation retirement, any retiree may elect to receive either his retirement allowance payable throughout his life and if the retiree fails to receive payments at least equal to his accumulated deductions as of the date of retirement, an amount equal to the balance of his accumulated deductions shall be paid to his legal representative or his

beneficiary (known as "No Option"), or to receive the full amount of the accumulated deductions standing to his individual credit in the member's annuity reserve account at the time of his voluntary or involuntary retirement, or he may in any event elect to receive the actuarial equivalent of his member's and county annuity in a lesser retirement allowance payable throughout life with provisions that:

Option 1. If he dies before receiving in payments the present value of the member's annuity and county annuity as it was at the time of his retirement, the balance shall be paid in a lump sum to his beneficiary, or if none, his legal representative.

Option 2. Upon his death his member's annuity and county annuity shall be continued through the life of and paid to his primary beneficiary. If the retiree and primary beneficiary fail to receive payments at least equal to the member's accumulated deductions as of the date of retirement, an amount equal to the balance of the member's accumulated deductions shall be paid in a lump sum to the member's contingent beneficiary, or if none, the member's legal representative.

Option 3. Upon his death one-half of his member's and county annuity shall be continued through the life of and paid to the member's primary beneficiary. If the retiree and primary beneficiary fail to receive payments at least equal to the member's accumulated deductions as of the date of retirement, an amount equal to the balance of the member's accumulated deductions shall be paid in a lump sum to the member's contingent beneficiary, or if none, the member's legal representative.

Section 15.1 Option to Withdraw Accumulated Deductions and Accumulated Interest

Any member of the county retirement system who is eligible to retire and receive a superannuation retirement allowance, an involuntary retirement allowance or a voluntary retirement allowance after twenty years of service may elect to receive, in one payment, the full amount of the accumulated deductions and accumulated interest thereon standing to his credit in the member's annuity reserve account at the time of his retirement. Any member who makes such an election shall forfeit the members' annuity portion of his retirement allowance but shall continue to be entitled to the county annuity portion upon retirement if he is otherwise so entitled. Any member who exercises the option provided for in this section may elect to receive his county annuity payable throughout his life (known as Option 4(A)) or to receive the actuarial equivalent of his county annuity in a lesser retirement allowance payable throughout life with provisions that:

Option 4(B). If the member dies before receiving in payments the present value of the county annuity as it was at the time of the member's retirement, the balance shall be paid to the member's beneficiary, or if none, the member's legal representative.

Option 4(C). Upon the member's death the county annuity shall be continued through the life of and paid to the member's beneficiary.

Option 4(D). Upon the member's death one-half of the county annuity shall be continued through the life of and paid to the member's beneficiary.

Section 16. Involuntary Retirement Allowance; Voluntary Retirement Allowance after Twenty Years of Service

Should a contributor be discontinued from service not voluntarily, or an elected county officer complete his term of office and discontinue service after having completed eight years of total service, or voluntarily after having completed twenty years of total service but before reaching superannuation retirement age, except as herein provided for certain contributors who have completed twenty years of total service, he shall be paid as he may elect, as follows:

(1) The full amount of the accumulated deductions standing to his credit in the members' annuity reserve account; or

(2) A member's annuity of equivalent actuarial value to his accumulated deductions standing to his credit in the members' annuity reserve account, and, in addition, a county annuity which is the actuarial equivalent of a county annuity beginning at superannuation retirement age but based on the period of service up to the date of discontinuance from service and not on the period of service required to reach superannuation retirement age. The same options shall be available to retirees in case of involuntary retirement as provided herein in the case of superannuation retirement. In the event a contributor, after having completed eight or more years of total service, heretofore has or hereafter shall be discontinued from service because of appointment or election to the General Assembly of the Commonwealth or to a position incompatible with his service as a county employee or officer and such employee or officer has not reached the superannuation retirement age, such withdrawal shall be considered involuntary; the accumulated deductions and the contributions of the county, at the option of the employee or officer, shall remain in the fund until superannuation age has been reached. In the event a refund of accumulated deductions has been made and the county's accumulated contributions have been withdrawn under the above circumstances, the employee or officer shall be permitted to repay into and the county shall be required to reimburse the fund the amounts paid out, with interest to the date of repayment, thereby reestablishing the rights of the contributor in said fund even though superannuation retirement age has been reached and benefits shall be paid as if the original severance had been involuntary.

Any contributor who has completed twenty years of total service and who has reached the superannuation retirement age shall be entitled to the superannuation retirement allowance provided in section 14.

Section 17. Retirement as of Time of Death

(a) Any contributor who would be entitled to a retirement allowance because of being involuntarily retired after having completed ten years of total service, or by reason of having reached superannuation retirement age may file with the board a written application for retirement in the form required for such application, but requesting that such retirement shall become effective as of the time of his death, electing Option 1 or Option 2 provided in section 15 and nominating a beneficiary under the option.

(b) In all such cases, the application shall be held by the board until the contributor shall file a later application in the usual manner for retirement, or until the death of the contributor occurring while in county service at which time his retirement shall become effective with the same benefits to the designated beneficiary as if the contributor had retired on the day of death.

Section 18. Preretirement Death Benefits

Any contributor who is or was entitled to a retirement allowance because of being involuntarily retired after having completed ten years of total service or by reason of having reached superannuation retirement age and who shall die while in county service before filing with the board a written application for retirement, or has died and whose payments into the fund have not been withdrawn, shall be considered as having elected Option 1 as of the date of his death. In such event, payment under Option 1 shall be made to the beneficiary designated in the nomination of beneficiary form on file with the board. If the beneficiary has predeceased the contributor, payment under Option 1 shall be made to the legal representative of the contributor.

