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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 418 Session of  
2025

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INTRODUCED BY SCHLEGEL, ROAE, COOPER, KEPHART AND ZIMMERMAN,  
JANUARY 30, 2025

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REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, JANUARY 30, 2025

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AN ACT

1 Amending the act of August 31, 1971 (P.L.398, No.96), entitled  
2 "An act providing for the creation, maintenance and operation  
3 of a county employes' retirement system, and imposing certain  
4 charges on counties and providing penalties," providing for  
5 County Employees' Defined Contribution Plan.

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

8 Section 1. The act of August 31, 1971 (P.L.398, No.96),  
9 known as the County Pension Law, is amended by adding a section  
10 to read:

11 Section 30.1. County Employees' Defined Contribution Plan.--  
12 (a) The County Employees' Defined Contribution Plan is  
13 established. The board shall administer and manage the plan  
14 which shall be a defined contribution plan exclusively for the  
15 benefit of those county employes who participate in the plan and  
16 their beneficiaries within the meaning of and in conformity with  
17 IRC § 401(a). The board shall determine the terms and provisions  
18 of the plan not inconsistent with this act, the IRC or other  
19 applicable law and shall provide for the plan's administration.

1     (b) The County Employees' Defined Contribution Trust is  
2 established as part of the plan. The trust shall be comprised of  
3 the individual investment accounts and all assets and money in  
4 those accounts, and any assets and money held by the board as  
5 part of the plan that are not allocated to individual investment  
6 accounts. The members of the board shall be the trustees of the  
7 trust, which shall be administered exclusively for the benefit  
8 of those county employes who participate in the plan and their  
9 beneficiaries within the meaning of and in conformity with IRC §  
10 401(a). The board shall determine the terms and provisions of  
11 the trust not inconsistent with this act, the IRC or other  
12 applicable law and shall provide for the investment and  
13 administration of the trust.

14     (c) All assets and income in the plan that have been or  
15 shall be withheld or contributed by the participants, the county  
16 and other employers in accordance with this act shall be held in  
17 trust in any funding vehicle permitted by the applicable  
18 provisions of the IRC for the exclusive benefit of the  
19 participants and their beneficiaries until such time as the  
20 funds are distributed to the participants or their beneficiaries  
21 in accordance with the terms of the plan document. The assets of  
22 the plan held in trust for the exclusive benefit of the  
23 participants and their beneficiaries may be used for the payment  
24 of the fees, costs and expenses related to the administration  
25 and investment of the plan and the trust.

26     (d) The board shall specify the terms and provisions of the  
27 plan and trust in a document containing the terms and conditions  
28 of the plan and in a trust declaration that shall be published  
29 in the county records. Any amendment to the plan and trust  
30 declaration also shall be published.

1 (e) The board shall establish in the trust an individual  
2 investment account for each participant in the plan. All  
3 contributions by a participant or an employer for or on behalf  
4 of a participant shall be credited to the participant's  
5 individual investment account, together with all interest and  
6 investment earnings and losses. Investment and administrative  
7 fees, costs and expenses shall be charged to the participants'  
8 individual investment accounts except as otherwise provided  
9 under this act or as the county otherwise provides by  
10 appropriations from the county general fund. Employer defined  
11 contributions shall be recorded and accounted for separately  
12 from participant contributions, but all interest, investment  
13 earnings and losses, and investment and administrative fees,  
14 costs and expenses shall be allocated proportionately.

15 (f) (1) A participant shall make mandatory pickup  
16 participant contributions through payroll deductions to the  
17 participant's individual investment account equal to a rate as  
18 determined by the board. The employer shall cause those  
19 contributions for current service to be made and deducted from  
20 each payroll or on such schedule as established by the board.

21 (2) A participant may make voluntary contributions through  
22 payroll deductions, through direct trustee-to-trustee transfers,  
23 or through transfers of money received in an eligible rollover  
24 into the trust to the extent allowed by IRC § 402. The rollovers  
25 shall be made in a form and manner as determined by the board,  
26 shall be credited to the participant's individual investment  
27 account and shall be separately accounted for by the board.

28 (3) No contributions may be allowed that would cause a  
29 violation of the limitations related to contributions applicable  
30 to governmental plans contained in IRC § 415 or in other

1 provisions of law. In the event that any disallowed  
2 contributions are made, any participant contributions in excess  
3 of the limitations and investment earnings on those  
4 contributions, but minus investment fees and administrative  
5 charges, shall be refunded to the participant by the board.

6 (g) (1) The contributions to the trust required to be made  
7 under subsection (f) (1) with respect to county service rendered  
8 by an active participant shall be picked up by the county and  
9 shall be treated as the employer's contribution for purposes of  
10 IRC § 414(h). After the effective date of this subsection, an  
11 employer employing a participant in the plan shall pick up the  
12 required mandatory participant contributions by a reduction in  
13 the compensation of the participant.