Section 19. Additional Retirement Benefits

In addition to the retirement allowance, the board may grant to retired employees insurance or other similar benefits that the county has granted to other county employees.

Section 20. Total Disability Retirement Allowance

If a contributor after five years of service as a county employee and before reaching superannuation retirement age is disabled while in service and is unable to continue as a county employee, as shown by medical examination, he shall be paid a retirement allowance consisting of a county annuity of twenty five percent of his final salary which shall include the member's annuity calculated in accordance with section 14.

Section 21. Payment of Balances Where Disability Annuitant Dies

Should a person receiving a disability retirement allowance die before receiving total payments equal to the amount standing to his credit in his member's annuity reserve account at the time of retirement, the balance shall be paid to the member's designated beneficiary, or if none, to the member's legal representative.

Section 22. Monthly Payments of Retirement Allowances

Subject to the requirements of section 33, retirement allowances granted under this retirement system shall be paid in equal monthly installments and shall not be increased, decreased, revoked or repealed, except as otherwise duly authorized. This section shall not be construed to prohibit the board from granting to retired employees insurance or other similar benefits granted to other county employees.

Section 23. Refunds

(a) Where a contributor terminates service before qualifying for a retirement allowance or where a contributor has died before completing ten years of total service, the amount standing to the credit of the contributor in the member's annuity reserve account shall be paid to him, to his beneficiary, or, if he has no designated beneficiary, to his estate. When a contributor or a beneficiary has died and there shall be due to the estate of such contributor or beneficiary a sum less than one hundred dollars ($100), and letters testamentary or of administration have not been taken out on the estate of such contributor or beneficiary within six months of death, the board may pay the amount due on the claim of the undertaker or to any person or persons or political subdivision who or which shall have paid the claim of the undertaker.

(b) Where a contributor terminates service after completing five years of service, he may elect to have the board pay to him the amount standing to his credit in the members' annuity reserve account or elect vesting and keep his accumulated deductions in the members' annuity reserve account and apply for retirement benefits upon reaching superannuation retirement age.

(c) Except as provided in subsection (a) above, with respect to death benefits due an estate or beneficiary of less than one hundred dollars ($100), a contributor, an alternate payee under a domestic relations order, as defined in section 414(p) of the code, or a surviving spouse who is entitled to a refund under the section 23 shall not be paid such refund until consenting to such distribution in writing; provided, however, that on or after March 28, 2005, or such later time as the board determines, the board may transfer any refund due to an individual retirement account or annuity established for the benefit of such distributee without his consent.

Section 24. Simultaneous Payments of Salary and Retirement Allowance

Should a retiree be reemployed as a county employee, the retirement allowance of such person shall immediately cease. Such person shall thereupon be reinstated as a contributor; and, there shall be restored to his credit as accumulated deductions the actuarial value of his member's annuity computed as of the date of his reemployment. Should he refuse to surrender his right to retirement allowance as of the date of his reemployment, it shall be unlawful for the county to reemploy him. For the purposes of this section if a person serves as a juror, master, or arbitrator or is prohibited from being a member of the system by home rule charter, he shall not be deemed reemployed. If a retiree is reemployed on a part-time basis, the retirement allowance shall not cease, but shall be reduced by an amount equal to the amount of compensation received by the employee for service in excess of 1,000 hours per year. Such reduction shall, however, not exceed the amount of the retirement allowance. A retiree reemployed on a part-time basis shall not be reinstated as a contributor and shall not receive additional service credit for retirement purposes.

Section 25. Subsequent Admissions to Retirement System

(a) Any county officer whose term of office began after the establishment of the retirement system and who did not become a member of the retirement system when his term of office began, shall be permitted to become a member of the retirement system at any time and shall receive a retirement allowance based upon service as a county employee rendered after such date of membership; however, if membership is consummated within one year from the beginning of such term of office and such sums as would have been deducted from his salary had he become a member at the time of the commencement of such term of office shall have been paid into the retirement system, he shall thereupon become entitled to all the rights and privileges in the retirement system as would have been vested in him had he become a member and contributor at the time his term of office began.

(b) Any county officer who has not become a member of the retirement system but who was employed as an elected officer prior to the effective date and who held such office on the effective date and has continuously held such office, shall be permitted to become a member of the retirement system, shall be known as an original member, and shall receive full credit for each year of service rendered by him prior to the effective date and for each year of service rendered by him thereafter, if such county officer shall contribute to the fund the amount which he would have contributed if he had become a member of the retirement system on the effective date; in which event, the county shall contribute to his credit in the fund the amount it would have contributed if he had become a member of the retirement system on the effective date; and, he shall thereupon become entitled to all the rights and privileges in the retirement system as would have vested in him had he become a member and contributor on the effective date.

Section 26. Reinstatement on Return to County Employment

Any contributor separated from county employment by dismissal, resignation, or any other reason, except retirement, or any county officer having legally withdrawn from the retirement system, who returns to county employment and restores to the fund to the credit of the members' annuity reserve account his accumulated deductions as they were at the time of separation, shall have the annuity rights forfeited by him restored. Payments may be made either in a lump sum or by installments; but, in no event shall the installments be less than sufficient to pay such amount by the time the member attains superannuation retirement age.

Section 27. Exemption from Taxation and Execution

The right to a member's annuity, or a county annuity, or to the return of contributions, shall be exempt from any Commonwealth of Pennsylvania or municipal tax and from levy, sale, garnishment, attachment or any other process whatsoever and shall be unassignable, except for any indebtedness due the county (or the institution district) arising out of embezzlement or fraudulent conversion by a member of the fund against the county (or the institution district).

Section 28. Fraud; Correction of Errors

Should any such change in records fraudulently made, or any mistake in records inadvertently made, result in any contributor or beneficiary receiving more or less than he would have been entitled to had the records been correct, on the discovery of the error, the board shall correct the error, and shall adjust the payments which shall be made to the contributor or annuitant in such manner that the actuarial equivalent of the benefit to which he was correctly entitled shall be paid.

Section 29. Designation of Deposit Administrator

The board shall be permitted to contract with any insurance company which has qualified and is authorized by the Insurance Department of the Commonwealth of Pennsylvania to transact business in the Commonwealth of Pennsylvania, or with any bank, savings and loan association or trust company approved by the Department of Banking of the Commonwealth of Pennsylvania, or with any investment adviser registered pursuant to the Federal Investment Advisers Act of 1940 (54 Stat. 789), as amended, which is registered as an investment adviser by the Pennsylvania Securities Commission and which agrees to conduct itself in accordance with 20 Pa.C.S. Ch. 73 (relating to fiduciaries investments), to be designated as a deposit administrator. The deposit administrator may be given the power to administer the funds in its entirety, including the power to receive and invest all moneys deposited in the fund and such other powers as are vested in the board. In addition to the options provided herein upon retirement, disability, withdrawal, or death of a contributor, the deposit administrator, if an insurance company, may provide additional options to the contributors or beneficiaries.

Section 30. Supplemental Benefits

(a) Every member who is in receipt of a county annuity who retired between 1938 and 1966, inclusive, shall receive the cost-of-living increase specified in Appendix B, which shall be the product of the retirement allowance determined at the time of retirement less any withdrawal of a member's annuity under section 15.1 and prior to optional modification or minimum allowance and the cost-of-living adjustment percentages, or as subsequently duly authorized by the board.

(b) The following provisions apply to any cost-of-living increase granted by the board pursuant to Act 63 (H.B. 239 Session of 2015).

(1) For purposes of this paragraph (b) the term "cost-of-living index" means the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware and Maryland area for the 12-month period ending August 31, for the year in which the adjustment is reviewed.

(2) The cost-of-living increase shall be reviewed at least once in every three years by the board which may adjust the current monthly benefit by the percentages in accordance with the cost-of-living index at the time of review by action of the board, provided that the adjustment need not be calculated retroactively to the date of the previous cost-of-living increase approved by the board under this section and need not apply the cost-of-living index change for each year since the previous cost-of-living increase. Any adjustment approved under this paragraph shall become effective January 1 of the calendar year following the year in which the adjustment is approved.

(3) Before approving any cost-of-living adjustment, the board shall have an actuarial note prepared regarding the proposed adjustment. A cost-of-living adjustment shall only be provided if the plan actuary determines that the plan has a funded ratio based upon an entry age normal methodology of at least eighty percent after the actuarial cost of the adjustment is determined.

(4) The funding level calculation described in paragraph 3 shall be provided to the Public Employee Retirement Commission in conjunction with established reporting requirements.

(5) The records of the board's actions approving cost-of-living increases shall be incorporated by reference herein.

Section 31. Saving Clause

(a) Nothing herein shall impair or affect any act done, offense committed, or right accruing, accrued, or acquired, or liability, duty, obligation, penalty, judgment or punishment incurred under the provisions of any Pennsylvania statute providing for the creation, maintenance and operation of a county employees' retirement system adopted prior to adoption of the act.

(b) Notwithstanding anything herein to the contrary, any provision of the act not expressly provided for herein shall be preserved.

Section 32. Maximum Permissible Benefits and Contributions – Code Section 415

(a) In General. Notwithstanding anything in the act or herein to the contrary, effective for limitation years beginning on or after January 1, 1995, the annual benefit (attributable to county contributions and pickup contributions treated as county contributions in accordance with subsection 7(c)) with respect to any contributor payable under the retirement system and all other defined benefit plans of the employer, when expressed in the form of a straight life annuity, shall not exceed the "maximum permissible benefit." For purposes of this section 32, the contributor's maximum permissible benefit shall equal the dollar limit prescribed in section 415(b)(1)(A) of the code ($195,000 in 2011) or such other amount as may be prescribed under regulations issued by the U.S. Secretary of the Treasury under section 415(d) of the code, adjusted in accordance with subsections (b), (c) and (d), below. In addition, the "annual additions," as defined in section 415(c)(2) of the code, made by or on behalf on any member attributable to member contributions to the retirement system other than pickup contributions

treated as county contributions, together with any annual additions, to any code section 401(a)-qualified defined contribution plan maintained by the county shall not exceed the maximum amount determined under section 415(c)(1) of the code for any limitation year.