14 (2) For all other purposes under this act and otherwise,  
15 mandatory pickup participant contributions shall be treated as  
16 contributions made by a participant in the same manner and to  
17 the same extent as if the contributions were made directly by  
18 the participant and not picked up.

19 (h) (1) The county of an active participant shall make  
20 employer defined contributions for service of an active  
21 participant that shall be credited to the active participant's  
22 individual investment account. Employer defined contributions  
23 shall be recorded and accounted for separately from participant  
24 contributions.

25 (2) No contributions may be allowed that would cause a  
26 violation of the limitations related to contributions applicable  
27 to governmental plans contained in IRC § 415 or in other  
28 provisions of law. In the event that any disallowed  
29 contributions are made, any employer defined contributions in  
30 excess of the limitations and investment earnings on the

1 contributions, but minus investment fees and administrative  
2 charges, shall be refunded to the employer by the board.

3 (i) (1) A participant who terminates county service shall  
4 be eligible to withdraw the vested accumulated total defined  
5 contributions standing to the participant's credit in the  
6 participant's individual investment account or a lesser amount  
7 as the participant may request. Payment shall be made in a lump  
8 sum unless the board has established other forms of distribution  
9 in the plan document. A participant who withdraws the  
10 participant's vested accumulated total defined contributions  
11 shall no longer be a participant in the plan, notwithstanding  
12 that the former county employe may continue to be a member of  
13 the system or may have contracted to receive an annuity or other  
14 form of payment from a provider retained by the board for those  
15 purposes.

16 (2) All payments under this subsection shall start and be  
17 made in compliance with the minimum distribution requirements  
18 and incidental death benefit rules of IRC § 401(a)(9). The board  
19 shall take any action and make any distributions it may  
20 determine are necessary to comply with those requirements.

21 (3) (Reserved).

22 (4) A county employe must be terminated from all positions  
23 that result in either membership in the system or participation  
24 in the plan to be eligible to receive a distribution. No  
25 distribution shall be allowed that would be an in-service  
26 distribution prohibited by the IRC.

27 (5) Loans or other distributions, including hardship or  
28 unforeseeable emergency distributions, from the plan to county  
29 employes who have not terminated county service are not  
30 permitted, except as required by law.

1 (6) A participant who terminates county service and whose  
2 vested accumulated total defined contributions are below the  
3 threshold established by law as of the date of termination of  
4 service may be paid the vested accumulated total defined  
5 contributions in a lump sum under IRC § 401(a)(31).

6 (7) Except as prohibited by the IRC or as otherwise provided  
7 in this act, a participant who is eligible and elects to receive  
8 a distribution or vested accumulated employer defined  
9 contributions may purchase an annuity with that distribution  
10 from an annuity provider contracted by the board under  
11 subsection (j)(3) and under any conditions in the plan document.  
12 The conditions may include that the board is authorized to make  
13 the distribution directly to the annuity provider.

14 (j) (1) In the event of the death of an active participant  
15 or inactive participant, the board shall pay to the  
16 participant's beneficiary the vested balance in the  
17 participant's individual investment account in a lump sum or in  
18 another manner as the board may establish in the plan document.

19 (2) In the event of the death of a participant receiving  
20 distributions, the board shall pay to the participant's  
21 beneficiary the vested balance in the participant's individual  
22 investment account in a lump sum or in another manner as the  
23 board may establish in the plan document or, if the board has  
24 established alternative methods of distribution in the plan  
25 document under which the participant was receiving  
26 distributions, to the participant's beneficiary or successor  
27 payee, as the case may be, under the plan document.

28 (3) The board shall contract with financial institutions,  
29 insurance companies or other types of third-party providers to  
30 allow a participant, beneficiary or successor payee who receives

1 a lump sum distribution to receive payments and death benefits  
2 in a form and manner as provided by the contract. To the extent  
3 commercially available, any annuity option shall include an  
4 interest rate of at least two and one-half per cent compounded  
5 annually.

6 (k) Subject to any applicable forfeiture and attachment  
7 provisions of law, a participant shall be vested immediately  
8 with respect to all mandatory pickup participant contributions  
9 and voluntary contributions paid by or on behalf of the  
10 participant to the trust in addition to interest and investment  
11 gains or losses on the participant contributions but minus  
12 investment fees and administrative charges.

13 (1) (1) The board may perform an annual or more frequent  
14 review of any qualified fund manager for the purpose of assuring  
15 that the fund manager continues to meet all standards and  
16 criteria established.

17 (2) The board may allow for eligible rollovers and direct  
18 trustee-to-trustee transfers into the trust from qualified plans  
19 of other employers, regardless of whether the employers are  
20 private employers or public employers.

21 (3) The board may allow an inactive participant to maintain  
22 the participant's individual investment account within the plan.

23 (4) The board shall administer or ensure the administration  
24 of the plan in compliance with the qualifications and other  
25 rules of the IRC.