(b) Adjustment to the maximum permissible benefit. Adjustments shall be made to the maximum permissible benefit in accordance with subparagraphs (1), (2) or (3) below:

(1) If a contributor's benefit is payable in any form other than a straight life annuity, the determination as to whether the limitation of this section 32 has been satisfied shall be made by adjusting such benefit to the form of a straight life annuity beginning when the payment of benefits begins. The adjustment described in the preceding sentence shall be made in the manner prescribed by the U.S. Secretary of the Treasury, such that the equivalent annual benefit would be the greater of (A) the equivalent annual benefit computed using seven percent interest rate and GAM83 mortality table, and (B) the equivalent annual benefit computed using an interest assumption of five percent (for distributions made during plan years beginning in 2004 or 2005, 5.5 percent) and the mortality table prescribed by the U.S. Secretary of the Treasury under section 415(b)(2)(E)(v) of the code. Notwithstanding the preceding sentence, effective for plan years beginning after 2005, for purposes of determining whether any benefit payable as a lump sum satisfies the limitation of this section, the adjustment described in the preceding sentence shall be made in the manner prescribed by the U.S. Secretary of the Treasury, such that the equivalent annual benefit would be the greatest of: (X) the equivalent annual benefit computed using the interest rate and mortality table specified in the plan for actuarial equivalence for the particular form of benefit payable; (Y) the equivalent annual benefit computed using an interest rate assumption of 5.5 percent and the mortality table prescribed by the U.S. Secretary of the Treasury under section 415(b)(2)(E)(v) of the code; and (Z) the equivalent annual benefit computed using the interest rate specified in section 417(e)(3) of the code and the mortality table prescribed by the U.S. Secretary of the Treasury under section 415(b)(2)(E)(v) of the code divided by 1.05. However, for the purposes of such adjustment, any ancillary benefit that is not directly related to retirement income benefits and that portion of any joint and survivor annuity that is actuarially equivalent to the default form of payment benefit payable to a married contributor shall not be taken into account.

(2) If the benefit of a contributor who is not a "qualified participant," as defined in section 415(b)(2)(H) of the code, begins before he or she reaches age sixty-two (other than on account of becoming disabled by reason of personal injuries or sickness or death), the maximum permissible benefit shall be adjusted in accordance with section 415(b) of the code and the regulations thereunder, to an amount (beginning when the payment of benefits begins) that is actuarially equivalent to an annual benefit equal to the maximum permissible benefit determined under subsection (a) (adjusted through the limitation year when payment of benefits begins for increases in the cost of living in accordance with section 415(d) of the code) beginning at age sixty-two. (A) For limitation years beginning before July 1, 2007, the defined benefit dollar limitation applicable at an age prior to age sixty-two is determined as the lesser of (i) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a five percent interest rate and the

Unisex UP-84 Mortality Table and (ii) the actuarial equivalent (at such age) of the maximum permissible benefit computed using a five percent interest rate and the applicable mortality table prescribed by the U.S. Secretary of the Treasury under section 415(b)(2)(E)(v) of the code. (B) For limitation years beginning on or after July 1, 2007, the defined benefit dollar limitation applicable at an age prior to age sixty-two is determined as the lesser of (i) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a five percent interest rate and the applicable mortality table within the meaning of section 417(e)(3)(B) of the code (and expressing the contributor's age based on completed calendar months as of the annuity starting date) and (ii) the defined benefit dollar limitation multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the system at the contributor's annuity starting date to the annual amount of the immediately commencing straight life annuity under the plan at age sixty-two, both determined without applying the limitations of section 415 of the code. (C) For limitation years beginning prior to 2002, the reduction shall not reduce the maximum permissible benefit below $75,000 if the benefit begins at or after age fifty-five, or, if the benefit begins before age fifty-five, the equivalent of the $75,000 limit for age fifty-five. Any decrease in the maximum permissible benefit made in accordance with this paragraph (b)(2) shall not reflect a mortality decrement.

(3) If the benefit of a contributor begins after he or she reaches age sixty-five, the maximum permissible benefit of subsection (a) shall be increased in accordance with section 415(b) of the code and the regulations there under to an amount (beginning when the payment of benefits begins) that is actuarially equivalent to an annual benefit equal to the maximum permissible benefit of subsection (a) (adjusted through the limitation year when payment of benefits begins for increases in the cost of living in accordance with section 415(d) of the code) beginning at age sixty-five. (A) For limitation years beginning before July 1, 2007, the actuarial equivalent of the maximum permissible benefit applicable at an age after age sixty-five is the lesser of (i) the actuarial equivalent (at such age) of the maximum permissible benefit computed using a five percent interest rate and the unisex UP-84 mortality table and (ii) the actuarial equivalent (at such age) of the maximum permissible benefit computed using a five percent interest rate assumption and the applicable mortality table prescribed by the U.S. Secretary of the Treasury under section 415(b)(2)(E)(v) of the code. (B) For limitation years beginning on or after July 1, 2007, the actuarial equivalent of the maximum permissible benefit applicable at an age after age sixty-five is the lesser of: (i) the actuarial equivalent (at such age) of the maximum permissible benefit using a five percent interest rate and the applicable mortality table within the meaning of section 417(e)(3)(B) of the code (and expressing the contributor's age based on completed calendar months as of the annuity starting date) and (ii) the maximum permissible benefit multiplied by the ratio of the annual amount of the immediately commencing straight life annuity payable to the contributor, computed disregarding the contributor's accruals after age sixty-five, but including any actuarial adjustments even if those adjustments are applied to offset accruals, to the annual amount of the straight life annuity that would be payable under the plan to a hypothetical contributor who is sixty-five years old and has the same accrued benefit (with no actuarial increases for commencement after age sixty-five) as the contributor receiving

the distribution (determined disregarding the contributor's accruals after age sixty-five and without applying the rules of section 415 of the code). For purposes of both (A) and (B) above, mortality between age sixty-five and the annuity starting date shall be ignored.

(c) Lowest limitation of maximum permissible benefit. Except as provided in subsection (d) hereof, the maximum permissible benefit shall never be deemed to be an amount which is less than $10,000, provided the contributor is not, and has never been, a participant in any code section 401(a)-qualified defined contribution plan of the employer.

(d) Maximum permissible benefit applicable to certain contributors who have less than ten years of participation service with the county. The maximum permissible benefit applicable to any contributor, other than a retiree receiving disability benefits by reasons of personal injuries or sickness or beneficiaries, survivors, or the estate of a contributor, who has less than ten years of participation service with the county shall be equal to the lesser of the maximum permissible benefit or $10,000 multiplied by a fraction, the numerator of which is the number of the contributor's years (or part thereof) of participation service in the retirement system as of and including the current limitation year, and the denominator of which is ten.

(e) Limitation of accrued benefit if annual benefit exceeds maximum permissible benefit. If the contributor's annual benefit exceeds the maximum permissible benefit after the application of the appropriate factors, such contributor's accrued benefit shall be limited to an amount which produces an annual benefit equal to the maximum permissible benefit, adjusted, where applicable, as set forth in this section 32.

(f) For purposes of this section, "participation service" means an accrual computation period for which the following conditions are met: (1) the contributor is credited with at least the period of service for benefit accrual purposes, required hereunder in order to accrue a benefit for the accrual computation period, and (2) the contributor is included in the retirement system for at least one day of the accrual computation period. If these two conditions are met, participation service credited to the contributor hereunder shall equal the amount of benefit accrual service credited to the contributor for such accrual computation period.

(g) Effective for distributions with annuity starting dates commencing on or after December 31, 2002, notwithstanding any other plan provisions to the contrary, the applicable mortality table used for purposes of adjusting any benefit or limitation under § 415(b)(2)(B), (C), or (D) of the code as set forth in this section 32 is the table prescribed in Revenue Ruling 2001-62.

(h) Solely for purposes of this section 32, when determining the maximum permissible benefit under section 415 of the code, the term "compensation" shall be defined as follows:

(1) A member's wages as defined in section 3401(a) of the code and all other payments of compensation to the member from the county for which the county is required to furnish the member a written statement under sections 6041(d) and 6051(a)(3) of the code.

(2) Compensation shall be determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

(3) Compensation shall include any amount which would otherwise be deemed compensation under this definition but for the fact that it is subject to a salary reduction agreement under any plan described in section 457(b), 132(f) or 125 of the code.

(4) Compensation shall also include regular compensation received after such member's severance from employment (as defined in Treas. Reg. §1.415(a)-1(f)(5)) (but not severance payments); provided that payment of such compensation is made by the later of (i) two and one-half (2½) months after the member's severance from employment or (ii) the end of the calendar year that includes the member's severance from employment; and provided further, in order for these post-severance payments to be considered compensation, these amounts may only consist of the following (which would otherwise constitute compensation):

a. Regular compensation for services during the member's regular working hours, or compensation for service outside of the member's regular working hours (such as overtime or shift differential), commission, bonuses, or other similar payments, if such payment would have been paid to the member prior to severance from employment if the member had continued in employment with the county;

b. Payment for unused, accrued, bona fide sick, vacation or other leave (but only if the member would have been able to use the leave if employment had continued); and

c. For plan years beginning on or after January 1, 2009, payments to members who do not currently perform services for the county by reason of qualified military service (as that term is defined in section 414(u)(1) of the code) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the county rather than entering qualified military service.

(5) Other types of payments paid to the member after severance from employment shall not be considered compensation, even if paid within the time frame described above. In no event, however, shall compensation for this purpose include any amounts not permitted to be included under section 415 of the code.

(6) Compensation with respect to any limitation year shall in no event exceed the dollar limit specified in section 401(a)(17) of the code (as adjusted from time to time by the Secretary of the Treasury). The cost of living adjustment in effect for a calendar year applies to compensation for the limitation year that begins with or within such calendar year.

(7) Employee "pick-up" contributions, as defined in section 414(h)(2) of the code, shall not be counted as compensation for purposes of section 32.

Section 33. Required Minimum Distributions – Code Section 401(a)(9)

Notwithstanding any other provision herein, beginning after 1986, any and all benefit distributions made under this retirement system on or after shall be made in accordance with a reasonable and good faith interpretation of section 401(a)(9) of the code, including the incidental death benefit requirements of section 401(a)(9). In accordance with this requirement, the following rules shall apply:

(a) Distributions that begin during the contributor's lifetime shall begin no later than April 1 following the calendar year in which the contributor retires or the calendar year in which the contributor attains age seventy and one-half and be distributed over the life of the contributor or the joint lives of the contributor and his beneficiary (or over a period not extending beyond the life expectancy of the contributor or the joint life expectancy of the contributor and his beneficiary);

(b) if a contributor dies before his entire interest has been distributed, the remaining portion shall be distributed at least as rapidly as under the method of distribution being used as of the date of the contributor's death; and

(c) if the contributor dies before he has received any distributions from the retirement system and (i) the death benefit is payable to his surviving spouse, his death benefit shall be distributed over a period not exceeding his spouse's life (or life expectancy) beginning no later than: (A) December 31 of the calendar year immediately following the calendar year in which the contributor died, or (B) December 31 of the calendar year in which the contributor would have attained age seventy and one-half; (ii) the death benefit is payable to a designated beneficiary other than his surviving spouse, his death benefit shall be distributed to his beneficiary over a period not exceeding his beneficiary's life (or life expectancy) beginning no later than December 31 of the calendar year following the contributor's death; and (iii) if the death benefit is not payable to the contributor's surviving spouse or designated beneficiary, the contributor's entire interest will be paid no later than December 31 of the calendar year which includes the fifth anniversary of his date of death.