26 (5) The board may establish procedures to provide for the  
27 lawful payment of benefits, including alternate payees under  
28 this act or other law.

29 (6) The board shall determine, after reviewing applicable  
30 law, what constitutes a termination of county service.

1 (7) The board may establish procedures for distributions of  
2 small accounts as required or permitted by the IRC.

3 (8) The board may establish procedures in the plan document  
4 or adopt and promulgate rules and regulations as it deems  
5 necessary for the administration and management of the plan,  
6 including establishing:

7 (i) Procedures for eligible participants to change voluntary  
8 contribution amounts or investment choices on a periodic basis  
9 or make other elections regarding participation in the plan.

10 (ii) Procedures for deducting mandatory pickup participant  
11 contributions and voluntary contributions from a participant's  
12 compensation.

13 (iii) Procedures for rollovers and trustee-to-trustee  
14 transfers allowed under the IRC and permitted as part of the  
15 plan.

16 (iv) Standards and criteria for disclosing to the  
17 participants the anticipated and actual income attributable to  
18 amounts invested, property rights and all fees, costs and  
19 expenses to be made against amounts deferred to cover the fees,  
20 costs and expenses of administering and managing the plan or  
21 trust.

22 (v) Procedures, standards and criteria for the making of  
23 distributions from the plan upon termination from employment or  
24 death or in other circumstances consistent with the purpose of  
25 the plan.

26 (9) The board may waive any reporting or information  
27 requirement contained in this act if the board determines that  
28 the information is not needed for the administration of the  
29 plan.

30 (10) The board may contract any services and duties in lieu



1 of staff, except final adjudications and as prohibited by law. A  
2 duty or responsibility of the board not required by law to be  
3 performed by the board may be delegated to a third-party  
4 provider subject to appeal to the board.

5 (11) The board may provide that any duties of the employer  
6 or information provided by the participant to the employer be  
7 performed or received directly by the board.

8 (12) The board shall ensure that participants are provided  
9 with educational materials about investment options and choices.

10 (m) The board, the Commonwealth, an employer or other  
11 political subdivision shall not be responsible for any  
12 investment or other loss incurred under the plan or for the  
13 failure of any investment to earn any specific or expected  
14 return or to earn as much as any other investment opportunity or  
15 to cost less than any other investment opportunity, whether or  
16 not the other opportunity was offered to participants in the  
17 plan.

18 (n) (1) All contributions, interest and investment earnings  
19 shall be invested based on a participant's investment allocation  
20 choices, if the board may provide for a default investment  
21 option. All investment allocation choices shall be credited  
22 proportionally between participant contributions and employer  
23 defined contributions. Each participant shall be credited  
24 individually with the amount of contributions, interest and  
25 investment earnings.

26 (2) Investment of contributions by any corporation,  
27 institution, insurance company, custodial bank or other entity  
28 that the board has approved shall not be unreasonably delayed,  
29 and in no case may the investment of contributions be delayed  
30 more than thirty days from the date of payroll deduction or the

1 date voluntary contributions are made to the date that funds are  
2 invested. Any interest earned on the funds pending investment  
3 shall be used to pay administrative costs and fees that would  
4 otherwise be required to be borne by participants who are then  
5 participating in the plan or paid by appropriations from the  
6 county general fund.

7 (o) All fees, costs and expenses of establishing and  
8 administering the plan and the trust and investing the assets of  
9 the trust shall be borne by the participants and paid from  
10 assessments against the balances of the individual investment  
11 accounts as established by the board, except that the fees,  
12 costs and expenses of establishing and administering the plan  
13 and the trust shall be paid by the county through annual  
14 appropriations.

15 (p) (1) All payments under this section shall start and be  
16 made in compliance with the required beginning date, minimum  
17 distribution requirements and incidental death benefit rules of  
18 IRC § 401(a).

19 (2) (i) Except as provided under subparagraph (ii), a  
20 contribution or benefit related to the plan may not exceed any  
21 limitation under IRC § 415 with respect to a governmental plan  
22 which is in effect on the date the contribution or benefit  
23 payment takes effect.

24 (ii) An increase in a limitation under IRC § 415 shall apply  
25 to all participants on and after the effective date of this  
26 subparagraph.

27 (iii) An increase in benefits on or after the effective date  
28 of this subparagraph for a participant in the plan shall be  
29 authorized and apply to the fullest extent allowed by law.

30 (q) As used in this section, the following words and phrases

1 shall have the meanings given to them in this subsection unless  
2 the context clearly indicates otherwise:

3 "Governmental plan" has the same meaning as the term has in  
4 IRC § 414(d).

5 "IRC" means the Internal Revenue Code of 1986 (26 U.S.C. § 1  
6 et seq.).

7 "Participant" means a county employe.

8 "Plan" means the County Employees' Defined Contribution Plan  
9 established under subsection (a).

10 "Trust" means the County Employees' Defined Contribution  
11 Trust established under subsection (b).

12 Section 2. This act shall take effect in 60 days.