Section 34. Direct Rollovers

Direct Rollovers. Notwithstanding any provision herein to the contrary that would otherwise limit a distributee's election under this subsection, on and after January 1, 1993 a distributee may elect, at the time and in the manner prescribed by the board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

For purposes of this section, the following definitions shall apply:

(a) Eligible rollover distribution: An eligible rollover distribution is 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: 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; any distribution to the extent such distribution is required under code section 401(a)(9); the portion of any distribution that is not includable in gross income (determined without regard

to the exclusion for net unrealized appreciation with respect to employer securities); and any distribution that is made upon hardship of a contributor. Notwithstanding anything in this paragraph to the contrary, for distributions made after December 31, 2001, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions that are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity, or to a qualified defined contribution plan described in sections 401(a), 403(a), 408(a) or (b) of the code, or a governmental 457 plan that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not.

(b) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in code section 408(a), an individual retirement annuity described in code section 408(b), a Roth IRA as pursuant to code section 408A(e), for distributions made after December 31, 2001 an annuity plan described in code section 403(a) or an annuity contract described in code section 403(b), a qualified trust described in code section 401(a), or for distributions made after December 31, 2001 an eligible plan under code 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 which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a domestic relation order, as defined in code section 414(p). Effective in the case of an eligible rollover distribution to a surviving spouse before 2002 or to a beneficiary other than a surviving spouse after 2009, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(c) Distributee: A distributee includes any contributor. In addition, a contributor's surviving spouse and the contributor's spouse or former spouse who is the alternate payee under a domestic relations order, as defined in section 414(p) of the code, are distributees with regard to the interest of the spouse or former spouse. Effective for distributions after 2009, a nonspouse beneficiary of a deceased participant is a distributee for purposes of this section 34, provided, however, in the case of a nonspouse beneficiary, the direct rollover may be made only to an individual retirement account or annuity under section 408 of the code that is established on behalf of the nonspouse beneficiary, which will be treated as an inherited IRA pursuant to the provisions of section 402(c)(11) of the code. The determination of the extent to which a distribution to a nonspouse beneficiary is required under section 401(a)(9) of the code shall be made in accordance with IRS Notice 2007-7, Q&A-17 and 18, 2007-5 I.R.B. 395.

(d) Direct rollover: A direct rollover is a payment by the system to the eligible retirement plan specified by the distributee.

Section 35. Miscellaneous Provisions

(a) Construction. The masculine gender includes the feminine and the singular includes the plural, unless the context clearly indicates otherwise.

(b) Governing Law. This county retirement system is governed by the act. The system is a governmental plan as defined in section 414(d) of the code and section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and as such is exempt from the requirements of ERISA and those requirements of the code from which a governmental plan is specifically exempt.

(c) Pre-ERISA Vesting Requirement. In the event of the retirement system's termination or the county's permanent cessation of contributions, each member shall be vested to the extent the system is funded.

(d) Prohibition Against Reversion of Trust Assets. The assets of the Retirement Fund shall not revert or be returned to the county, except as permitted by the act or IRS Revenue Ruling 91-4.

Appendix A

Centre County Employees' Retirement System

Effective Date The effective date of this plan is January 1, 1950.

Benefit Class Effective Dates

CLASS	PERCENTAGE	EFFECTIVE
1/100	1.000%	01/01/1950
1/80	1.250%	01/01/1972
1/60	1.667%	01/01/1999

Employee Contributions The Retirement Board has authorized each member of the retirement system to individually elect to contribute between 5% and 15% of his salary.

Appendix B

Cost-of-living adjustments for members retiring prior to 1966 as prescribed by the act:

Year of Retirement	Percentage Factor	Year of Retirement	Percentage Factor
1938	136 %	1953	23 %
1939	135 %	1954	23 %
1940	134 %	1955	22 %
1941	122 %	1956	20 %
1942	100 %	1957	16 %
1943	89 %	1958	14 %
1944	86 %	1959	12 %
1945	82 %	1960	10 %
1946	68 %	1961	9 %
1947	47 %	1962	8 %
1948	37 %	1963	7 %
1949	37 %	1964	6 %
1950	36 %	1965	4 %
1951	26 %	1966	1 %
1952	24 %		

Appendix C

Corrective Retroactive Amendments

C-1. Definition of "Compensation" is limited as follows:

(a) For Plan Years Beginning on or after January 1, 1989 and before January 1, 1994. Effective as of the first day of the first plan year beginning after 1988 and ending before 1994, the annual compensation of each member taken into account for any purpose under the system shall not exceed $200,000 (as adjusted under section 401(a)(17) of the code).

(b) For Plan Years Beginning on or after January 1, 1994 and before January 1, 2002. Effective for plan years beginning on or after January 1, 1994 and before January 1, 1997, the annual compensation of each member taken into account for any purpose under the system shall not exceed $150,000 (as adjusted under section 401(a)(17) of the code). For plan years beginning on or after January 1, 1997 and before January 1, 2002, any reference herein to the limitation under section 401(a)(17) of the code shall mean the limit described herein; specifically, $160,000 for any determination period beginning in 1997, 1998, or 1999; and $170,000 for any determination period beginning in 2000 or 2001. The adjustment to the compensation limit under section 401(a)(17) of the code in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined ("determination period") beginning in such calendar year. If a determination period consists of fewer than 12 months, the limit described herein will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12. If compensation for any prior determination period is taken into account in determining a member's benefit in the current plan year, the compensation for that prior determination period is subject to the limit described herein as in effect for that prior determination period.

(c) Plan Years Beginning on or after January 1, 2002. The annual compensation of each member taken into account in determining benefit accruals in any plan year beginning after December 31, 2001, shall not exceed $200,000. Annual compensation means compensation during the plan year or the determination period. The $200,000 limit on annual compensation shall be adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the code. 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 described herein will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

C-2 Section 415 Limits on Accrued Benefits

(a) In General. Notwithstanding anything in the retirement system to the contrary, the limitations on benefits and contributions contained in section 415 of the code are generally applicable to benefits payable under the system effective for plan years after December 31, 1975; except, however, a person who was an active member before October 3, 1973 whose annual benefit (within the meaning of section 415(b)(2) of the Internal Revenue Code of 1954 (the 1954 code)) does not exceed 100 percent of his annual rate of compensation on the earlier of (i) October 2,

1973 or (ii) the date on which he separated from county service, and such annual benefit is not greater than the annual benefit which would have been payable to the such member on retirement if (i) all the terms and conditions of the system in existence on such date had remained in existence until such retirement and (ii) his compensation taken into account for any period after October 2, 1973 had not exceeded his annual rate of compensation on such date, and in the case of a member who separated from county service prior to October 2, 1973, such annual benefit is no greater than his vested accrued benefit as of the date he separated from service, then such annual benefit shall be treated as not exceeding the limitations of subsection 415(b) of the 1954 code.

(b) Combined Limit. Without negating the generality of C-2(a), for limitation years beginning after December 31, 1975 and before January 1, 2000, if a member participates in one or more defined benefit plans and makes member contributions other than contributions treated as pickup contributions under section 7(c) or participates in one or more code section 401(a)-qualified defined contribution plans, or a welfare benefit fund as defined in section 419(e) of the code, under which amounts attributable to post-retirement medical benefits are allocated to separate accounts of key employees, as defined in section 419A(d)(3) of the code, or an individual medical account, as defined in section 415(l)(2) of the code, which is part of a pension or annuity plan, the member's accrued benefit under the system shall be adjusted to the extent required, if at all, so that the sum of the defined benefit fraction and the defined contribution fraction for any limitation year shall not exceed 1.4 (effective January 1, 1982, 1.0).

(1) Defined Benefit Fraction. The defined benefit fraction for any limitation year is a fraction (a) the numerator of which is the member's projected annual benefit (determined as of the close of the limitation year) under all such defined benefit plans (whether or not terminated), and (b) the denominator of which is (i) the sum of the maximum amount of annual additions to such account which could have been made for each year and for each prior year, and (ii) effective January 1, 1982, the lesser of (A) $90,000, or the applicable dollar limit under section 415(b) of the code for such limitation year multiplied by 1.25, or (B) for limitation years ending before 1995, the member's average annual compensation for the three consecutive calendar years of active participation, that produce the highest average, multiplied by 1.4.

(2) Defined Contribution Fraction. The defined contribution fraction for any limitation year is a fraction (i) the numerator of which is the total of the amount treated as annual additions, under section 415(c) of the code, to the member's accounts as of the close of the limitation year under all defined contribution plans (whether or not terminated), and (ii) the denominator of which is the lesser of the following amounts determined for the limitation year and for each prior limitation year for which the member was an employee (regardless of whether any plan was in existence during such year):

(A) $30,000, or the applicable dollar limit for each such limitation year, multiplied by 1.25, or

(B) 35% of the member's compensation, for each such limitation year.

Appendix D

Actuarial Equivalence Conversion Factors for Forms of Payment for Pre-2011 Distributions

Member Age	Reserves Factor	Mo. Pension Factor	Early Retirement Less Than 20 Yrs.	Early Retirement More Than 20 Yrs.	Option 1 & (4B) Factor	Option (2) & (4C) Factor	Option (2) & (4C) Adjust	Option (3) & (4D) Factor	Option (3) & (4D) Adjust	Member Age
19	14.2777	.005837	0.0409	0.0650	0.9978					19
20	14.2504	.005848	0.0439	0.0697	0.9977					20
21	14.2215	.005860	0.0471	0.0748	0.9976					21
22	14.1907	.005872	0.0505	0.0802	0.9975					22
23	14.1579	.005886	0.0542	0.0860	0.9974					23
24	14.1231	.005900	0.0581	0.0923	0.9972					24
25	14.0861	.005916	0.0624	0.0991	0.9971					25
26	14.0468	.005933	0.0670	0.1064	0.9969					26
27	14.0051	.005950	0.0719	0.1142	0.9967					27
28	13.9609	.005969	0.0772	0.1227	0.9965					28
29	13.9139	.005989	0.0830	0.1318	0.9963					29
30	13.8640	.006011	0.0891	0.1416	0.9960	.9626	.0009	.9810	.0005	30
31	13.8111	.006034	0.0958	0.1522	0.9958	.9605	.0009	.9799	.0005	31
32	13.7550	.006058	0.1030	0.1636	0.9954	.9583	.0010	.9787	.0005	32
33	13.6956	.006085	0.1108	0.1759	0.9951	.9560	.0011	.9775	.0006	33
34	13.6326	.006113	0.1192	0.1892	0.9947	.9535	.0011	.9762	.0006	34
35	13.5659	.006143	0.1282	0.2036	0.9942	.9509	.0012	.9748	.0006	35
36	13.4954	.006175	0.1380	0.2192	0.9937	.9481	.0013	.9734	.0007	36
37	13.4207	.006209	0.1487	0.2361	0.9931	.9452	.0014	.9718	.0007	37
38	13.3415	.006246	0.1602	0.2543	0.9924	.9421	.0015	.9702	.0008	38
39	13.2576	.006286	0.1726	0.2741	0.9916	.9388	.0016	.9684	.0008	39
40	13.1691	.006328	0.1862	0.2956	0.9907	.9353	.0017	.9666	.0009	40
41	13.0757	.006373	0.2009	0.3190	0.9897	.9317	.0018	.9646	.0010	41
42	12.9774	.006421	0.2169	0.3444	0.9885	.9279	.0019	.9626	.0010	42
43	12.8742	.006473	0.2343	0.3720	0.9873	.9239	.0020	.9605	.0011	43
44	12.7662	.006528	0.2532	0.4021	0.9859	.9198	.0022	.9582	.0012	44

Member Age	Reserves Factor	Mo. Pension Factor	Early Retirement Less Than 20 Yrs.	Early Retirement More Than 20 Yrs.	Option 1 & (4B) Factor	Option (2) & (4C) Factor	Option (2) & (4C) Adjust	Option (3) & (4D) Factor	Option (3) & (4D) Adjust	Member Age
45	12.6532	.006586	0.2739	0.4349	0.9844	.9155	.0023	.9559	.0013	45
46	12.5354	.006648	0.2965	0.4708	0.9829	.9111	.0024	.9535	.0013	46
47	12.4128	.006713	0.3211	0.5100	0.9812	.9066	.0026	.9510	.0014	47
48	12.2854	.006783	0.3481	0.5529	0.9795	.9019	.0028	.9484	.0015	48
49	12.1531	.006857	0.3778	0.5999	0.9778	.8971	.0029	.9458	.0016	49
50	12.0159	.006935	0.4103	0.6515	0.9759	.8922	.0031	.9430	.0017	50
51	11.8735	.007018	0.4460	0.7082	0.9740	.8872	.0033	.9402	.0019	51
52	11.7256	.007107	0.4853	0.7707	0.9721	.8821	.0035	.9373	.0020	52
53	11.5719	.007201	0.5287	0.8396	0.9700	.8768	.0037	.9344	.0021	53
54	11.4120	.007302	0.5766	0.9157	0.9679	.8713	.0040	.9312	.0023	54
55	11.2454	.007410	0.6297	1.0000	0.9655	.8657	.0042	.9280	.0024	55
56	11.0717	.007527	0.6886	1.0000	0.9630	.8598	.0045	.9246	.0026	56
57	10.8903	.007652	0.7540	1.0000	0.9601	.8537	.0047	.9211	.0027	57
58	10.7008	.007788	0.8270	1.0000	0.9568	.8473	.0050	.9173	.0029	58
59	10.5031	.007934	0.9086	1.0000	0.9532	.8406	.0053	.9134	.0031	59
60	10.2971	.008093	1.0000	1.0000	0.9490	.8336	.0056	.9093	.0033	60
61	10.0831	.008265			0.9445	.8263	.0059	.9049	.0035	61
62	9.8615	.008450			0.9395	.8188	.0062	.9004	.0037	62
63	9.6330	.008651			0.9338	.8110	.0066	.8956	.0040	63
64	9.3984	.008867			0.9277	.8031	.0069	.8908	.0042	64
65	9.1587	.009099			0.9212	.7951	.0073	.8858	.0045	65
66	8.9152	.009347			0.9145	.7870	.0076	.8808	.0047	66
67	8.6691	.009613			0.9075	.7791	.0080	.8759	.0050	67
68	8.4214	.009895			0.9003	.7714	.0084	.8709	.0053	68
69	8.1725	.010197			0.8927	.7638	.0088	.8661	.0056	69
70	7.9225	.010519			0.8850	.7564	.0092	.8613	.0059	70

Member Age	Reserves Factor	Mo. Pension Factor	Early Retirement Less Than 20 Yrs.	Early Retirement More Than 20 Yrs.	Option 1 & (4B) Factor	Option (2) & (4C) Factor	Option (2) & (4C) Adjust	Option (3) & (4D) Factor	Option (3) & (4D) Adjust	Member Age
71	7.6711	.010863			0.8771	.7491	.0096	.8566	.0062	71
72	7.4176	.011234			0.8690	.7418	.0100	.8518	.0065	72
73	7.1618	.011636			0.8600	.7344	.0104	.8469	.0069	73
74	6.9042	.012070			0.8502	.7269	.0108	.8419	.0072	74
75	6.6457	.012539			0.8400	.7193	.0113	.8368	.0076	75
76	6.3878	.013046			0.8295	.7117	.0117	.8316	.0079	76
77	6.1325	.013589			0.8188	.7043	.0122	.8265	.0083	77
78	5.8815	.014169			0.8071	.6970	.0126	.8215	.0087	78
79	5.6359	.014786			0.7953	.6901	.0131	.8167	.0091	79
80	5.3970	.015441			0.7837	.6837	.0135	.8121	.0095	80
81	5.1654	.016133			0.7724	.6778	.0140	.8079	.0098	81
82	4.9417	.016863			0.7618	.6725	.0144	.8042	.0102	82
83	4.7261	.017633			0.7502	.6678	.0148	.8008	.0106	83
84	4.5183	.018443			0.7389	.6639	.0153	.7980	.0109	84
85	4.3178	.019300			0.7282	.6607	.0157	.7957	.0113	85
86	4.1237	.020208			0.7180	.6583	.0161	.7939	.0117	86
87	3.9363	.021170			0.7085	.6566	.0165	.7927	.0121	87
88	3.7550	.022193			0.6984	.6555	.0169	.7919	.0125	88
89	3.5795	.023281			0.6875	.6553	.0173	.7918	.0129	89
90	3.4099	.024439			0.6773	.6552	.0177	.7917	.0133	90